DAC Bond®

NEW ISSUE - Book-Entry Only (See "RATINGS" herein)

In the opinion of Bowles Rice LLP ("Bond Counsel"), under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2017 Bonds is excludable from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, upon the conditions and subject to the limitations set forth under the caption "Tax Matters" herein. Under the Code, however, such interest is included in the adjusted current earnings of certain corporations for the purpose of computing the alternative minimum tax. In addition, in the opinion of Bond Counsel, under the Act, the Series 2017 Bonds, together with the interest on the bonds, are exempt from all taxation by the State of West Virginia or by any county, school district, municipality or political subdivision thereof. See "TAX MATTERS" herein.

$38,415,000
STATE OF WEST VIRGINIA
SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA
Capital Improvement Refunding Revenue Bonds, Series 2017

Dated: Date of Delivery **Due: July 1, as shown on inside cover**

The State of West Virginia School Building Authority of West Virginia Capital Improvement Refunding Revenue Bonds, Series 2017 Bonds (the "Series 2017 Bonds") are issuable only as fully-registered Bonds without coupons, and when initially issued, will be registered to Cede & Co., as nominee of DTC, The Depository Trust Company, New York, New York. Individual purchases will be made in book-entry form only, in the principal amount of $5,000 or any integral multiple thereof. Beneficial owners of the Series 2017 Bonds will not receive physical delivery of bond certificates. So long as DTC or its nominee is the registered owner of the Series 2017 Bonds, payments of the principal of and interest on the Series 2017 Bonds will be made directly to DTC. Disbursements of such payments to DTC participants is the responsibility of DTC, and disbursement of such payments to the beneficial owners is the responsibility of DTC participants (see "THE SERIES 2017 BONDS – Book-Entry Only System" herein). United Bank, Inc. (formerly United National Bank), Charleston, West Virginia, is Trustee, Registrar and Paying Agent for the Series 2017 Bonds. Interest on the Series 2017 Bonds will be payable on January 1 and July 1, commencing January 1, 2018.

The Series 2017 Bonds are being issued to (i) currently refund all of the outstanding Capital Improvement Refunding Revenue Bonds, 2007 Series A (the " 2007 Series A Bonds") of the Authority, and (ii) pay costs of issuing the Series 2017 Bonds.

The Series 2017 Bonds are limited obligations of the Authority payable solely from the Trust Estate (as defined herein) pledged under the Indenture (as defined herein). See "SECURITY FOR THE SERIES 2017 BONDS" herein. The Authority may not at any time or in any manner pledge the credit or taxing power of the State, nor shall any of the obligations or debts created by the Authority under the Indenture be deemed to be obligations of the State.

All Bonds issued under the Indenture are secured by a pledge of moneys appropriated by the West Virginia State Legislature into the School Building Capital Improvements Fund and then transferred to the Trustee, for deposit in the Revenue Fund established under the Indenture. AMOUNTS AVAILABLE TO BE TRANSFERRED TO THE TRUSTEE FOR DEPOSIT IN THE REVENUE FUND ARE SUBJECT TO ANNUAL APPROPRIATIONS IN AMOUNTS SUFFICIENT TO PAY DEBT SERVICE ON THE SERIES 2017 BONDS. See "SECURITY FOR THE SERIES 2017 BONDS" herein.

The Series 2017 Bonds are not subject to redemption prior to maturity. See "THE SERIES 2017 BONDS – REDEMPTION" herein.

This cover page contains certain summary information regarding the Series 2017 Bonds and is not a complete summary of the Series 2017 Bonds or the security therefor. Investors should read this entire Official Statement to obtain information necessary to the making of an informed investment decision.

The Series 2017 Bonds are offered when, as and if issued by the Authority and accepted by the Underwriters, subject to prior sale, to withdrawal or modification of the offer without notice, and to the approving legal opinion of Bowles Rice LLP, Charleston, West Virginia, Bond Counsel. Certain legal matters will be passed upon for the Authority by its counsel, White Law Offices, PLLC, Charleston, West Virginia, for the Underwriters by their counsel, Steptoe & Johnson PLLC, Charleston, West Virginia, and for the State by its disclosure counsel, Spilman Thomas & Battle, PLLC. It is expected that the Series 2017 Bonds in definitive form will be available for delivery in New York, New York, on or about October 11, 2017.

CITIGROUP **PIPER JAFFRAY & CO.**

September 26, 2017

$38,415,000
STATE OF WEST VIRGINIA
SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA
Capital Improvement Refunding Revenue Bonds, Series 2017

Year (July 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP*
2018	$16,150,000	5.000%	0.980%	102.884	95667QBA3
2019	22,265,000	5.000%	1.070%	106.686	95667QBB1

*CUSIP Numbers have been assigned by an independent company not affiliated with the Authority and are included on this cover page solely for the convenience of the Owners of the Series 2017 Bonds only at the time of issuance of the Series 2017 Bonds. Neither the Underwriters nor the Authority make any representation with respect to the accuracy of such CUSIP numbers as indicated in the above table or undertakes any responsibility for the selection of the CUSIP numbers or their accuracy now or at any time in the future. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Series 2017 Bonds.

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YOU SHOULD MAKE YOUR OWN DECISION WHETHER THIS OFFERING MEETS YOUR INVESTMENT OBJECTIVES AND RISK TOLERANCE LEVEL. NO FEDERAL OR STATE SECURITIES COMMISSION HAS APPROVED, DISAPPROVED, ENDORSED OR RECOMMENDED THIS OFFERING. NO INDEPENDENT PERSON HAS CONFIRMED THE ACCURACY OR TRUTHFULNESS OF THIS DISCLOSURE, NOR WHETHER IT IS COMPLETE. THE WEST VIRGINIA SECURITIES COMMISSION HAS NOT REVIEWED THE DISCLOSURE CONTAINED HEREIN AND THE AUTHORITY IS RELYING ON AN EXEMPTION FROM REGISTRATION BY QUALIFICATION UNDER THE WEST VIRGINIA SECURITIES ACT. IMPORTANT RISK FACTORS ARE EXPLAINED HEREIN UNDER "INVESTMENT CONSIDERATIONS."

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2017 BONDS AT A LEVEL WHICH MIGHT NOT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE SERIES 2017 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE HEREINAFTER DEFINED INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. THE REGISTRATION OR QUALIFICATION OF THE SERIES 2017 BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF THE SECURITIES LAWS OF THE STATES, IF ANY, IN WHICH THE SERIES 2017 BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN CERTAIN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE SERIES 2017 BONDS OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THIS OFFICIAL STATEMENT AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE SERIES 2017 BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY COMMISSION INCLUDING, BUT NOT LIMITED TO, THE WEST VIRGINIA SECURITIES COMMISSION. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR COMPLETENESS OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THE INFORMATION CONTAINED HEREIN UNDER THE HEADING "THE AUTHORITY" AND "THE PROGRAM" HAS BEEN FURNISHED BY THE AUTHORITY. ALL OTHER INFORMATION CONTAINED HEREIN HAS BEEN OBTAINED FROM THE STATE AND OTHER SOURCES (OTHER THAN THE AUTHORITY), WHICH ARE BELIEVED TO BE RELIABLE. SUCH OTHER INFORMATION IS NOT GUARANTEED AS TO ACCURACY OR COMPLETENESS BY, AND IS NOT TO BE RELIED UPON AS OR CONSTRUED AS A PROMISE OR REPRESENTATION BY, THE AUTHORITY OR THE UNDERWRITERS. NO REPRESENTATION, WARRANTY OR GUARANTY IS MADE BY THE UNDERWRITERS AS TO THE ACCURACY OR COMPLETENESS OF ANY INFORMATION IN THIS OFFICIAL STATEMENT, AND NOTHING CONTAINED IN THIS OFFICIAL STATEMENT IS OR SHALL BE RELIED UPON AS A PROMISE OR REPRESENTATION BY THE UNDERWRITERS.

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL, OR THE SOLICITATION OF AN OFFER TO BUY, ANY SECURITIES OTHER THAN THE SECURITIES OFFERED HEREBY, OR AN OFFER TO SELL OR SOLICITATION OF OFFERS TO BUY, NOR SHALL THERE BE ANY SALE OF THE BONDS, BY ANY PERSON IN ANY JURISDICTION WHERE SUCH OFFER, OR SOLICITATION OR SALE WOULD BE UNLAWFUL IN SUCH JURISDICTION. NO

DEALER, BROKER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT IN CONNECTION WITH THE OFFERING CONTAINED HEREIN, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE STATE OR ANY OTHER PERSON. NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR THE SALE OF ANY BONDS IMPLIES THAT THERE HAS BEEN NO CHANGE IN THE MATTERS DESCRIBED HEREIN SINCE THE DATE HEREOF.

THIS OFFICIAL STATEMENT CONTAINS STATEMENTS RELATING TO FUTURE RESULTS THAT ARE "FORWARD LOOKING STATEMENTS" AS DEFINED IN THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. WHEN USED IN THIS OFFICIAL STATEMENT, THE WORDS "ESTIMATED," "FORECASTED," "INTENDED," "EXPECTED," ANTICIPATED," "PROJECTED," AND SIMILAR EXPRESSIONS IDENTIFY FORWARD-LOOKING STATEMENTS. SUCH STATEMENTS ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTEMPLATED IN SUCH FORWARD-LOOKING STATEMENTS. ANY FORECAST IS SUBJECT TO UNCERTAINTIES. INEVITABLY, SOME ASSUMPTIONS USED TO DEVELOP THE FORECASTS WILL NOT BE REALIZED AND UNANTICIPATED EVENTS AND CIRCUMSTANCES MAY OCCUR. THEREFORE, THERE ARE LIKELY TO BE DIFFERENCES BETWEEN FORECASTS AND ACTUAL RESULTS, AND THOSE DIFFERENCES MAY BE MATERIAL.

THIS OFFICIAL STATEMENT SPEAKS ONLY AS OF THE DATE PRINTED ON THE COVER PAGE HEREOF. THE INFORMATION AND EXPRESSIONS OF OPINION HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCE, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE PARTIES REFERRED TO ABOVE SINCE THE DATE HEREOF IN ANY OF THE INFORMATION SET FORTH HEREIN SINCE THE DATE HEREOF OR THE DATE AS OF WHICH PARTICULAR INFORMATION WAS GIVEN, IF EARLIER. THIS OFFICIAL STATEMENT WILL BE MADE AVAILABLE THROUGH THE ELECTRONIC MUNICIPAL MARKET ACCESS SYSTEM, WHICH IS THE SOLE NATIONALLY RECOGNIZED MUNICIPAL SECURITIES INFORMATION REPOSITORY UNDER SECURITIES EXCHANGE COMMISSION RULE 15C2-12.

OFFICIAL STATEMENT
$38,415,000
STATE OF WEST VIRGINIA
SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA
CAPITAL IMPROVEMENT REFUNDING REVENUE BONDS, SERIES 2017

INTRODUCTORY STATEMENT

General

The purpose of this Official Statement is to set forth certain information concerning the School Building Authority of West Virginia (the "Authority"), and its $38,415,000 Capital Improvement Refunding Revenue Bonds, Series 2017 (the "Series 2017 Bonds"). The Series 2017 Bonds are being issued pursuant to the Constitution and laws of the State of West Virginia (the "State"), including West Virginia Code Section 18-9D-1 et seq., as amended (the "Act"), a Resolution adopted by the Authority on August 29, 2017 (the "Resolution"), and a Trust Indenture, dated as of January 1, 1990 (as supplemented, amended or modified, the "Indenture"), by and between the Authority and United National Bank (now known as United Bank, Inc.), Charleston, West Virginia, as trustee (the "Trustee"), as amended by nine Supplemental Indentures, being a First Supplemental Trust Indenture, dated as of January 1, 1990 (the "First Supplemental Indenture"), a Second Supplemental Trust Indenture, dated as of July 1, 1990 (the "Second Supplemental Indenture"), a Third Supplemental Trust Indenture, dated as of January 1, 1991 (the "Third Supplemental Indenture"), a Fourth Supplemental Trust Indenture, dated as of June 1, 1992 (the "Fourth Supplemental Indenture"), a Fifth Supplemental Trust Indenture, dated as of February 1, 1997 (the "Fifth Supplemental Indenture"), a Sixth Supplemental Trust Indenture, dated as of September 1, 1997 (the "Sixth Supplemental Indenture"), a Seventh Supplemental Trust Indenture, dated as of July 1, 2002 (the "Seventh Supplemental Indenture"), an Eighth Supplemental Trust Indenture, dated as of April 1, 2007 (the "Eighth Supplemental Indenture") and, in connection with the issuance of the Series 2017 Bonds, a Ninth Supplemental Trust Indenture, dated as of October 1, 2017 (the "Ninth Supplemental Indenture"). The bonds issued under the First Supplemental Indenture, the Second Supplemental Indenture, the Third Supplemental Indenture, the Fourth Supplemental Indenture, the Fifth Supplemental Indenture, the Sixth Supplemental Indenture, and the Seventh Supplemental Indenture have been paid in full, and these Supplemental Indentures are no longer in effect. The Trustee is also the Paying Agent and Registrar for the Series 2017 Bonds. The Series 2017 Bonds are initially issued in "book-entry" form only. See "THE SERIES 2017 BONDS - Book-Entry Only System" herein.

Security for the Series 2017 Bonds

Under the Indenture, the Authority has pledged as security for all Bonds issued thereunder including, without limitation, the Series 2017 Bonds (i) Revenues (as defined herein), (ii) with respect to each Series of Bonds, all moneys and securities from time to time held by the Trustee in the other Funds and Accounts created with respect to such Series of Bonds (except moneys and securities held in the Earnings Fund, including the Series 2017 Rebate Account therein), and (iii) any and all other real or personal property of every kind and nature from time to time hereafter by delivery or writing of any kind granted, conveyed, mortgaged, pledged, assigned or transferred, as and for additional security for the Bonds by the Authority (collectively, the "Trust Estate"). The Indenture provides that, except for the Revenue Fund, amounts in the Funds and Accounts established with respect to one Series of Bonds are not available for the payment of any other Series of Bonds.

All Bonds issued under the Indenture, including the Series 2017 Bonds, are secured by a pledge of "Revenues." The "Revenues" include (i) moneys appropriated by the Legislature from the State's General Revenue Fund into the School Building Capital Improvements Fund (the "Building Fund") and then transferred to the Trustee for deposit into the Revenue Fund, and (ii) any other moneys, income or property pledged by the Authority to the payment of Series 2017 Bonds. The Authority anticipates receiving appropriations of approximately $23.4 million each year until maturity of the Series 2017 Bonds to pay debt service on the Series 2017 Bonds from an allocation by the West Virginia Department of Education made pursuant to Chapter 18, Article 9A, Section 10 of the West Virginia Code. For fiscal year 2018, this allocation is $23,424,770. Currently, these appropriations are the sole source of Revenues. AMOUNTS AVAILABLE TO BE TRANSFERRED TO THE TRUSTEE ARE SUBJECT

TO ANNUAL APPROPRIATION BY THE STATE LEGISLATURE. THE STATE LEGISLATURE IS NOT LEGALLY OBLIGATED TO MAKE APPROPRIATIONS IN AMOUNTS SUFFICIENT TO PAY DEBT SERVICE ON THE SERIES 2017 BONDS. See "SECURITY FOR THE SERIES 2017 BONDS" herein and "FINANCIAL PROCEDURES AND OPERATIONS - Budgetary Process" in APPENDIX A.

Bondholders' Risks

The purchase of the Series 2017 Bonds is subject to certain risks, including those described herein under "BONDHOLDERS' RISKS."

Miscellaneous

Definitions of certain terms used in this Official Statement and a brief description of the Indenture are set forth in Appendix C to this Official Statement. In addition, this Official Statement contains brief descriptions of, among other things, the State, the Authority and the Program, as defined herein. Such descriptions do not purport to be comprehensive or definitive. All references in this Official Statement to documents are qualified in their entirety by reference to such documents, and references to the Series 2017 Bonds are qualified in their entirety by reference to the forms of bond included in the Ninth Supplemental Indenture. Copies of the Indenture and other documents described in this Official Statement may be obtained from the Trustee or the Authority.

THE AUTHORITY

The Authority is a public corporation that was created under the Act to facilitate and provide funds for the acquisition, construction, equipping or improvement of school facilities so as to meet the educational needs of the people of the State in an efficient and economical manner.

The Authority is authorized to issue the Series 2017 Bonds and to pledge the Revenues as security therefor pursuant to the Act. The Authority is issuing the Series 2017 Bonds pursuant to the Resolution, the Indenture and the Act.

An 11-member board governs the Authority. The Governor, or his designee, serves as the Chair of the Authority. The Governor has designated Brian R. Abraham as the Chair of the Authority. The remaining ten (10) members consist of the State Superintendent of Schools, three (3) members of the State Board of Education selected by the State Board of Education and six (6) citizens of the State appointed by the Governor. The members of the Authority and their terms are as follows:

Name	Title	Term
Governor James Justice	Governor	Ex-Officio
Brian R. Abraham	Governor's Designated Chair	Ex-Officio
Steven L. Burton	Vice Chair	July 31, 2018
Dr. Steven Paine	State Superintendent of Schools	Ex-Officio
Victor L. Gabriel	Secretary	July 31, 2018
Thomas Campbell	Member, Chair of Finance Committee	November 4, 2017
Miller Hall	Member	November 4, 2018
Robert E. Holroyd, Esquire	Member	July 31, 2018
Tom Lange	Member	July 31, 2019
Dr. James S. Wilson	Member	November 4, 2019
Chris Morris	Member	July 31, 2018
T. Bartlett Willis	Member	July 31, 2019

Biographical Information of Certain Officers of the Authority

The principal officers of the Authority are Frank "Bucky" Blackwell, Executive Director, Scott Raines, Director of Architectural Services, and Garry Stewart, Director of Finance. Pertinent biographical information of the principal officers of the Authority is included below:

Frank "Bucky" Blackwell, Executive Director –

Frank "Bucky" Blackwell was appointed the Executive Director of the Authority on January 24, 2017. Mr. Blackwell, from Mullens, West Virginia, grew up in the nearby small coal community of Corinne, graduated from Mullens High School and earned his Bachelors and Master's Degrees from Marshall University. Mr. Blackwell has been an educator all of his 47-year professional career. He has held the position of teacher, principal, (President of the Elementary Principals' Association for 7-years), Assistant Superintendent and Superintendent of Wyoming County Schools. Mr. Blackwell took the office of Superintendent of Wyoming County on July 1, 1982, and retired June 30, 2016, after 34 years of service. He has also been honored by his peers awarding him West Virginia Superintendent of the Year. During this time, as Superintendent, he worked with the Authority many times to acquire funding for renovations in existing schools and the construction of a new elementary school; a PreK-8 School and two High Schools, in Wyoming County. He also has served seven-years in the West Virginia House of Delegates and was Chairman of Roads and Transportation for two-years. He has been a member of the West Virginia Master Plan for Public Education and Senior Manager's Symposium and served on the Governor's Education Transition Team. He also is a former member of Concord University's Board of Governors and served as Chairman of the Board. Mr. Blackwell is a Distinguished West Virginian.

Scott Raines, Director of Architectural Services –

The Director of Architectural Services for the Authority is Scott Raines. Mr. Raines began working for the Authority in April 2005. Mr. Raines began working as Director of Architectural Services in June 2012. He is a native West Virginian who completed his undergraduate studies at West Virginia State University, earning an Associate of Science degree in Architectural Technology. Before joining the Authority, Mr. Raines was employed as an educational planner and designer for various architectural firms in the Charleston, West Virginia area. Mr. Raines has over 20 years experience in public and private business in the field of school planning, design and construction. He is a nationally recognized educational facilities planner and a member of the CEFPI and is a REFP.

Garry Stewart, Director of Finance –

The Director of Finance for the Authority is Garry Stewart. Mr. Stewart is a Certified Public Accountant, and began working for the Authority in August 1990. Mr. Stewart, a native West Virginian, completed his Bachelor of Science in Business Administration studies at West Virginia University. Prior to joining the Authority, he was employed at various local CPA firms where he specialized in the finance and construction industries.

History and Experience of Authority in the Issuance of Bonds

Since its inception in 1989, the Authority has issued 22 series of bonds representing an aggregate principal amount of $1,506,650,000. Twelve of these series of bonds, namely the 2007 Series A Bonds, Excess Lottery Revenue Bonds, Series 2008 (the "Series 2008 Bonds"), Excess Lottery Revenue Bonds (Qualified School Construction Bonds), Series 2009 A (Tax Credit Bonds) (the "Series 2009 A Tax Credit Bonds"), Excess Lottery Revenue Bonds (Qualified School Construction Bonds), Series 2009 B (Tax Credit Bonds) (the "Series 2009 B Tax Credit Bonds"), Excess Lottery Revenue Bonds (Qualified School Construction Bonds), Series 2010 A (Tax Credit Bonds) (the "Series 2010 A Tax Credit Bonds"), Excess Lottery Revenue Bonds, Series 2010 B (Tax-Exempt) (the "Series 2010 B Bonds"), Lottery Capital Improvement Revenue Bonds, Series 2012 A (the "Series 2012 Bonds"), Lottery Capital Improvement Revenue Bonds, Series 2013 A (the "Series 2013 Bonds"), Lottery Capital Improvement Revenue Bonds, Series 2014 A (the "Series 2014 Bonds"), Excess Lottery Revenue

Refunding Bonds, Series 2015 A (the "Series 2015 A Bonds"), Lottery Capital Improvement Revenue Bonds, Series 2016 A (the "Series 2016 A Bonds"), and Lottery Capital Improvement Revenue Bonds, Series 2016 B (the "Series 2016 B Bonds") remain outstanding (collectively, the "Lottery and Excess Lottery Bonds"). See the following table for a summary of the Authority's outstanding bonds, excluding the 2007 Series A Bonds being refunded with the Series 2017 Bonds, and the source of the revenue from which debt service is paid. See also "SECURITY FOR THE SERIES 2017 BONDS."

Series Name	**Original Principal**	**Amount of Bonds Outstanding as of September 1, 2017[1]**	**Revenues From Which Debt Service Is Paid**
Series 2008 Bonds	$102,145,000	$4,775,000	Excess Lottery School Building Debt Service Fund
Series 2009 A Tax Credit Bonds	30,000,000	14,000,000	Excess Lottery School Building Debt Service Fund
Series 2009 B Tax Credit Bonds	48,200,000	26,344,280	Excess Lottery School Building Debt Service Fund
Series 2010 A Tax Credit Bonds	72,280,000	42,678,038	Excess Lottery School Building Debt Service Fund
Series 2010 B Bonds	25,000,000	20,660,000	Excess Lottery School Building Debt Service Fund
Series 2012 Bonds	25,575,000	20,890,000	School Building Debt Service Fund
Series 2013 Bonds	24,425,000	20,320,000	School Building Debt Service Fund
Series 2014 Bonds	26,055,000	22,150,000	School Building Debt Service Fund
Series 2015 A Bonds	63,640,000	63,555,000	Excess Lottery School Building Debt Service Fund
Series 2016 A Bonds	21,340,000	20,315,000	School Building Debt Service Fund
Series 2016 B Bonds	21,255,000	21,255,000	School Building Debt Service Fund
Totals	**$459,915,000**	**$276,942,318**	

(1) Net of sinking fund balances with respect to the Series 2009 A Tax Credit Bonds, Series 2009 B Tax Credit Bonds and the Series 2010 A Tax Credit Bonds. This table excludes the 2007 Series A Bonds being refunded.

The Trust Estate secures debt service on the Authority's Series 2017 Bonds. The Trust Estate does not secure the Lottery and Excess Lottery Bonds, and no part of the principal and premium, if any, and interest on such bonds, is payable out of the Revenues or other moneys, accounts or property held by the Trustee under the Indenture.

In Winkler v. State School Building Authority, 189 W. Va. 748, 434 S.E.2d 420 (1993), the Supreme Court of Appeals of West Virginia (the "Court") declared unconstitutional those provisions of the Act whereby the State Legislature appropriated funds from the general revenues of the State for the purpose of retiring all or a portion of bonds issued to finance the Program (as defined herein). The decision, however, was expressly determined by the Court to apply prospectively, and not retroactively. Consequently, while no new bond issue can make use of the aforesaid funding mechanism to retire all or a portion of such bonds, the Court held that bonds could be issued and payable from such funding mechanism to refund bonds of the Authority issued and payable under the aforesaid funding mechanism and that all bonds payable from such funding mechanism issued prior to Winkler could continue to be retired from such funding mechanism.

This holding was reaffirmed in State of West Virginia ex. rel. School Building Authority of West Virginia v. Dr. Henry R. Marockie, President, School Building Authority of West Virginia, 198 W. Va. 424, 481 S.E. 2d 730 (1996).

The Authority also has previously issued bonds payable solely from revenues of the West Virginia Lottery. In State ex rel. Marockie v. Wagoner, 191 W. Va. 458, 446 S.E. 2d 680 (1994), the Court upheld the constitutionality of an amendment to the Act permitting proceeds of the West Virginia Lottery to be used to retire bonds issued under the Act. The Authority subsequently issued its Capital Improvement Revenue Bonds, Series 1994 in the original principal amount of $135,600,000 (the "Series 1994 Bonds") and its Lottery Capital Improvement Revenue Bonds, Series 2004 in the original principal amount of $141,600,000 (the "Series 2004 Bonds"), both series of which are no longer outstanding, as well as the 2007 Series A Bonds and the Lottery and Excess Lottery Bonds, all of which (except for the 2007 Series A Bonds being refunded by the Series 2017 Bonds) are payable from certain revenues of the West Virginia Lottery as set forth in the chart above. The Series 2017 Bonds are payable solely from state appropriations and will not be payable from any revenues of the West Virginia Lottery.

PUBLIC EDUCATION IN WEST VIRGINIA

General

The inadequate condition of public education has come to the forefront of discussion at the federal and state levels, particularly the issue of the inequities that occur among school districts when state funding is based on the relative abilities of school districts to raise local dollars for public education from property taxes.

Recent History of Public Education Policy

In addition to the constitutionally preferred status enjoyed by public education in the State, the Governor and the State Legislature have placed high priority on improving public education throughout the State. During the 1989 legislative session, former Governor Caperton and the Legislature adopted a legislative program to address three (3) primary areas in public education: modern facilities, the teaching force and improved curriculum. The issue of modern facilities was addressed by creating the Authority and providing funding for the Program (as defined herein). See "THE PROGRAM." In 2013, the State Legislature enacted Senate Bill 359, a landmark education reform bill, designed to, among other things, raise student achievement by giving local school boards more flexibility to develop school calendars while ensuring 180 instructional classroom days, providing optional full day, five (5) days per week four (4) year old preschool programs in every county, and ensuring that all students read on their grade level by the end of the third grade. Funding for school construction has not decreased as a result of passage of Senate Bill 359.

THE PROGRAM

The Authority administers a program of funding to select construction and improvement projects benefitting public schools throughout the State (the "Program"). The Authority receives its funding from the following sources: appropriations from the State Legislature, the sale of bonds authorized under the Act, such as the Series 2017 Bonds, transfers by the Lottery Director from the State Lottery Fund and the State Excess Lottery Revenue Fund required by the Lottery Act, transfers from the State Department of Revenue of the portion of the Consumer Sales and Services Tax required by Chapter 11, Article 15, Section 30 of the Code of West Virginia, 1931, as amended, the federal government and other sources (collectively, the "SBA Funds"). During the fiscal year ended June 30, 2017, the Authority received $93,620,956 in allocations from the State to fund the Program.

The SBA Funds are allocated among the following funds to be disbursed in accordance with the Act for the benefit of county boards of education and other entities whose projects may be funded by the Authority: (i) the Building Fund, (ii) the School Construction Fund, (iii) the School Major Improvement Fund, (iv) the School Building Debt Service Fund, (v) Excess Lottery School Building Debt Service Fund and (vi) School Access Safety Fund.

Funds appropriated from the State Legislature will be used to pay principal, premium, if any, and interest on the Authority's Series 2017 Bonds. Historically, the State Legislature has appropriated sufficient moneys into the Building Fund each year to pay debt service on the Authority's bonds secured by a pledge of revenues in that fund. See "BONDHOLDERS' RISK" herein for a discussion of certain risks related to the appropriation of funds by the State Legislature.

Certain revenues of the West Virginia Lottery deposited into the School Building Debt Service Fund are used to pay principal, premium, if any, and interest on the Series 2012 Bonds, the Series 2013 Bonds, the Series 2014 Bonds, the Series 2016 A Bonds, and the Series 2016 B Bonds. Funds deposited into the Excess Lottery School Building Debt Service Fund are used to pay principal, premium, if any, and interest, as applicable, on the Series 2008 Bonds, the Series 2009 A Tax Credit Bonds, the Series 2009 B Tax Credit Bonds, the Series 2010 A Tax Credit Bonds, the Series 2010 B Bonds and the Series 2015 A Bonds. The Series 2017 Bonds are not payable from funds on deposit in the School Building Debt Service Fund or the Excess Lottery School Building Debt Service Fund.

From time to time, county boards of education and other eligible entities submit project proposals to the Authority seeking funding for their respective facilities related projects. In order to be eligible to receive SBA Funds, county boards of education must file with the Authority a ten-year Countywide Comprehensive Educational Facilities Plan ("CEFP"). A CEFP must: (a) address the existing school facilities and facility needs of the county to provide a thorough and efficient education; (b) best serve the needs of individual students, the general school population and the communities served by the facilities; (c) include a School Major Improvement Plan, as hereafter discussed; (d) include the county board's school access safety plan; (e) be updated annually to reflect projects completed, current enrollment projections and new or continuing needs; and (f) be approved by the State Board of Education[1] and the Authority prior to the distribution of state funds pursuant to the Act.

A School Major Improvement Plan ("SMIP") is a ten-year school maintenance plan prepared by a county board of education as part of its CEFP or by the State board of education or the administrative council of an area vocational educational center, as applicable. It must: (a) address the regularly scheduled maintenance for all school facilities of the county or under the jurisdiction of the entity seeking funding; (b) include a projected repair and replacement schedule for all school facilities of the county or of the entity seeking funding; (c) address the major improvement needs of each school within the county or under the jurisdiction of the entity seeking funding; and (d) be submitted to the Authority prior to the distribution of state funds for a major improvement project pursuant to the Act.

The entities filing CEFPs and SMIPs with the Authority must rank the projects identified therein in order of priority. All projects for which funding is requested from the Authority must be included, as appropriate, in the CEFPs and the SMIPs.

The Authority evaluates project proposals requesting SBA Funds to ensure that the proposed project furthers the purposes of the respective CEFP and/or SMIP. In its evaluation of project proposals, the Authority considers the requesting party's prioritization of projects as set forth in its CEFPs and SMIPs, as applicable. The objective criteria used by the Authority in its evaluation of project proposals includes, but are not limited to, the following: (a) how the current facilities fail to meet and how the facilities benefitted by the project proposal will meet certain criteria specified in the Act following completion of the project; and (b) how the project will assure the prudent and resourceful expenditure of State funds and achieve the purposes of the Act for constructing, expanding, renovating or otherwise improving and maintaining school facilities throughout the State.

After completing its evaluation of project proposals, but prior to taking any final action approving projects for funding, the Authority is required to submit a certified list of the projects to the State Joint Committee on Government and Finance. Thereafter, the Authority may make its final funding decisions in accordance with

[1] In Board of Education of the County of Nicholas, West Virginia ("Nicholas County Board") v. West Virginia Board of Education ("West Virginia Board") and Steven L. Paine, Ed.D., the Nicholas County Board filed suit challenging the extent of authority of the West Virginia Board to reject a CEFP. The Circuit Court granted the Nicholas County Board's petition for mandamus holding the West Virginia Board arbitrarily rejected the Nicholas County Board's CEFP when it rejected the CEFP for reasons other than those contained in its rules. The West Virginia Board has appealed such decision to the West Virginia Supreme Court of Appeals. The Authority does not believe the ultimate outcome of such case will adversely impact the repayment of the Series 2017 Bonds.

the Act, which directs that certain percentages of SBA Funds be available for certain types of projects specified therein. The Authority seeks to utilize all sources of SBA Funds in the most efficient and economical manner to fund the improvement and construction of school facilities throughout the State.

In fiscal years 2016 and 2017, the Authority expended $51,747,833 and $54,874,333, respectively, on projects throughout the State from State allocations and bond proceeds.

THE SERIES 2017 BONDS

General

The Series 2017 Bonds are issued in fully-registered form in Authorized Denominations of $5,000 or any integral multiple thereof. The Series 2017 Bonds are payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Except as provided for herein, the Series 2017 Bonds will be dated, will mature on the dates and in the principal amounts, and bear interest at the rates, all as set forth on the inside cover page of this Official Statement.

Interest on the Series 2017 Bonds is payable on January 1 and July 1 of each year, commencing January 1, 2018. Interest will be calculated on the basis of a 360 day year of twelve 30 day months. Interest on the Series 2017 Bonds will be paid to the Owners of the Series 2017 Bonds as of the Record Date which is June 15 and December 15 of each calendar year. The Series 2017 Bonds are not subject to redemption prior to maturity. See "THE SERIES 2017 BONDS - Redemption" herein. The Series 2017 Bonds are subject to acceleration as described under "THE INDENTURE - Events of Default and Remedies" in APPENDIX C.

Certain capitalized terms used herein are taken from the Indenture. All times used herein are New York City times unless otherwise indicated.

As described below under the caption "THE SERIES 2017 BONDS - Book-Entry Only System," the Series 2017 Bonds will initially be issued exclusively in "book-entry" form.

Redemption

The Series 2017 Bonds are not subject to redemption prior to maturity.

Book-Entry Only System

The Series 2017 Bonds initially will be issued solely in book-entry form to be held in the book-entry-only system maintained by DTC. So long as such book-entry system is used, only DTC will receive or have the right to receive physical delivery of Series 2017 Bonds. For additional information about DTC and the book-entry-only system see "APPENDIX D - BOOK-ENTRY ONLY SYSTEM."

PLAN OF FINANCE

The proceeds of the Series 2017 Bonds, together with monies currently on deposit in the 2007 Series A Debt Service Reserve Fund, will provide funds to (i) currently refund the outstanding 2007 Series A Bonds of the Authority, and (ii) pay costs of issuing the Series 2017 Bonds. See "SOURCES AND USES OF FUNDS" herein.

SOURCES AND USES OF FUNDS

The sources and uses of funds are as follows:

SOURCES OF FUNDS

Principal Amount of the Series 2017 Bonds	$ 38,415,000.00
Plus Original Issue Premium	1,954,403.90
Transfer from 2007 Series A Bond Fund	5,856,192.50
Transfer from Debt Service Reserve Fund	23,020,801.00
Transfer from Other Funds on Hand	4,350,000.00
Total Sources of Funds	$ 73,596,397.40

USES OF FUNDS

Deposit into Escrow Fund	$ 73,284,923.33
Costs of Issuance [(1)]	311,474.07
Total Uses of Funds	$ 73,596,397.40

[(1)] Representing underwriters' discount, legal fees financial advisor fees, rating agency and financing fees, printing costs and other miscellaneous expenses relating to the issuance of the Series 2017 Bonds.

All amounts currently on deposit in the Debt Service Reserve Fund, being $23,020,801.00, shall be used to refund a portion of the 2007 Series A Bonds. No portion of the proceeds of the Series 2017 Bonds will be deposited into the Debt Service Reserve Fund. A portion of the proceeds of the Series 2017 Bonds will be transferred to United Bank, Inc., Charleston, West Virginia, as Escrow Trustee (the "Escrow Trustee"), for deposit into the Escrow Fund, pursuant to the terms of an Escrow Agreement between the Authority and the Escrow Trustee providing for the defeasance and payment of the 2007 Series A Bonds. The Escrow Trustee shall invest $73,284,923.00 of the funds on deposit in the Escrow Fund in the U.S. Treasury State and Local Government Series (SLGS) securities. All funds in the Escrow Fund shall be used by the Escrow Trustee to pay and redeem the principal balance, together with interest thereon, of the 2007 Series A Bonds on November 1, 2017.

SECURITY FOR THE SERIES 2017 BONDS

Pledge of the Indenture

Under the Indenture, the Authority has pledged the Trust Estate as security for all Bonds issued thereunder. The Trust Estate consists of (i) Revenues, (ii) with respect to each Series of Bonds, all moneys and securities from time to time held by the Trustee in the other Funds and Accounts created with respect to such Series of Bonds (except moneys and securities held in the Earnings Fund, including the Series 2017 Rebate Account therein), and (iii) any and all other real or personal property of every kind and nature from time to time hereafter by delivery or writing of any kind granted, conveyed, mortgaged, pledged, assigned or transferred, as and for additional security for the Bonds by the Authority (collectively, the "Trust Estate"). The Indenture provides that, except for the Revenue Fund, amounts in the Funds and Accounts established with respect to one Series of Bonds are not available for the payment of any other Series of Bonds.

Debt Service Reserve Fund

No proceeds of the Series 2017 Bonds shall be deposited in the Debt Service Reserve Fund and the Debt Service Reserve Fund Requirement for the Series 2017 Bonds shall be zero. Accordingly, the Series 2017 Bonds shall not be secured by the Debt Service Reserve Fund.

Revenues

All Bonds issued under the Indenture, including the Series 2017 Bonds, are secured by a pledge of Revenues. "Revenues" means (i) any moneys appropriated by the State Legislature and deposited in the Building Fund and transferred to the Trustee for deposit in the Revenue Fund, and (ii) any other moneys, income or property pledged by the Authority to the payment of Series 2017 Bonds.

Moneys appropriated by the State Legislature into the Building Fund and then transferred to the Trustee are currently the sole source of Revenues. The Authority anticipates receiving appropriations of approximately $23.4 million per year from an allocation by the West Virginia Department of Education through maturity of the Series 2017 Bonds to pay debt service on the Series 2017 Bonds. AMOUNTS AVAILABLE TO BE TRANSFERRED TO THE TRUSTEE ARE SUBJECT TO ANNUAL APPROPRIATION BY THE LEGISLATURE. THE STATE LEGISLATURE IS NOT LEGALLY OBLIGATED TO MAKE APPROPRIATIONS IN AMOUNTS SUFFICIENT TO PAY DEBT SERVICE ON THE BONDS. See "BONDHOLDERS' RISKS" herein and "FINANCIAL PROCEDURES AND OPERATIONS - Budgetary Process" in APPENDIX A.

Limited Obligations

The Series 2017 Bonds are limited obligations of the Authority payable solely from and secured by the Trust Estate pledged under the Indenture. The Series 2017 Bonds shall not constitute a debt or a pledge of the faith and credit or taxing power of the State of West Virginia or of any county, municipality or any other political subdivision of said state, and the owners thereof shall have no right to have taxes levied by the Legislature of the State of West Virginia or the taxing authority of any county, municipality or any other political subdivision of the State for the payment of the principal thereof or interest thereon, but the Series 2017 Bonds shall be payable solely from the Trust Estate pledged under the Indenture.

Additional Bonds

While the Indenture authorizes the Authority to issue Additional Bonds, the holding of the Court in Winkler prohibits the Authority from issuing any new bonds secured by a pledge of the Revenues except for refunding bonds used to refund bonds or refunding bonds of the Authority issued prior to Winkler. The 2007 Series A Bonds are the only outstanding bonds of the Authority that may be refunded with new refunding bonds secured by a pledge of the Revenues. The Authority will not be able to issue any Additional Bonds on a parity with the lien of the Series 2017 Bonds.

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ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth, for each year ending July 1, the amounts required in each year for the payment of debt service on the Series 2017 Bonds.

Year Ending July 1	Series 2017 Principal	Series 2017 Interest	Total Debt Service
2018	$16,150,000.00	$1,387,208.33	$17,537,208.33
2019	22,265,000.00	1,113,250.00	23,378,250.00
Total	**$38,415,000.00**	**$2,500,458.33**	**$40,915,458.33**

LEGALITY FOR INVESTMENT

The Series 2017 Bonds are legal investments for all State funds under State control and for all funds of political subdivisions of the State. The Series 2017 Bonds are also legal investments for banks, mutual savings banks, trust companies, savings associations and insurance companies organized under West Virginia law.

BONDHOLDERS' RISKS

Purchase of the Series 2017 Bonds involves certain investment risks, which are discussed throughout this Official Statement. Certain of these risks are described below. Accordingly, each prospective Bond purchaser should make an independent evaluation of all of the information presented in this Official Statement, including the risk factors described below, in order to make an informed investment decision.

Non-Appropriation Risk

The State's annual budget is presented by the Governor to the Legislature at its opening session each year. See "FINANCIAL PROCEDURES AND OPERATIONS - Budgetary Process" in Appendix A. The Legislature is not legally required to appropriate moneys to pay Debt Service on the Series 2017 Bonds. If the Legislature fails to appropriate moneys to permit the Authority to pay Debt Service on the Series 2017 Bonds, it is unlikely that the Revenues available to the Trustee will be sufficient to pay Outstanding Series 2017 Bonds.

Future Budget Impasses

Moneys to pay Debt Service on the Series 2017 Bonds are appropriated by the Legislature in the State's annual budget. In recent years, State legislators have not been able to approve a budget during the Regular Session of the State Legislature, requiring the Governor to call legislators back into an Extraordinary Session to consider and vote on a budget bill. In 2016, the State Legislature was unable to approve a budget until June 14, 2016, and in 2017, the State Legislature was unable to approve a budget until June 16, 2017. The 2018 fiscal year budget became law on June 26, 2017, just a few days prior to the start of the 2018 fiscal year, when the Governor failed to sign or veto the bill within the ten day period prescribed under State law. It is possible that in future years a budget impasse could occur that may affect the timeliness or amount of appropriations to pay Debt Service on the Series 2017 Bonds.

Factors Affecting Appropriations

The obligation of the Authority to pay Debt Service on the Series 2017 Bonds will be satisfied primarily by appropriations made by the Legislature annually from its General Revenue Fund for such use or other funds, which are legally available for such use. The Indenture does not restrict or limit the ability of the State to incur additional charges against its revenues. To the extent additional obligations are incurred by the State, the funds available to make appropriations to the Authority to pay Debt Service on the Series 2017 Bonds could be decreased. The likelihood that the Legislature will continue to appropriate funds to pay Debt Service on the Series 2017 Bonds and that sufficient funds will be available to the Legislature to make such appropriations depends upon a number of factors which are beyond the control of the Authority and the Owners of the Series 2017 Bonds, including, but not limited to, (a) economic and demographic conditions in the State and the ability of the State to generate sufficient funds from income taxes, sales and use taxes and other sources to pay Debt Service on the Series 2017 Bonds and to fund other obligations, programs and activities of the State, (b) economic, political and other factors affecting State aid for education, and (c) the incurrence by the State of other obligations payable from the General Revenue Fund which, together with the amounts necessary to pay the Debt Service on the Series 2017 Bonds, could exceed the amount feasible to attain from tax levies and other sources for such purposes and thereby require the State to choose which of its obligations to pay, and (d) future budget impasses.

No Mortgage or Other Interest in Projects

The Authority will not own any projects financed with proceeds of its bonds and no lien or security interest in any projects is being granted to the Owners of the Series 2017 Bonds. As a result, in the event the Legislature fails to appropriate amounts sufficient to pay Debt Service on the Series 2017 Bonds, neither the Trustee nor the Owners will have any rights with respect to any projects.

Enforceability of Rights of Owners Against the State or the Authority

The remedies available to the Trustee or the Owners of the Bonds upon an Event of Default under the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies provided in the Indenture may not be readily available or may be limited. The various legal opinions delivered concurrently with the delivery of the Series 2017 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally. Delay in the availability of such remedies or the absence thereof, could have a material adverse effect upon the market value of the Series 2017 Bonds and upon the availability to Owners of the Series 2017 Bonds of full and timely payment thereon.

In addition, extraordinary remedies would not be available to require the Legislature to appropriate amounts sufficient to pay Debt Service on the Series 2017 Bonds.

THE STATE

The State of West Virginia is bordered by the states of Maryland, Pennsylvania, Ohio, Kentucky and Virginia. West Virginia is approximately 24,000 square miles of predominately rural and mountainous area. West Virginia had an estimated population of approximately 1.83 million in July 2016. Total estimated personal income in West Virginia was approximately $68.457 billion in 2016. The government of the State of West Virginia is comprised of three branches, the Executive Department, the Legislature and the Judiciary. The Governor, Treasurer, Auditor, Secretary of State, Attorney General and Commissioner of Agriculture comprise the primary body of the Executive Department with seven departments, three bureaus and some independent boards and commissions comprising the remainder of the Executive Department. The legislative power of the State of West Virginia is vested in the Senate and the House of Delegates. The judicial power of the State is granted to the Supreme Court of Appeals, Circuit Courts, judges thereof and county magistrates. A more comprehensive review of the State and its finances is set forth in APPENDIX A and APPENDIX B, respectively, attached hereto. See "THE STATE OF WEST VIRGINIA" at APPENDIX A for more information.

ANNUAL BUDGET, APPROPRIATIONS AND FLOW OF BOND PROCEEDS

Annual Budget of the Authority

The Authority is required by the Indenture to adopt an Operating Budget covering the operations of the Authority for each Fiscal Year not later than the first day of such Fiscal Year, and to file the Operating Budget with the Trustee. The Operating Budget must set forth for such Fiscal Year the estimated Revenues, the Principal Installments of and interest on the Bonds due and payable or estimated to become due and payable during such

Fiscal Year, and estimated Administration Expenses. The Authority may at any time adopt and file with the Trustee an amended Operating Budget for the remainder of the then current Fiscal Year in the manner provided in the Indenture for the adoption of the Operating Budget. Copies of the Operating Budget as then amended and in effect will be made available by the Trustee at normal business hours in the Trustee's Principal Office for inspection by any Owner.

In the event the Authority does not adopt an Operating Budget for a Fiscal Year on or before the first day of such Fiscal Year, the Operating Budget for the preceding Fiscal Year will be deemed to have been adopted and be in effect for such Fiscal Year until the Operating Budget for such Fiscal year shall have been adopted as above provided.

Transfer of Appropriations to Trustee

Moneys appropriated by the Legislature for transfer to the Building Fund are held in the General Revenue Fund until a requisition of the Authority is submitted to the Division of Finance, the State Auditor and the State Treasurer for approval and a warrant is issued by the State Treasurer. See "FINANCIAL PROCEDURES AND OPERATIONS – Budgetary Process" in APPENDIX A. On the last Business Day of each month, the Authority has covenanted in the Indenture to cause to be transferred from the amounts appropriated by the Legislature and credited to the Building Fund and legally available therefor, to the Trustee for deposit in the Revenue Fund created under the Indenture, amounts at least equal to: (i) any amount required to pay the fees and expenses of the Trustee, Registrars, Paying Agents, Credit Providers, Tender Agents and other agents or fiduciaries for any Series of Bonds, payable on or prior to such date; (ii) the interest which has accrued and will accrue since the last Interest Payment Date to and including the last day of such month on all Bonds Outstanding and not previously deposited in the Interest Account for such Bonds; (iii) the amount such that, if the same amount were transferred to the Principal Account of each Bond Fund on the last Business Day of each succeeding month for the period from the month of computation to and including the next Principal Payment Date for each Series of Bonds, the aggregate amount so transferred to such Principal Accounts will equal the amount of Principal coming due on the next Principal Payment Date for each Series of Bonds Outstanding; (iv) any deficiency in the Debt Service Reserve Requirement; (v) the amount, if any, required to pay the Purchase Price or Redemption Price of any Bond which will become due and payable during such Fiscal Year; and (vi) any amount required to restore any Fund or Account to its proper level, including but not limited to the Rebate Account of the Earnings Fund, as may be provided in the Indenture or in any Supplemental Indenture.

Revenue Fund

The Trustee is required to apply moneys in the Revenue Fund in the following order of priority and, except with respect to the deposits provided in (c) and (d), on the first Business Day of each month:

(a) To the Interest Account of each Bond Fund, an amount equal to the interest which will be due and payable on the next Interest Payment Date for the applicable Series of Bonds and not previously deposited therein;

(b) To the Principal Account of each Bond Fund, an amount equal to the principal which will be due on the next Principal Payment Date for the applicable Series of Bonds and not previously deposited therein;

(c) To pay the fees and expenses of Trustee, Paying Agent, Registrar, Credit Provider, Remarketing Agent and other agents;

(d) On each Interest Payment Date for a Series of Bonds, to the Interest Account of the applicable Bond Fund, any deficiency in the amount necessary to pay the interest due on such Interest Payment Date;

(e) On each Principal Payment Date for a Series of Bonds, to the Principal Account of the applicable Bond Fund, any deficiency in the amount necessary to pay the Principal due on such Principal Payment Date;

(f) To the Debt Service Reserve Fund, the amount to be deposited therein pursuant to restore any deficiency in the Debt Service Reserve Requirement (restoration to be made first to any provider of a Reserve Fund Credit Facility);

(g) To the applicable Redemption Account of the Bond Fund, the amount designated by the Authority for the optional or mandatory redemption of the related Series of Bonds (other than Sinking Fund Payments); and

(h) To each Rebate Account, the Rebate Deposit provided pursuant to the Related Supplemental Indenture authorizing such Series of Bonds or in the Tax Agreement relating to such Series of Bonds; and

In the event Revenues are insufficient during any month to make the deposits described above, the Trustee will make payments pro-rata, in accordance with the respective Debt Service requirements for each Series of Bonds.

INDEPENDENT AUDITORS' REPORT

The comprehensive annual financial report ("CAFR") of the State of West Virginia for the fiscal year ended June 30, 2016 and 2015 included in Appendix B to this Official Statement have been audited by Ernst & Young, LLP, Independent Auditors, for the period indicated in their report, as stated in their report. The Independent Auditors did not review this Official Statement and the Authority did not request the consent of the Independent Auditors to attach the CAFR and the related Independent Auditors' report as an appendix to this Official Statement because the Authority believes that such consent is not necessary. The Independent Auditors did not perform any procedures relating to any of the information in this Official Statement and are therefore not associated with the issuance of the Series 2017 Bonds.

LITIGATION

There is no pending litigation of any nature restraining or enjoining or seeking to restrain or enjoin the issuance, sale or delivery of the Series 2017 Bonds, or in any manner contesting or affecting the validity of the Series 2017 Bonds, or the proceedings taken with respect to the authorization, issuance and sale thereof.

LEGAL MATTERS

The authorization and issuance of the Series 2017 Bonds are subject to the approval of legality by Bowles Rice LLP, Charleston, West Virginia, Bond Counsel. Bond Counsel will render opinions in substantially the same form set forth in Appendix E to this Official Statement. Certain legal matters will be passed upon for the Authority by its counsel, White Law Offices, PLLC, Charleston, West Virginia and disclosure matters will be passed upon for the State by Spilman Thomas & Battle, PLLC, Charleston, West Virginia as disclosure counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Steptoe & Johnson PLLC, Charleston, West Virginia.

TAX MATTERS

General

The following discussion of "Tax Matters" is a brief discussion of certain income tax matters with respect to the Series 2017 Bonds under existing applicable law. It does not purport to deal with all aspects of taxation that may be relevant to the owner of a bond. Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the tax consequences of owning and disposing of the Series 2017 Bonds.

Federal Income Tax Exemption of the Series 2017 Bonds

In the opinion of Bowles Rice LLP, Bond Counsel, under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, the interest on the Series

2017 Bonds (i) is excludable from gross income of the holders thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), assuming compliance with certain provisions described herein pertaining to the Code; and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; although Bond Counsel observes that such interest is included in the adjusted current earnings of certain corporations for the purpose of computing the alternative minimum tax that may be imposed on corporations. A complete copy of the proposed form of Bond Counsel Opinion for the Series 2017 Bonds is set forth in APPENDIX E.

Assumed Compliance with Certain Covenants and Federal Tax Requirements

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2017 Bonds. The Authority has covenanted to comply with certain restrictions designed to insure that interest on the Series 2017 Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the Series 2017 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series 2017 Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series 2017 Bonds may adversely affect the value of, or the tax status of interest on, the Series 2017 Bonds. Further, no assurance can be given that pending or future legislation or amendments to the Code, if enacted into law, or any proposed legislation or amendments to the Code, will not adversely affect the value of, or the tax status of interest on, the Series 2017 Bonds. Prospective purchasers of Series 2017 Bonds are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

The tax status of the Series 2017 Bonds could be affected by post-issuance events. There are various requirements of the Code that must be observed or satisfied after the issuance of the Series 2017 Bonds in order for the Series 2017 Bonds to qualify for, and retain, tax-exempt status. These requirements include those relating to use of the proceeds of the Series 2017 Bonds, use of the facilities financed or refinanced by the Series 2017 Bonds, investment of bond proceeds, and the rebate of so-called excess arbitrage earnings. Compliance with these requirements is the responsibility of the Authority.

The Internal Revenue Service (“IRS”) conducts an audit program to examine compliance with the requirements regarding tax-exempt status. If the Series 2017 Bonds become the subject of an audit, under current IRS procedures, the Authority would be treated as the taxpayer, and the owners of the Series 2017 Bonds would have limited rights to participate in the audit process. The initiation of an audit with respect to the Series 2017 Bonds could adversely affect the market value and liquidity of the Series 2017 Bonds, even though no final determination about the tax-exempt status would have been made. If an audit were to result in a final determination that the Series 2017 Bonds do not qualify as tax-exempt obligations, such a determination could be retroactive in effect to the date of issuance of the Series 2017 Bonds.

Certain requirements and procedures contained or referred to in the Indenture and other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2017 Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. Bond Counsel expresses no opinion as to any obligations, or the interest thereon, if any such change occurs or action is taken or omitted upon the advice or approval of bond counsel other than Bowles Rice LLP.

Amortizable Premium

Amortizable premium is determined with reference to the basis of a debt obligation with respect to the owner thereof and the amount payable at maturity or earlier redemption of such debt obligation. The amortizable bond premium in each year includes the excess of the owner’s adjusted basis at the beginning of such owner’s taxable year over the amount received or to be received at maturity or earlier redemption of the debt obligation. The Series 2017 Bonds maturing on July 1, 2018, and July 1, 2019 (collectively, “OIP Bonds”), are being sold with amortizable premium ("original issue premium" or "OIP"). Under current law, the OIP for OIP Bonds must be amortized on an annual basis by the holder thereof. The amount of OIP amortized each year will not be deductible for Federal income tax purposes. Further, Section 1016 of the Code requires that the amount of annual amortization for the OIP Bonds be deducted annually from the holder's tax basis in such OIP Bonds. This reduction in a holder's tax basis will affect the amount of capital gain or loss to be recognized by the holder when the OIP Bonds are sold or redeemed.

Owners of OIP Bonds should consult their tax advisors with respect to the determination and treatment of amortizable premium for federal income tax purposes, and with respect to the state and local tax consequences of owning such OIP Bonds.

Information Reporting and Backup Withholding

As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Series 2017 Bonds is subject to information reporting in a manner similar to interest paid on taxable obligations. A recipient not otherwise exempt from information reporting who fails to satisfy the information reporting requirements will be subject to "backup withholding," which means that the payor is required to deduct and withhold a tax from the interest payment, calculated in the manner set forth in the Code. For the foregoing purpose, a "payor" generally refers to the person or entity from whom a recipient receives its payments of interest or who collects such payments on behalf of the recipient. In any event, backup withholding does not affect the excludability of the interest on the Series 2017 Bonds from gross income for federal income tax purposes. Any amounts withheld pursuant to the backup withholding should be allowed as a refund or a credit against any owner's federal income tax once the required information is furnished to the IRS.

State and Local Income Tax Exemption

In the opinion of Bond Counsel, under the Act, as presently written and applied, the Series 2017 Bonds, together with the interest on the Series 2017 Bonds, are exempt from all taxation by the State of West Virginia, or by any county, school district, municipality or political subdivision thereof.

Individual Circumstances

Although Bond Counsel is of the opinion that interest on the Series 2017 Bonds is excludable from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2017 Bonds may otherwise affect an owner's federal liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the owner or the owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Please be advised that, except as set forth above, Bond Counsel's opinion does not address, and Bond Counsel expresses no opinion with respect to, certain collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Series 2017 Bonds. Prospective purchasers of the Series 2017 Bonds should consult their own tax advisors as to such consequences.

Tax Changes

Legislation has been proposed in the past, and may be proposed again in the future, to eliminate the tax-exempt status of governmental bonds issued to finance public facilities or to limit the extent of the current tax advantages available for tax exempt bonds or to limit the use of tax-exempt bonds. Any such limitation could reduce the Authority's ability to finance future capital needs of the Authority. The effect on the Authority of proposed laws and regulations and future changes in federal and state laws and policies cannot be fully or accurately determined at this time.

Current and future legislative proposals, if enacted into law, or clarification of the Code or court decisions may cause interest on the Series 2017 Bonds to be subject, directly or indirectly, to federal income taxation or cause the interest on the Series 2017 Bonds to be subject to or not exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Code or court decisions may also affect the market price for, or marketability of the Series 2017 Bonds. Prospective purchasers of the Series 2017 Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Series 2017 Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or about the effect of future changes in the Code, the application or regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority has covenanted, however, to comply with the requirements of the Code.

Bond Counsel Obligations

Bond Counsel's engagement with respect to the Series 2017 Bonds ends with the issuance of the Series 2017 Bonds and, unless separately engaged, Bond Counsel is not obligated to defend the Authority or the beneficial owners regarding the tax-exempt status of the Series 2017 Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and its appointed counsel, including the beneficial owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of the Series 2017 Bonds would be difficult, obtaining an independent review of IRS positions with which the Authority legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2017 Bonds for audit, or the course or result of such audit, or an audit of tax-exempt obligations presenting similar tax issues may affect the market price for, or the marketability of, the Series 2017 Bonds, and may cause the Authority or the beneficial owners to incur significant expense.

Bond Counsel's opinions represent its legal judgment based in part upon the representations and covenants referenced therein and its review of existing law, but are not a guarantee of result or binding on the IRS or the courts. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may come to Bond Counsel's attention after the date of its opinions or to reflect any changes in law or the interpretation thereof that may occur or become effective after such date.

UNDERWRITING

The Underwriters identified on the cover page of this Official Statement have agreed to purchase the Series 2017 Bonds at an aggregate purchase price of $40,290,468.92 (par less an Underwriters' discount of $78,934.98, plus an original issue premium of $1,954,403.90), pursuant to a bond purchase agreement among the Authority and the Underwriters. The Underwriters may offer and sell the Series 2017 Bonds to certain dealers (including dealers depositing such Series 2017 Bonds into investment trusts) and others at prices lower than the public offering price stated on the cover page hereof. The Underwriters will purchase all the Bonds if any are purchased. The public offering price set forth on the cover page hereof may be changed after the initial offering by the Underwriters.

The Underwriters intend to offer the Series 2017 Bonds to the public initially at the respective yields set forth on the inside front cover page of this Official Statement, which may be changed by the Underwriters without any requirement of prior notice. The Underwriters reserve the right to join with dealers and other underwriters in offering the Series 2017 Bonds to the public. The Underwriters may offer and sell the Series 2017 Bonds to certain dealers (including dealers depositing the Series 2017 Bonds into investment trusts) at yields higher than the respective yields set forth on the inside front cover page of this Official Statement for the Series 2017 Bonds.

Piper Jaffray & Co., an underwriter of the Series 2017 Bonds, has entered into a distribution agreement (the "PJC Distribution Agreement") with Charles Schwab & Co., Inc. ("CS&Co") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to the PJC Distribution Agreement, CS&Co. will purchase the Series 2017 Bonds from Piper Jaffray & Co. at the original issue price less a negotiated portion of the selling concession applicable to any Series 2017 Bonds that CS&Co. sells.

FINANCIAL ADVISOR

Public Resources Advisory Group, New York, New York, is serving as Financial Advisor in connection with the issuance of the Series 2017 Bonds. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of, or to assume responsibility for the accuracy, completeness or fairness of the information contained in this Official Statement.

RATINGS

Moody's Investors Service ("Moody's"), S&P Global Ratings ("S&P") and Fitch Ratings, Inc. ("Fitch") have assigned ratings of "Aa3," and "A+" and "AA-", respectively, with respect to the Series 2017 Bonds. Any desired explanation of the significance of such ratings should be obtained from Moody's, S&P or Fitch, respectively. Certain information and materials, including information and materials not included in this Official Statement, were furnished by the Authority and the State to Moody's, S&P and Fitch. Generally, Moody's, S&P and Fitch base their respective rating on the information and materials so furnished and on their respective investigations, studies and assumptions.

There is no assurance that a particular rating will be maintained for any given period of time and that it will not be lowered or withdrawn entirely if, in the judgment of Moody's, S&P or Fitch, as the case may be, circumstances so warrant. The Underwriters have undertaken no responsibility either to bring to the attention of the Owners of the Series 2017 Bonds any proposed revision or withdrawal of any rating of the Series 2017 Bonds or to oppose any such proposed revision or withdrawal. Any such change in or withdrawal of such rating could have an adverse effect on the market price or the marketability of the Series 2017 Bonds.

CONTINUING DISCLOSURE

Continuing Disclosure Undertaking

To comply with the requirements of Rule 15c2-12 (the "Rule") promulgated by the Securities and Exchange Commission, the Department of Administration will enter into a Disclosure Dissemination Agent Agreement (the "Continuing Disclosure Agreement") with Digital Assurance Certification, L.L.C. ("DAC"), as the dissemination agent on behalf of the State, for the benefit of the registered and beneficial owners of the Bonds, pursuant to which the Department of Administration will covenant to provide to DAC (a) certain annual financial information of the State not later than March 31 of the calendar year following the end of each fiscal year of the State, commencing with the report for the fiscal year ending June 30, 2017 (which is due March 31, 2018), and (b) notice of certain events. DAC will file such annual financial information and such notices with the Municipal Securities Rulemaking Board (the "MSRB"), which operates the Electronic Municipal Markets Access ("EMMA") system for municipal securities disclosures. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and the other terms of the Continuing Disclosure Agreement are set forth in "APPENDIX F – Form of Continuing Disclosure Agreement."

The sole remedy for a breach or default under the Continuing Disclosure Agreement is an action to compel specific performance of the parties' obligations under the Continuing Disclosure Agreement. A breach or default under the Continuing Disclosure Agreement shall not constitute a default on the Bonds, an Event of Default under the Resolution, or a default under any other document relating to the Bonds.

Compliance with Prior Undertakings

Pursuant to the Rule, the Department of Administration accepted the responsibility of satisfying the continuing disclosure undertakings for general obligation bonds issued by the State and certain revenue bonds and other obligations issued by State agencies, commissions and authorities on behalf of the State. During the previous five years, the Department of Administration has entered into, or been subject to, continuing disclosure undertakings pursuant to the Rule with respect to: (i) twenty-one series of the State's infrastructure general obligation bonds or general obligation state road bonds (collectively, the "State General Obligation Bonds"); (ii) four series of surface transportation improvements special obligation notes issued by the West Virginia Commissioner of Highways (collectively, the "Highway Bonds"); (iii) one series of lottery revenue bonds issued by the State Building Commission (the "Building Commission Bonds"); (iv) two series of tobacco settlement asset-backed bonds issued by the Tobacco Settlement Finance Authority (collectively, the "Tobacco Authority Bonds"); (v) twenty series of lease and/or lottery revenue bonds and/or excess lottery bonds issued by the West Virginia Economic Development Authority (collectively, the "WVEDA Bonds"); (vi) one series of lease revenue bonds issued by the West Virginia Hospital Finance Authority (the "Hospital Finance Authority Bonds"); (vii) fifteen series of capital improvement, lottery revenue or excess lottery revenue bonds issued by the Authority (collectively, the "School Building Authority Bonds"); (viii) one series of revenue bonds issued by the West Virginia Higher Education Policy Commission (the "HEPC Bonds"); (ix) one series of excess lottery revenue bonds issued by the West Virginia Water Development Authority; and (x) four series of bonds issued by other state authorities and building commissions consisting of the State Building Commission, the Charleston Urban Renewal Authority, the Raleigh Building Commission, and the Charleston Building Commission (the "Other Commission Bonds").

Under such continuing disclosure undertakings, the Department of Administration is required, among other things, to file with EMMA:

(1) for one series of the SBA Bonds and one series of the WVEDA Bonds, unaudited interim financial statements for the State within 90 days of its fiscal year end;

(2) for all of the State General Obligation Bonds, the Hospital Finance Authority Bonds and the Other Commission Bonds, nearly all of the WVEDA Bonds and five series of the School Building Authority Bonds, the State's annual audited financial statements within two hundred seventy days (270) days of its fiscal year end or, in at least one instance with respect to one series of the WVEDA Bonds, as described in more detail on the following page, a discrepancy in the continuing disclosure undertaking results in an ambiguity as to whether the State's annual audited financial statements are due within one hundred eighty (180) days or two hundred seventy (270) days of its fiscal year end, and with respect to some of these bonds, the State's unaudited financial statements if the audited financial statements are not available;

(3) for one series of the WVEDA Bonds and one series of the School Building Authority Bonds, unaudited interim financial statements for the State within ninety (90) days of its fiscal year end;

(4) for the Building Commission Bonds, the Hospital Finance Authority Bonds, the HEPC Bonds and some series of both the WVEDA Bonds and the School Building Authority Bonds, the West Virginia Lottery's annual audited financial statements, if available, within two hundred seventy (270) days of its fiscal year end and if not available, then the West Virginia Lottery's unaudited financial statements, and for some of these bonds, the West Virginia Lottery's annual unaudited general purpose financial statements within ninety (90) days of its fiscal year end;

(5) for the Highway Bonds, the annual audited financial statements of the West Virginia Department of Transportation, Division of Highways within either one hundred eighty (180) days or two hundred seventy (270) days of its fiscal year, or with respect to one series of the Highway Bonds, by no later than March 31 of the

calendar year following the end of its fiscal year, and if not available, then its unaudited financial statements, and its unaudited financial statements within ninety (90) days of its fiscal year end;

(6) for the Tobacco Authority Bonds and some of the School Building Authority Bonds, the respective issuer's annual audited financial statements within three hundred (300) days and two hundred seventy (270) days, respectively, of its fiscal year end;

(7) for the Tobacco Authority Bonds, the HEPC Bonds and certain series of both the WVEDA Bonds and the School Building Authority Bonds, certain operating data relating to the State and/or the West Virginia Lottery and/or the respective issuer within either one hundred eighty (180) days, two hundred seventy (270) days or three hundred (300) days of the issuer's fiscal year end;

(8) in some instances with respect to the foregoing bonds, notice on a timely basis of any failure by the Department of Administration to file the required annual financial information on time; and

(9) notice of the occurrence of certain enumerated events on a timely basis, as described in the various continuing disclosure undertakings of the Department of Administration.

There have been instances in the previous five years in which the Department of Administration has failed to comply in all material respects with the requirements of its continuing disclosure undertakings, as summarized below:

(1) *Filing of State Annual Audited Financial Statements*. The Department of Administration failed to file the State's 2013, 2014, 2015 and 2016 annual audited financial statements on a timely basis with respect to its undertakings for all applicable bonds. With respect to all of its undertakings, the Department of Administration filed the State's 2013 audited financial statements on May 1, 2014, the State's 2014 audited financial statements on April 9, 2015, the State's 2015 audited financial statements on May 17, 2016 and the State's 2016 audited financial statements on May 10, 2017. Additionally, in connection with one series of the Other Commission Bonds issued by the Charleston Building Commission, the Department of Administration failed to timely file the State's annual audited financial statements for the past five fiscal years. The Department of Administration did not file a notice of its failure to provide the required 2013 annual financial information by the date required by some of its undertakings. Subsequent to the various requirements to file the State's 2013 annual financial information, the Department of Administration requested that DAC post to EMMA a failure to timely file the State's 2013 annual financial information on January 21, 2015 and February 20, 2015.

On March 27, 2015, DAC, on behalf of the Department of Administration, timely filed a notice of the Department of Administration's failure to file on a timely basis the State's 2014 annual financial information. On April 9, 2015, the Department of Administration filed its 2014 annual financial information on EMMA.

On March 24, 2016, DAC, on behalf of the Department of Administration, timely filed a notice of the Department of Administration's failure to file on a timely basis the State's 2015 annual financial information or annual financial information. The notice states that the State encountered unexpected complications in compiling the State's CAFR associated with a new accounting system. In July 2014, all West Virginia State agencies converted from a mainframe-based accounting system to an Enterprise Resource Planning system. This was a sweeping change, affecting accounting functions throughout State government. While the benefits of the new system, such as better accounting information for managers and system users, are valuable, the system has also presented the State with significant start-up challenges. On May 17, 2016, the Department of Administration filed its 2015 annual financial information on EMMA.

On March 27, 2017, DAC, on behalf of the Department of Administration, timely filed a notice of the Department of Administration's failure to file on a timely basis the State's 2016 annual financial information or annual financial information. The notice states that the State encountered complications in compiling the State's CAFR because a number of the State's agencies fiscal year 2016 audits were delayed due to updates required by Governmental Accounting Standard Board's Statement No. 68. On May 10, 2017, the Department of Administration filed its 2016 annual financial information on EMMA.

There is at least one continuing disclosure undertaking for a series of WVEDA Bonds that contains a discrepancy as to the date by which the Department of Administration is required to file the State's annual audited financial statements. One provision of the undertaking requires that Department of Administration to file the State's annual audited financial statements within 180 days of its fiscal year end, while another provision of the undertaking requires that the Department of Administration file the State's annual audited financial statements within 270 days of its fiscal year end. The State's annual audited financial statements must be submitted and approved by the State Legislature after it convenes in January or February of each year and therefore, due to timing, the State's annual audited financial statements are not available for disclosure within 180 days of its fiscal year end. With the exception of the 2013, the 2014, the 2015, and the 2016 annual audited financial statements, the Department of Administration has filed the State's annual audited financial statements within 270 days of the State's fiscal year end.

In connection with the series of WVEDA Bonds described above, specifically designated as the West Virginia Economic Development Authority Lease Revenue Refunding Bonds (Correctional, Juvenile and Public Safety Facilities), 2011 Series A, on December 22, 2015, DAC, on behalf of the Department of Administration, timely filed a notice of the Department of Administration's failure to file on a timely basis the State's 2015 annual financial information within 180 days of the State's fiscal year end.

(2) *Filing of State Annual Unaudited Financial Statements*. Although some of the continuing disclosure undertakings to which the Department of Administration is a party require the submission of annual unaudited financial statements of the State, either if the annual audited financial statements are not available within two hundred seventy (270) days, or for some series of the applicable bonds, within ninety (90) days of the State's fiscal year end, the State does not produce annual unaudited financial statements, and therefore, such financial information is not available for disclosure.

On September 28, 2015, DAC, on behalf of the Department of Administration, timely filed a notice of the Department of Administration's failure to file on a timely basis the State's unaudited financial statements for the fiscal year ended June 30, 2015, as required by certain of its undertakings.

On September 21, 2016, DAC, on behalf of the Department of Administration, timely filed a notice of the Department of Administration's failure to file on a timely basis the State's unaudited financial statements for the fiscal year ended June 30, 2016, as required by certain of its undertakings.

(3) *Filing of Lottery Annual Audited Financial Statements*. With respect to its undertakings for three series of School Building Authority Bonds, four series of WVEDA Bonds, the Building Commission Bonds, the Hospital Finance Authority Bonds and the HEPC Bonds, the Department of Administration failed to timely file some or all of the West Virginia Lottery's audited financial statements for the fiscal years ended 2012 and 2013, although the Department of Administration did timely file the West Virginia Lottery's audited financial statements for the fiscal years 2012 and 2013 with respect to some of its undertakings and the failure to do so with respect to all of these series of bonds was the result of the Department of Administration's inadvertent failure to link the financial statements to all relevant series of bonds.

(4) *Filing of Lottery Annual Unaudited General Purpose Financial Statements*. The Department of Administration failed to file on a timely basis the West Virginia Lottery's annual unaudited general purpose financial statements for some or all of the fiscal years 2012 and 2013 in connection with its undertakings for some series of the School Building Authority Bonds and the West Virginia Lottery's annual unaudited general purpose financial statements for fiscal years 2012 and 2013 with respect to the HEPC Bonds. In connection with these failures, the Department of Administration filed the West Virginia Lottery's annual unaudited general purpose financial statements for fiscal years 2012 and 2013 on May 12, 2014 for the bonds for which such financial information had not been previously provided.

(5) *Filing of Audited and/or Unaudited Financial Statements of the Department of Transportation, Division of Highways, the Tobacco Settlement Authority and the School Building Authority of West Virginia*. With respect to its undertakings for the Highway Bonds, the Department of Administration (i) failed to file on a

timely basis the annual audited financial statements of the Department of Transportation, Division of Highways for fiscal years 2013, 2014, and 2015, and (ii) failed to file the unaudited financial statements of the Department of Transportation, Division of Highways for any of the past five (5) fiscal years. The Department of Administration filed the Department of Transportation, Division of Highways annual audited financial statements for fiscal year 2013 on July 7, 2014, for fiscal year 2012 on August 29, 2014, and for fiscal year 2014 on March 11, 2015. The annual audited financial statements for fiscal year 2015 will not be filed due to the maturity of the bonds on September 1, 2015.

On September 28, 2015, DAC, on behalf of the Department of Administration, timely filed a notice of the Department of Administration's failure to file on a timely basis the Division of Highways' unaudited financial statements for the fiscal year ended June 30, 2015, as required by certain of its undertakings.

In connection with its undertakings for the Tobacco Settlement Bonds, the Department of Administration failed to file on a timely basis the annual audited financial statements of the Tobacco Settlement Finance Authority for fiscal year 2013. The Department of Administration filed the fiscal year 2013 annual audited financial statements of the Tobacco Settlement Finance Authority on May 1, 2014. With respect to its undertakings for some series of the School Building Authority Bonds, the Department of Administration failed to file on a timely basis the annual audited financial statements of the School Building Authority for some of the past five fiscal years. The Department of Administration filed the annual audited financial statements of the School Building Authority for the 2010 through 2013 fiscal years on November 13, 2014.

(6) *Operating Data*. The Department of Administration failed to file certain operating data as required by its undertakings for six series of the School Building Authority Bonds, the Tobacco Settlement Bonds, one series of the WVEDA Bonds and the HEPC Bonds. While the State's annual audited financial statements and/or the West Virginia Lottery's annual audited financial statements or annual unaudited general purpose financial statements may have contained some of the operating data required by some of these undertakings, this financial information did not contain all of the required operating data.

With respect to the Tobacco Settlement Bonds, the Department of Administration filed the historical operating data for fiscal years 2012 through 2014 on EMMA on April 24, 2015.

(7) *Notice Events*. The Department of Administration failed to file certain material event notices relating to ratings recalibrations or ratings changes with respect to certain of the bonds described above.

To ensure full compliance in the future with all of its continuing disclosure undertakings, the Department of Administration has undertaken a detailed review of all of its continuing disclosure obligations related to the State's public bond issues. Additionally, the Department of Administration adopted written continuing disclosure compliance policies and procedures on November 21, 2014, designating the Director of Finance, the General Counsel and the Director of the Financial and Reporting Section of the Department of Administration with the responsibility for ensuring timely and complete filings are made with EMMA. Additionally, the Department of Administration has designated DAC as its Dissemination Agent to best ensure that annual financial information, operating data and notices of the occurrence of certain enumerated events with respect to outstanding bonds subject to the Department of Administration's prior continuing disclosure undertakings, as well as with respect to the Bonds, are completed and filed on a timely basis.

MISCELLANEOUS

So far as any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact, and no representation is made that any of such statements will be realized. Neither this Official Statement nor any statement, which may have been made orally or in writing, is to be construed as a contract with the owners of the Series 2017 Bonds. The Authority has approved this Official Statement by official action on August 29, 2017.

SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA

By /s/ Brian R. Abraham
Brian R. Abraham, Chair

APPENDIX A

THE STATE OF WEST VIRGINIA

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APPENDIX A

THE STATE OF WEST VIRGINIA

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GOVERNMENTAL ORGANIZATION

Branches of Government

Legislative Branch. The legislative power is vested in the Senate and House of Delegates, jointly comprising the Legislature. The Senate is composed of 34 members, and the House of Delegates is composed of 100 members.

Each member of the Senate is elected for a term of four years, with one-half of the total membership being elected every two years. Each member of the House of Delegates is elected for a term of two years. The State is divided into 17 Senatorial districts, two Senators being elected from each district, and into 67 delegate districts. The districts currently consist of as little as 1 member and as many as 5 members.

The Legislature assembles annually on the second Wednesday of January for a period of sixty days in Regular Session (every four years following a general election, the Legislature assembles on the second Wednesday of February). Any Regular Session may be extended by a concurrent resolution adopted by a two-thirds vote of the members of each house. The Governor may convene the Legislature by proclamation whenever, in the opinion of the Governor, the public safety or welfare requires it, or upon written application of three-fifths of the members of each house.

Executive Branch. The Governor, Treasurer, Auditor, Secretary of State, Attorney General and Commissioner of Agriculture comprise the Executive Branch. Each office is created by the Constitution of the State and each officer is elected quadrennially at the general election. While the Governor is limited to two consecutive four-year terms of office, the other elected officers in the Executive Branch are not. A Governor is not precluded by the Constitution, however, from serving an additional term or terms following his or her completion of two consecutive terms of office so long as a different Governor is elected to at least one intervening term of office.

The Governor is vested with the chief executive powers of the State, including the powers to recommend measures to the Legislature and to appoint certain officers of State government, with the advice and consent of the Senate. In 1968, an amendment to the constitution was passed which centralized the responsibility for budgetary preparation in the Office of the Governor. The Governor makes a total general revenue estimate that the State Legislature may not exceed in the enactment of the budget unless it chooses to fund the excess through new or increased taxes. The Governor may veto specific line items or the budget in its entirety.

The West Virginia Board of Treasury Investments manages short-term investments through the West Virginia Money Market Pool, West Virginia Government Money Market and West Virginia Short-Term Bond Pool. The State Treasurer's Office offers state agencies and local governments the ability to invest funds with other pooled participants. The Treasurer provides cash management for the State, which includes issuing 4 million checks and making electronic fund transfers each year and depositing all cash receipts, and is the custodian of all unclaimed property in the State. The West Virginia Investment Management Board, which is not part of the State Treasurer's Office, manages long-term funds, such as pension and trust funds.

The State Auditor is the State's official bookkeeper. The State Auditor's office reviews all claims presented to the State for payment and, if found legal and correct, issues warrants for payments drawn on the State Treasury. The Auditor accepts garnishments against State employees, and administers the savings bonds program and payroll deductions for them, administers social security for the State and political subdivisions, receives taxes due to the State collected by sheriffs, and collects and distributes public utility taxes for the State and the counties. As Securities Commissioner ex officio, the State Auditor approves, rejects, issues licenses for and supervises the sale of securities in West Virginia. As Commissioner of Forfeited and Delinquent

Lands ex officio, the State Auditor keeps records of land forfeited to the State, sold for delinquent taxes and/or redeemed.

The Secretary of State is the chief election official of the State. Other duties include the registration of corporations and other business entities, issuing certificates of incorporation or organization to domestic corporations and other business entities and certificates of authority to foreign corporations to transact business in West Virginia, naming Notaries Public, keeping rules and regulations, overseeing the Charitable Contributions Act, keeping the Executive Journal and keeping the Great Seal of the State of West Virginia.

The Attorney General is the chief legal officer of the State. He is authorized to represent the State in suits, actions and other legal proceedings, to advise other State officials and to render written legal opinions when requested to do so by officers of the Executive Department or the Legislature.

The Commissioner of Agriculture has the responsibility for implementing legislative enactments that are designed to promote agriculture and to assure that only wholesome, uncontaminated and unadulterated agricultural products are offered for sale to the public.

The executive branch of state government is comprised of ten departments, one bureau, one commission, one council and a number of independent boards and commissions. The Cabinet Secretary system was established in 1989. The Departments of Administration, Commerce, Education and the Arts, Environmental Protection, Health and Human Resources, Military Affairs and Public Safety, Veterans' Assistance, Revenue, and Transportation comprise the Cabinet. The one bureau is Senior Services. The one commission is Higher Education Policy Commission. The one council is the West Virginia Council for Community and Technical College Education. Each department is headed by a secretary, except the Department of Education, which is headed by the Superintendent of Schools and is not a part of the Cabinet. The Senior Services Bureau is headed by a commissioner. The Higher Education Policy Commission and the WV Council for Community and Technical College Education are each headed by a Chancellor.

Judicial Branch. The Judicial Branch is a unified court system, uniting all state courts, except municipal courts, into a single system supervised and administered by the Supreme Court of Appeals of West Virginia. The judicial power of the State is vested in a Supreme Court of Appeals, Circuit Courts, Family Courts, judges thereof and county magistrates. The Supreme Court of Appeals consists of five Justices, each elected for a term of twelve years. There are 74 Circuit Judges elected for eight-year terms that preside over the 31 judicial circuits of the State. The 158 magistrates are elected for four-year terms. The 35 elected Family Court Judges are currently serving eight year terms.

Departments and Bureaus

The Department of Administration provides support services for state agencies and employees through the divisions of Personnel, Aviation Services, Public Employees Insurance Agency, Fleet Management Office, Board of Risk and Insurance Management, Consolidated Public Retirement Board, West Virginia Office of Technology, General Services, Real Estate, Finance and Purchasing. Numerous boards and commissions are encompassed in the Department of Administration, such as Public Defender Services, Public Employees Grievance Board, Prosecuting Attorney's Institute, Ethics Commission and the Commission on Uniform State Laws.

The Department of Education is the administrative staff of the West Virginia Board of Education, which provides supervision of the public K-12 education system of the State.

The Department of Education and the Arts was created in 1989 and is one of West Virginia's executive branch departments. The Department of Education and the Arts consists of the Center for Professional Development, Library Commission, Public Broadcasting, Culture and History, Rehabilitation Services, and the Commission for National and Community Service.

The Department of Environment Protection ("DEP") coordinates administrative support for various environmental agencies. DEP is comprised of four divisions: Mining and Reclamation, Air Quality, Water and Waste Management, and Land Restoration. In addition, DEP oversees the Offices of Oil and Gas, Explosives and Blasting, Environmental Remediation, and Special Reclamation.

The Department of Health and Human Resources provides health and human services for the people of West Virginia. Various bureaus comprise the Department, such as the Bureau of Behavioral Health and Health Facilities, Bureau for Public Health, Bureau for Child Support Enforcement, Bureau for Medical Services and Bureau for Children and Families. The Human Rights Commission, Women's Commission, Health Care Authority, Commission on Deaf and Hard-of-Hearing, Developmental Disabilities Council, Board of Medicine, Catastrophic Illness Commission and Children's Health Insurance Program are also within the Department of Health and Human Resources.

The Department of Military Affairs and Public Safety provides emergency services, law enforcement, military services, and regional jails and correctional facilities services. Comprising the Department are the Office of the Secretary (including the WV Homeland Security State Administrative Agency), Adjutant General's Office (including the West Virginia National Guard), Division of Corrections, Division of Criminal Justice Services, Division of Juvenile Services, WV State Fire Commission, Division of Homeland Security and Emergency Management, the Regional Jail and Correctional Facility Authority, West Virginia State Police, Division of Protective Services, and the WV Parole Board.

On July 1, 2011, the Division of Veterans' Affairs, which was a division of the Department of Military Affairs and Public Safety, was re-designated as the Department of Veterans' Assistance. The purpose of the Department is to aid, assist, counsel and advise, and to encourage competition among counties and municipalities to develop, improve and enhance veteran-friendly services, benefits and assistance to, veterans who have served in and been honorably discharged or separated under honorable conditions from the Armed Forces of the United States and their widows, widowers and dependents, including populations of veterans who may have special needs as a result of homelessness, incarceration or physical or mental disabilities. On July 1, 2011, the Veterans Council (formerly known as the Veterans' Council and part of the Division of Veterans' Affairs) became part of the Department of Veterans' Assistance. It is the duty and function of the Veterans Council to advise the Secretary on the general administrative policies of the Department, to select a chairperson, to advise the Secretary on rules as may be necessary to advise the Governor and the Legislature with respect to legislation affecting the interest of veterans, their widows or widowers, dependents and orphans and to make annual reports to the Governor respecting the service of the Department.

The Department of Revenue administers and enforces West Virginia tax laws and regulates insurance, banking, gaming, racing and the sale and consumption of alcoholic beverages. Agencies within the Department of Revenue are the State Tax Department, Alcohol Beverage Control Administration, Insurance Commission, Racing Commission, West Virginia Lottery Commission, Division of Financial Institutions, the Municipal Bond Commission, Budget Office, Athletic Commission and the Office of Tax Appeals.

The West Virginia Lottery Commission (the "Lottery") was constitutionally authorized on November 6, 1984. The majority of the revenues of the Lottery are deposited into either the State Lottery Fund or State Excess Lottery Revenue Fund, which are maintained in the State Treasury. Revenues of the Lottery are used to pay certain governmental expenses that would otherwise burden the State General Revenue Fund, including, but not limited to, expenses related to education, school facilities, senior citizens, natural resources, economic development, higher education, Promise Scholarship, infrastructure, State park system and other liabilities of the State.

The Department of Transportation provides the transportation and related services and infrastructure of the State. Included within the Department are the Parkways Authority, State Rail Authority, Public Port Authority, Aeronautics Commission, Division of Motor Vehicles, Division of Highways, and Public Transit Division.

The Department of Commerce promotes economic growth, promotes efficient use of the State's natural resources and provides infrastructure support and opportunities for citizens and communities. The Department consists of the Division of Labor, Office of Miners' Health Safety and Training, the West Virginia Development Office, the Division of Natural Resources, the Division of Forestry, West Virginia Geological and Economic Survey, Division of Tourism, Workforce West Virginia, and the Division of Energy.

Workforce West Virginia promotes the economic security of West Virginia citizens through provision of compensation, employment and training services to unemployed workers and job seekers. Within Workforce West Virginia are Employment Services, Unemployment Compensation Division and Unemployment Compensation Board of Review. Workforce West Virginia is an agency within the Department of Commerce.

The Workers' Compensation Commission provided a system of compensation for injury or illness sustained during the course of employment until December 31, 2005. Legislation passed in January of 2005, provided for the transition of Workers' Compensation from a monopolistic system to a privatized mutual insurance company. On July 1, 2008, the market for Workers' Compensation coverage opened to all qualified private carriers for most employers. For detailed information regarding privatization of worker's compensation insurance and administration of claims existing prior to such privatization, see "OTHER BENEFIT AND INSURANCE SYSTEMS – Insurance Systems - Workers' Compensation Insurance" herein.

The West Virginia Higher Education Policy Commission is responsible for developing, establishing and overseeing the implementation of a public policy agenda for the State's four year colleges and universities. It is charged with oversight of higher education institutions to ensure they are accomplishing their missions and implementing the provisions set by state statue. The Commission consists of ten members; seven are appointed by the Governor, and three ex-officio members; the Secretary of Education and the Arts, the State Superintendent of Schools and the Chairperson of the West Virginia Council for Community and Technical College Education.

Various boards and commissions are not included within the department and bureau structure of the executive branch. Examples are the Investment Management Board, Hospital Finance Authority, Water Development Authority, Economic Development Authority, Infrastructure and Jobs Development Council, Housing Development Fund and Public Service Commission.

An organizational chart showing the basic structure of state government in West Virginia is displayed on the next page.

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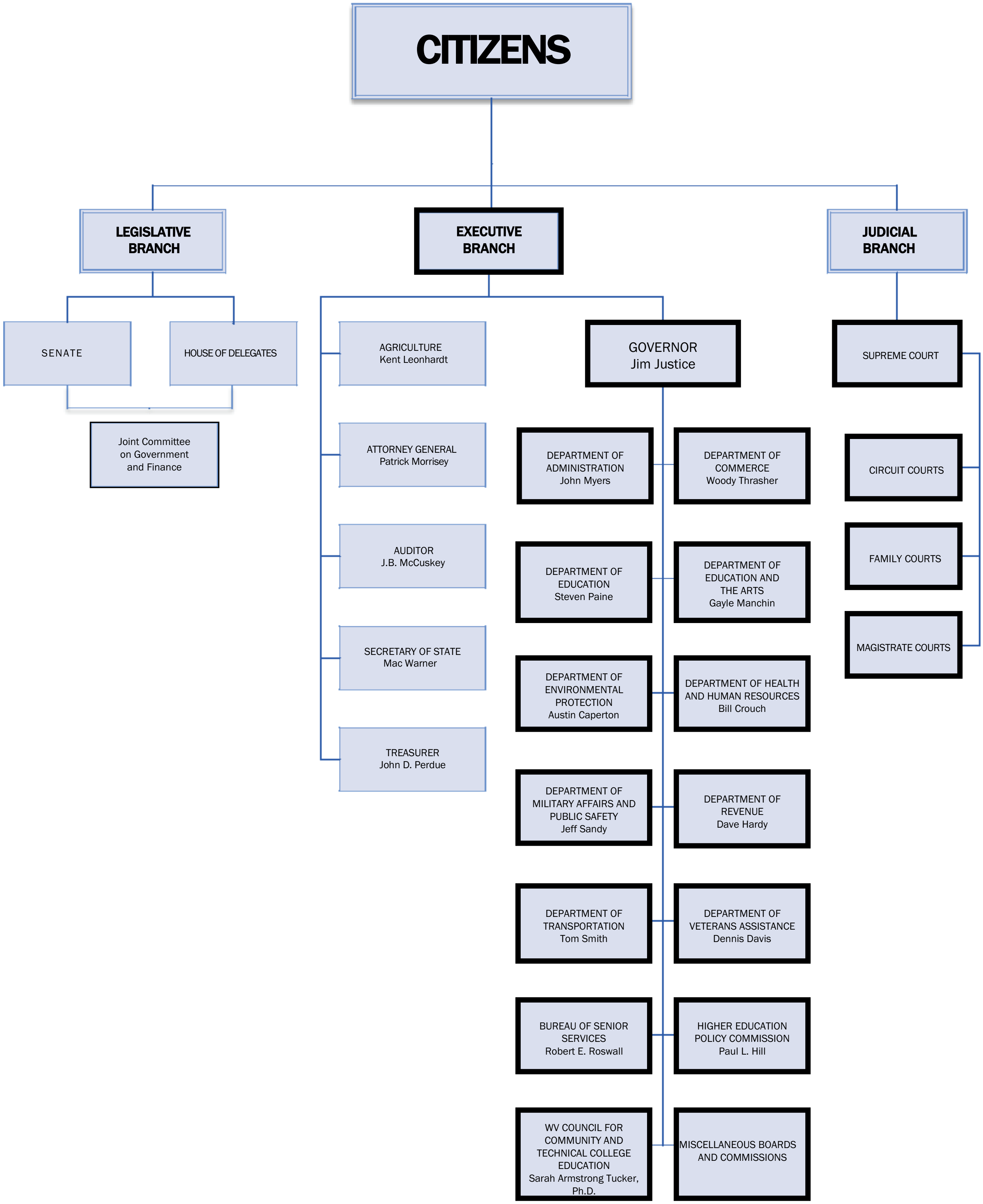

Source: West Virginia Budget Office

Employee Relations

The Classification and Compensation Section establishes and maintains the classification plans based on job analysis and develops and maintains compensation plans that consider responsibility and difficulty of work, labor market factors and internal equity. The Employee Communications and Information Section provides information to employees and administrators through distribution of newsletters and publications, serves as liaison to the State Personnel Board, provides administrative and fiscal support services for the Division of Personnel, maintains employee information and records, and assures compliance with merit system standards and applicable rules, policies and procedures through a system of payroll audits.

The Employee Relations Section formulates and interprets consistent personnel policies and procedures for employees and employers, and provides technical assistance and consultation in grievance and disciplinary matters. The Organization and Human Resource Development Section provides development and training programs. The Staffing Services Section provides an integrated system for recruiting, screening and referring applicants for merit system and other employment in state government, with oversight responsibilities for assurance that promotions and inter-agency transfers are in compliance with merit system standards, and undertakes research and development of job-related employment examination procedures.

As of June 30, 2017, the State had approximately 36,693 full time equivalent permanent employees, including approximately 12,000 persons employed by Higher Education. Public school teachers and school service personnel for grades K-12 are not included in these totals, as they are county school board employees. The average State employee salary was $40,690 as of June 30, 2017.

FINANCIAL PROCEDURES AND OPERATIONS

Over the last twenty years, the State has been committed to excellence in financial reporting practices. The Government Finance Officers Association ("GFOA") recognized the State's Comprehensive Annual Financial Report (the "State CAFR") with its Certificate of Achievement for the fiscal year ended June 30, 2016. The State submitted its fiscal year 2017 CAFR to the GFOA to determine its eligibility for an additional certificate which is expected to be received in September or October of this year. This was the twentieth consecutive year that the State has achieved this award. Likewise, the GFOA has bestowed the Distinguished Budget Presentation Award to the State for the same period. The GFOA has also recognized the annual financial reports of several of the State's agencies, boards and commissions with its Certificate of Achievement. The following describes specific budgetary initiatives the State has employed to provide budgetary stability.

Budgetary Process

The annual executive budget (the "Executive Budget") is developed, under the Governor's direction, by the State Budget Office of the Department of Revenue. The current budgeting system uses the prior year as the base to evaluate the programs undertaken by various State agencies. Each agency must submit a preliminary request for appropriation by September 1 for the fiscal year beginning July 1 of the following year. These requests show the costs and benefits of programs at various levels of operations, their performance measures and their priorities in relation to the agency's objectives, goals and mission. The review process undertaken by the State Budget Office involves the evaluation of agencies' programs in relation to the overall objectives of the State. The Executive Budget, outlining the proposed programs and costs, is presented by the Governor with an accompanying budget bill to the Legislature at its opening session each year. The Executive Budget must be presented to the Legislature by the second Wednesday in January of each year, except for election years when it must be presented by the second Wednesday in February.

The State Constitution provides that expenditures set forth in the Executive Budget must not exceed the sum of accumulated surplus and estimated revenues. The Legislature in its consideration of the budget may make amendments, but may not increase proposed expenditures to create a deficit. A majority of the members of both houses of the Legislature must approve the budget bill. Upon its passage, the budget bill is presented to the Governor who can approve it, veto it in its entirety or can eliminate or reduce specific items. If the budget bill is partially or fully vetoed by the Governor, it is returned to the Legislature for reconsideration. The Legislature, by a two-thirds majority in each house, can override the Governor's full or partial vetoes. After its final enactment, the budget bill can be amended or supplemented by individual appropriation bills that are enacted in the same manner.

The budget bill, item or part thereof, which is not returned by the Governor within five days (Sundays excepted) after the budget bill has been presented to the Governor shall become law in like manner as if the Governor had signed the budget bill, unless the Legislature, by adjournment prevents such return in which case it shall be filed in the Office of the Secretary of State, within five days after such adjournment, and shall become law; or it shall be so filed within such five days with the objection of the Governor, in which case it shall become law to the extent not vetoed by the Governor.

Evaluation and Monitoring Procedures

In addition to the evaluation undertaken as part of the budgetary process, the State Budget Office conducts special analyses of the operations of State agencies. There are also reviews undertaken by the Legislative Auditor, who is appointed by the State Legislature, and by internal programs within departments that monitor the achievement of budget objectives.

The budget is predicated on estimates of revenues by sources that are evaluated on a monthly basis. Subsequent to the passage of the budget bill, the Department of Revenue monitors and forecasts revenues to evaluate their flow and the accuracy of the estimates that have been made. The State Budget Office issues monthly revenue reports that reflect collections compared to the estimate and to the prior fiscal year. Various monitoring techniques are used to make sure that the revenue collections are sufficient to support the appropriations made by the Legislature. If the Governor believes the revenues may fall short of estimates, he must direct the State Budget Office to reduce pro rata all expenditures within his control in such degree as may be necessary to prevent a deficit or he may convene the Legislature to request a supplementary appropriation from the Rainy Day Fund A (as hereinafter defined). If the Governor determines that a pro rata reduction will dangerously impair essential services of government, he can instruct the State Budget Office to reduce expenditures from separate appropriations in accordance with a statutorily defined method. In addition, the Governor can, by executive action, institute certain other selective spending reduction measures as may be necessary to prevent a deficit. There are some major spending categories subject to certain constitutional and statutory requirements, such as expenditures for the Department of Education, that limit the flexibility of discretionary budget cuts recommended by the Governor.

Upon final approval of the budget, State agencies undertake the process of preparing expenditure schedules that must be filed with the State Budget Office before the start of each fiscal year. The expenditure schedules provide detailed expenditure planning and include a request for quarterly releases of funds to meet such plans. Several large appropriations, such as the State Aid to Schools and Human Services, are controlled on a monthly or daily basis for cash flow and control purposes. After review and approval, the schedules become the basis for expenditures by each agency during the coming fiscal year. The State Budget Office is responsible during the year for evaluating all proposed payroll changes, encumbering all planned expenditures and preventing expenditures from exceeding appropriations for each agency. The State Auditor and State Treasurer are prohibited by law from issuing a State check that exceeds the amount appropriated for any particular account. They also maintain accounts of the revenue collected and expenditures made pursuant to appropriation and reconcile their accounts on a monthly basis. Because of these records, the State Budget Office's encumbrance control is extended to cash control by the Auditor and Treasurer.

Cash Management and Investment Procedures

The State Treasurer's Office is the cash management center of the State. The Treasurer receives and deposits in state depository banks all funds due to the State. The Treasurer monitors the bank balances to insure that sufficient moneys are on hand to meet the obligations of the State on a day-to-day basis and ensures that all bank accounts are properly collateralized.

The West Virginia Constitution was amended at a special election held on September 27, 1997, to authorize investment of state and public funds in equities. Legislation specifies various restrictions and limitations on the investments and places the authority for long-term investment trusts with the West Virginia Investment Management Board.

The West Virginia Board of Treasury Investments is responsible for investing the operating funds of the state which are referred to as the Consolidated Fund. The State Treasurer is chairperson of this five-member board.

Accounting and Auditing Procedures

The financial activities of the State are accounted for in individual funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. For financial reporting purposes, the reporting entity is divided into the primary government and the discretely presented component units.

The modified cash basis of accounting is the budgetary basis of accounting followed for the General Revenue Fund. The major modification from the cash basis is that a 31-day carry-over period is provided at the end of each fiscal year for the payment of obligations incurred in that year. All balances of the General Revenue Fund appropriations for each fiscal year expire on the last day of such fiscal year and revert to the unappropriated surplus of the fund from which the appropriations were made, except that expenditures encumbered prior to the end of the fiscal year may be paid up to thirty-one days after the fiscal year end; however, appropriations for buildings, land and capital outlays remain in effect until three years after the passage of the act by which the appropriations were made. The State Auditor reviews all transactions of all funds to ensure that (i) an appropriation for expenditures has been made, (ii) there is a balance in the appropriation sufficient to cover the expenditure and (iii) evidence of services rendered or materials received supports the claim against the State.

The West Virginia Code requires an annual audit by independent certified public accountants. The State engaged a firm of independent certified public accountants to perform the audit as of and for the fiscal year ended June 30, 2016. In addition to meeting the requirements set forth in West Virginia Code, the audit is also designed to meet the requirements of the Federal Single Audit Act of 1996 and the United States Office of Management and Budget Circular A-133, as amended. Generally accepted auditing standards set forth in the General Accounting Office's Governmental Auditing Standards were used by the auditors in conducting the engagement.

The basic financial statements as of and for the fiscal year ended June 30, 2016, audited by its independent auditor, are attached to this Official Statement as Appendix B.

The Legislative Auditor compiles fiscal information for the Legislature; makes a continuous audit and analysis of the State budget, revenues and expenditures; makes periodic post-audits of the revenues and expenditures of the spending units of the State government; reports any misapplication of State funds or erroneous, extravagant or unlawful expenditures by any spending unit; and makes recommendations to the Legislature concerning the post-audit findings, the revenues and expenditures of the State and the organization and functions of the State and its spending units. A copy of each audit report, when completed and certified by the Legislative Auditor, is filed with the Department of Administration as a public record and with the Attorney General for any action he may deem necessary.

Over the past four years, the State of West Virginia has been in the process of implementing an enterprise resource planning ("ERP") system, termed "wvOASIS" consisting of a comprehensive suite of software modules that provide for statewide administrative functions, including financial management, procurement, asset management, personnel administration, payroll, time reporting and benefits administration. The purpose of the ERP system is to facilitate the flow of information between all business functions within State government and manage more effectively the relationships to the State's vendors. The integrated software modules that make up the State's ERP system are expected to play a vital role in enhancing tracking and reporting and providing greater transparency to State government functions. The State's ERP system is governed by a board consisting of the Governor, the State Treasurer and the State Auditor.

Deployment of the ERP system is expected to occur in five phases, with the first phase related to budget development having commenced in August 2013. The second phase of the project was implemented in January 2014, to provide a right of way management system, utility and railroad relocation management system, a safety management application and inventory management for the Department of Administration. The third phase of the project, related to the State's core finance and procurement functions, including its accounting and budgeting functions, commenced in July 2014. The fourth phase of the ERP system included human resources, payroll, time and leave management implementation. The launch of the fourth phase of wvOASIS occurred in May 2015, when the Governor's Office, the State Auditor's Office, the State Treasurer's Office, the Enterprise Readiness Planning Board, the Department of Administration (except the Children's Health Insurance Agency), the Division of Natural Resources, the Department of Agriculture and the Department of Transportation, excluding the West Virginia Parkways Authority, were all converted from semimonthly to biweekly payroll cycles. The second wave of the fourth phase of wvOASIS began in April 2016 and included all State agencies and departments, except the Supreme Court of Appeals, West Virginia University, Marshall University, the Department of Health and Human Resources (except for the Health Care Authority and Human Rights) and the State Police. The phases of the wvOASIS project related to the State's general financial matters are substantially complete. The fifth and final phase of the wvOASIS project, which primarily relates to the State Department of Transportation's systems covering, among other things, its human resources, time and leave management, transportation operations and assets, safety grants, Federal Highways Administration billing, fleet and real estate and facilities, is expected to commence in July of 2019.

Although the State has historically produced a thorough and complete set of comprehensive audited financial statements for all of the State agencies contained in the State CAFR, the State and its outside auditors have encountered difficulties for the last three consecutive fiscal years in completing the State CAFR by certain deadlines, including deadlines for submission of the State CAFR under various obligations of the State and its agencies for previously issued bond transactions, as well as an annual deadline imposed by the United States Department of Education (the "Department of Education") on higher education institutions receiving federal funds to file their annual single audits with the Department of Education by March 31 of each year. See "CONTINUING DISCLOSURE" in the Official Statement for a discussion of late filings of the State CAFR in connection with previously issued bond transactions. Several factors have contributed to the delays in filing of the State CAFR, which include implementation of wvOASIS, the enactment of new reporting rules by the Governmental Accounting Standards Board and untimely submission of financial information to the State's Department of Administration by several different agencies of the State. As a result of the late filings made to the United States Department of Education for fiscal years 2014, 2015 and 2016, on July 17, 2017, the United States Department of Education sanctioned the State by placing all of its public universities and colleges under heightened cash monitoring and restrictive cash management processes for a period of at least five years. As a result, the State's public institutions of higher education will be required to disburse federal aid to students from their own institutional funds and then seek reimbursement for federal student loans and grants from the Department of Education. Additionally, the sanctions also require the State's public universities and colleges to obtain the approval from the Department of Education before launching or ending any academic program. The

Governor has announced that his General Counsel is currently investigating the circumstances surrounding the previous late filings and will take steps necessary to ensure timely filing of the State's CAFR in the future.

Reserve Funds

In 1990, the Legislature created the Income Tax Reserve Fund, an account in the State Treasury, to ensure the payment of personal income tax refunds to taxpayers in a timely manner. On May 27, 2016, the Legislature enacted Senate Bill 1002 during the first extraordinary session of the 2016 State Legislature, requiring the State to transfer certain funds to the unappropriated balance of the General Revenue Fund including $3.0 million from the Income Tax Refund Reserve Fund, leaving a balance of $5.0 million. In fiscal year 2017, the State used the $5.0 million balance to pay income tax refunds in the middle of the year, but then replenished the $5.0 million to the account by year end leaving the net balance at $5.0 million.

The State has established two rainy day reserve funds, which are each maintained in the State Treasury and enable the State to address temporary revenue shortfalls or unforeseen expenditures. In 1994, the Revenue Shortfall Reserve Fund ("Rainy Day Fund A") was created to protect against emergencies and downturns in the economy. Under current law, the State is required to deposit the first 50% of all surplus accrued in the General Revenue Fund during the fiscal year just ended into Rainy Day Fund A until the aggregate amount of the fund is equal to 13% of the total appropriations from the General Revenue Fund for the fiscal year just ended. The first $100 million of Rainy Day Fund A is invested by the West Virginia Board of Treasury Investments, and any amounts over $100 million of Rainy Day Fund A are invested by the West Virginia Investment Management Board. As of August 31, 2017, the fund contained $267.16 million, representing 6.27% of fiscal year 2018's total appropriations.

The second rainy day fund, known as Rainy Day Fund B, was initially funded by the transfer of the cash balance of the Tobacco Settlement Medical Trust fund on June 9, 2006. This fund had a balance of $429.98 million as of August 31, 2017. No additional amounts, other than interest earnings, are currently expected to be deposited into Rainy Day Fund B, which is invested by the West Virginia Investment Management Board. The total amount contained in Rainy Day Fund A and Rainy Day Fund B was approximately $697.1 million as of August 31, 2017, representing 16.35% of fiscal year 2018's total appropriations.

Rainy Day Funds may only be expended by legislative appropriation and only for revenue shortfalls, for emergency revenue needs caused by acts of God or natural disasters, or for other fiscal needs as determined solely by the Legislature. Since Rainy Day Fund A was created, the State has used $225 million for flood (including $55 million to provide funding for the historic flooding that occurred in June 2016) and drought victim assistance, infrastructure, snow removal and other projects. During fiscal year 2015, an additional $100 million was appropriated from Rainy Day Fund A for the State's Medicaid Program. For fiscal year 2016, $98.6 million was appropriated from Rainy Day Fund A to help balance fiscal year 2016's shortfall. An additional $131.1 million of funds from Rainy Day Fund A were appropriated as part of the State's fiscal year 2017 budget. However, $38 million was transferred back to Rainy Day Fund A in early August 2017 due to the statutory requirement that one-half of any General Revenue surplus at the fiscal year end be placed into the Rainy Day Fund A. No funds from Rainy Day Fund A were appropriated as part of the State's fiscal year 2018 budget.

Expenditures may not be made from Rainy Day Fund B unless all moneys in Rainy Day Fund A have first been expended. After June 30, 2025, under current statutory law, interest and other amounts earned on moneys in Rainy Day Fund 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 program 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.

The August 31, 2017 balance of the Revenue Shortfall Reserve Fund (Rainy Day Funds A and B) was $697.1 million and the balance in the Income Tax Refund Reserve Fund is $5 million.

The combined $702.1 million on deposit as of August 31, 2017 in the above Reserve Fund represents approximately 16.47% of the total General Revenue Fund appropriations for fiscal year 2018.

REVENUES AND EXPENDITURES

General Revenue Fund

The State's General Revenue Fund is the primary tax-supported operating fund of the State. Its revenue includes the Consumer Sales and Service Tax, Personal Income taxes, Business and Occupation, Severance, Corporate Income/Business Franchise, Cigarette and Insurance taxes, and a variety of other taxes, fees and collections. Moneys deposited in the General Revenue Fund, except refunds or overpayments, are appropriated annually by the Legislature to support the basic operations of State government, including support for elementary, secondary and higher education, health and human services, public safety and the executive, legislative and judicial branches of government. During the fiscal year ending June 30, 2017, revenues of approximately $4.191 billion were deposited in the General Revenue Fund, including $24.51 million in fund balance transfers. A brief summary of the major tax revenue sources of the General Revenue Fund follows:

Personal Income Tax. The Personal Income Tax is levied on the West Virginia taxable income of all individuals, estates and trusts. Except for married couples filing separate returns, the Personal Income Tax is graduated from 3.0% on taxable income up to $10,000 to a rate of $2,775 plus 6.5% of the excess over $60,000 on taxable income of $60,000 or more. In the case of married couples filing separate returns, the tax is graduated from 3.0% on taxable income up to $5,000 to a rate of $1,387.50 plus 6.5% of the excess over $30,000 on taxable income over $30,000. The starting point for computing the tax liability of individuals and married couples is their federal adjusted gross income for the taxable year to which certain increasing and decreasing modifications must be made. The personal exemption is $2,000 per personal exemption claimed on the federal income tax return for the taxable year. An earned income exclusion is available to individuals with federal adjusted gross incomes under $10,000 ($5,000 if the taxpayer elects to use the married filing separate status). A low-income family tax credit is available for families with incomes below the federal poverty guidelines that will eliminate West Virginia Personal Income Tax for such families. The same credit will be available for families with incomes immediately above the federal poverty guidelines that will reduce West Virginia Personal Income Tax for such families. For fiscal year 2017, the Personal Income Tax provided $1.8 billion or 43.3% of General Revenue Fund revenues. Fiscal year 2017 revenues did not include an additional $30 million of Personal Income Tax receipts transferred to the Other Post Employment Benefit (OPEB) Trust Fund.

Consumer Sales and Service Tax. The State levies a broad-based Consumer Sales and Service Tax, which is a general sales tax applied to sales of tangible personal property and the furnishing of services within the State. Most goods and services are subject to a 6% tax. Sales of food and food ingredients intended for human consumption sold in grocery stores, convenience stores and other places are exempt from tax. This exemption does not apply to sales of soft drinks or to sales of hot or prepared foods. Exempt from tax are sales of tangible personal property or services intended for resale, prescription drug and appliance sales, contracting services, personal services, professional services, public utility services and purchase for direct use or consumption in communication, manufacturing, transmission or transportation activities, the production of natural resources, and the generation and distribution of electricity. A companion Use Tax of 6% applies to the use in West Virginia of goods and services purchased outside the State. For the fiscal year ending June 30, 2017, Consumers Sales and Service Tax and Use Tax deposits were $1.222 billion or 29.3% of General Revenue Fund revenues.

During the first special session of the 2017 State Legislature, the legislature passed Senate Bill 1006 which, among other things, increased the sales tax on motor vehicles from 5% to 6%. The State also charges a 5% sales and use tax on motor fuel. Revenues received from these taxes are deposited into the State Road Fund. For the fiscal year ending June 30, 2017, sales taxes on motor vehicles and motor fuel excise taxes totaled $585.4 million, or 84.6% of total State Road Fund revenues of $691.6 million, exclusive of federal funds, down from $602.6 million in fiscal year 2016.

Severance Tax. A gross receipts tax levied on businesses that sever, extract and/or produce natural resource products within West Virginia. Most natural resource production activity is subject to a 5% tax. Reduced tax rates apply to thin-seam coal, waste coal and timber. In fiscal year 2017, $321.0 million or approximately 7.7% of total General Revenue Fund revenues was attributable to Severance Tax collections, up approximately 35% from fiscal year 2016, due to a recent upswing in natural gas prices and higher coal production relative to the prior fiscal year. Note that previous year 2016 General Revenue Fund severance tax collections included roughly $39 million in one-time diverted workers' compensation severance tax receipts.

In January 2005, the Legislature enacted Senate Bill 1004, which, among other things, created new, non-general revenue severance taxes and requires the deposit of funds received from the increased taxes into a segregated fund that shall be used, together with other moneys deposited in such fund, either to reduce the unfunded actuarially determined workers' compensation liability or to pay debt service on bonds for the purpose of satisfying all or a portion of said unfunded actuarially determined workers' compensation liability. No such bonds have been issued as of the date hereof. In February 2016, the Legislature enacted Senate Bill 419, which, among other things, repealed the temporary additional severance taxes effective July 1, 2016. Repeal was made possible because the workers' compensation unfunded liability is approaching actuarial full funding.

The West Virginia Legislature passed legislation during the 1st Special Session of the 80th Legislature in 2011 amending Chapter 11, Article 13A of the Code of West Virginia, 1931, as amended, to reallocate and dedicate up to 5% of the Severance Taxes collected from coal production back to the counties from which the coal is extracted, up to an amount not to exceed $20 million per fiscal year. The amount of coal Severance Tax that is reallocated back to the counties was phased in over a five-year period beginning on July 1, 2012 and ending on July 1, 2016, when the statutory cap of 5%, or $20 million, went into effect. The dedicated revenue is distributed by the State Treasurer to the various counties in which the coal was located at the time it was extracted. The amount of severance tax collections shared with local producing counties was $8.8 million in fiscal year 2017. The monies are distributed to the county commissions and may only be used for economic development and infrastructure projects.

In 2014, the Legislature amended the Severance Tax law by creating the Future Fund in the State Treasury as a special mineral trust fund intended to be funded with severance taxes collected from the production of nonrenewable natural resources to create a permanent fund for the State to replace lost severance taxes arising from depletion of the State's nonrenewable natural resources over time. Beginning with the fiscal year ended June 30, 2014, and each fiscal year thereafter, the Secretary of Revenue is required to cause 3% of severance taxes collected under Sections 11-13A-3 and 3a that would be deposited into the General Revenue Fund to be deposited into the Future Fund. Taxes collected under these sections include taxes attributable to the severance of coal, limestone, sandstone, natural gas and oil. However, deposits to the Future Fund may only be made during fiscal years within which the balance of the Rainy Day Fund A equals or exceeds 13% of the state's General Revenue Fund budget for the fiscal year just ended as determined within sixty days of the end of that prior fiscal year, and may not be made in any fiscal year in which the Governor's General Revenue Fund estimate relies on transfers from the Rainy Day Fund A or in any fiscal year for which mid-year spending reductions, hiring freezes, mid-year decreases in appropriations or transfers from the Rainy Day Fund A are necessitated due to revenue shortfalls or would be necessitated if the deposits were to be made. No monies have been deposited in the Future Fund.

Corporate Net Income Tax. Subject to certain exceptions, domestic and foreign corporations doing business in West Virginia or earning income from property or activity within the State are subject to the Corporation Net Income Tax ("CNIT"). The starting point for computing tax liability is the corporation's federal taxable income for the taxable year to which certain increasing and decreasing modifications are made. Adjusted federal taxable income is the West Virginia taxable income of a corporation that only does business in West Virginia and is not taxable in another state. The rate of tax is 6.5% of West Virginia taxable income. When the corporation doing business in West Virginia is taxable in another state, the corporation's nonbusiness income is allocated within and without West Virginia and its business income is apportioned using a four factor formula (property, payroll and sales) in which the sales factor is double weighted. Financial institutions and motor carriers have special apportionment formulae. When the corporation is part of a unitary group of corporations engaged in multistate or multinational unitary business activities, the group is required to file a combined report and the West Virginia tax liabilities of the members of the unitary group that are taxable in West Virginia is determined from the combined report. The combined report is prepared by including only the waters-edge members of the unitary group, unless the group elects worldwide combination. Each taxable member of the unitary group files a separate tax return unless the taxable members of the unitary group elect to file a combined return. For fiscal year 2017, the CNIT provided $116.3 million or 2.8% of General Revenue Fund revenues, down from $143.6 million in fiscal year 2016. Fiscal Year 2017 CNIT collections included $4.30 million associated with the enactment of Senate Bill 352 ending quarterly transfers of $1.075 million to the West Virginia Public Port Authority effective March 1, 2016.

Business and Occupation Tax. The Business and Occupation Tax consists of three distinct components: a capacity or unit-based tax on electric power generation and distribution, a gross receipts tax on non-electric public utilities and a per unit tax on gas storage operators. In fiscal year 2017, the Business and Occupation Tax accounted for approximately $111.9 million or 2.7% of General Revenue Fund revenues.

Summary of General Revenue Fund Operations

As stated above, the State Budget Office monitors revenues as compared with revenue estimates of the State General Revenue Fund. Budgeted revenue estimates are prepared by the Department of Revenue and are based on assumptions the State believes to be reasonable. However, the underlying estimates and revenues must not be construed as statements of fact. The assumptions may be affected by numerous factors, including future economic conditions in the State and the nation.

The following table sets forth the Statement of Revenues, Expenditures & Changes in Fund Balances for the General Revenue Fund for fiscal years 2015, 2016, 2017 and 2018 on a budgetary basis, comparing Budgeted and actual numbers for fiscal years 2015, 2016 and 2017:

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GENERAL REVENUE FUND − BUDGETARY BASIS

Statement of Revenues, Expenditures & Changes in Fund Balances
(In Thousands)

	FY 2015 Budget	FY 2015 Actual	FY 2016 Budget	FY 2016 Actual	FY 2017 Budget	FY 2017 Actual	FY 2018 Budget
REVENUES:							
Personal Income Taxes	$1,809,600	$1,840,049	$1,860,500	$1,803,311	$1,914,225	$1,813,866	$1,860,000
Consumer Sales Taxes	1,253,500	1,227,886	1,269,800	1,231,044	1,285,000	1,222,283	1,259,000
Severance Taxes	474,600	414,173	471,700	276,441	262,544	321,031	361,000
Corporate Income/Business Franchise Taxes	201,500	186,101	173,200	143,605	137,400	116,306	109,000
Business & Occupation Taxes	107,000	120,522	117,000	119,174	115,500	111,885	114,500
Other Taxes	251,800	246,097	250,850	245,210	343,000	344,062	342,300
Excess Lottery Transfer	92,600	92,600	83,355	83,355	65,000	65,000	65,000
Licenses, Permits & Fees	9,451	9,313	8,921	8,743	8,950	8,666	8,250
Departmental Charges	17,600	18,223	18,100	19,029	19,100	19,134	23,000
Investment Earnings	1,500	2,343	15,000	2,509	8,000	6,045	16,000
Other	34,800	46,503	37,350	170,258	28,700	162,742	67,000
TOTAL REVENUES:	$4,253,951	$4,203,810	$4,305,776	$4,102,679	$4,187,419	$4,191,020	$4,225,050
EXPENDITURES:							
Legislature	$ 27,373	$ 22,450	$ 23,655	$ 17,239	$ 15,727	$ 12,409	$ 23,927
Judicial	131,813	131,552	139,573	138,327	141,760	133,193	141,760
Executive	40,728	33,866	37,729	29,068	36,348	30,402	33,609
Administration	72,687	68,422	61,974	58,759	61,027	58,054	60,654
Commerce	63,698	55,450	59,774	51,825	52,362	47,386	48,282
Environmental Protection	7,231	6,677	6,909	6,220	6,518	5,940	6,344
Education	2,458,379	2,445,580	2,367,179	2,326,950	2,365,029	2,332,284	2,347,149
Health & Human Resources	1,011,433	927,385	1,181,312	1,009,034	1,095,297	1,036,357	1,138,429
Military Affairs & Public Safety	368,276	332,876	361,978	320,874	358,837	333,188	361,658
Revenue	26,022	21,744	25,322	19,404	26,524	19,825	26,374
Transportation	6,221	2,290	6,130	2,070	5,498	2,067	5,119
Veterans Assistance	11,532	10,658	11,041	10,155	10,304	9,794	10,161
Senior Services	15,958	15,958	14,063	5,907	12,142	12,142	21,584
Miscellaneous Boards and Commissions	0	0	-	0	-	0	0
TOTAL EXPENDITURES:	$4,241,351	$4,074,908	$4,296,639	$3,995,261	$4,187,373	$4,033,041	$4,225,050
Excess (Deficiency)of Revenues Over (Under) Expenditures Current Year	12,600	128,902	9,137	107,418	46	157,979	0
Expenditures from Prior Year Appropriations (Net)	394,186	144,049	380,177	176,101	311,918	108,245	361,187
Total Excess (Deficiency) of Revenues Over (Under) Expenditures	(381,586)	(15,147)	(371,040)	(68,683)	(311,872)	49,734	(361,187)
Budgetary Fund Balance, Beginning of Year, as adjusted	396,302	396,302	381,160	381,160	312,477	312,477	362,211
BUDGETARY ENDING FUND BALANCE	$ 14,716	$ 381,155	$ 10,120	$ 312,477	$ 605	$ 362,211	$ 1,024

Summary of General Revenue Fund and Lottery Funds Fiscal Years 2015 - 2018

Fiscal Year 2015. Actual General Revenue collections for fiscal year 2015 totaled $4.204 billion, a 2.3% increase from actual General Revenue collections for fiscal year 2014. After adjustment to remove one-time revenues, fiscal year 2015 collections were 3.6% ahead of the prior year but still approximately $60.6 million below original revenue estimates. The fiscal year 2015 budget year required midyear adjustments of $38.9 million and the infusion of one-time revenues, but still finished the year with $12.8 million in surplus, half of which, or $6.417 million, was deposited in Rainy Day Fund in fiscal year 2016.

Lottery funds ended fiscal year 2015 with unappropriated cash balances totaling $47.9 million as of June 30, 2015.

The total Lottery and Excess Lottery funds that were available for State appropriation increased by 18.0% from $430.4 million in fiscal year 2014 to $507.8 million in fiscal year 2015. The increase is the result of House Bill 101 which reduced specific statutory distributions and made these funds available for appropriation.

Actual Lottery total gross sales for fiscal year 2015 were more than $50 million (-4.14%) behind the previous year's total actual collections. Gross sales from Traditional games were down 4.57%, Racetrack Video was down 5.60%, Limited Video was down 1.06%, Table Games were down 7.01%, and Historic Resort was down 14.14%.

However, actual Lottery total gross sales for fiscal year 2015 were $69.5 million (+6.35%) ahead of the original Fiscal Year 2015 estimates. Compared to the estimates, gross sales from Traditional games were down 0.23%, Racetrack Video was up 16.94%, Limited Video was down 4.30%, Table Games were up 14.46%, and Historic Resort was down 0.79%.

Fiscal Year 2016. Due to the impact of a declining coal industry and collapsing energy prices, General Revenue Fund collections fell by 7.5% in fiscal year 2016 to $3.88 billion, before any reallocations or enhancements, the lowest level since fiscal year 2008. The revenue decline was led by a 42.7% decline in regular severance tax collections, a 4.9% decline in personal income tax collections and a 24% decline in corporation net income tax collections. General Revenue collections fell short of original estimates by $426.1 million. The budget gap was partially filled through a total of $223 million in mostly one-time revenues, including $83.8 million from the Revenue Shortfall Reserve Fund, $39 million in workers' compensation severance tax receipts, $53 million in personal income tax revenues previously dedicated to the workers' compensation the Old Fund (as defined below), more than $12.7 million in other temporary funds previously dedicated to the Old Fund, $2.15 million in corporation net income tax funds previously dedicated to the Port Authority, $8.5 million from the Attorney General's Consumer Protection Fund, $3 million from the Income Tax Reserve Fund and $20.62 million in various special revenue fund sweeps. The State also utilized $3.15 million from the Legislature's TRAFFIC fund. The budget gap was also balanced through $94.3 million in mid-year spending reductions, $45.7 million in additional one-time spending reductions, $51.7 million in net supplemental appropriations and appropriation of $9.1 million remaining from previous line item expenditure vetoes by former Governor Tomblin.

The total Lottery and Excess Lottery funds that were available for State appropriation decreased by 2.3% from $507.8 million in fiscal year 2015 to $495.9 million in fiscal year 2016. Actual Lottery total gross sales for fiscal year 2016 were $1.136 billion (-2.35%) behind the previous year's total actual collections. However, actual Lottery total gross sales for fiscal year 2016 were $99.5 million (+9.6%) ahead of the original fiscal year 2016 estimates.

Fiscal Year 2017. General Revenue funds totaled $4.191 billion in fiscal year 2017. Absent gap fill revenues, net collections totaled nearly $4.067 billion. Adjusted receipts were $120.7 million below the official estimates and 2.3% above prior year adjusted receipts. The revenue shortfall was fully closed by a combination of nearly $60 million in mid-year budget reductions and $145.6 million in gap fill revenues, including $61.7 million from the Revenue Shortfall Reserve Fund. Revenue collections and revenue growth improved during the course of the year from a 1.5% decline during the first quarter to growth of 0.1%, 6.4% and 6.9% during the second, third and fourth quarters of the year, respectively. Natural gas energy prices troughed at less than $1.00 per thousand cubic feet in the first half of the fiscal year and then subsequently more than doubled between October and January to current levels generally in excess of $2.00 per thousand cubic feet. In addition, coal sales also troughed early in the year at an annualized rate of roughly 80 million tons and then subsequently rebounded to an annualized rate of more than 90 million tons. The value of foreign exports improved by nearly 29% from a twelve-month trailing trend trough of $4.75 billion in October 2016 to a twelve-month trailing amount in excess of $6.12 billion as of May 2017. Improvement in economic activity during the latter half of the year contributed to a net surplus of revenues over expenditures of $76 million. Half of this surplus was appropriated by the Legislature in the fiscal year 2018 budget and the remaining half of $38 was deposited in the Revenue Shortfall Reserve Fund.

The total Lottery and Excess Lottery funds that were available for State appropriation decreased by 3.9% from $495.9 million in fiscal year 2016 to $476.4 million in fiscal year 2017. Actual Lottery total gross sales for fiscal year 2017 were $1.079 billion (-5.0%) behind the previous year's total actual collections. However, actual Lottery total gross sales for fiscal year 2017 were $74.8 million (+7.45%) ahead of the original fiscal year 2017 estimates.

The base budget expenditures for fiscal year 2017 from General Revenues and Lottery revenues were $4.707 billion, which was $13.7 million lower than the base budget expenditures included in the fiscal year 2016 budget of $4.721 billion. The largest funding increases in the fiscal year 2017 base budget were attributable to additional state funding of $62.9 million for the Public Employee Insurance Agency (PEIA), increased funding of $25.4 million for the required actuarial required contribution ("ARC") of all the State's retirement systems, and increased funding of $27.7 million in the State share of the Medicaid program. All other base funding for all other programs in the fiscal year 2017 budget decreased by a net $129.7 million. Onetime appropriations of $123.8 million (which includes $85 million appropriated for the estimated State share for expenses related to the June 2016 flood), and onetime adjustments of $160.5 million, which were funded using various other onetime funding sources (including $70 million from Rainy Day Fund A) were also included as part of the State's fiscal year 2017 budget.

Fiscal Year 2018. The Governor's recommended fiscal year 2018 budget was presented to the State Legislature on February 8, 2017, closing an estimated $497 million budget gap. In preparing the recommended fiscal year 2018 budget, the State continued to utilize long-term planning with its Six Year Financial Plan which is intended to include the best estimate of revenues and expenditures based on currently known facts and are the best assumptions the State can make on a future basis.

The State Legislature was unable to pass the 2018 budget during the regular session of the 2017 West Virginia Legislature. During the first special session of the 2017 West Virginia Legislature, the Legislature passed Senate Bill 1013 on June 16, 2017, approving the State's budget for fiscal year 2018. Senate Bill 1013 became law on June 24, 2017, without the Governor's signature. The Governor did not veto Senate Bill 1013 due to the likelihood that his veto would lead to a State government shutdown, but he also did not sign Senate Bill 1013, citing, among other reasons, the failure of the budget bill to address future fiscal year projected budget deficits. The enrolled version of Senate Bill 1013 is available at the following link:
http://www.legis.state.wv.us/Bill_Text_HTML/2017_SESSIONS/1X/bills/sb1013%20enr.pdf

Fiscal Year 2018 Revenue

The official fiscal year 2018 General Revenue estimate, developed in November 2016 and updated in June of 2017, of $4.225 billion is more than $58 million above actual fiscal year 2017 general revenue funds of nearly $4.167 billion. Given that final fiscal year 2017 general revenue funds relied on more than $124 million in temporary revenues, the adjusted required revenue growth in the official fiscal year 2018 general revenue estimate is more than $158 million or 3.1%.

The economic momentum associated with improving energy markets during the second half of fiscal year 2017 were projected as part of fiscal year 2018 General Revenue official estimate to carryover to fiscal year 2018. In particular, natural gas prices were projected to generally remain above $2.00 per thousand cubic feet. The improvements in the energy sector are expected to also contribute to modest employment and income growth in the current fiscal year. In addition, additional road fund fees and taxes enacted in June 2017 should result in additional highway spending during the year with associated economic benefits. Gains associated with possible voter approval of a State Road Bond Amendment in October 2017 were not reflected in fiscal year 2018 revenue estimates, but will be reflected in future year outlooks. Due mainly to energy price improvement and some stabilization in the coal industry, General Revenue Fund severance tax collections were expected to rise by 12.5%. Following a year of no growth in either personal income tax or consumer sales tax revenues due to lack of employment and wage growth, General Revenue Fund personal income tax collections were expected to increase by at least 2.5% and sales tax collections were expected to rise by roughly 3.0%. As of the end of August 2017, year-to-date General Revenue Fund collections were $20.8 million or 3.9% above prior year collections and $19.3 million below estimate. The year-to-date shortfall was largely attributable to a $15.7 million shortfall in Severance Tax collections, which was due to a larger than expected seasonal decline in natural gas prices. Despite the shortfall below the benchmark estimate, severance tax deposits in the State General Revenue Fund were still more than double the amounts of prior year receipts, and natural gas prices are expected rebound toward national average pricing by Winter.

The General Revenue estimate for fiscal year 2017 included $33.0 million in temporary special fund revenues diverted from the Old Workers' Compensation Debt Fund (Old Fund) including $5.4 million in the month of July. The fiscal year 2018 budget relies on the diversion of 75% of the funds otherwise earmarked for deposit in the Old Fund. However, there is a possibility that the Old Fund could be declared actuarially fully funded when the next actuary report becomes available later this year.

The official fiscal year 2018 Lottery funds estimate of $429.0 million is roughly $8.5 million more than the official fiscal year 2017 Lottery funds estimate of $420.4 million. On-line games sales are projected to remain flat. Instant game sales are projected to decrease by 3%. Racetrack Video Lottery revenue is expected to increase 2% and limited video lottery revenue is expected to remain flat. Racetrack table games revenue is expected to decrease by 7%. Historic Resort Hotel revenues are expected to remain relatively flat.

Fiscal Year 2018 Expenditures

The base budget expenditures for fiscal year 2018 from general revenues and lottery revenues are $4.687 billion, which is $20.5 million lower than the base budget expenditures included in the fiscal year 2017 budget of $4.707 billion. The largest funding increases in the fiscal year 2018 base budget are attributable to additional state funding of $29.7 million for the required ARC of all the State's retirement systems. Included in the required ARC is a reduction to the required ARC for the Teachers' Retirement System of $43.213 million due to the Consolidated Public Retirement Board's adoption of a four-year asset smoothing method.[1] The effect of this "smoothing" reduced the fiscal year 2018 Teachers' Retirement System's Amortization payment from $410.084 million to $366.871 million. Also, the fiscal year 2018 Budget includes an increase in funding of $11.7 million in the State share of the Medicaid program. All other base funding for all other programs in

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[1] In March 2017, the Consolidated Public Retirement Board ("CPRB") approved a change in the actuarial valuation method to be utilized to value the assets of Teachers' Retirement System ("TRS"). The actuarial valuation method used previously for TRS was the fair-market value method. The approved change by the CPRB implemented a four-year smoothing actuarial valuation method for purposes of valuing the assets of TRS for all periods beginning on and after July 1, 2016, and the new method was applied retroactively to the valuation of assets of TRS for Fiscal Year 2016. The asset smoothing valuation method is designed to reduce the potential volatility in market value of plan assets from year to year by recognizing gains and losses over a multiple year period. CPRB's change in actuarial valuation method was intended to make the funding of TRS more stable and predictable in future years.

the fiscal year 2018 budget decrease by a net $61.4 million. Onetime appropriations of $8.15 million and onetime adjustments of $26.3 million, which are funded using various other onetime funding sources, are also included as part of the State's fiscal year 2018 budget.

Fiscal Year 2019. The State Budget Office is in the planning process for the fiscal year 2019 budget, which the Governor is required to submit to the Legislature not later than January 10, 2018. The main cost drivers in future years will be providing health care through the State's PEIA program and the State's Medicaid Program.

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GAAP Basis Financial Results – Fiscal Years 2012 through 2016

The following table sets forth the Statement of Revenues, Expenditures & Changes in Fund Balances for Governmental Funds for fiscal years 2012 through 2016 on a GAAP basis:

GOVERNMENTAL FUND TYPES − GAAP BASIS
Statement of Revenues, Expenditure & Changes in Fund Balances
(In Thousands)

	FY 12	FY 13	FY14	FY15	FY16
REVENUES:					
Taxes:					
Personal Income	$1,790,299	$1,767,626	$1,768,069	$1,915,382	$1,853,422
Consumer Sales	1,216,286	1,197,317	1,211,057	1,264,716	1,293,535
Severance	564,327	547,453	612,283	589,883	373,801
Corporate Net Income	232,266	230,131	202,444	189,473	152,873
Business & Occupation	123,137	125,692	121,401	120,426	119,594
Medicaid	176,661	219,568	184,666	200,408	221,717
Insurance	123,933	125,817	128,352	136,710	37,194
Other	191,116	174,790	171,375	108,230	266,350
Total Taxes	4,418,025	4,388,394	4,399,647	4,525,228	4,318,396
Department of Transportation:					
Gasoline & Motor Carrier Tax	408,571	417,571	433,252	435,142	404,321
License Fees	98,121	97,738	103,316	102,975	95,090
Privilege Tax	186,300	188,197	195,737	204,993	201,082
Other	3,950	4,080	4,196	4,131	4,099
Total Department of Transportation	696,942	707,586	736,501	747,241	704,592
Federal Grants	4,077,933	4,073,257	4,160,993	4,452,997	4,702,423
Other Revenue	1,601,579	1,491,308	1,499,204	1,449,993	1,422,531
TOTAL REVENUES:	10,794,479	10,660,545	10,796,345	11,175,459	11,147,942
EXPENDITURES:					
Current:					
Legislative	36,731	34,742	30,224	28,840	26,907
Judicial	139,941	127,804	142,859	140,847	144,091
Executive	216,268	149,602	182,887	126,313	142,313
Administration	190,164	155,163	159,680	155,998	126,668
Commerce	226,194	214,172	185,011	163,777	180,018
Environmental Protection	152,634	133,541	151,742	131,371	151,537
Employment Programs	55,969	50,210	53,540	45,743	48,968
Education	3,760,480	3,024,480	2,968,967	2,997,533	2,869,977
Health & Human Resources	4,425,591	4,684,841	4,895,617	5,285,201	5,430,561
Military Affairs & Public Safety	526,654	490,711	466,444	461,599	495,656
Revenue	91,349	67,760	150,556	92,758	91,050
Transportation	1,009,032	743,613	845,679	801,658	914,909
Veterans Assistance	26,600	19,114	23,464	20,261	21,546
Senior Services	47,656	47,669	45,919	49,439	44,253
Independent Boards & Comm.	93,643	64,130	68,545	54,965	36,877
Capital Outlay	334,046	465,399	302,040	335,493	359,889
Debt Service	454,877	235,991	207,657	206,148	180,360
TOTAL EXPENDITURES:	11,787,829	10,708,942	10,880,831	11,097,944	11,265,580

EXCESS OF REVENUES OVER (UNDER)					
EXPENDITURES	(993,350)	(48,397)	(84,486)	77,515	(117,638)
Other Financing Sources (Uses):					
Proceeds from Long-Term Obligations	18,615	0	0	205,365	0
Premiums on Bonds Issued (Discounts)	1,025	0	0	39,273	0
Proceeds of Refunded Bonds	0	0	0	0	0
Payments to Refunded Bonds Escrow Agents	(20,935)	0	0	(244,030)	0
Capital Lease Acquisitions	234,765	495	955	580	2,019
Operating Transfers In	170,321	154,945	134,350	149,515	188,770
Operating Transfers Out	(434,125)	(370,770)	(351,045)	(388,051)	(304,938)
Excess Revenue Transfer to RHBT	0	0	0	0	0
Total Other Financing Sources (Uses)	(30,334)	(215,330)	(215,740)	(237,348)	(114,149)
Revenues and Other Sources Over (Under)					
Expenditures and Other Uses	(1,023,684)	(263,727)	(331,870)	(159,833)	(231,787)
Fund Balances, Beginning of Year, as Restated	2,850,730	1,827,046	1,563,319	1,231,449	1,071,616
FUND BALANCES, END OF YEAR	$1,827,046	$1,563,319[2]	$1,231,449	$1,071,616	$839,829

Source: Comprehensive Annual Financial Reports

[2] In fiscal year 2012, the State recognized a one-time liability related to the transfer of $715 million of OPEB liability from the State's county boards of education to the State. See "OTHER BENEFIT AND INSURANCE SYSTEMS – Other Postemployment Benefits" herein.

Federal Funds

The federal programs administered in West Virginia are a substantial part of the operation of State government. Historically, federal grants have either been part of an ongoing program, limited to a specific project or structured to institute immediate State action. In all cases, they become either temporarily or permanently a significant feature of State services and the budget process.

In fiscal year 2017, State agencies received approximately $4.924 billion from federal sources. The State budget for fiscal year 2018 reflects anticipated receipts of $5.83 billion from federal sources.

The Department of Transportation, the Department of Health and Human Resources and the Department of Education have consistently received the largest amount of federal aid. During the fiscal year 2017, the Department of Transportation received reimbursement of approximately $462 million, the Division of Human Services within the Department of Health and Human Resources received approximately $3.562 billion and the Department of Education received $359 million. The remaining funds were distributed among the Departments of Administration, Commerce, Executive, Legislature, Judicial, Education & Arts, Veterans Assistance, Environmental Protection, Military Affairs and Public Safety, Revenue, Higher Education, the Bureau of Senior Services, various boards and commissions and elected officials.

In July 2017, the United States Department of Education sanctioned the State's public colleges and universities by placing them under heightened cash monitoring and restrictive cash management processes for a period of at least five years due to the late filing of the colleges and universities' single audits for three years. The public colleges and universities are required to submit their single audits to the United States Department of Education by March 31st of each year, but failed to meet that deadline for the past three fiscal years. See "FINANCIAL PROCEDURES AND OPERATIONS - Accounting and Auditing Procedures" herein. Normally, the United States Department of Education disburses funds for federal grant and loan programs to public colleges and universities who then distribute to their students. However, as a result of the imposed sanctions, the State public colleges and universities will be required to disburse funds from their own institutional funds to students who have qualified for federal grants and loans, including Pell grants and federal subsidized student loans, and then seek reimbursement from the United States Department of Education.

STATE INDEBTEDNESS

More than twenty independent agencies, authorities, boards and departments have the power to issue debt. Recognizing the need to manage debt, in 1991 the State legislature enacted the “Debt Management Act of 1991” which created the Division of Debt Management within the State Treasurer’s Office. The Debt Management Act of 1991 was amended by House Bill 2837 which was passed during the 2013 Regular Legislative Session to amend the title of the act to the “Debt Management Act” and to make various other changes in the West Virginia Code affecting the State Treasurer’s Office. The Division of Debt Management, which was continued in the State Treasurer’s Office by House Bill 2837, is authorized to continuously evaluate the current and projected debt service requirements of the State and its spending units, to evaluate cash flow projections relative to proposed and existing revenue bond issues, act as liaison with the Legislature on all debt matters including new debt issues, assist in the issuance of debt by the State and its spending units, issue reports on debt and monitor continuing disclosure requirements and post-issuance compliance issues. Additionally, the Division of Debt Management is responsible for issuing an annual Debt Capacity Report that reviews the size and condition of the State’s tax-supported debt and estimates the maximum amount of new tax-supported debt that prudently may be authorized for the next fiscal year.

During the 2005 First Special Session of the Legislature, legislation was enacted which requires approval by the Governor of any bond issue involving the funds of the State or any of its agencies and boards. The legislation also requires notice to be given to the Governor, the Speaker of the House of Delegates and the President of the Senate of any meeting with a national rating agency where the State’s general obligation debt rating would be affected or discussed.

The West Virginia Constitution prohibits the issuance of general obligation debt, except as authorized by constitutional amendment ratified by the voters. See "STATE INDEBTEDNESS - Bonds and Other Obligations Authorized" herein. For general obligation bonds, debt limits are established in the constitutional amendment authorizing the debt. For special obligation bonds and mortgages, debt limits are established at the individual issuer level, either by a ceiling on the amount of bonds authorized or the amount of funding for debt service. In addition, all agreements for installment purchases are issued by the Purchasing Division and all capital leases are issued by the Department of Administration’s Real Estate Division.

For purposes of the table set forth below, only general obligation debt, revenue bond debt and debt that is subject to annual appropriation is listed as “Gross State” debt for fiscal years 2012 through 2016. The following table shows the principal amount of bonded indebtedness of the State and the computation of “net tax-supported” debt. In arriving at net tax-supported debt, reserve funds have been deducted.

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GROSS DEBT OF THE STATE AND ITS AGENCIES
SUMMARY OF PRINCIPAL OUTSTANDING AT FISCAL YEAR END

(In Thousands)

	FY12	FY13	FY14	FY15	FY16
GENERAL OBLIGATION BONDS					
Infrastructure Bonds	$240,807	$233,235	$221,449	$215,963	$201,967
Safe Road Bonds	292,497	265,541	238,979	196,405	191,122
Total	533,304	498,776	460,428	412,368	393,089
REVENUE BONDS:					
Surface Transportation Improvement	104,448	80,059	54,565	27,896	0
School Building Authority (Lottery)	334,435	338,515	343,265	330,055	343,030
EAST Fund (Lottery)	157,907	154,891	151,765	148,509	145,133
Economic Development Project Fund (Lottery)	181,082	172,302	163,132	153,542	143,507
Total	673,424	665,708	712,727	660,002	631,670
OTHER DEBT:					
School Building Authority (Appropriation Bonds)	169,064	160,604	148,170	131,180	127,447
Capital Leases (Primary Government Only)	277,223	265,633	252,031	268,924	284,288
Capital Leases (Internal Service Funds Only)	3,287	3,186	3,078	2,965	2,847
Total	449,574	429,423	403,279	403,069	414,582
TOTAL TAX-SUPPORTED DEBT	$1,656,302	$1,593,907	$1,576,434	$1,475,439	$1,439,341
REVENUE BONDS:					
State Colleges and University Systems	1,198,823	1,275,304	1,263,289	1,417,234	1,377,517
Regional Jail and Correctional Facility Authority	62,040	56,490	50,650	44,500	38,020
WV Infrastructure & Jobs Development Council	113,950	115,497	112,735	197,762	191,049
Tobacco Settlement Authority	887,358	859,596	857,125	855,075	853,707
Total	2,262,171	2,306,887	2,283,799	2,514,571	2,460,293
TOTAL GROSS DEBT	$3,918,473	$3,900,794	$3,860,233	$3,990,010	$3,899,634
TOTAL TAX-SUPPORTED DEBT	1,656,302	1,593,907	1,576,434	$1,475,439	$1,439,341
LESS DEBT SERVICE RESERVE FUNDS	82,777	92,520	102,617	97,757	170,243
TOTAL NET TAX-SUPPORTED DEBT	$1,573,525	$1,501,387	$1,473,817	$1,377,682	$1,269,098

Source: Comprehensive Annual Financial Reports (Fiscal years 2012 through 2016).

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The following table sets forth certain ratios relating to the State's gross debt and net tax-supported debt:

DEBT RATIOS

	Amount(1)	Per Capita(2)	Percentage of Assessed Valuation(3)	Percentage of Personal Income(4)
Gross Debt	$3,899,634	$2,130	4.10%	5.67%
Net Tax- Supported Debt	$1,269,098	$ 693	1.33%	1.85%

(1) As of June 30, 2016 (In Thousands).
(2) Based on population of 1,831,102 for 2016.
(3) Based on an estimated assessed valuation of all taxable property as of July 1, 2016 of approximately $95,155 billion by the West Virginia Department of Revenue.
(4) Based on total personal income for 2016 of $68.769 billion.

Source: West Virginia Department of Revenue, Treasurer's Office: 2017 Debt Capacity Report and the Bureau of the Census.

Short-Term Debt

The State constitution does not permit the issuance of short-term general obligation debt except for casual deficits. The State has no outstanding short-term general obligation bonds.

Long-Term Debt

The State has a constitutional limitation on its ability to incur debt as provided in Article X, Section 4 of the State Constitution:

"No debt shall be contracted by this State, except to meet casual deficits in the revenue, to redeem a previous liability of the State, to suppress insurrection, repel invasion or defend the State in time of war; but the payment of any liability other than that for the ordinary expenses of the State shall be equally distributed over a period of at least twenty years."

General obligation debt for other State purposes may only be authorized by constitutional amendment. Two-thirds of the members of both the Senate and House of Delegates must approve a proposed amendment before it can be submitted to the voters for ratification or rejection. Upon approval of a constitutional amendment authorizing the issuance of general obligation debt, specific enabling legislation must be passed by both houses of the Legislature providing for the issuance of such debt.

The successful passage of legislation in 2007 led to the establishment of racetrack table games, of which 76% of the net amount collected by the State as a tax after certain transfers for administrative expenses of the Lottery, thoroughbred racetrack and greyhound racetrack purses, thoroughbred development fund, greyhound breeding development fund, counties, municipalities and boards of education goes to the State Debt Reduction Fund. According to W.Va. Code §29-22C-27(1), moneys of the fund shall be expended solely for the purpose of accelerating the reduction of existing unfunded liabilities and existing bond indebtedness of the State and shall be expended or transferred only upon appropriation of the Legislature.

Bonds and Other Obligations Authorized

Three constitutional amendments were ratified by the voters of the State: the 1973 Vietnam Veterans Bonus Amendment, the 1992 Veterans Bonus Amendment and the Veterans Bonus Amendment of 2004. These amendments authorized general obligation bonds of not more than $40 million for the payment of a bonus to veterans of the Vietnam Conflict; not more than $4 million for the payment of a bonus to veterans who served in conflicts in the Persian Gulf, Lebanon, Grenada and Panama; and not more than $8 million for the payment of a bonus to veterans who served in conflicts in Kosovo, Afghanistan and Iraq. Payments of the bonuses were provided from budgetary appropriations and bonds are not expected to be issued pursuant to the amendments. However, the amendments provide that bonds may be issued from time to time for such purpose and must be secured by the pledge of certain general revenues if issued.

During the regular session of the 2017 State Legislature, Senate Joint Resolution No. 6, known as the "Roads to Prosperity Bond Amendment of 2017," was adopted on April 8, 2017, proposing a constitutional amendment to authorize the State to issue general obligation bonds in the aggregate principal amount of up to $1.6 billion, over a four year period, to finance the construction and improvements of state roads and bridges, and authorizing a special election for voters to consider the amendment. The special election has been set by the Governor for October 7, 2017, at which time voters in the State will be asked to ratify the amendment. If the constitutional amendment is ratified by the voters of the State, the debt service on the bonds will be payable from increased motor vehicle registration fees, increased motor vehicle sales taxes and increased gasoline taxes which went into effect on July 1, 2017. See “ECONOMY − Transportation/Infrastructure” herein.

Also during the regular session of the 2017 State Legislature, the Legislature approved House Bill 2878, amending Chapter 17, Article 17A of the Code of West Virginia, 1931, as amended, to authorize the issuance by the Division of Highways of surface transportation improvements special obligation notes in an aggregate principal amount of up to $500 million, to facilitate the construction of highways, secondary roads, and bridges to be funded wholly or in part by federal dollars. House Bill 2878 increased the amount of surface transportation improvement special obligation notes that can be outstanding by the Division of Highways from $200 million to $500 million. See "STATE INDEBTEDNESS - Recent and Anticipated Financings" herein.

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General Obligation Debt Maturities

The following table shows annual principal and interest payments required on all outstanding general obligation indebtedness of the State for fiscal years 2017 through 2031 as calculated prior to the issuance of the Bonds:

PRINCIPAL AND INTEREST PAYMENTS
ON GENERAL OBLIGATION INDEBTEDNESS
(In Thousands)

Year Ended June 30	Principal	Interest	Total
2017	$ 24,935	$ 13,189	$ 38,124
2018	25,965	11,960	37,925
2019	27,315	10,656	37,971
2020	27,195	9,372	36,567
2021	28,430	8,076	36,506
2022-2026	138,735	19,090	157,825
2027-2031	12,445	307	12,752
	285,020	72,650	357,670
Premium	38,358	–	38,358
TOTAL	$323,378	$72,650	$396,028

Source: Comprehensive Annual Financial Report (Fiscal Year 2016).

Approval of State Bond Issues

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.

The Governor has approved the issuance of the 2017 Series A Bonds by his certificate executed on August 29, 2017.

Recent and Anticipated Financings

On December 20, 2016, the West Virginia Water Development Authority issued (i) its $51,150,000 Water Development Refunding Revenue Bonds (Loan Program II), 2016 Series A-II, to currently refund certain of its outstanding Water Development Refunding Revenue Bonds and (ii) its $74,320,000 Water Development Authority Infrastructure Refunding Revenue Bonds (West Virginia Infrastructure and Jobs Development Council Program), 2016 Series A, to currently refund certain of its outstanding Infrastructure

Revenue Bonds (West Virginia Infrastructure and Jobs Development Council Program). Additionally, on December 22, 2016, the State, through its Commissioner of Highways, issued $53,380,000 of Surface Transportation Improvement Special Obligation Notes, Series 2016 A, for the purpose of providing funds for a surface transportation project in the State. Also, on January 12, 2017, the State issued its $28,215,000 Infrastructure General Obligation Refunding Bonds, Series 2017, to currently refund its outstanding Infrastructure General Obligation Refunding Bonds, Series 2006 for debt service savings. On August 29, 2017, the State, through the West Virginia Economic Development Authority, issued its $22,965,000 Excess Lottery Revenue Bonds, Series 2017 A (Tax-Exempt) and its $2,035,000 Excess Lottery Revenue Bonds, Series 2017 B (Taxable), to finance certain capital improvements and renovations at Cacapon Resort State Park.

The State, through its various agencies or boards, also expects to issue a number of series of bonds within the next year. First, the State, through the Commissioner of Highways, expects to issue during the fall of 2017 its approximately $240,000,000 Surface Transportation Improvement Special Obligations Notes, Series 2017 A, for the purpose of providing funds for surface transportation projects in the State.

Second, the State, through the Water Development Authority, expects to issue during the fall of 2017 its Water Development Authority Refunding Revenue Bonds (Loan Program IV), to currently refund outstanding bonds for debt service savings.

Third, the State, through the West Virginia Higher Education Policy Commission, expects to issue during the fall of 2017 (i) its approximately $66,000,000 Community and Technical Colleges Capital Improvement Refunding Revenue Bonds, 2017 Series A, to advance refund its outstanding Community and Technical Colleges Capital Improvement Revenue Bonds, Series 2010, and (ii) its approximately $28,500,000 Revenue Refunding Bonds (Higher Education Facilities), 2017 Series A, to refund its Revenue Refunding Bonds (Higher Education Facilities), 2007 Series A and its Revenue Bonds (Higher Education Facilities), 2010 Series A.

Lastly, if the voters of the State ratify a constitutional amendment at the special election to be held on October 7, 2017, the State expects to issue general obligation bonds of up to an aggregate principal amount of $1.6 billion to finance the construction and improvements of roads and bridges throughout the State. See "STATE INDEBTEDNESS - Bonds and Other Obligations Authorized" and "ECONOMY - Transportation/Infrastructure" herein.

PENSION SYSTEMS

State Retirement Systems

The West Virginia Legislature has established eight defined benefit plans (the "Plans") and a defined contribution plan to provide retirement benefits for eligible employees. The CPRB administers the Plans and the defined contribution plan under the direction of its board of trustees, consisting of, by virtue of their position, the Governor, State Auditor, State Treasurer, and Secretary of the Department of Administration, together with the following gubernatorial appointments that are subject to the advice and consent of the State Senate: four residents of the State who are not participants in the retirement plans, one State and one non-State employee participant in Public Employees Retirement System ("PERS"), and one participant each from Teachers' Retirement System ("TRS"), Public Safety, Death, Disability and Retirement System ("PSDDRF" sometimes referred to herein in certain tables as "SPDDRS"), Deputy Sheriffs Retirement System ("DSRS"), Emergency Medical Services Retirement Systems ("EMSRS"), Municipal Police Officers & Firefighters System ("MPFRS") and Teachers' Defined Contribution Retirement System ("TDCRS").

CPRB prepares and publishes its own comprehensive annual financial report, consisting of financial statements and required supplementary information and contains detailed financial and actuarial information. Much of the information that is contained in this subsection "State Retirement Systems" (i) relies on information produced by the CPRB or its accounting and actuary agents, (ii) depends upon future events, which may or may not be consistent with the assumptions, may deviate significantly from those assumptions and may alter the outcomes of the plans and the obligations of the State and other employers as a result. The financial reports include information determined using assumptions and methodologies required by statutes and using assumptions and methodologies required by Governmental Accounting Standards Board (GASB). However, including this information was necessary for CPRB to comply with both State law and GASB requirements. CPRB's comprehensive annual financial report for the Fiscal Year ended June 30, 2016 ("CPRB CAFR") and other financial information is available at the following public websites:

http://www.wvretirement.com/Forms/2016-6-cafr.pdf
https://www.wvretirement.com/Publications.html#Financials

For additional information on the State's pension systems, refer to Appendix B – General Purpose Financial Statements of the State for Fiscal Year Ended June 30, 2016, including Note 12 – Retirement Systems and Required Supplementary Information. Pension disclosure in the State's Financial Statements differ from the CPRB financial statements. The State's Financial Statements include the State's proportionate share of the net pension liability and reflect a one-year lag between the disclosures statements in the CPRB CAFR and the State's Financial Statements. See "STATE'S NET PENSION LIABILITY" herein.

CPRB adopted GASB Statement No. 67, *Financial Reporting for Pension Plans*, during the fiscal year ended June 30, 2014. Effective with the adoption of GASB 67, each of the pension plans has an actuarial valuation prepared for funding purposes and a separate actuarial valuation prepared for financial reporting purposes. The actuarial valuations prepared for financial reporting purposes have been prepared as of June 30, 2016, the end of the plan year, and were the source of much of the actuarial information in the Financial Section of the CPRB CAFR for fiscal year ending June 30, 2016. The actuarial valuations included in the Actuarial Section of the CPRB CAFR were prepared to assist the WV CPRB in determining contribution rates and have been prepared as of July 1, 2015, the beginning of the plan year.

CPRB adopted Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, during the fiscal year ended June 30, 2015, which provides data to participating employers of defined benefit pensions necessary to reflect their long-term obligation for pension benefits, information to comprehensively and comparably measure the annual costs of pension benefits, and new and revised note disclosures and required supplementary information (RSI). The CPRB's reported information under GASB 68 can be found at the following web address:

http://www.wvretirement.com/Publications.html#GASB68

CPRB uses an internal service fund (the "Fund") for the administration of all plans administered by the Board. The Fund receives a service fee from each plan based upon the number of participants included in the plan. These fees are reported as administrative expenses in the financial statements of each retirement plan. The service fees are established to recover costs such that revenues of the Fund match expenses over time. These fees are legally restricted for the purpose of administering the plans and are not available for any other purpose. All administrative costs of the CPRB are paid from the Fund. The Fund is not subject to satisfaction of any judgment or award against any of the retirement plans, and any judgment or award shall be satisfied from assets of the particular retirement plan against which it is levied.

Funding policies for the Plans have been established and changed from time to time by action of the State Legislature. While contribution rates are legislatively determined, CPRB prepares annual actuarial reports on the Plans to assist the Legislature in determining appropriate contribution rates. The variance between the actuarially determined contribution and actual contributions for PERS, TRS, SPDDRS, SPRS and JRS is provided in a table below.

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. From time to time the State has appropriated additional amounts to one or more of the State DB Plans (as defined below).

The assets of the State DB Plans (other than funds that are awaiting disbursement, which are managed by the State Treasurer) are invested by the West Virginia Investment Management Board ("IMB") in accordance with the West Virginia Code and the policies of the IMB. See "Investments" below.

Each of the State DB Plans and the TDCRS are described in more detail below.

Membership in the State DB Plans consists of the following as of the plan valuation date of July 1, 2016:

PLAN MEMBERSHIP

	PERS	TRS	SPDDRS	SPRS	JRS
As of July 1, 2016:					
Retirees and beneficiaries currently receiving benefits	26,293	35,440	747	24	54
Terminated members entitled to benefits but not yet receiving them	4,214	1,867	3	11	1
Active members	36,150	35,811	42	611	72
Total	66,657	73,118	792	646	127

Source: Consolidated Public Retirement Board Plan Statistics as of July 1, 2016 (unaudited).

The following table, expressed in thousands, presents information regarding the unfunded actuarial accrued liability for the years 2006 to 2016 for PERS, TRS, PSDDRF, State Police Retirement System ("SPRS") and Judges Retirement System ("JRS" and together with PERS, TRS, PSDDRF and SPRS, collectively the "State DB Plans"), as of July 1 valuation dates, as reported by the Board's independent actuary. CPRB administers three defined benefit plans, DSRS, EMSRS and MPFRS that are not listed below because they do not represent a liability to the State; the employers are not State entities. The TDCRS is not listed below because it is not a defined benefit plan.

To calculate the actuarial value of assets and actuarial accrued liability of each of the pension funds, the actuarial valuations use several actuarial assumptions. Some examples of these assumptions include an expected rate of return on assets, age of retirement of active members, future pay increases for current employees, assumed rates of disability and post-employment life expectancies of retirees and beneficiaries. If the experience of the pension fund is different from these assumptions, the unfunded actuarially accrued liability (UAAL) of the pension fund may increase or decrease to the extent of any variances. Consequently, the calculated actuarially determined contributions may be impacted. See "Actuarial Methods and Assumptions" for each of the plans listed in the table below and "SUMMARY OF SIGNIFICANT ACTUARIAL ASSUMPTIONS AND METHODS" below.

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WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD
SCHEDULE OF FUNDING PROGRESS
($'s in Thousands)

	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
PERS	2016	$5,888,558	$6,615,406	$726,848	89.0%	$1,414,584	51.4%
	2015	5,565,081	6,412,587	847,506	86.8%	1,392,113	60.9%
	2014	5,208,828	6,271,827	1,062,999	83.1%	1,389,089	76.5%
	2013	4,709,530	5,911,263	1,201,733	79.7%	1,389,850	86.5%
	2012	4,452,395	5,735,775	1,283,380	77.6%	1,382,647	92.8%
	2011	4,322,668	5,515,252	1,192,584	78.4%	1,327,717	89.8%
	2010	3,974,609	5,325,830	1,351,221	74.6%	1,315,441	102.7%
	2009	3,930,701	4,930,158	999,457	79.7%	1,274,485	78.4%
	2008	3,939,059	4,677,027	737,968	84.2%	1,219,388	60.5%
	2007	4,293,296	4,426,051	132,755	97.0%	1,191,130	11.1%
	2006	3,700,186	4,264,700	564,514	86.6%	1,159,715	48.7%
TRS	2016	$6,936,281	$10,604,279	$3,667,998	65.4%	$1,505,080	243.7%
	2015	6,803,089	10,310,652	3,507,563	66.0%	1,511,271	232.1%
	2014	6,682,093	10,098,693	3,416,600	66.2%	1,481,786	230.6%
	2013	5,751,101	9,930,335	4,179,234	57.9%	1,493,515	279.8%
	2012	5,144,397	9,712,582	4,568,185	53.0%	1,510,082	302.5%
	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%
	2008	4,133,883	8,268,578	4,134,695	50.0%	1,409,437	293.4%
	2007	3,665,993	7,142,711	3,476,718	51.3%	828,939	419.4%
	2006	2,174,464	6,877,872	4,703,408	31.6%	759,206	619.5%
SPDDRS	2016	$578,798	$729,051	$150,253	79.4%	$2,985	5033.6%
	2015	607,339	717,362	110,023	84.7%	3,422	3215.2%
	2014	601,077	698,400	97,323	86.1%	4,829	2015.4%
	2013	520,322	679,931	159,609	76.5%	5,988	2665.5%
	2012	477,345	663,341	185,996	72.0%	6,779	2743.7%
	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%
	2008	459,182	547,623	88,441	83.9%	10,400	850.4%
	2007	513,009	527,393	14,384	97.3%	10,997	130.8%
	2006	452,794	506,828	54,034	89.3%	11,128	485.6%
SPRS	2016	$138,569	$145,326	$6,757	95.4%	$31,530	21.4%
	2015	131,678	130,132	(1,546)	101.2%	31,792	0.0%
	2014	120,572	114,314	(6,258)	105.5%	29,574	0.0%
	2013	96,092	101,503	5,411	94.7%	27,701	19.5%
	2012	78,735	89,558	10,823	87.9%	27,670	39.1%
	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%
	2008	41,564	51,388	9,824	80.9%	20,285	48.4%
	2007	40,350	40,786	436	98.9%	18,850	2.3%
	2006	30,747	33,552	2,805	91.6%	15,870	17.7%

JRS	2016	$167,194	$107,774	$(59,420)	155.1%	$9,122	0.0%
	2015	170,152	107,125	(63,027)	158.8%	8,870	0.0%
	2014	165,239	106,029	(59,210)	155.8%	9,248	0.0%
	2013	141,476	105,739	(35,737)	133.8%	8,870	0.0%
	2012	126,265	98,115	(28,150)	128.7%	8,860	0.0%
	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%
	2008	100,186	97,965	(2,221)	102.3%	8,261	0.0%
	2007	104,127	96,018	(8,109)	108.4%	8,261	0.0%
	2006	85,932	91,820	5,888	93.6%	8,029	73.3%

Sources: CPRB Comprehensive Annual Financial Report (CAFR), Fiscal Year Ended June 30, 2016 for fiscal years 2006 through 2015 and Buck Consultants West Virginia Actuarial Valuations as of July 1, 2016 for year 2016.

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Provided below is a schedule of contributions for the State DB Plans.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD
SCHEDULES OF CONTRIBUTIONS
($'s In Thousands)

Year Ended June 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
PERS					
2016	149,481	186,867	(37,386)	1,392,113	13.42
2015	183,658	189,947	(6,289)	1,373,129	13.83
2014	189,303	194,728	(5,425)	1,389,850	14.01
2013	194,259	187,576	6,683	1,382,647	13.57
2012	181,481	191,009	(9,528)	1,327,717	14.39
TRS (1)					
2016	387,685	426,678	(38,993)	1,511,271	28.23
2015	454,721	490,640	(35,919)	1,481,786	33.11
2014	488,511	514,248	(25,737)	1,493,515	34.43
2013	457,977	486,781	(28,804)	1,510,082	32.24
2012	471,027	482,232	(11,205)	1,505,749	32.03
SPDDRS (2)					
2016	13,209	13,977	(768)	3,713	376.43
2015	20,860	21,668	(808)	5,120	423.20
2014	25,146	26,218	(1,072)	5,988	437.84
2013	15,162	16,210	(1,048)	6,779	239.12
2012	22,051	23,297	(1,246)	8,001	291.18
SPRS					
2016	3,402	3,887	(485)	31,792	12.23
2015	3,183	4,060	(877)	29,574	13.73
2014	3,363	4,049	(686)	27,701	14.62
2013	3,802	4,193	(391)	27,670	15.15
2012	3,837	4,544	(707)	24,725	18.38
JRS					
2016	739	739	-	8,870	8.33
2015	2,845	2,845	-	9,248	30.76
2014	2,456	2,456	-	8,870	27.69
2013	2,422	2,422	-	8,860	27.34
2012	2,740	3,997	(1,257)	8,860	45.11

Source: CPRB Comprehensive Annual Financial Report for the Fiscal Years Ended June 30, 2016 and June 30, 2015.

(1) Contributions for the TRS include employer contributions and interest from out-of-state services and surcharges on fire and casualty insurance policies which are specifically identified to fund the plan per West Virginia Code Sections 33-3-14d and 33-33-33.

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

The following is a brief review of each retirement system and plan in which the State provides employer contributions:

Public Employees Retirement System (Defined Benefit)

Plan Description

PERS is a multiple employer defined benefit cost sharing public employee retirement system covering 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 number of participating employers as of June 30, 2016 are as follows:

Participating Employers	
West Virginia and State Agencies	134
Cities and Towns	116
Counties	55
Special Districts	341
Total	646

PERS provides retirement benefits as well as death and disability benefits. Qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. For all employees hired after July 1, 2015, qualification for normal retirement is age 62 with 10 years of service. The straight life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. Average salary is the average of the three consecutive highest annual earnings out of the last fifteen years of earnings. For all employees hired after July 1, 2015, average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired after July 1, 2015, this age increases to 64.

During the 2015 First Regular Session of the 82nd Legislature, the West Virginia Legislature passed Senate Bill 529 which ultimately created a Tier II retirement benefit structure for those employees who are hired for the first time on or after July 1, 2015. Some distinctions of Tier II of PERS are that (i) qualification for normal retirement age increases from 60 to 62 and deferred retirement age increases from age 62 to 64; (ii) it changes military service provisions from current non-contributory military service to permitting members to purchase up to five years of active military service with the Armed Forces or National Guard by paying the actuarial reserve purchase amount within 48 months of the member's date of hire; (iii) it removes the provisions for members to receive additional retirement service credit based upon their unused sick and/or annual leave; (iv) it increases the member contribution rate from 4.5% to 6.0%; (v) it increases the "final average salary" to the average five consecutive years of contributing service out of the last 15 years; (vi) it removes the "Rule of 80" (age 55 + service = 80) eligibility provisions; and (vii) it removes the reciprocity provisions between PERS and TRS if one changes employment and no longer permits highest salary in either plan to be used for final average salary.

During the 2016 legislative session, the State Legislature passed Senate Bill 595 permitting active members of PERS and TRS who currently or previously served in the West Virginia National Guard to purchase up to 60 months of Title 32 military service credit.

Chapter 5, Article 10 of the West Virginia Code assigns the authority to establish and amend the provisions of the plan to the State Legislature. In certain circumstances, this Article also permits members of TRS to transfer accumulated service credit and member contributions into PERS.

As of July 1, 2016, PERS had 36,150 active members and 26,293 retirees and beneficiaries were receiving annuity benefits. The total number of active members and retirees and beneficiaries receiving benefits under PERS and the other State DB Plans are shown in the table above titled "Plan Membership."

Contributions

Per Chapter 5, Article 10 of the West Virginia Code, for periods prior to July 1, 2015, members contribute 4.5% of annual earnings. Effective July 1, 2015, newly hired members contribute 6% of annual earnings. State and non-state governmental employers' contribution rates were 13.5% and 14.0% of covered employees' annual earnings for fiscal years ending June 30, 2016 and 2015, respectively. Effective July 1, 2016 employer contribution rates decreased to 12% of member's annual earnings. Contributions as a percentage of payroll for members are established by statutes, subject to legislative limitations and are not actuarially determined. Contributions as a percentage of payroll for employers are established by the Board. Employer contributions from State and non-State agencies for the fiscal years ended June 30, 2016 and 2015 were (in thousands):

	2016		**2015**	
	Contributions	Percent	Contributions	Percent
State	$125,089	67.0%	$128,126	67.5%
Non-State	61,681	33.0%	61,821	32.5%
Total:	$186,770	100.0%	$189,947	100.0%

Source: CPRB Comprehensive Annual Financial Report for the Fiscal Years Ended June 30, 2016 and June 30, 2015.

Actuarial Methods and Assumptions

The most recent actuarial valuation of PERS was compiled as of July 1, 2016 by Buck Consultants. The asset valuation method utilized the four-year asset smoothing valuation method to value assets. The actuarial cost method utilizes entry age cost method with individually computed accrued liabilities, including an interest assumption of 7.5% annually, with no loading for plan expenses. For a summary of the significant assumptions used in the actuarial valuation of PERS and the other State DB Plans, please see the table on pages B-41 and B-42 below titled "SUMMARY OF SIGNIFICANT ACTUARIAL ASSUMPTIONS AND METHODS."

Based on unaudited summary plan statistics made available by CPRB, as of July 1, 2016, the unfunded liability for PERS, as measured for statutory funding purposes, was $726.85 million, based on recognized valuation of assets at approximately $5.89 billion. The funded percentage was 89.0%. As of July 1, 2016, the net pension liability for PERS, as measured for accounting and financial reporting purposes, was $919 million.

For financial reporting purposes (GASB 67), the fair value of the PERS assets as of the end of each fiscal year is used. For funding purposes, a four-year smoothing of the actuarial gain or loss on PERS asset returns each year is used. Based on the different asset valuation method used for funding purposes and for financial reporting purposes, in the CPRB 2016 CAFR, PERS reported a 86.1% ratio of system-wide plan fiduciary net position to the total pension liability in fiscal year 2016, while for funding purposes, PERS reports that ratio to be 89.0%.

In March 2010, the CPRB approved a change in the actuarial valuation method to be utilized to value the assets of PERS. Specifically, for all periods beginning on and after July 1, 2009, the CPRB approved a change from a fair-market value actuarial valuation method to a four-year asset smoothing actuarial valuation method for purposes of valuing the assets of PERS. The asset smoothing valuation method is designed to reduce the potential volatility in market value of plan assets from year to year by recognizing gains and losses over a multiple year period, four years in the case of PERS. CPRB's change in actuarial valuation method was intended to make the funding of PERS more stable and predictable in future years.

Teachers' Retirement System (Defined Benefit)

Plan Description

TRS, established in 1941, is a multiple employer defined benefit cost sharing public employee retirement plan covering all full-time employees of the 55 county public school systems, certain personnel of the 13 state-supported higher education institutions and employees of the State Department of Education and the Higher Education Policy Commission hired prior to July 1, 1991. Employees of the State-supported institutions of higher education and the Higher Education Policy Commission hired after June 30, 1991, are required to participate in the Higher Education Retirement System (which consists of a defined contribution plan with either the Teachers' Insurance and Annuities Association – College Retirement Equities Fund (TIAA-CREF) or New Educators Money, both of which require higher education employees who participate in either plan to contribute a minimum of 6% of their total annual compensation, with the first 6% matched by the West Virginia Higher Education Fund). TRS closed membership to new hires effective July 1, 1991. However, effective July 1, 2005, all new employees hired for the first time are required to participate in TRS. There were 79 employers and one non-employer contributing entity participating in TRS as of June 30, 2016.

During the 2008 First Special Session, the West Virginia Legislature passed House Bill 101 regarding retirement benefits for teachers and educational service personnel which became effective March 16, 2008. The legislation provided an opportunity for members of the Teachers' Defined Contribution Retirement System (TDCRS) to elect to transfer to TRS. The transfer occurred on July 1, 2008 and a total of 15,152 TDCRS members transferred to TRS.

TRS provides retirement benefits as well as death and disability benefits. A member is eligible for normal retirement at age 60 with five years of service, age 55 with 30 years of service or any age with 35 years of service. For all employees hired after July 1, 2015, qualification for normal retirement is age 62 with 10 years of service. A member may retire with 30 years of credited service at any age with the pension reduced actuarially if the member retires before age 55. All members hired after July 1, 2015 may retire with pension reduced actuarially if the member is between ages 60 and 62 with 10 years of service or between ages 55 and 62 with 30 years of service. Terminated members with at least five, but less than 20, years of credited service who do not withdraw their accumulated contributions are entitled to a deferred retirement commencing at age 62. For all new employees hired after July 1, 2015, this age increases to 64. Retirement benefits are equivalent to 2% of average annual salary multiplied by years of service. Average salary is the average of the 5 highest fiscal years of earnings during the last 15 fiscal years of earnings.

During the 2015 First Regular Session of the 82^{nd} Legislature, the West Virginia Legislature passed Senate Bill 529 which ultimately created a Tier II retirement benefit structure for those employees who are hired for the first time on or after July 1, 2015. Some distinctions of Tier II of TRS are that (i) qualification for normal retirement age is increased from 60 to 62 and deferred retirement age is increased from 62 to 64, all as described above; (ii) it changes military service provisions from current non-contributory military service for draft era service to permitting members to purchase up to five years of active military service with the Armed Forces or National Guard by paying the actuarial reserve purchase amount within 48 months of the member's date of hire; (iii) it removes the provisions for members to receive additional retirement service credit based upon their unused sick and/or annual leave; (iv) it removes the current eligibility provisions of any age with 35 years of service or age 55 with 30 years of service; and (vii) it removes the reciprocity provisions between TRS and PERS if one changes employment and no longer permits highest salary in either plan to be used for final average salary.

Chapter 18, Article 7A of the West Virginia Code assigns the authority to establish and amend the provisions of the plan to the State Legislature.

Contributions

A member who withdraws from service for any cause other than death or retirement may request that the accumulated employee contributions plus interest be refunded.

TRS funding policy provides for member contributions based on 6% of members' gross salary. Contributions as a percentage of payroll for members and employers are established by State law and are not actuarially determined. Employers make the following contributions:

The State, county boards of education, and other employers contribute 15% of gross salary of their TRS members hired prior to July 1, 1991. The State, county boards of education, and other employers contribute 7.5% of the gross salary of their TRS covered employees hired for the first time after July 1, 2005 and for those TDCRS members who elected to transfer to TRS effective July 1, 2008. The other employers and county boards of education, utilizing funds made available through the State's School Aid Formula (SAF) contribute 7.5% of the gross salary of their TDCRS covered employees. In addition, the State contributes a certain percentage of fire insurance premiums paid by State residents to assist in extinguishing the TRS unfunded liability within 40 years of June 30, 1994. Other statutorily required contributions of $255,042,149 and $299,680,968 were made through the State's school aid formula during the years ended June 30, 2016 and 2015, respectively. Certain additional contributions of approximately $34,472,000 and $52,304,000 were made during the years ended June 30, 2016 and 2015, respectively, representing extra appropriations to reduce the unfunded liability.

As of July 1, 2016, 35,440 retirees and beneficiaries were receiving benefits. As of July 1, 2016, there were 35,811 active members of the plan. The total number of active members and retirees and beneficiaries receiving benefits under TRS and the other State DB Plans are shown in the table above titled "Plan Membership."

Actuarial Methods and Assumptions

In 1994, the State passed a law that requires the unfunded accrued actuarial liability to be amortized and paid over 40 years. The Legislature has appropriated sufficient amounts to pay the annual required contribution each year since 1994 (taking into account employee contributions, other employer contributions and other amounts available therefor). The most recent actuarial valuation of TRS was performed as of July 1, 2016, by Buck Consultants. The asset valuation method utilized the four-year asset smoothing method to value assets. The actuarial cost method utilized entry age cost with individually computed accrued liabilities, including an interest assumption of 7.5% annually, with no loading for plan expenses. For a summary of the significant assumptions used in the actuarial valuation of TRS and the other State DB Plans, please see the table on pages B-41 and B-42 below titled "SUMMARY OF SIGNIFICANT ACTUARIAL ASSUMPTIONS AND METHODS."

For financial reporting purposes (GASB 67), the fair value of the TRS assets as of the end of each fiscal year is used. For funding purposes, for periods beginning on or after July 1, 2016, a four-year smoothing of the actuarial gain or loss on TRS asset returns each year is used. Based on the different asset valuation method used for funding purposes and for financial reporting purposes, in the CPRB 2016 CAFR, TRS reported a 61.4% ratio of system-wide plan fiduciary net position to the total pension liability in fiscal year 2016, while for funding purposes, PERS reports that ratio to be 65.4%.

Based on unaudited summary plan statistics made available by CPRB, as of July 1, 2016, the unfunded liability for TRS, as measured for statutory funding purposes, was $3.668 billion, based on recognized valuation of assets at approximately $6.936 billion. The funded percentage was 65.4%. Under the current funding arrangement, the TRS unfunded accrued liability is scheduled to be fully amortized on or about June 30, 2034. As of July 1, 2016, the net pension liability for TRS, as measured for accounting and financial reporting purposes, was $4.11 billion.

In March 2017, the CPRB approved a change in the actuarial valuation method to be utilized to value the assets of TRS. Specifically, for all periods beginning on and after July 1, 2016, the CPRB approved a change from a fair-market value actuarial valuation method to a four-year asset smoothing actuarial valuation method for purposes of valuing the assets of TRS. The asset smoothing valuation method is designed to reduce the potential volatility in market value of plan assets from year to year by recognizing gains and losses over a multiple year period, four years in the case of TRS. CPRB's change in actuarial valuation method was intended to make the funding of TRS more stable and less volatile in future years.

Public Safety Death, Disability and Retirement System (Defined Benefit)

Plan Description

Established in 1935, PSDDRF (now known as The West Virginia State Police Death, Disability and Retirement Fund, commonly referred to as Plan A and referred to hereinafter as SPDDRS) is a single employer defined benefit public employee retirement system covering all West Virginia State Police hired on or before March 11, 1994. This plan is closed to new entrants.

SPDDRS provides retirement benefits as well as death and disability benefits. A member is eligible for normal retirement at age 50 after 20 years of contributory service, or at any age upon completion of 25 years of service. There is no vesting in the State's contributions prior to ten years of service. Benefits payable to members retiring prior to age 50 are deferred until the normal retirement date. The annual retirement benefit is 5.5% of the members' aggregate salary, but not less than $6,000 per year. Total service related disability benefits are equal to the member's annual salary, but not less than $15,000 per year. Aggregate salary is the total salary paid to a member during his or her period of service, which may include up to 5 years of active military service credited at the average departmental salary. Aggregate salary for purposes of determining disability benefits may include salary that would have been earned had the participant served at least 25 years notwithstanding the disability. An annual cost-of-living adjustment of 3.75% is granted to retirees and beneficiaries. For service-connected total disability retirees, the adjustment begins at age 65. A member who terminates employment is entitled to a refund of his or her contributions plus interest.

Chapter 15, Article 2 and Article 2A of the West Virginia Code assigns the authority to establish and amend the provisions of the SPDDRS plan to the State Legislature.

As of July 1, 2016, 747 retirees and beneficiaries were receiving benefits, and 42 active members were vested. The number of active members and retirees receiving benefits under SPDDRS and the other State DB Plans are shown in the table above titled "Plan Membership."

Contributions

SPDDRS funding policy provides for member contributions based on 9% of their annual earnings. The State makes contributions based on 15% of the annual payroll of State Police, as well as contributing all revenue generated by the sale of traffic accident reports, criminal investigation reports and other fees. In addition, certain additional contributions of approximately $13.21 million and $20.86 million were made during the years ended June 30, 2016 and 2015, respectively, representing extra State appropriations to reduce the unfunded liability. Contributions, as a percentage of payroll for members and the employer, are established by State law and are not actuarially determined.

Actuarial Methods and Assumptions

The most recent actuarial valuation of SPDDRS was performed as of July 1, 2016, by Buck Consultants. The asset valuation method utilized the fair-market-value–method to value assets. The actuarial cost method valuation utilized entry age normal funding method, with market value of assets plus accrued receivables and an interest assumption of 7.5% annually, net of expenses. For a summary of the significant assumptions used in the actuarial valuation of SPDDRS and the other State DB Plans, please see the table on pages B-41 and B-42 below titled “SUMMARY OF SIGNIFICANT ACTUARIAL ASSUMPTIONS AND METHODS.”

Based on unaudited summary plan statistics made available by CPRB, as of July 1, 2016, the unfunded liability for SPDDRS, as measured for statutory funding purposes, was $150.25 million, based on recognized valuation of assets at $578.8 million. The funded percentage was 79.4%. Current plans are to fully fund the SPDDRS by June 30, 2025. As of July 1, 2016, the net pension liability for SPDDRS, as measured for accounting and financial reporting purposes, was $150 million.

State Police Retirement System (Defined Benefit)

Plan Description

SPRS is a single employer defined benefit public employee retirement system established for all West Virginia State Police hired or enrolled in the State Police Academy on or after March 12, 1994. SPRS provides retirement, death, and disability benefits. A member is eligible for normal retirement at age 50 with 25 years of service or age 52 with 20 years of credited service. A member is eligible for a reduced benefit with 20 years of credited service and retiring before age 52. The annual regular retirement benefit, paid monthly, is equal to 2.75% of the final average salary multiplied by the years of service. Final average salary is the average of the five highest calendar years of earnings during the last ten years of earnings. Annual retirement annuity adjustments are 1.0% for regular retirement and are payable on July 1 of each year after the member reaches 63 years of age.

During the 2015 First Regular Session of the 82nd Legislature, the State Legislature passed Senate Bill 529 which ultimately created a Tier II retirement benefit structure for those employees who are hired for the first time on or after July 1, 2015. One distinction of Tier II of SPRS is that it removes the provision that State Police Plan B members receive additional retirement service credit based upon their unused sick and/or annual leave.

Chapter 15, Article 2 and Article 2A of the West Virginia State Code assigns the authority to establish and amend the provisions of the SPRS plan to the State Legislature.

As of July 1, 2016, 24 retirees and beneficiaries were receiving benefits. As of July 1, 2016, there were 611 active members. The total number of active members and retirees and beneficiaries receiving benefits under SPRS and the other State DB Plans are shown in the table above titled “Plan Membership.”

Contributions

Members contribute 12% of annual base salary. Employer contribution rates were 12.0% and 13.5% of covered employees’ annual base salary for fiscal years ending June 30, 2016 and 2015, respectively.

Actuarial Methods and Assumptions

The most recent actuarial valuation of SPRS was performed as of July 1, 2016 by Buck Consultants. The asset valuation method utilized the fair-market-value–method to value assets. The actuarial cost method valuation utilized entry age normal funding method, with market value of assets plus accrued receivables and an interest assumption of 7.5% annually, with no loading for plan expenses. For a summary of the significant assumptions used in the actuarial valuation of SPRS and the other State DB Plans, please see the table on pages B-41 and B-42 below titled “SUMMARY OF SIGNIFICANT ACTUARIAL ASSUMPTIONS AND METHODS.”

Based on unaudited summary plan statistics made available by CPRB, as of July 1, 2016, the unfunded liability for SPRS, as measured for statutory funding purposes, was $6.76 million, based on recognized valuation of assets at $138.57 million. The funded percentage was 95.4%. Current plans are to fully fund SPRS by June 30, 2026. As of July 1, 2016, the net pension liability for SPRS, as measured for accounting and financial reporting purposes, was $7.47 million.

Judges' Retirement System (Defined Benefit)

Plan Description

Established in 1949, JRS is a single employer defined benefit public employee retirement system covering State judges and justices who elect to participate. JRS provides retirement as well as death and disability benefits. A member who was appointed or elected to the bench prior to July 2, 2005 is eligible for normal retirement upon the attainment of 24 years of service of which at least 12 years is as a sitting judge or justice, 16 years of service at age 65 of which at least 12 years is as a sitting judge or justice, or 8 full years of service after age 65. A member who was appointed or elected to the bench on or after July 2, 2005 is eligible for normal retirement upon the attainment of 24 years of service of which at least 14 years is as a sitting judge or justice, or 16 years of service at age 65 of which 14 years is as a sitting judge or justice. A member on the bench prior to July 2, 2005 is eligible for a deferred benefit upon termination of service prior to normal retirement provided the member completes 16 years of service of which 12 years of service is as a sitting judge or justice. A member of the bench on or after July 2, 2005 is eligible for a deferred benefit upon termination of service prior to normal retirement provided the member completes 16 years of service of which 14 years of service are as a sitting judge or justice.

The annual benefit paid to judges and justices on the bench prior to July 2, 2005 is 75% of the current annual salary of the office from which the participant retires, with surviving spouse and dependent child benefits. This benefit is proportionally increased upon increase in salary for active sitting judges and justices.

The annual benefit paid to judges and justices on the bench on or after July 2, 2005 is 75% of the member's final average salary. Final average salary means the average of the highest thirty-six consecutive month's compensation received as a judge or justice. No increases in benefits are given by virtue of increase in salary of active sitting judges or justices.

Chapter 51, Article 9 of the West Virginia Code assigns the authority to establish and amend the provisions of the plan to the State Legislature.

As of July 1, 2016, there were 54 retirees and beneficiaries receiving benefits and 72 active members. The total number of active members and retirees and beneficiaries receiving benefits under JRS and the other State DB Plans are shown in the table above titled "Plan Membership."

Contributions

JRS funding policy provides for member contributions based on 7% of their annual earnings. This policy also provides for periodic employer contributions at varying amounts appropriated annually by the State Legislature. However, annual appropriations are determined in consideration of the most recent actuarial valuation. Any participant who terminates before becoming eligible for benefits may elect to withdraw his or her contributions without interest.

Actuarial Methods and Assumptions

The most recent actuarial valuation of JRS was performed as of July 1, 2016, by Buck Consultants. The asset valuation method utilized the fair-market-value-method to value assets. The actuarial cost method utilized the entry age normal funding method, with individually computed accrued liability and an interest assumption of 7.5% annually, with no loading for plan expenses. Entry age is defined as age at hire. For a summary of the significant assumptions used in the actuarial valuation of JRS and the other State DB Plans, please see the below table titled "SUMMARY OF SIGNIFICANT ACTUARIAL ASSUMPTIONS AND METHODS."

Based on unaudited summary plan statistics made available by CPRB, as of July 1, 2016, the unfunded liability for JRS, as measured for statutory funding purposes, was $(59.42) million, based on recognized valuation of assets at $167.19 million. The funded percentage was 155.1%. As of July 1, 2016, the net pension liability for JRS, as measured for accounting and financial reporting purposes, was $(53.75) million.

STATE'S NET PENSION LIABILITY

At June 30, 2016, the State reported a net pension liability of $3,664,520,000, for its proportionate share of the multiple-employer, cost-sharing plans which were measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, rolled forward to the measurement date of June 30, 2015. The pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense are allocated to the internal service funds of the State. The State's proportionate share of the net pension liability for the PERS and TRS was based on the State's share of contributions to the pension plan relative to the contributions of all employers participating in PERS and TRS for the year ended June 30, 2015.

The State's proportionate share of the net pension liabilities for the PERS and TRS plans determined by the actuarial valuation as of June 30, 2014, was $252,194,000 (68.33%) and $3,295,967,000, as revised, including special funding situation (95.53%), respectively. At June 30, 2015, the State's proportionate share of the net pension liability for the PERS and TRS plans were $379,669,000 (67.99%) and $3,284,851,000 including special funding situation (94.79%), respectively.

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

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SUMMARY OF SIGNIFICANT ACTUARIAL ASSUMPTIONS AND METHODS

Significant assumptions used by Buck Consultants in its actuarial valuations of the State DB Plans are as follows:

	PERS	TRS	SPDDRS
Actuarial cost method	Individual entry age normal cost with level percentage of payroll	Individual entry age normal cost with level percentage of payroll	Individual entry age normal cost with level percentage of payroll
Asset valuation method[2]	Four-year smoothing	Four-year smoothing	Fair value
Amortization method	Level dollar, fixed period	Level dollar, fixed period	Level dollar, fixed period
Amortization period	Through FY 2035	Through FY 2034	Through FY 2025
Actuarial assumptions:			
Investment rate of return	7.5%	7.5%	7.5%
Projected salary increases:			
PERS:			
State	3.00-4.6%	-	-
Nonstate	3.35-6.0%	-	-
TRS:			
Teachers	-	3.00-6.00%	-
Non Teachers	-	3.00-6.50%	-
SPDDRS:	-	-	5.0% for first 2 yrs of service 4.5% for the next 3 yrs of service 4.0% for the next 5 yrs and 3.25% thereafter
Inflation rate	3.0%	3.0%	3.0%
Discount rate	7.5%	7.5%	7.5%
Mortality rates	Active – 100% of RP-2000 Non-Annuitant, Scale AA fully generational; Healthy Males - 110% of RP-2000 Healthy Annuitant Scale AA fully generational; Healthy females - 101% of RP-2000 Healthy Annuitant, Scale AA fully generational; Disabled males - 96% of RP-2000 Disabled Annuitant, Scale AA fully generational; Disabled females - 107% of RP-2000 Disabled Annuitant, Scale AA fully generational	Active – 100% of RP2000, Non-Annuitant, Scale AA fully generational; Retired males - 97% of RP-2000 Healthy Annuitant, Scale AA fully generational; Retired females - 94% of RP-2000 Healthy Annuitant Scale AA fully generational; Disabled males - 96% of RP-2000 Disabled Annuitant, Scale AA fully generational; Disabled females - 101% of RP-2000 Disabled Annuitant, Scale AA, fully generational	Active – RP 2000 non-annuitant tables projected to 2020 scale BB; Retired: RP-2000 Healthy Annuitant tables projected to 2025 with Scale BB; Disabled: RP-2000 Healthy Annuitant tables projected to 2025 with Scale BB, set forward 1 year
Withdrawal rates		Teachers: 1.2 – 35%	0 – 2.67%
State	1.75-35.1%	Non-teachers: 1.4 – 24.75%	
Non-state	2 – 35.8%		
Disability rates	0 – 0.675%	0 - .704%	.05 - .6%
Retirement rates	15% - 100%	0% - 100%	20% - 100%
Date range in most recent experience study	2009 - 2014	2010 – 2015	2006 – 2011

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[2] The actuarial methods and assumptions used to prepare the actuarial valuations for funding purposes and for financial reporting purposes are the same for all of the DB plans except for the asset valuation method for PERS and TRS. For financial reporting purposes, the fair value of the PERS and TRS assets as of the end of each fiscal year are used. For funding purposes, a four-year smoothing of the actuarial gain or loss on asset returns each year is used. Based on the different asset valuation method used for funding purposes and for financial reporting purposes, in the CPRB 2016 CAFR PERS reported a 86.11% ratio of system-wide plan fiduciary net position to the total pension liability in fiscal year 2016, while for funding purposes, PERS reported the ratio of actuarial value of assets to actuarial accrued liability to be 89.01%. TRS reported those ratios to be 61.42%, and 65.41%, respectively.

	SPRS	JRS
Actuarial cost method	Individual entry age normal cost with level percentage of payroll	Individual entry age normal cost with level percentage of payroll
Actuarial valuation method	Fair value	Fair value
Amortization method	Level dollar, fixed period	Level dollar, fixed period
Amortization period	-	-
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	5.0% for first 2 yrs of service, 4.5% for next 3 yrs of service, 4.0% for the next 5 yrs and 3.25% thereafter	4.25%
Inflation rate	3.0%	3.0%
Discount rate	7.5%	7.5%
Mortality rates	Active – RP2000 Non-annuitant tables, Projected to 2020, Scale BB: Retired - RP2000 healthy annuitant tables projected to 2025, Scale BB; Disabled - RP2000 Healthy annuitant tables projected to 2025, Scale BB set forward 1 year	Active – N/A; Retired - RP2000 Healthy annuitant tables projected to 2025, Scale BB; Disabled - RP-2000 Healthy annuitant tables projected to 2025, Scale BB set forward 1 year
Withdrawal rates	0 – 7.6%	-
Disability rates	.05 - .6%	-
Retirement rates	20% - 100%	5% - 100%
Date of most recent experience study	2006 – 2011	2006 – 2011

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

Regarding the sensitivity of the net pension liability to changes in the discount rate, the following table represents the net pension liabilities calculated using the current discount rate of 7.5% as well as the plans' net pension liabilities if they were calculated using a discount rate that is one percentage point lower or one percentage point higher as of June 30, 2016 (in thousands):

	Total Net Pension Liability		
	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
As of June 30, 2016:			
PERS	$ 1,663,751	$ 919,118	$ 286,731
TRS	5,199,286	4,109,834	3,178,615
SPDDRS	245,100	150,209	72,654
SPRS	34,483	7,469	(14,165)
DSRS	59,830	31,836	8,704
JRS	(41,066)	(53,745)	(64,498)
EMSRS	16,577	6,760	(1,280)
MPFRS	(955)	(1,414)	(1,765)

Source: Consolidated Public Retirement Board Pension Trust Funds of the State of West Virginia, Fiscal years Ended June 30, 2016 and June 30, 2015.

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Investments

Other than funds that are awaiting disbursement, which are managed by the State Treasurer, assets of the State DB Plans are invested by the IMB. IMB provides information for the Investment Section portion of the CPRB CAFR. Additionally, IMB publishes an annual financial report and audited financial statements with required supplementary information. The information that is contained in the sections “Investments” and “Investment Results” is provided by IMB.

The West Virginia Investment Management Board was created during the 1997 legislative session and is cited as the West Virginia Investment Management Board Act. Governance of the IMB is vested, by statute, in a thirteen-member Board of Trustees. Three members of the Board serve by virtue of their office: the Governor, the Auditor, and the Treasurer. The other ten are appointed by the Governor and confirmed by the Senate. All appointees must have experience in pension management, institutional management or financial markets. In addition, one must be an attorney experienced in finance and investment matters and another must be a Certified Public Accountant. Only six of the ten appointed Trustees may be from the same political party. Terms are for six years and are staggered. The Governor serves as Chairman of the Board. A Vice-Chairman is elected by the Trustees. A Secretary, who need not be a member of the Board, is also elected by the Trustees to keep a record of the proceedings of the Board.

A member of each defined benefit retirement plan is designated by CPRB to represent the participant plans’ interests. Each of the representatives may designate up to three persons to comprise a committee representing their respective plan’s beneficiaries. The representatives and committee members do not have a vote but have the right to be heard at the annual meetings of the IMB and are subject to the same code of conduct and requirements of confidentiality that apply to the IMB Trustees.

The day-to-day management of the IMB is delegated to the Executive Director who is appointed by the Board of Directors and serves at its will and pleasure. The Executive Director acts as an advisor to the Board of Directors on all matters.

The staff of the IMB is divided into two principal divisions - Investments and Operations. The Operations Division is focused on providing the back office support necessary for the organization to function on a day-to-day basis. The Investments Division is structured to devote its time and resources to staying current with new developments and research in the investment field and being prepared to apply this knowledge to the investment of assets for the IMB.

State law mandates a standard of care that is codified in the “Uniform Prudent Investor Act,” Article 6C of Chapter 44 of the West Virginia Code. The West Virginia Investment Management Board is further subject to the following requirements pursuant to Chapter 12, Article 6 of the West Virginia Code:

(a) Trustees shall discharge their duties with respect to the 401(a) Plans for the exclusive purpose of providing benefits to participants and their beneficiaries;

(b) Trustees shall diversify fund investments so as to minimize the risk of large losses unless, under the circumstances, it is clearly prudent not to do so;

(c) Trustees shall defray reasonable expenses of investing and operating the funds under management;

(d) Trustees shall discharge their duties in accordance with the trust documents and instruments governing the trusts or other funds under the management insofar as the documents and instruments are consistent with provisions of this Article; and

(e) The duties of the Board apply only with respect to those assets deposited with or otherwise held by it.

Prior to 2014, certain asset classes were restricted by statute.

The Board adopts specific investment objectives for each Plan. IMB has established various investment pools to provide for the investment of the defined benefit plans' assets. These investment pools are structured as multi-participant variable net asset funds. The primary objective of the investment pools is to provide benefits to its participants and beneficiaries.

The IMB charges each investment pool for its direct investment-related expenses, such as investment advisor fees, custodian bank fees, and some professional service fees, and an allocated share of other expenses.

In order to achieve the investment objectives for each Participant Plan, the Board of Trustees and the WVIMB rely on prevailing financial theory. This is a philosophy that is generally characterized by prudent diversification across different asset classes (stocks, bonds, cash, non-traditional, etc.) to reduce risk, taking into account each Participant Plan's time horizon, liquidity needs, financial condition (funded status), and return objectives in determining each Participant Plan's appropriate allocation to various assets. Diversification is not just limited to asset classes although it is, generally, considered the most significant factor. Other factors, including, but not limited to, geography/country, industry, and maturity, are also considered from the Participant Plan's perspective, time horizon, liquidity needs, financial condition (funded status), and return objectives of each Participant Plan. These factors may also dictate the extent to which the Participant Plan may be impacted by general business conditions. Importantly, the factors mentioned here are not intended to be limiting; rather, they are outlined as a general indication of the importance of diversification and customization to proper asset allocation. IMB determines the proper allocation among asset classes and managers based on advice and analysis provided by staff and/or external investment consultants.

The Board hires investment managers to implement its objectives. These managers are given specific tactical roles within the overall strategic investment plan. Depending on their assignments, the managers are evaluated on some or all of the following: (1) consistency of philosophy, style and key personnel, (2) performance relative to an appropriate index or proxy group, and (3) ability to add incremental value after costs. IMB and staff monitor performance and supervise all fund managers.

For general comparison purposes, the IMB uses PERS as a proxy for the other pension plans because of its similarity to other State defined benefit pension plans throughout the nation. As of June 30, 2017, the return for PERS was 15.4% net of expenses for the fiscal year. Over the ten-year period ending June 30, 2017, the IMB's annualized return was 6.0% versus the policy benchmark of 4.9%. The other defined benefit pension plans had similar returns for the fiscal year ending June 30, 2017. IMB states that since asset allocations are similar for each State DB Plan, differences in the returns for the various pension plans are a function of the differences in the timing of cash flows into and out of each plan and relative levels of cash equivalent securities necessary to make benefit payments.

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The following is a summary of the investments held by IMB for each State DB Plan as of June 30, 2017 ($ in thousands):

SUMMARY OF INVESTMENTS*

	PERS	TRS	SPDDRS	SPRS	JRS
Large Cap Equity	$1,314,918	$1,478,485	$130,581	$34,932	$40,195
Non-Large Cap Equity	265,878	301,980	26,793	6,994	8,075
International Qualified	619,041	710,479	62,649	15,853	18,525
International Equity	1,161,510	1,304,818	113,961	30,915	35,068
Private Equity	644,316	731,811	64,077	16,859	19,367
Real Estate	650,659	761,415	66,919	16,486	18,921
Total Return Fixed Income	626,141	701,801	58,980	17,330	19,045
Core Fixed Income	267,966	298,234	25,902	7,356	8,157
Opportunistic Income	123,627	140,488	12,288	3,241	3,719
Hedge Fund	601,483	688,375	59,671	15,016	17,743
TRS Annuity	-	-135	-	-	-
Short-Term Fixed Income	12,781	114,834	17,559	891	439
Total investments	$6,288,320	7,232,585	$639,380	$165,873	$189,254

*Preliminary, unaudited numbers. Subject to change.

Investment Results

As shown in the table below, the PERS Funds have outperformed a composite market index in four of the last five fiscal years. Over the next 10 years, the PERS Funds are expected to outperform a composite market index weighted in a manner that reflects the long-term asset allocation, as reflected below.

	Annual Fiscal Year Returns					Periodic Returns as of June 30, 2017[1]		
	2013	2014	2015	2016	2017[1]	3 Yr.	5 Yr.	10 Yr.
PERS	13.1%	17.9%	3.9%	-0.1%	15.4%	6.2%	9.8%	6.0%
PERS Policy Index[2]	10.5%	16.2%	1.5%	0.3%	11.9%	4.5%	7.9%	4.9%

(1) Preliminary, unaudited numbers. Subject to change.

(2) Components of PERS Policy Index:
As of January 2014, the PERS Policy is 30% Russell 3000, 30% MSCI ACW ex USA (IMI), and 40% Barclays Capital Universal. From April 2008 to December 2013, the PERS Policy was 30% Russell 3000, 30% MSCI ACW ex USA (Standard), and 40% Barclays Capital Universal. Prior periods were 42% Russell 3000, 18% MSCI ACW ex USA, and 40% Barclays Capital Aggregate.

Teachers' Defined Contribution Retirement System

The Teachers' Defined Contribution Retirement System ("TDCRS") is a multiple employer defined contribution retirement system covering primarily full-time employees of the State's 55 county public school systems, the State Department of Education and School for the Deaf and the Blind hired between June 30, 1991 and June 30, 2005. The system also includes former TRS plan members, including higher education employees, who elected to transfer into or participate in TDCRS.

As of July 1, 2016, there were 3,707 members in the TDCRS. Benefits depend solely on amount contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. TDCRS closed participation to new members effective June 30, 2005. The TDCRS provides members with a choice of 20 separate investment options made up of fixed income, balanced, large cap, mid cap, small cap, and international mutual funds, a money market fund and a fixed annuity.

State law requires employees to contribute 4.5% of their gross compensation and employers contribute 7.5% of covered members' gross compensation. Employer contributions are comprised from amounts allocated to the employers through the State School Aid formula, forfeitures allotted from the TDCRS and county contributions. 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 complete service. Employer contributions and earnings thereon forfeited by employees who leave employment prior to becoming fully 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. Benefits depend solely on the amounts contributed plus net investment earnings thereon.

During the 2008 First Special Session, the West Virginia Legislature passed House Bill 101 regarding retirement benefits for teacher and educational service personnel that became effective March 16, 2008. The legislation provided an opportunity for members of TDCRS to elect to transfer to TRS. The transfer occurred on July 1, 2008, and a total of 15,152 TDCRS members transferred to TRS.

Accounting and Financial Reporting for Pensions

On June 25, 2012, the Governmental Accounting Standards Board (GASB) approved two new standards designed to improve accounting and financial reporting for state and local government pension plans. First, GASB issued its Statement No. 67, *Financial Reporting for Pension Plans*, to be effective for fiscal years starting after June 15, 2013. Additionally, GASB issued its Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB No. 27*, to be effective for fiscal years beginning after June 15, 2014.

GASB Statement No. 68 (which replaces GASB Statement No. 27 and GASB Statement No. 50, which still remain applicable for plans without trusts or equivalent arrangements) sets new accounting and financial reporting requirements for government employer plans administered through irrevocable trusts. GASB No. 68 is an accounting standard and does not dictate methods and assumptions for determining pension contribution amounts. GASB No. 68 makes two major changes to state and local governmental accounting and reporting requirements. First, GASB No. 68 requires that government employers that sponsor defined benefit plans will now recognize a net pension liability in their statement of net position on their balance sheet. Single and agent-multiple employers will report 100% of their net pension liability in their balance sheet. Cost-sharing multiple-employers will report their proportionate share of the net pension liability. Under GASB Statement No. 68, the net pension liability is calculated as the actuarial present value of projected benefit payments attributable to past periods (total pension liability) less fiduciary net position as measured by the pension plan. Under GASB Statement No. 27, governments previously reported a measure similar to net pension liability for their single employer and agent multiple-employer plans but only in supplementary information (outside the notes to the financial statements) under the heading "Total Unfunded Actuarial Liability." GASB Statement No. 68 also changes the procedures required to calculate the net pension liability. For example, projected benefits will be attributed to past/current/future periods under a single actuarial cost method, the entry age actuarial cost method, which represents a change from GASB Statement No. 27 which permitted employers and plans to choose from among six different methods to calculate net pension liability. Additionally, most changes in the net pension liability from period to period will be charged to expense in full in the next period, not amortized over the GASB Statement No. 27 maximum amortization period of 30 years. The second major change caused by GASB Statement No. 68 affects employers participating in defined benefit cost-sharing multiple-employer pension plans that will now be required to recognize their proportionate share of the collective net pension liability on their balance sheet. Previously, such employers did not directly report information regarding their pension obligations. Instead, such employers only reported a liability to the extent that they failed to make their required contributions.

GASB Statement No. 67 includes many of GASB Statement No. 68 changes, but for pension plans rather than employers. As discussed above, CPRB adopted GASB Statement No. 67 during the fiscal year ended June 30, 2014. See "PENSION SYSTEMS – State Retirement Systems" herein.

On November 25, 2013, GASB issued its Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, to address the transition provisions of GASB Statement No. 68, in order to eliminate a potential source of understatement of beginning net position and expense in a government's first year of implementing Statement No. 68.

Prior to implementation of GASB Statement No. 68, the State did not record a net pension liability for PERS because it is a multiple-employer cost-sharing plan. The State recorded a $3.5 billion net pension liability in fiscal year 2015 as a result of the changes required by GASB Statement No. 68 and GASB Statement No. 71.

The Governmental Accounting Standards Board has issued Statement No. 72, Fair Value Measurement and Application, effective for fiscal years beginning after June 15, 2015. This Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

The Governmental Accounting Standards Board has also issued Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, effective for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets that accumulate for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and non employer contributing entities. The adoption of GASB Statement No. 73 had no impact on the June 30, 2016 financial statements of CPRB.

The Governmental Accounting Standards Board has also issued Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, effective for fiscal years beginning after June 15, 2015. The requirements of this Statement will identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The adoption of GASB Statement No. 76 had no impact on the June 30, 2016 financial statements of CRPB.

The Governmental Accounting Standards Board has also issued Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, effective for fiscal years beginning after December 15, 2015. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The adoption of GASB Statement No. 78 had no impact on the June 30, 2016 financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 79, Certain External Investment Pools and Pool Participants, effective for fiscal years beginning after June 15, 2015. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. The adoption of GASB Statement No. 79 had no impact on the June 30, 2016 financial statements of CPRB.

The Governmental Accounting Standards Board has also issued Statement No. 82, Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73, effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of GASB Statement No. 82 had no significant impact on the June 30, 2016 financial statements of CPRB.

The Governmental Accounting Standards Board has also issued Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, effective for fiscal years beginning after June 15, 2016. The requirements of this Statement will improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. CPRB has not yet determined the effect that the adoption of GASB Statement No. 74 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for fiscal years beginning after June 15, 2017. The requirements of this Statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. CPRB has not yet determined the effect that the adoption of GASB Statement No. 75 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 77, Tax Abatement Disclosures, effective for fiscal years beginning after December 15, 2015. The requirements of this Statement will improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. CPRB has not yet determined the effect that the adoption of GASB Statement No. 77 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 80, Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14, effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. CPRB has not yet determined the effect that the adoption of GASB Statement No. 80 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 81, Irrevocable Split-Interest Agreements, effective for fiscal years beginning after December 15, 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. CPRB has not yet determined the effect that the adoption of GASB Statement No. 81 may have on its financial statements.

OTHER BENEFIT AND INSURANCE SYSTEMS

Employees' Deferred Compensation Plan

The State Deferred Compensation Plan (the "Plan," known as the "West Virginia Retirement Plan") is a supplemental retirement plan created in accordance with Internal Revenue Code §457. The Plan is available to all public employees (State, county, municipality and political subdivisions) in the State. As of June 1, 2016, there were more than 16,700 total plan participants and $193.7 million in total assets in the State Deferred Compensation Plan. 294 political subdivisions have joined the plan as of June 30, 2016.

Participants become fully vested upon enrollment and could defer up to $18,000 in pre-tax contributions in tax year 2017, with participants over 50 able to make catch-up contributions of an additional $6,000. Participant benefits depend solely upon amounts contributed plus any investment earnings at retirement.

The State has no liability for investment losses or changes in asset values under the Plan. Participants are responsible for choosing investment options and contribution amounts. Effective January 15, 2016, Empower Retirement became the third party administrator of the Plan, providing administrative, recordkeeping, communication and investment services for then Plan, replacing Voya Financial that had previously served as the Plan's third party administrator. There are currently twenty-three (23) investment fund options, representing various asset classes. Additionally, there are four (4) self director brokerage account options available to Plan participants.

Senate Bill 538 transferred the administrative responsibilities for the Plan from CPRB to the State Treasurer's Office in July 2006.

Other Postemployment Benefits

In addition to other pension benefits, 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, 2010 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, those hired prior to July 1, 2001, may convert, at the time of retirement, any unused accumulated sick leave to pay a portion of the employee's postemployment health care insurance premium. If this option is not selected, the leave amount may be applied toward an increase in the employee's retirement benefits, with such sick leave constituting additional credited service in computation of such benefits. The unused portion of sick leave that is expected to be converted to additional credited service for retirement benefits is considered in the actuarial valuation used to calculate the net pension obligation.

The State provides health care credits against monthly health insurance premiums of certain retirees based on various factors, including unused sick leave at the time of retirement. 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' retiree insurance program by making the premium contribution specified by the PEIA Finance Board. Approximately 41,850 retirees and 76,104 active plan members met those eligibility requirements at June 30, 2016.

In 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, to the extent they are funded by the State School Aid Formula, 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, the Retiree Health Benefit Trust Fund ("RHBT") transferred $715 million in annual required contribution liability from the county boards of education to the State.

The State implemented GASB Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," in 2007. In conjunction with the implementation of GASB Statement No. 43, the State established RHBT under West Virginia Code §5-16D-2, an irrevocable trust, to account for and administer 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 540 respective employers who are required by law to remit at least the minimum annual premium component of the CRC. PEIA estimates that 95% of the CRC for multi-employer-cost-sharing plan is attributable to the State.

The RHBT provides the following basic retiree benefit coverage to all participants: hospital, surgical, group major medical, basic and optional group life 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.

Effective July 1, 2007, the State implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions," which requires reporting on an accrual basis the liability associated with other postemployment benefits.

Historically, the obligation associated with retiree health care benefits has been funded and recognized for financial statement purposes on a pay-as-you-go basis. The retiree premiums currently pay approximately 35% of health care claims for retirees and their dependents. The balance of the cost is funded by the State and other participating employers through a retiree subsidy, which is included in the premium charged for the coverage of each active employee. Monthly premiums vary based on years of service and choice of coverage.

On July 30, 2009, the PEIA Finance Board took the first steps in addressing the OPEB liability by its ruling requiring any employee hired on or after July 1, 2010 to pay the full cost of premiums when they retire. Another significant change occurred in December 2011, when the PEIA Finance Board passed a finance plan that placed a 3% cap on the amount participating employers 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.

Revenues collected by RHBT are 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 known claims, 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.

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 RHBT in accordance with Senate Bill 129, which became effective July 1, 2007. In fiscal year 2014, the PEIA reserve did not exceed funding parameters, resulting in zero funds transferred to RHBT.

Senate Bill 419, adopted by the West Virginia Legislature on February 26, 2016, requires $30 million of annual personal income tax proceeds to be dedicated to the payment of RHBT's unfunded liability until such time as the Governor certifies to the Legislature that an independent actuarial study has determined that the unfunded liability of RHBT has been provided for in its entirety or July 1, 2037, whichever date is later. The RHBT began receiving the aforementioned $30 million transfer in fiscal year 2017. The first payment of $5 million was received in October 2016 and then $5 million per month was received for the five months subsequent.

The State's Fiscal Year 2016 CAFR reports a State Net OPEB Obligation of $1.9 billion. The Net OPEB Obligation is the cumulative difference between the annual OPEB cost (a sum of the OPEB CRCs) and the sum of what the State has contributed. RHBT reports the State's share of the OPEB liability, Actuarial Accrued Liability ("AAL"), for the multi-employer-cost-sharing plan, at June 30, 2016, was $3.3 billion, which represents 95% of the total plan AAL as estimated by PEIA. The $3.3 billion AAL less $742 million of actuarial value of assets (95% of plan assets) results in a projected Unfunded Actuarial Accrued Liability ("UAAL") of $2.6 billion at June 30, 2016. The State's share of the CRC for the years ended June 30, 2016, June 30, 2015, and June 30, 2014, were approximately $270 million, $249 million, and $240 million. The State's contributions to RHBT for the years ended June 30, 2016, June 30, 2015 and June 30, 2014 were approximately $124 million, $126 million, and $136 million, respectively; 46%, 51%, and 57% of the CRC, respectively.

RHBT's basic financial statements, required supplementary information and other financial information for the fiscal years ended June 30, 2016 and June 30, 2015 and other financial and actuarial information is available at the following public websites:

http://www.peia.wv.gov/forms-and-downloads/financial_reports/Pages/independent_auditors_reports.aspx
http://www.peia.wv.gov/forms-and-downloads/financial_reports/rhbt_actuarial_reports/Pages/default.aspx

Please note the website addresses in this section are provided for the convenience of the reader and not a part of this Official Statement. No representation is made by the State as to the privacy practices of other websites, nor is the State liable for the content or availability of any listed website.

Insurance Systems

Healthcare Insurance

The Public Employees Insurance Agency ("PEIA") was established in 1971 to provide a program of health, life and prescription insurance for its member agencies. PEIA also provides coverage for all participating state institutions of higher education and county boards of education employees. Political subdivisions in the State and certain other charitable and public service organizations may request coverage by

PEIA. As of June 30, 2016, approximately 173,000 individuals, including participants and dependents, are insured through the program.

The general program objectives are to provide a basic employee benefit insurance program that includes hospital, surgical, major medical, prescription drug and basic life and accidental death for all participating employers and employees. The cost of all coverage, as determined by PEIA, is paid by participants and their employers. Premiums are established by PEIA and the Finance Board.

PEIA became a self-funded program in 1990. The Finance Board consists of the Secretary of Administration or his or her designee and eight members appointed by the Governor, and is responsible for the development and implementation of annual financial plans for PEIA. Before finalizing a plan, the Board must obtain an actuary's opinion that anticipated revenues will cover total agency costs, except for a 30 to 45 day carry-over of accounts payable. PEIA completed fiscal year 2016 with a total net position of approximately $130 million, down from a total net position of approximately $181 million for fiscal year 2015, principally from a $30.0 million decline in non-operating revenue due to a reduction of $16.3 million in investment earnings, a decline in litigation settlement of $9.8 million and the lack of $4.0 million transfer received in 2014 from the State that was not received in 2015.

Workers' Compensation Insurance

For decades, workers' compensation insurance in West Virginia was provided exclusively by the State of West Virginia's Workers' Compensation Commission ("WCC"). The State had accumulated, on a present value basis, an approximate $3.9 billion unfunded accrued actuarial liability over the years. This unfunded liability resulted in a premium surcharge to employers throughout the State. The State determined privatizing workers' compensation served the best interest of the public.

Accordingly, the Governor called a special session of the Legislature and passed Senate Bill 1004, effective February 16, 2005, creating the means to transition the WCC first, into a domestic employers' mutual insurance company, called BrickStreet Mutual Insurance Company ("BrickStreet"). The WCC was terminated and a portion of the WCC's assets transferred to BrickStreet, including funding for BrickStreet's initial capital, as well as the transfer of employees to the company, the Industrial Council and the Offices of the Insurance Commissioner. BrickStreet's operations began January 1, 2006. Beginning July 1, 2008, the workers' compensation insurance market was opened to all private carriers approved by the Office of the Insurance Commissioner to do business in West Virginia, and private carrier's rates were phased in. As of December 31, 2015 such carriers are now authorized to write workers' compensation policies in the State of West Virginia, of which 216 have issued at least one policy.

Senate Bill 1004 established a workers' compensation debt reduction fund in the State treasury for the deposit of moneys received after June 30, 2005, including lottery revenue, premium surcharges, personal income taxes, and new and additional severance taxes imposed. The net proceeds from collection of these moneys, together with amounts that were retained as reserves in the Workers' Compensation Fund (the existing claims and assets reserved to pay them are referred to as the Old Fund) are dedicated to paying down the unfunded liability for the claims that existed prior to privatization. On December 8, 2005, the Governor issued a proclamation that stated that the assets of the Workers' Compensation Fund were sufficient to pay the liabilities of the Workers' Compensation Fund. There exists authorization in Senate Bill 1004 to issue bonds in an amount not to exceed $1.5 billion, and to use amounts in the Old Fund, or dedicated revenues to pay debt service on such bonds, however there is no intention to sell bonds for such purpose at this time. Senate Bill 1004, as amended also created the "workers' compensation uninsured employers' fund," "self-insured employer guaranty risk pool," "self-insured employer security risk pool," "private carrier guaranty fund," and an "assigned risk fund" in the State treasury and continued the "coal-workers' pneumoconiosis fund" in the State treasury.

There are currently two private third party administrators administering Old Fund claims. As of June 30, 2016, the unfunded accrued actuarial liability of the Old Fund had been reduced to approximately $51.2 million.

DEMOGRAPHIC INFORMATION

Population

Estimated 2016 data obtained from the Census Bureau indicates the State's population is approximately 1.83 million, representing a loss of nearly 10,000 residents in the past year and the fourth year of losses. The consecutive losses in population were the first to occur since the late 1990s. The following table represents population trends of the State and the United States since 2000.

POPULATION TRENDS
(In Thousands)

Year	West Virginia		United States	
	Population	Change	Population	Change
2000	1,807	–	281,442	–
2010	1,854	2.61%	309,348	9.92%
2011	1,855	0.04%	311,663	0.75%
2012	1,857	0.09%	313,998	0.75%
2013	1,853	(0.18%)	316,205	0.70%
2014	1,849	(0.25%)	318,563	0.75%
2015	1,841	(0.40%)	320,897	0.73%
2016	1,831	(0.54%)	323,126	0.70%

Source: United States Census Bureau.

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Personal Income

As of 2016, the total personal income in West Virginia was approximately $68.457 billion. The following table sets forth the total personal income and the per capita income for the State and the United States:

TOTAL PERSONAL INCOME AND PER CAPITA INCOME

	PER CAPITA INCOME[3]		PERSONAL INCOME[4]	
Year	West Virginia	United States	West Virginia (Thousands)	United States (Thousands)
1999	20,984	28,627	38,018,141	7,988,183,000
2000	22,250	30,602	40,261,164	8,634,847,000
2001	23,576	31,540	42,471,414	8,987,890,000
2002	24,481	31,815	44,197,564	9,150,761,000
2003	24,834	32,692	45,005,686	9,484,225,000
2004	25,595	34,316	46,491,347	10,047,876,000
2005	26,593	35,904	48,411,990	10,610,320,000
2006	28,406	38,144	51,923,737	11,381,350,000
2007	29,323	39,824	53,779,085	11,998,419,000
2008	31,278	41,082	57,551,409	12,492,705,000
2009	31,412	39,376	58,042,232	12,079,444,000
2010	32,082	40,277	59,487,163	12,459,613,000
2011	34,000	42,453	63,067,998	13,233,436,000
2012	34,814	44,267	64,623,761	13,904,485,000
2013	34,651	44,462	64,207,088	14,068,960,000
2014	35,778	46,414	66,145,384	14,801,624,000
2015	36,758	48,112	67,787,227	15,463,981,000
2016	37,386	49,571	68,457,129	16,017,781,445

Source: United States Department of Commerce, Bureau of Economic Analysis and the Bureau of the Census.

[3] Per capita personal income is total personal income divided by total midyear population. All dollar estimates are in current dollars (not adjusted for inflation).

[4] Census Bureau midyear population estimate. Estimates for 2010-2016 reflect Census Bureau midyear state population estimates available as of December 2016.

Employment

West Virginia's seasonally adjusted unemployment rate increased slightly to 4.7% in July 2017, from 4.6% in June 2017. West Virginia recorded an annual average seasonally adjusted unemployment rate of 6.0% in 2016, down eight tenths of a percentage point from the 2015 annual average of 6.8%. The number of unemployed State residents increased 1,300 to 36,900 in July 2017. Total unemployment was down 9,900 over the year. The national unemployment rate increased to 4.3% in July 2017.

Total nonfarm payroll employment increased 4,000 in July 2017, with a loss of 1,000 in the goods-producing sector and a gain of 1,400 in the service-providing sector. The goods-producing sector reported employment decreases of 200 in mining and logging, and 900 in construction, while manufacturing increased 100. Within the service-producing sector, employment increases included 600 in trade, transportation and utilities, 200 in information, 200 in financial activities, 600 in professional and business services, 300 in leisure and hospitality, and 200 in other services. Employment declines included 100 in educational and health services, and 600 in government, the loss being entirely at the state level.

Since July 2016, total nonfarm payroll employment has increased by 1,600. Employment gains included 2,300 in mining and logging, 1,200 in construction, 100 in information, 200 in financial activities, 600 in professional and business services, 3,800 in educational and health services, and 700 in other services. Employment declines included 1,100 in manufacturing, 2,700 in trade, transportation and utilities, 1,600 in leisure and hospitality, and 1,900 in government.

West Virginia's not seasonally adjusted unemployment rate decreased from 5.1% in June 2017 to 5.0% in July 2017. During June 2017, 54 counties in the State saw increasing not-seasonally adjusted unemployment rates, while Pocahontas County was the only county that saw increasing not-seasonally adjusted unemployment rates. Counties with unemployment rates in excess of 7.0% include Clay (7.8%), Gilmer (7.2%), Logan (7.5%), McDowell (9.4%), Mingo (9.8%) and Roane (7.1%), while counties with unemployment rates at 4% or lower include Monroe (3.8%), Morgan (4.0%), Hampshire (3.8%), Berkeley (3.6%), Pendleton (3.6%) and Jefferson (3.2%).

In 2016, government made up the largest percentage of total employment in West Virginia at 20.9%, or nearly one in five jobs. This was followed by trade, transportation, and utilities at 17.8%, education and health services at 17.4%, leisure and hospitality at 10.0%, professional and business services at 8.7%, other services at 7.2%, manufacturing at 6.2%, financial activities at 3.7%, construction at 4.0%, mining and logging at 2.7% and information at 1.3%.

Source: West Virginia Workforce

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NON-FARM PAYROLL EMPLOYMENT ANNUAL AVERAGES
[in thousands]

	2014	2015	2016	Percent Change 2015-2016
Mining and Logging	30.1	26.0	20.3	-21.92%
Construction	33.8	32.5	30.1	-7.38%
Manufacturing	47.9	47.7	46.7	-2.10%
Trade, Transportation and Utilities	135.4	135.4	133.3	-1.55%
Information	9.7	9.7	9.6	-1.03%
Financial Activities	28.3	27.9	27.6	-1.08%
Professional and Business Services	66.9	67.0	65.4	-2.39%
Educational and Health Services	126.6	128.7	129.9	0.93%
Leisure and Hospitality	74.3	74.6	74.7	0.13%
Other Services	55.5	54.7	54.0	-1.28%
Government	152.3	152.9	156.1	2.09%
Total	760.8	757.1	747.7	-1.24%

Source: West Virginia Workforce.

The 6.0% seasonally adjusted unemployment rate for 2016 is the lowest annual average unemployment rate for the State since 2008. The average civilian labor force increased 300 to 783,500. Annual average total nonfarm payroll employment declined 9,200 during 2016.

West Virginia's seasonally adjusted unemployment rate stood at 4.6% in June 2017, slightly higher than the national seasonally adjusted unemployment rate of 4.4%. The state's annual average seasonally adjusted unemployment rate stood at 6.0% in 2016, down from 6.8% in 2015.

The following table compares annual average unemployment rates for West Virginia to those of the United States. All unemployment rates are calculated according to procedures approved by the United States Bureau of Labor Statistics.

CIVILIAN UNEMPLOYMENT RATES

Year	West Virginia	United States
2010	8.7%	9.6%
2011	8.1%	8.9%
2012	7.5%	8.1%
2013	6.8%	7.4%
2014	6.6%	6.2%
2015	6.8%	5.3%
2016	6.0%	4.9%

Source: West Virginia Workforce

Education

Education ranks first in state government expenditures in West Virginia, accounting for more than 54.3% of the State's General Revenue Fund and nearly 19% of the Lottery and Excess Lottery funds in fiscal year 2016. Of the total appropriations for education from the General Revenue Fund, the vast majority (44.8%) was appropriated for public education and the remaining 9.5% for higher education.

In addition, West Virginia has made a 40-year commitment to achieve full funding of the TRS by the year 2034, and has appropriated the full amount identified by an annual Actuarial Valuation Report of the TRS towards the AAL every year since the plan's inception in 1994. For the 2016 fiscal year, the amount appropriated for this purpose was $66 million associated with normal costs and $299 million associated with unfunded liability costs for a total of $365 million.

West Virginia's per pupil expenditures for public education was approximately $11,369 in the 2014-2015 school year, ranking the State 21st nationally. The per pupil expenditures includes the amount appropriated for the AAL of the TRS.

Public education, K-12, is governed by the West Virginia Board of Education. The State's long-term commitment to funding education has achieved impressive results especially in providing high-quality early childhood education programs and improved access to 21st Century technology for students. As of the 2013-14 school year, all 4-year old children have access to a high quality universal, pre-kindergarten program provided by either a school district or a community based childcare center in collaboration with a school district. These programs are serving approximately 73% of the State's 4-year-old population.

Funding for the universal pre-kindergarten program is included as an integral part of the State aid funding formula. The National Institute for Early Education Research's ("NIEER") publication entitled State of Preschool 2013 Yearbook identifies West Virginia as 10th in the nation for state spending on its Universal Pre-kindergarten program, and 4th in the nation for spending when including federal Head Start and childcare funds.

The State has also made great strides in the area of equitable access to technology for students. West Virginia's student to computer ratio has decreased steadily over the past five years, to a ratio of 1.7 students to computer during the current year, and the schools' high speed access to broadband Internet has been increased dramatically in recent years. Through a Broadband Technology Opportunities Program ("BTOP") grant, every public school in the State is now connected to the Internet by fiber optic cable and bandwidth has grown by 200% over the past three years.

This emphasis on education is impacting the level of educational attainment by our citizens. The percentage of high school graduates has increased steadily over the past five years from 75.5% to 84.5%, the drop-out rate has dropped by nearly half, and based on the number of college students that are enrolled in developmental (remedial) education courses, the number of students graduating from high school college-ready is increasing.

The following table provides enrollment, cost and staffing information concerning public schools, K-12, in West Virginia:

SELECTED PUBLIC SCHOOL STATISTICS

School Year	Headcount Enrollment	Per Pupil Expenditure	FTE Classroom Teachers
2009-10	281,827	10,700	19,865
2010-11	282,130	11,088	19,778
2011-12	282,086	11,198	19,850
2012-13	282,309	11,133	19,737
2013-14	281,013	11,240	19,669
2014-15	279,899	11,369	19,686
2015-16	277,138	–*	19,489
2016-17	273,170	–*	19,205

Source: Office of School Finance, West Virginia Department of Education.

* 2015-16 and 2016-17 School Year Per Pupil Expenditure figures are not currently available.

The public higher education system consists of nine colleges and universities, 10 community colleges and a medical school. In March 2000, the West Virginia Legislature enacted Senate Bill No. 653 ("S.B. 653") that restructures higher education in the State. The Senate Bill abolished the University of West Virginia Board of Trustees and the Board of Directors of the State College System effective June 30, 2000, and replaced them with the West Virginia Higher Education Policy Commission (the "Commission") that is responsible for developing, gaining consensus around and overseeing the implementation of a higher education public policy agenda. The Commission is responsible for the development of public policy for higher education and other duties as specifically set forth in the legislation, including submission of the statewide budgets for higher education.

Effective July 1, 2001, certain powers were transferred to the newly created governing boards of each of the institutions of higher education (the "Governing Boards"). Each Governing Board had certain powers and duties including but not limited to the power to determine, control, supervise and manage the financial, business and education policies and affairs of the institution(s) under its jurisdiction, the duty to develop a master plan for the institution, the power to prescribe the specific functions and responsibilities to meet its higher education needs, the duty to prepare and submit the institution's budget request, the duty to review at least every five years all academic programs offered at the institution, and the power to fix tuition and other fees for the different classes or categories of students enrolled at its institution. Effective July 1, 2001, the Governing Boards started retaining tuition and fee revenues not pledged for bonded indebtedness or other purposes.

In 2004, the Legislature in Senate Bill No. 448 transferred oversight of the community and technical colleges to the Council for Community and Technical College Education (the "CTC Council") which is directed to work with the Commission in areas of shared responsibility. The Commission retained the responsibility for debt service for all public higher education institutions. In 2004, the Legislature also enacted House Bill No. 101, which simplified the tuition and fee structure by collapsing a number of fees into three general areas. That legislation also allowed the four-year colleges and universities to adopt, with Commission approval, resident tuition and fee increases of up to 9.5% and community colleges to adopt, with Council approval, resident tuition and fee increases of up to 4.75%. For fiscal year 2005 only, the colleges and universities were allowed to adopt an additional 1.5% increase.

In 2006, the Legislature added a requirement that the four-year rolling average resident tuition increases may not exceed 7.5%. In 2008, the Legislature removed the 4.75% tuition increase cap for community and technical colleges with tuition rates below the state community and technical college average tuition rate. Also in 2008, the Legislature passed House Bill No. 3215, which formally separated all community and technical colleges from their former parent institutions effective July 1, 2008.

Information with respect to the Commission, the CTC Council and the institutional Governing Boards will be available from Office of the General Counsel, 1018 Kanawha Boulevard, East, Suite 700, Charleston, West Virginia 25301-2827, telephone (304) 558-2102.

The following table shows the end of term fall semester enrollment and degrees and certificates conferred by higher education facilities:

SELECTED HIGHER EDUCATION STATISTICS

Fiscal Year	First Semester Enrollment*	Degrees and Certificates Conferred
2010	96,555	15,733
2011	96,573	16,512
2012	93,429	16,938
2013	90,899	18,012
2014	87,742	18,410
2015	86,427	–**
2016	85,044	–**

Source: West Virginia Higher Education Policy Commission, Data Portal.
* End of term data.
** 2015 and 2016 Degrees and Certificates Conferred figures are not currently available.

Senate Bill 1013, representing the State's fiscal year 2018 budget, included a number of cuts to balance the budget including a $5.3 million cut to the State Department of Education's budget and total budget cuts for higher education in the State of approximately $16.2 million including cuts at West Virginia University (approximately $7.4 million), West Virginia University Medical School (approximately $1.4 million), Marshall University (approximately $3.9 million), Marshall University Medical School (approximately $267,000), with smaller reductions at the West Virginia School of Osteopathic Medicine, Bluefield State College, Concord University, Fairmont State University, Glenville State College, Shepherd University, West Liberty University and West Virginia State University. There were also budget cuts with the Community and Technical Colleges of $2.8 million.

LAND AND RESOURCES

Property Values

Property subject to property tax in West Virginia is revalued every three years. All properties, with the exception of farms and managed timberland, are to be assessed at 60% of their actual market value. Total assessed valuations for Tax Year 2016 came to approximately $95.2 billion. The statewide average levy rate for all property was 1.91%.

A major portion of the expense of local government units is met from the proceeds of taxes levied upon real and personal property. The property tax is administered by officials of local taxing authorities (municipalities, county school boards and county governments) as well as by officials of a number of State agencies. Less than one-half of one percent of the property tax collected goes to State government. For example, for the tax year 2015, the State received 0.42%, the counties 26.77%, the school boards 65.97% and the municipalities 6.84% of property taxes levied.

The following table sets forth a five-year historical comparison of taxable assessed property values in the State:

TAXABLE ASSESSED VALUE
($'s in Thousands)

	2012	2013	2014	2015	2016
Real Estate	49,143,512	51,053,719	52,758,288	54,561,654	59,995,955
Personal Property	20,336,957	22,562,547	22,315,992	24,092,708	25,132,532
Public Utility	8,460,701	8,950,607	9,103,441	9,510,911	10,026,699
Total Assessed Value*	77,941,170	82,566,873	84,177,721	88,165,273	95,155,186
Annual % Increase/Decrease	3.1%	5.9%	1.9%	4.7%	7.9%

Source: West Virginia State Tax Department, Property Tax Division, Classified Assessed Valuations.
* Totals may not add due to rounding.

ECONOMY

West Virginia has a long tradition of mining and energy production, as well as related industries, such as chemicals, steel, cement and glass production. The State has recognized that to improve opportunities for economic development and to improve the quality of life for its citizens, a substantial investment must be made in further improving roads and bridges and their maintenance throughout the State. Prior to the world-wide financial crisis, West Virginia's economy had been experiencing a period of expansion in employment, reflecting growth in the energy sector, increased competitiveness due to productivity gains in its basic industries, the development of new capacity in the transportation equipment, wood products, plastics and pharmaceuticals industries, and significant employment increases in the services and trade sectors. However, in recent years, the West Virginia economy has struggled due primarily to the State's energy sector, where continued losses in coal jobs has been coupled with a longer than expected slowdown in natural gas. West Virginia's economy fell into a recession during 2015 as market conditions for the State's coal industry deteriorated further and natural gas producers struggled with a bear-market price environment and the need to continue raising output amid large debt obligations.

Due to the volatility of the State's energy producing industries, the real gross domestic product ("GDP") in West Virginia has declined during two of the last four years, falling 1.0% and 0.8%, respectively, in 2012 and 2015. These declines in inflation-adjusted output book-ended two years of moderate gains of 1.0% and 0.3% in 2013 and 2014. Despite the fact that the State's energy producing industries account for less than 3% of overall employment, the large amounts of capital utilized in these industries along with the level of wages paid to workers cause these industries to have a disproportionate influence on changes in output. Indeed, coal and oil account for nearly 15% of the State's total GDP. During the fourth quarter of 2016, the GDP increased in every state and the District of Columbia, with the largest increase of 3.4% in Texas. The State's GDP increased 1.9% in the fourth quarter of 2016.

Ongoing turmoil in coal markets and a bear market price environment for natural gas have caused the State's energy sector to contribute the most jobs losses in the State over the past few years. Overall, the coal and oil and gas industries combined to account for nearly 10,000 of the 13,000 jobs lost in the State since 2014. Most of the payroll deductions have occurred in the coal industry as end-use demand for coal has fallen to unprecedented levels due to the interaction of a host of regulatory and market-driven factors. After totaling nearly 158 million short tons in 2008, coal production fell to around 80 million short tons in 2016, a decline of nearly 50%. However, a rebound in exports of both steam coal and metallurgical coal began during the second half of 2016. As a result, coal production rebounded to an annualized rate of more than 90 million tons by mid-2017. Mining and logging employment also improved with net gains of roughly 2,600 jobs between August 2016 and August 2017. After falling significantly in recent years, coal production is expected to generally stabilize between 80 million tons and 90 million tons over the next few years. See "ENERGY SECTOR – Natural Resources" herein.

Non-manufacturing good export activity, mainly coal, has deteriorated markedly in the past few years, falling 82% from their peak in 2012 to 2016. However, non-manufacturing good exports rebounded from a low of $1.1 billion (twelve month trailing trend) as of October 2016 to more than $2.7 billion as of July 2017. According to data from the U.S. Energy Information Administration, coal exports for the first quarter of 2017 were 58% higher than last year with steam coal exports up 6 million tons and metallurgical coal exports up 2 million tons. Most of these exports came from the East Coast with West Virginia as a primary source. The Energy Information Administration's short-term forecast calls for an 11% rise in coal exports for all of 2017, a net gain of roughly 11 million tons from 2016 levels. Higher international coal demand also resulted in significant price increases for coal exports. Steam export coal prices rose by more than 35% and metallurgical coal prices rose by nearly 124% between the first quarter of 2016 and the first quarter of 2017. As a result, the value of international coal shipments from West Virginia grew from roughly 30% of the State's total export activity in 2015 to more than 40% by mid-2017.

As mentioned above, the chemicals industry has overtaken coal as the largest industry source of exports produced in the State. Much of this is attributable to the healthy concentration of chemicals manufacturers throughout the Ohio and Kanawha Valleys. Overall, chemicals exports amount to more than $1.5 billion during 2015. Through the first half of 2016, exports of chemicals have totaled approximately $782 million, and should finish the year largely in line with that of 2015.

Aside from coal and chemicals, industrial machinery and transportation equipment are also industries that produce a significant amount of exported goods in West Virginia. Combined, these two industries shipped $1.4 billion various components for automobile engines, machinery and civilian aircraft parts in 2015, representing a 3% decline from the previous year. Exports of primary metals increased by 23% in 2015, with a majority of this increase coming from aluminum alloy plates. Shipments of primary metals have fallen 33% during the first half of 2016 as the combined effects of a strong dollar and global supply glut in metals hampers export activity.

According to information from the U.S. International Trade Administration, total exports from West Virginia helped contribute to $2.21 trillion of the U.S. goods and services exports in 2016. In 2015, goods exported from the State supported an estimated 30,458 U.S. jobs. West Virginia's export shipments of merchandise in 2016 totaled $5.0 billion, down from $5.8 billion in 2015. West Virginia businesses exported to 141 countries during 2015, with most of the State's exports going to countries in North America, Europe and Asia. The State's largest export category was chemicals, which accounted for $1.5 billion of West Virginia's total merchandise exports in 2016. Other top merchandise exports were minerals and ores ($1.2 billion); machinery ($676 million); transportation equipment ($564 million), and primary metal manufactures ($272 million). The State's largest market was Canada. West Virginia posted merchandise exports of $1.5

billion to Canada in 2016. Canada was followed by China ($464 million), Brazil ($271 million), Belgium ($269 million) and Netherlands ($266 million). Unfortunately, overseas shipments from the State have fallen precipitously, primarily due to a steep decline in coal exports.

In 2016, West Virginia was the ninth largest natural gas producing state in the nation, with more than 1.4 trillion cubic feet of natural gas production. New pipeline projects have come online in recent years to move natural gas from the Marcellus shale producing areas of West Virginia to markets in the Northeast, Midwest, and Gulf Coast. Many natural gas processing plants and pipelines have been constructed or expanded in north central West Virginia. West Virginia has 31 underground natural gas storage fields, 30 in depleted natural gas reservoirs and one in an existing aquifer. Those fields have a total storage capacity in excess of 530 billion cubic feet of natural gas and account for almost 6% of the nation's total underground natural gas storage capacity. The proximity of this storage capacity to northeastern markets makes West Virginia an important supplier to the region during the winter months when natural gas demand peaks.

West Virginia’s natural resources, other than coal, natural gas and crude petroleum, contribute to industrial diversity in the State. Approximately 80% of the State’s land area is in forested acres of which 95% are hardwoods. Plentiful deposits of high-grade limestone and dolomite support a large crushed stone (aggregate) industry and provide the raw material for the production of Portland cement, agricultural lime, coal mine rock dust and sulfur dioxide removal sorbent. High quality sandstone deposits are of major importance to the glass and construction industries. Large portions of the state are underlaid by extensive brine and rock salt deposits, which originally attracted chemical companies to the State.

Additional information regarding employment and major industries may be obtained from Workforce West Virginia, the United States Bureau of Labor Statistics, the United States Census Bureau. the United States Bureau of Economic Analysis and the Bureau of Business & Economic Research at the West Virginia University College of Business and Economics.

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Manufacturing

Based on the latest information published by the National Association of Manufacturers, manufacturers in West Virginia account for 10.07% of the total output in the state, employing 6.2% of the workforce. Total output from manufacturing was $743 billion in 2015. In addition, there were 47,100 manufacturing employees in West Virginia in 2016, with an average annual compensation of $67,399 in 2015. The following table illustrates selected industries from 2012 through 2016:

WEST VIRGINIA GROSS STATE PRODUCT
MANUFACTURING − 2012 through 2016
In Current Dollars (Millions)

Industry	2012	2013	2014	2015	2016
Wood product manufacturing	325	370	359	342	*
Nonmetallic mineral product manufacturing	292	274	286	298	*
Primary metal manufacturing	795	721	744	691	*
Fabricated metal product manufacturing	440	414	446	436	*
Machinery manufacturing	165	169	157	161	*
Computer & electronic product manufacturing	105	102	91	89	*
Electrical equipment & appliance manufacturing	80	78	61	51	*
Motor vehicle, body, trailer, & parts manufacturing	493	754	525	617	*
Other transportation equipment manufacturing	319	300	303	306	*
Furniture & related product manufacturing	49	44	39	41	*
Miscellaneous manufacturing	140	151	157	164	*
Total Durable Goods	**3,204**	**3,377**	**3,148**	**3,195**	**3,157**
Food and beverage & tobacco products manufacturing	189	263	225	235	*
Textile & textile product mills	11	11	12	11	*
Apparel & leather and allied products manufacturing	6	8	7	9	*
Paper products manufacturing	51	60	62	55	*
Printing & related support activities	124	110	77	75	*
Petroleum & coal products manufacturing	554	479	723	633	*
Chemical products manufacturing	2,657	2,882	3,018	3,054	*
Plastics & rubber products manufacturing	327	306	279	283	*
Total Nondurable Goods	**3,919**	**4,119**	**4,401**	**4,353**	**4,307**
Total Durable & Nondurable Goods	**7,123**	**7,496**	**7,549**	**7,548**	**7,464**

Source: United States Department of Commerce. Bureau of Economic Analysis – Gross Domestic Product by State.
* Information currently unavailable.

While these figures above are below historical levels, manufacturing remains significant in several regions of the State and is expected to play an important role in the State's economic future. On February 10, 2015, former Governor Tomblin announced that Procter & Gamble will build a new manufacturing plant in Berkeley County. The new facility is just the second manufacturing location that Procter & Gamble has built in the United States since 1971 and represents an investment of approximately $500 million. The new plant is expected to open by the fourth quarter of 2017 and when construction is fully completed is expected to employee about 700 full- time employees. In 2015, Hino Motors Manufacturing U.S.A. Inc. announced that it would invest $8 million to expand its existing truck assembly facility in Williamstown, Wood County. During his state of the State address given on January 13, 2016, former Governor Tomblin announced that Addivant would expand its Morgantown, West Virginia facility to meet increasing product demand for its polymer additives used in the food package industry, which multi-million dollar expansion was completed in June of 2017.

Construction

Employment and output in West Virginia's construction sector declined slightly in 2015 and 2016. Residential construction (including contractors) registered a small increase in activity for the fourth consecutive year, but the State's nonresidential and heavy and civil engineering segments have lost jobs in each of the last three years. After gaining more than 3,200 jobs between 2010 and 2012, the heavy and civil engineering construction industry has lost nearly half of those jobs as fewer large-scale projects related to the energy sector are currently underway. Public infrastructure spending has also weighed on this construction sector segment, due in part to poor fiscal conditions and a lack of resolution by Congress on certain multi-year transportation bills.

Residential Construction

The value of all residential unit permits issued in 2016 decreased by 4.70% from 2015. During 2016, 2,544 new residential building permits were authorized down from 2,814 authorized in 2015.

Aggregate Value of and Building Permits Issued For Residential Construction in West Virginia

Year*	Value of Construction in Current Dollars ($ in millions)	Change (Percent)	Number of Permits Issued	Change (Percent)
2009	276.6		1,966	
2010	345.6	24.94%	2,395	21.8%
2011	306.4	-11.34%	2,220	-7.30%
2012	346.6	13.12%	2,718	22.43%
2013	366.2	5.65%	2,575	-5.26%
2014	399.7	9.15%	2,686	4.31%
2015	417.2	4.38%	2,814	4.77%
2016	397.4	-4.70%	2,544	-9.59%

Source: United States Census Bureau
*Iincludes approximately 20,100 permit-issuing places and is used from January 2014 forward.

Nonbuilding and Nonresidential Construction

Spending on new nonbuilding projects, which typically consist of infrastructure projects including highways, bridges, water/sewer systems and utility distribution systems, totaled just below $500 million in West Virginia during 2014, representing at 35% decline from 2013 and only one-fourth of the volume of spending in 2009. After surpassing $2.2 billion in 2013, spending on new nonresidential construction projects fell to approximately $750 million with growth concentrated in Monongalia County where projects such as the construction of a new baseball stadium, new outpatient center for WVU Hospitals and other projects totaled more than $420 million.

Transportation/Infrastructure

History has shown that economic growth follows major interstate highways and other transportation links. Motorists travel through the state on 556 miles of Interstate Highway (West Virginia's Interstate Construction is 100% complete) or the 367 completed miles (of 424 total) of the Appalachian Development Highway System. Since 1989, a commitment to meeting infrastructure needs has seen the West Virginia Division of Highways invest $13.9 billion for various renovation and improvement initiatives. This investment has resulted in 38,759 miles of resurfaced roadway, the replacement or renovation of 4,623 bridges and the improvement or expansion of 7,982 miles of the 36,000 miles of highway under its jurisdiction, as well as a host of other ancillary work. During fiscal year 2016, the Division of Highways was able to continue work on several of its major initiatives around the State including Route 35, WV 10, Corridor H and the Coalfields Expressway. During fiscal year 2016, several major bridges were completed including Lilly Bridge and Thomas Burford Pugh Bridge. Other accomplishments during the 2016 fiscal year were the resurfacing of approximately 1,786 miles of roadway at a cost of $285 million.

After taking office earlier this year, Governor Justice made a $2.8 billion highway funding program part of his economic development plan. Recently, the State Legislature passed a series of funding measures that, collectively, could generate up to $2.8 billion for highway and bridge construction and maintenance and result in 48,000 new jobs in the State over the next 7 to 10 years. Specifically, during the first special session of the 2017 State Legislature, the Legislature passed Senate Bill 1006, which is expected to add $130 million of revenues annually to the State Road Fund by increasing certain fees charged by the Division of Motor Vehicles, raising the floor on the average wholesale price of gas subject to consumer sales tax (raising the gas tax by 3.5 cents per gallon) and increasing the sales tax on motor vehicle sales from 5% to 6%, all effective as of July 1, 2017. Pursuant to Senate Joint Resolution No. 6, known as the "Roads to Prosperity Bond Amendment of 2017," a special election has been set by the Governor for October 7, 2017, at which time voters in the State will be asked to approve a bond referendum to allow the issuance of general obligation bonds, the debt service of which would be payable from the increase in fees authorized by Senate Bill 1006. Additionally, the Legislature also recently passed Senate Bill 1003, which, among other things, continues tolls on the West Virginia Turnpike and authorizes the West Virginia Parkways Authority to issue toll revenue bonds to finance road projects in a ten-county area. During the regular session of the 2017 State Legislature, the Legislature approved House Bill 2878 to increase the Division of Highways' GARVEE bonding authority from $200 million to $500 million.

Waterways and railways are primary means of transporting raw material and bulk commodities. The continuous work of the United States Army Corps of Engineers ("USACOE") in cooperation with the West Virginia Public Port Authority ("WVPPA") has resulted in the planning and development of West Virginia intermodal transportation facilities. This effort has resulted in approximately 422 miles of navigable inland waterways along six rivers in West Virginia. The Port of Huntington Tri-State, created in November 2000, comprises the Ohio River (100 miles), the Kanawha River (90 miles) and the Big Sandy River (9 miles). Those waterways have allowed waterborne commerce in West Virginia to increase steadily over the years. The USACOE estimates that in 2009 the Port of Huntington Tri-State was the eighth largest port in the United States with over 59 million tons shipped.

According to information published by the Association of American Railroads, West Virginia is currently served by two Class I railroads (Surface Transportation Board designation for carriers with annual gross revenues of $379 million or more) - CSX Transportation and Norfolk Southern Corporation. Additionally, there are 5 local railroads within the state and one switching and terminal railroad. The system contains 2,488 route (point-to-point) miles of track. CSX is the State's largest carrier with 1,311 route miles of track, with Norfolk Southern being next in size with 806 route miles of track. Local railroads make up the remaining 365 route miles of track. In 2015, America's railroads moved one ton of freight an average of 473 miles on one gallon of fuel. On average, railroads are four times more fuel efficient than trucks. Moving freight by rail instead of truck reduces greenhouse gas emissions by 75%. In 2014, 192.4 million tons of freight originated, terminated or passed through West Virginia by rail. It would have taken approximately 10.7 million trucks to handle this amount of freight.

The WVPPA continues to improve the mobility of West Virginia freight through the development of the Heartland Corridor, a 1,100 mile rail corridor from the Ports of Virginia through southern West Virginia and into Columbus, Ohio. The State of West Virginia received approximately $90 million in Federal investment, as well as $49.5 million of private investment, to allow for the double stack clearance of 23 rail tunnels. Additionally, the National Gateway project, which affects Ohio, Pennsylvania, Maryland, and West Virginia, will, upon completion, result in double-stack clearance of 3 rail tunnels in West Virginia. This project was approved for a total of $98 million in federal funds through the "Transportation Investment Generating Economic Recovery" ("TIGER") Discretionary Grant Program administered by the United States Department of Transportation ("USDOT"), and additional funds will be provided by private sources and other states. The WVPPA completed construction of an inland container port in Prichard, West Virginia known as the Heartland Intermodal Gateway in late 2015, which is expected to allow cost effective access to global markets for West Virginia importers and exporters. The terminal is operated by Parsec, Inc., a Cincinnati-based corporation, which operates 33 intermodel facilities in the United States, Canada and Mexico.

West Virginia has 32 airports open to the public. Commercial carriers currently serve six airports: Charleston, Huntington, Lewisburg, Clarksburg, Morgantown and Parkersburg, West Virginia. The other twenty-six airports in West Virginia are general aviation airports. In 2016, a total of 354,744 enplaned passengers were reported by West Virginia commercial airports, down from 368,803 in 2015.

Tourism

Located within 500 miles of half of the United States population and a third of Canada's, West Virginia is well positioned as a desirable, affordable and easily accessible vacation destination. The Mountain State offers travelers diverse cultural/heritage experiences, resorts and fine dining, as well as world-class outdoor recreation activities that include whitewater rafting, snow sports, mountain biking, fishing, hiking, hunting and golf. Lottery and gaming revenue play a vital role in creating a strong travel industry in every region throughout the State. It provides the budget for the West Virginia Division of Tourism to promote the state's recreational options and quality of place worldwide. During fiscal year 2015, the State had 15.9 million overnight visitors, representing a 6% increase from 2014. The State also generated $14 in taxes for every $1 spent on advertising for fiscal year 2015. The State's main tourism website, gotowv.com, has generated significant internet traffic during the period between June 1, 2016 and November 30, 2016. Visitors to the website were made up of 72.2% new users and 27.8% of returning users, with all users viewing a total of nearly 3 million webpages during that time period.

Source: West Virginia Department of Commerce, Travel & Recreation: 2016 Annual Report

Development Programs

West Virginia has implemented and administers numerous programs designed to enhance employment opportunities in the State, such as the Governor's Guaranteed Work Force Program. The purpose of the Governor's Guaranteed Work Force Program is to provide assistance for new or expanding businesses for the training, retraining, or upgrading of the skills of potential employees. The program emphasizes employee training specifically designed to accommodate the needs of individual employers. The program encourages the expansion of existing business and industries within the state, promote retention of businesses and industries within the state, promote retention of existing jobs within the state, prevent economic and industrial out-migration and assist in the relocation of out-of-state businesses and industries in the state. Under this program, the West Virginia Development Office may pay up to the lesser of 100% or $2,000 per employee, of training costs for new employees in companies creating at least 10 jobs in a one-year period. Training assistance may also be provided to existing businesses in cases in which training, retraining or upgrading services will result in the retention of existing jobs or the creation of additional jobs, or both.

In 1989, the Legislature amended and reenacted the West Virginia Economic Development Authority Act and terminated the West Virginia Jobs Development Corporation. The West Virginia Economic Development Authority (the "WVEDA") was created for the purpose of, among others, providing money, credit and credit enhancement for economic and industrial development projects and the creation of an insurance fund to provide credit enhancement for such projects, in addition to becoming the successor to the West Virginia Jobs Development Corporation.

West Virginia Jobs Investment Trust ("JIT") is a public venture capital fund created in 1992 to develop, promote and expand West Virginia's economy by making investment funds available to eligible businesses, thus stimulating economic growth and providing or retaining jobs within the State. JIT invests in early stage, later stage and mature small companies who wish to expand. Opportunities to create a significant number of jobs while maintaining economic balance are favorably viewed. Economic diversification is a plus. In order to maintain its ability to assist others in the future, JIT makes investments that are expected to yield a financial return proportionate to the level of risk it assumes. JIT does not make grants or low interest loans.

On November 18, 2011, the State entered into an Allocation Agreement with the United States Department of Treasury which gives the State access to $13.1 million in federal dollars to fund new small business lending programs to enable small businesses to leverage new capital and credit to create private sector jobs. The program, designated as the West Virginia Capital Access Program, is administered by JIT. The monies allocated by the United States Department of Treasury to the State supports four separate credit programs: the West Virginia Capital Access Seed Capital Co-Investment Program; the West Virginia Capital Access Subordinated Debt Program; the West Virginia Capital Access Collateral Support Program; and the West Virginia Capital Access Loan Guaranty Program.

Enacted in 1994 by the West Virginia Legislature, the West Virginia Infrastructure & Jobs Development Council ("Council") was created to be West Virginia's funding clearinghouse for water and wastewater projects. The Council was created as a governmental instrumentality of the state to establish a revolving loan fund for development of water, wastewater and economic development projects.

ENERGY SECTOR

Natural Resources

Coal[5]. The State produces two types of bituminous coal: steam coal and metallurgical coal. Steam coal is used by utilities and industry, while metallurgical coal is employed in steel production.

[5] Coal Production in West Virginia: 2017-2020 (Summer 2017), published by the Bureau of Business & Economic Research at the West Virginia University College of Business and Economics.

The average sales price per ton in 2015 reported by the Energy Information Administration was $60.31 for West Virginia as compared to the national average of $31.83.[6] This is due primarily to the higher quality of West Virginia coal.

COAL PRODUCTION

	UNITED STATES		WEST VIRGINIA	
Year	Average Sales Price**	Total Tons Produced	Average Sales Price**	Total Tons Produced
2008	$31.25	1,171,808,669	$60.16	157,778,087
2009	$33.24	1,074,923,392	$63.83	137,127,322
2010	$35.61	1,084,368,148	$70.07	135,219,749
2011	$41.01	1,095,627,536	$84.81	134,661,745
2012	$39.95	1,016,458,418	$81.80	120,424,758
2013	$37.24	984,841,779	$75.07	112,786,287
2014	$34.83	1,000,048,758	$65.67	112,187,373
2015	$31.83	896,977,379	$60.31	95,632,900
2016***	*	728,231,912	*	80,053,030

Source: U. S. Energy Information Administration.
*2015 is most current information available from source.
**Total average sales price expressed in dollars per short ton.
***Preliminary numbers.

West Virginia's coal industry has seen output track sharply lower over the past decade or so, but the past two years represent one of the most difficult episodes in several decades. Since 2008, the state's overall coal mine output plunged by almost half from over 157 million to 80 million. Preliminary coal output in 2016 was slightly greater than 80 million tons[7]. The production figure for 2016 marked the state's lowest physical output of coal since the 1920s and absent the rebound that occurred during the second half of the year, production could have registered its lowest calendar year total in more than a century. Statewide coal production has picked up in each of the last three quarters, increasing 15 million short tons on a seasonally adjusted annual rate basis, though overall activity still lags 2015 levels.

Although coal output has been falling both nationally and for West Virginia for most of the last decade, the state has accounted for a shrinking share of national production for many years as mining operators have focused on more productive assets in other coal basins. For example, West Virginia's share of total US coal production fell from 13.5% in 2008 down to less than 11 percent in 2016. Over that same time period output from mines in the Illinois Basin, which includes Illinois, Western Indiana, and part of Western Kentucky, saw its share of domestic coal production climb more than 4% to 13.5%. Even with the large declines it registered over the past two years, the Illinois Basin still has output on par with 2008 levels.

While coal production has shifted westward geographically in the US in relative terms, production within West Virginia has become increasingly concentrated in mines located in Northern West Virginia. As recently as 2011, Southern West Virginia mines accounted for well over two-thirds of coal produced within the state. By mid-2015, however, both regions were producing roughly equivalent levels of coal tonnage and during each of the last seven quarters, Northern West Virginia has accounted for most of the state's overall production.

[6] Total average sales price of U.S. Coal, expressed in dollars per short ton. Total includes price of coal sold on the open market, captive market and exported by coal mines. Excludes price of coal exported by coal brokers, coal traders and terminals.
[7] The production figure for 2016 is an estimate and will not be considered final until the US Energy Information Administration publishes the *Annual Coal Report* 2016 later this year.

Coal production activity has improved over the past few quarters and the gains have occurred in both coal-producing regions. Based upon preliminary data, output from the state's northern coalfields has averaged more than 49 million short tons on a seasonally adjusted annualized basis through the first five months of 2017, marking a 27% jump compared to the same period in 2016. The rate of improvement has not been quite as large and the overall level of production remains weak compared to recent historical norms, but Southern West Virginia has enjoyed successive increases in coal output over the last three quarters. Overall, the region has seen a nearly 10% jump in production (on a seasonally adjusted basis) year-to-date in 2017 over levels seen for the same time frame in 2016.

In addition to the decline in the use of West Virginia coal by domestic electric utilities, there has also been a significant geographic shift within the State in terms of where coal sources for electricity utilities is being actively mined. During the 2000's, West Virginia southern coalfields accounted for nearly two-thirds of the State's total tonnage distributed to electric utilities. That share gradually began to decline in 2011 and by 2016, with Southern West Virginia accounting for only 37% of the coal from the State that was distributed to domestic coal-fired power plants. This shift in demand toward Northern West Virginia coal for electricity generation stems from a combination of geological, technological, economic and regulatory factors. The central cause likely stems from the installation of pollution control equipment at coal-fired power plants that allows electric utilities to burn higher sulfur coal more commonly found in Northern Appalachia, including Northern West Virginia, the Illinois Basin and other regions, where production costs are lower. Additionally, due to the EPA's Mercury and Air Toxics Standard (MATS), many utilities decided to retire non-complaint plants rather than make the necessary capital expenditures necessary to comply with the standards. The combined effects of these changes have prompted a drop in domestic demand for low- to medium-sulfur coal previously sourced from mines in Southern West Virginia.

Additionally, shifting fuel choices by electric utilities have also weighed on demand for West Virginia coal in recent years. Natural gas has become an increasingly larger share of U.S. power generation due to a dramatic price reduction brought on by increased production in the Marcellus, Utica and other major shale plays. During 2008, the price for electric power generation of natural gas per Btu was as much as six times that of coal. At the beginning of 2016, the ratio of natural gas and coal prices on a per-Btu basis was below 1.5, but reached levels above 2 at the end of 2016. For calendar year 2016 as a whole, natural gas will fuel around one-third of overall electricity generation, marking the first time on record it will supplant coal as the leading fuel source for an entire year.

Another factor that reduced demand for West Virginia coal over the past two years is a reduction in coal exports. Since peaking in 2012, coal exports form the State have declined at an average annual rate of more than 20%, falling to an estimated total of 19 million short tons during calendar year 2016. Several factors have contributed to this decrease in demand for coal exports from West Virginia, including competition from coal produced in Australia and Indonesia which is being exported to the Asian markets. However, a rebound in exports of both steam coal and metallurgical coal began during the second half of 2016. As a result, coal production rebounded to an annualized rate of more than 90 million tons by mid-2017. Mining and logging employment also improved with net gains of roughly 2,600 jobs between August 2016 and August 2017.

Coal production in West Virginia is expected to rebound moderately between 2018 and 2020 and an expected increase in natural gas prices is projected to allow coal to regain some of its share of electricity generation.

Overall, the baseline forecast calls for state coal production to increase to an annual total of more than 88 million short tons during calendar year 2017, which would represent an improvement of nearly 11% over 2016.

Growth will likely be strongest for the first few quarters of this year due in large part to the temporary boost in metallurgical coal export shipments from Southern West Virginia caused by supply disruptions linked to Cyclone Debbie in Australia. Production is expected to dip to just over 87 million tons in 2018 as metallurgical coal exports cool off and some anticipated retirements of coal-fired generators dampen thermal coal shipments from Southern and Northern West Virginia mines. After sustaining years of declines, shipments of coal from West Virginia to industrial news (both coke and non-coke applications) are expected to improve moderately in 2017 and 2018 as a rebound in the oil and gas capital spending bolsters steel demand and expectations for higher infrastructure investment buoy cement production and further enhances the need for various types of steel.

Crude Petroleum and Natural Gas. According to the United States Department of Energy, companies operating in the State produced approximately 1.37 billion cubic feet of natural gas in 2016 and 8.0 million barrels of crude petroleum during 2016. The following table shows 7 years of crude petroleum production and natural gas production:

CRUDE PETROLEUM AND NATURAL GAS PRODUCTION

Year	**Crude Petroleum Production** (Thousands of Barrels)	**Natural Gas Production** (Millions of Cubic Feet)
2010	1,842	265,174
2011	2,146	394,125
2012	2,573	539,860
2013	6,937	741,853
2014	7,582	1,067,114
2015	7,970	1,318,822
2016	8004	1,375,108

Source: United States Energy Information Administration., Natural Gas Wellhead Value and Marketed Production Report.

In contrast to the coal industry, the State's oil and natural gas industry has enjoyed rapid growth since 2011. West Virginia is the ninth-largest natural gas-producing state in the nation in 2016, largely because of shale gas production. Natural gas production in West Virginia rose to nearly 1.4 trillion cubic feet in 2016, a gain of approximately 4.3% from 2015. Production during 2016 is expected to nearly the same as in 2015 as producers slow down production due to low prices and a lack of pipeline infrastructure, but is then expected to grow through 2020. There are six major pipelines that are proposed for the State. One of the proposed pipelines has been approved by the Federal Energy Regulatory Commission and the others are in various stages of approval. Construction of additional pipelines will be essential to the State's oil and natural gas industry. It is expected that the total investment in West Virginia will be $5.7 billion and will create 18,000 new jobs to construct the pipelines.

Energy Research. The Federal Energy Technology Center ("FETC") is one of the United States Department of Energy's ("DOE's") fossil energy laboratories, managing and implementing a broad spectrum of energy and environmental programs for the DOE. The Center's portfolio includes nearly 700 research, development and demonstration projects at locations in almost every state in the United States.

The National Energy Technology Laboratory ("NETL") was created through the consolidation of two research and development centers in Morgantown, West Virginia, and in Pittsburgh, Pennsylvania, and is the implementing arm of DOE's Office of Fossil Energy. The NETL also has 3 other sites and is comprised of approximately 1,000 federal employees and support service contractor employees.

Environmental Protection

The Department of Environmental Protection ("DEP") is responsible for administering West Virginia's programs that regulate air quality, abandoned mine lands, mining and reclamation, oil and gas, waste management, water resources and environmental remediation. Created to respond to the need for one-stop shopping in the area of environmental protection in 1991, the Department has primacy from both the United States Environmental Protection Agency and the United States Office of Surface Mining to issue permits covering water quality, air quality and coal extraction.

The DEP has achieved a number of advancements under its various divisions and offices. In the area of waste management, the DEP has permitted 19 composite-lined active landfills, the closure of 33 solid waste municipal landfills and the establishment of three tire monofill sites. The Division of Mining and Reclamation oversaw the establishment of a stream restoration program to combat the effects of acid mine drainage; and under the Division of Water and Waste Management, the State Revolving Loan Fund has closed on 324 low-interest loans totaling $1,014,953,879 to communities in the State for upgrades or extensions of their wastewater treatment and collection systems. In addition, the agency created a sustainable communities program to assist communities with planning that leads to energy, water and waste conservation.

Over the years, legislation including groundwater protection, the Brownfields Development Act and revisions to state rules to address federal greenhouse gas permitting requirements have passed.

In 2006, a number of the DEP's programs grew or changed. The Abandoned Mine Lands funding was extended, and the program anticipates receiving approximately $900 million through 2022 to reclaim and abate health and safety issues created by pre-law mining practices, and also extend water lines into communities that had water sources impacted by pre-law mining. The DEP was also given authority over the Water Quality Standards Program and since that time has put in place protections of the State's high quality waters. Lastly, 2006 was the year that Rehabilitation Environmental Action Plan ("REAP"), the Next Generation, was established, and since its inception REAP has awarded more than $15 million in recycling, e-cycling and litter control grants; eradicated more than 11,000 illegal dumps and cleaned more than 35,376 miles of roadway, 73,895 tons of waste and litter and 3.1 million tires from the state.

On December 10, 2011, former Governor Tomblin issued a proclamation calling for a special session of the Legislature for the purpose of considering and acting upon legislation regarding horizontal natural gas well operations. The bill presented by the Governor (SB 4001; HB 401) drew heavily from the draft legislation developed by the Joint Select Committee on Marcellus Shale. Over the next four days, the Legislature convened, considered and amended the bill presented by the Governor and ultimately passed the Natural Gas Horizontal Well Control Act (the "Act"). Governor Tomblin signed the bill into law on December 14, 2011, and it became effective upon passage. The Act applies to any natural gas well, other than a coalbed methane well, drilled using a horizontal method, and which disturbs 3 acres or more of surface, excluding pipelines, gathering lines and roads, or utilizes more than 210,000 gallons of water in any 30-day period. The Act does not, however, apply to or affect any well work permitted for a horizontal well or orders issued regarding horizontal wells or permit applications pending prior to the effective date of the Act. Moreover, the Act does not apply to or affect any rights bargained for in any agreement between a surface owner and operator made prior to the effective date of the Act.

Utilities

The utility sector in West Virginia continues to be pressured both from unfavorable market conditions and from new federal regulatory requirements. From 2008 to 2013, West Virginia lost 1,316 power plant jobs, a decline of 32.9%. Coal-fired power plants represented 94% of the State's net electricity generation in 2015, but nationally, natural gas has taken on a larger role in electricity generation over the last decade. Nationally, 18 gigawatts of electric generating capacity was retired in 2015, a relatively high amount compared with recent years. More than 80% of the retired capacity was conventional steam coal. About 30% of the coal capacity that retired in 2015 occurred in April, which is when the Environmental Protection Agency's MATS Rule went into effect. Some coal plants applied for and received one-year extensions, meaning that many of the coal retirements expected in 2016 will likely also occur in April. Several plants have received additional one-year extensions beyond April 2016 based on their role in ensuring regional system reliability. The amount of coal capacity retired in 2015 was about 4.6% of the nation's coal capacity at the beginning of that year. Nearly half of the 2015 retired coal capacity was located in three states-Ohio, Georgia, and Kentucky-and those states each retired at least 10% of their coal capacity in 2015. Other states that traditionally have had high levels of coal-fired electricity generation, such as Indiana, West Virginia, and Virginia, each retired at least one GW of coal capacity in 2015. In May 2015, Appalachian Power Company closed three of its coal-fired power plants in West Virginia. The Kanawha River Power Station at Glasgow, Kammer Power Station at Moundsville and Philip Sporn Power Station at New Haven were all closed because the facilities could not meet the new emissions standards set by the EPA. Additionally, FirstEnergy, which operates Monongahela Power Company and The Potomac Edison Company in West Virginia, closed its Albright Power Station, Willow Island Power Station and Rivesville Power Station in 2012 due to the cost to comply with the federal regulatory requirements.

There are nine electric utilities serving retail West Virginia customers. The vast majority of West Virginia customers are served by four large investor owned utilities. Appalachian Power Company and Wheeling Power Company are affiliates and are regulated as a single entity by the Public Service Commission of West Virginia. Monongahela Power Company and The Potomac Edison Company are affiliates and are regulated as a single entity by the Public Service Commission of West Virginia. Appalachian Power Company owns significant generation capacity which, along with some purchased power contracts, is sufficient to supply its power requirements. Monongahela Power Company also owns significant generation and has purchased power contracts which together are sufficient to supply both Monongahela Power Company and the West Virginia load of its sister company, The Potomac Edison Company. The remaining six distribution utilities purchase their electricity supply needs. Electric service in West Virginia is provided under the traditional regulated market structure. Moundsville Power, LLC has received the approval of the West Virginia Public Service Commission to construct a 595 megawatt natural gas-fired combined cycle plant in Marshall County. Construction of the plant was expected to commence in October 2016, but has been delayed due to an appeal filed by the Ohio Valley Jobs Alliance to the air quality permit. Moundsville Power, LLC recently advised the Marshall County Commission that it is still targeting a completion date in 2018. The new plant will be built on a 37-acre plot south of Moundsville on the site of a former chemical plant. The company has said it would use $105 million of natural gas and ethane annually from the Marcellus and Utica shales, be one of the State's largest consumers of gas and the first facility in the United States to burn ethane to generate electricity. An economic impact study by Witt Economics of Morgantown, West Virginia, found the project would average more than 400 construction jobs and have an annual economic impact of about $815 million. The facility is expected to employ 30 people once it is fully operational. Energy Solutions Consortium LLC, the same group behind Moundsville Power, LLC, has also announced that it plans to construct two more natural-gas fired power plants in West Virginia, one in Harrison County and one in Brooke County. Both projects will require approval by the West Virginia Public Service Commission.

West Virginia is home to nine coal fired generating stations, two coal waste stations, two natural gas units, two operational wind farms, and several smaller hydro units. Ownership of these units is split between local utilities, out of state utilities and independent power producers. Currently, over 80% of the generation capability located in West Virginia is scrubbed to control sulfur dioxide emissions and has selective catalytic reduction equipment to control the emissions of nitrogen oxides.

West Virginia typically generates more electricity than it consumes. Although more than two-fifths of West Virginia households use electricity as their primary source for home heating, retail sales to all customers account for less than half of West Virginia's net electricity generation. As a result, West Virginia is a net supplier of electricity to the regional grid. West Virginia is also a leader in the nation in net interstate sales of electricity.

APPENDIX B

FINANCIAL STATEMENTS OF
THE STATE OF WEST VIRGINIA

The information in this Appendix B includes pages 1 through 228 of the State of West Virginia's Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended June 30, 2016 and 2015. The entire CAFR is available from the West Virginia Department of Administration Finance Division's website at http://www.finance.wv.gov/FARS/CAFR/Documents/CAFR2016.pdf.

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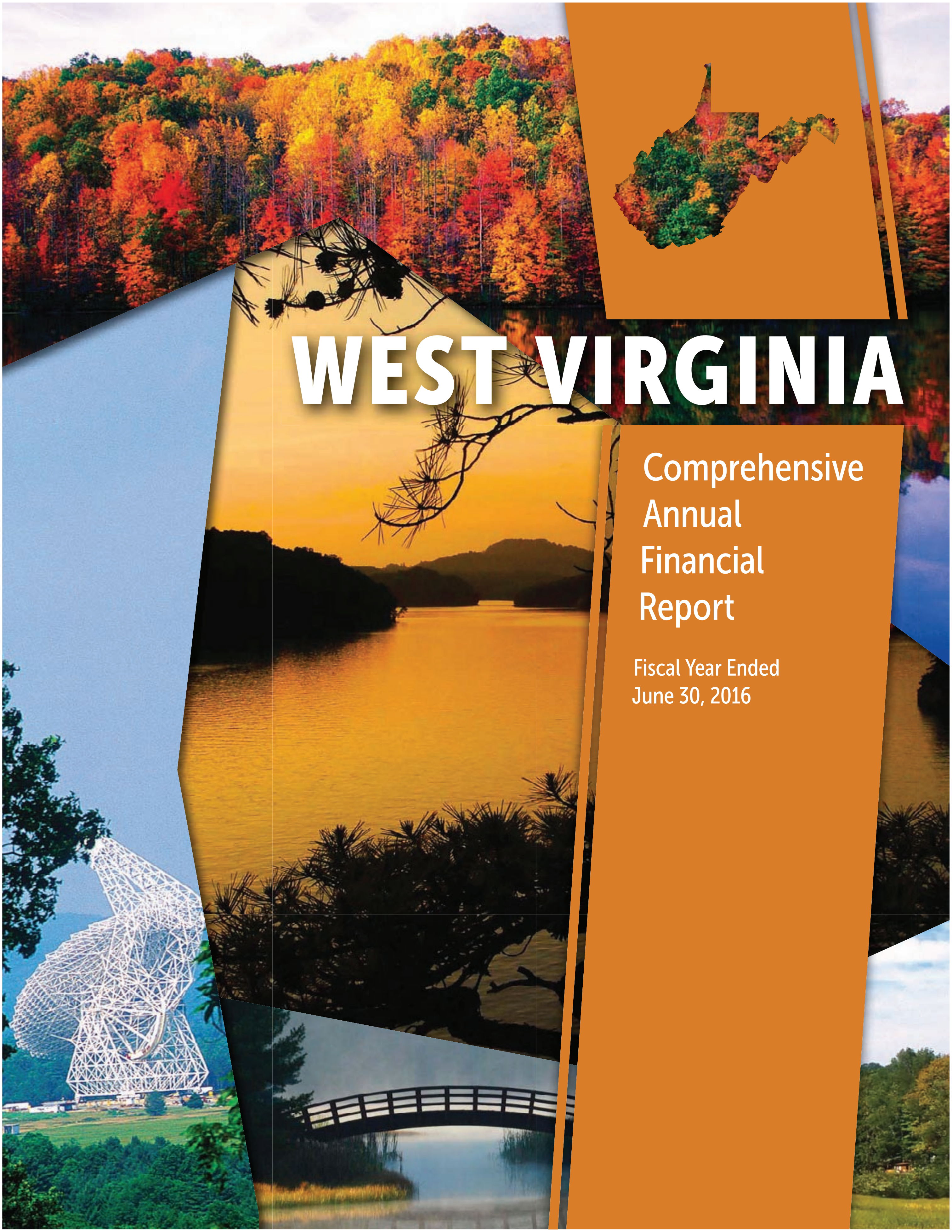

WEST VIRGINIA

Comprehensive Annual Financial Report

Fiscal Year Ended
June 30, 2016

West Virginia

Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2016

Jim Justice
Governor

John Myers
Cabinet Secretary
Department of
Administration

David Mullins
Acting Finance Director
Department of Administration

Prepared by the
Financial Accounting
and Reporting Section

Governor Jim Justice

Jim Justice
Governor of West Virginia

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

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

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

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

Sincerely,

Jim Justice
Governor

State Capitol | 1900 Kanawha Blvd., East, Charleston, WV 25305 | (304) 558-2000

ACKNOWLEDGMENTS

Report Prepared By:

West Virginia Department of Administration
Finance Division
Financial Accounting and Reporting Section
2101 Washington Street, East
Building 17, 3rd Floor
Charleston, West Virginia 25305
(304) 558-4083

Financial Reporting Team:

Connie Byrne, CPA
Susannah Carpenter, CPA
Betsy Chapman
Samantha Chapman
Melody Duke
Cheryl Garner
Reneé King
Dan Nary
Michael Powell, CPA
Jane Shinn
Kay Walden

A Special Thanks To:

Jordan Beck
Emily Cochran
James Contrella
Sarah Long
Ryan Pullin
Maria Yoakum

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

We invite you to visit our website: http://www.finance.wv.gov.

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STATE OF WEST VIRGINIA.
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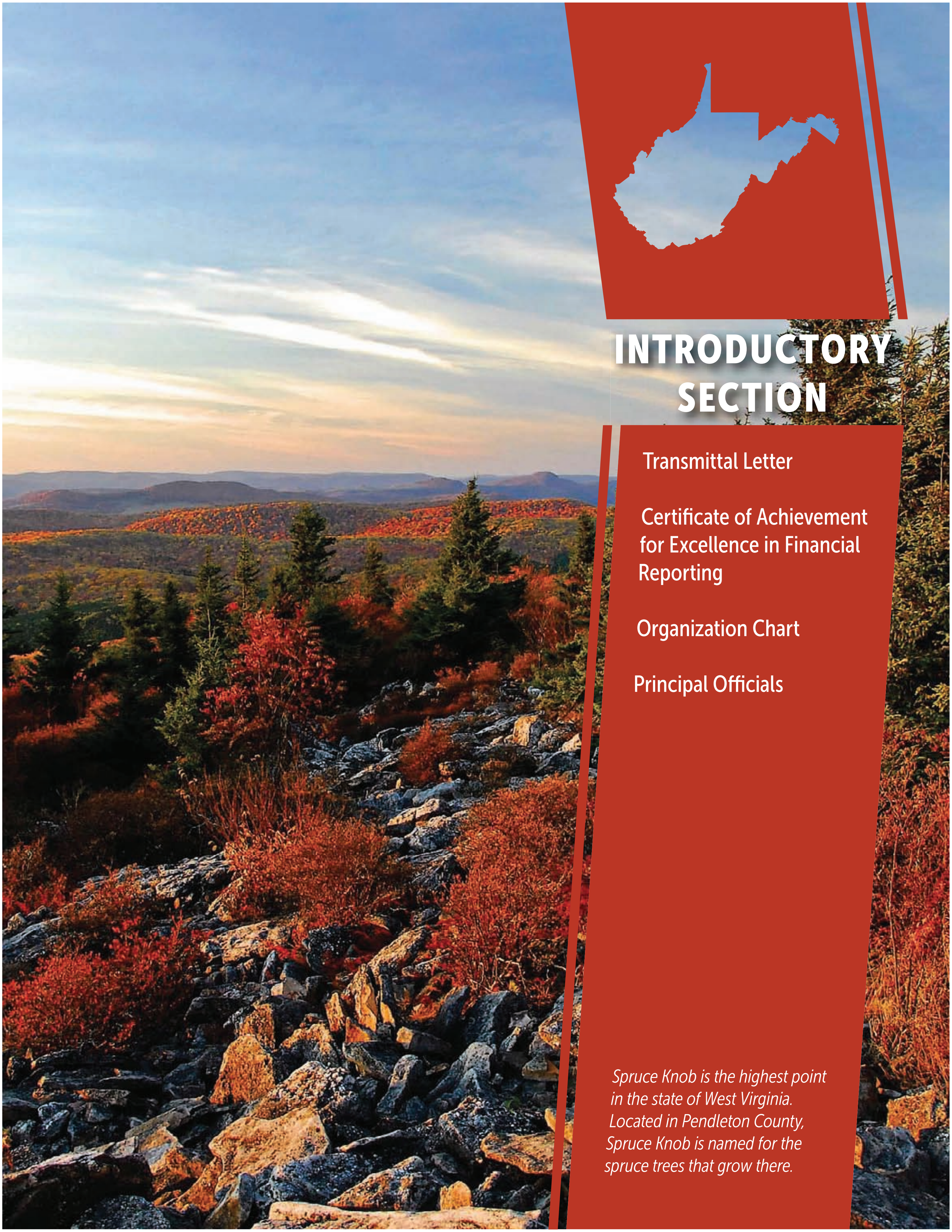


INTRODUCTORY SECTION

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

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION

JIM JUSTICE
GOVERNOR

JOHN A. MYERS
CABINET SECRETARY

April 30, 2017

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

Dear Governor, Senators, Delegates and Citizens:

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

The 2016 CAFR was prepared in conformity with the reporting model outlined by the Governmental Accounting Standards Board (GASB) Statements No. 34 and No. 35, and other related statements. This reporting model's objective is to provide a clear picture of the government as a single, unified entity as well as to provide traditional fund-based financial statements. The State of West Virginia's financial statements for the fiscal year ended June 30, 2016, are fairly presented in conformity with generally accepted accounting principles in the United States (GAAP).

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

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

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

1900 KANAWHA BOULEVARD, EAST • BUILDING 1, ROOM E-119 • CHARLESTON, WEST VIRGINIA 25305-0120 • (304) 558-4331 • FAX: (304) 558-2999

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

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

Profile of the Government

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

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

Economic Review

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

The State has long been, and remains today, one of America's leading net exporters of electricity. Of the electricity West Virginia generates, 60 percent is exported to the rest of the country. The State ranks fourth in the country in net interstate sales of electricity and remains a leader in low cost energy.

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

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

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

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

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

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

- A joint venture formed by MarkWest Energy Partners and Antero Midstream is fueling the expansion of natural gas production in West Virginia. The Sherwood Complex in Doddridge County is currently the largest cryogenic processing plant in the northeastern United States and getting bigger. Plans call to introduce three additional facilities in 2017 and 2018, an investment of roughly $300 million.

- Bidell Gas Compression, a subsidiary of the Canadian company Total Energy Services Inc., will base its first U.S. manufacturing operation in Weirton, West Virginia. The company expects to create 130 jobs by 2019. The company will repurpose a 100,000 square foot decommissioned machine shop to fabricate, sell, lease and service natural gas compression equipment to customers operating throughout North America and internationally.

- Since opening in 1996, Toyota Motor Manufacturing West Virginia has invested $1.4 billion in eight expansions. In 2016, Toyota announced an additional $400 million investment to upgrade the plant in Buffalo with advanced technology to competitively produce products well into the future.

- In 2016, West Virginia introduced the Rock Creek Development Park in Boone and Lincoln counties. The site along Route 119 will offer more than 12,000 acres of flat land for industrial and commercial development. The West Virginia National Guard already plans to base operations for national vehicle maintenance, training and new agricultural projects in Rock Creek Development Park. The state continues long term strategic planning for the development of Rock Creek while mapping out plans for infrastructure and design.

- Hino Motor Manufacturing U.S.A., Inc. celebrated the production of the facility's 50,000th truck in West Virginia. The milestone highlights Hino Motor's record growth. Since the company first established its assembly plant and began production in 2007, it has undergone three business expansions. Currently, the Williamstown plant is Hino's only assembly plant in the United States. The local operations provide employment for more than 250 West Virginians.

- Gestamp – which manufactures automotive parts for some of the world's best known brands – first opened in 2013. The South Charleston plant has tripled production and more than doubled its total workforce since opening. Today, Gestamp employs more than 800 West Virginians.

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

- Skilled and flexible workforce that has earned a reputation for dedication, loyalty and low turnover rate;
- A cost of doing business that is among the lowest in the country;
- Electricity rates that are 12 percent below the national average;
- A strategic location within an eight hour drive to half the U.S. population and a third of the Canadian market;
- A community and technical college system that is highly responsive to business and workforce needs; and
- High quality of life, low cost of living and unparalleled outdoor recreational activities.

Major Initiatives

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

<u>Pro-Growth Tax Reforms</u>

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

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

Roads and Highways

During Fiscal Year 2016, the Department of Transportation ("DOT") continued work on several of its major initiatives around the State. Plans for the completion of Rt. 35 continue along with work on WV 10, Corridor H, and the Coalfields Expressway. DOT also continues to advance major initiatives throughout the State as funding permits. In conjunction with improvement of the road system through construction and upgrading, DOT has emphasized roadway and bridge preservation and renovation. Rugged mountainous terrain and numerous streams and rivers characterize the topography of the State and consequently, West Virginia's road system includes 7,024 vehicular bridges. The DOT's bridge program, enhanced by a state funded program that started in 1988, has allowed for several bridge improvements this year, including the Rosie the Riveter Bridge in Morgantown and the Dr. Martin Luther King, Jr. Memorial Bridge in Bluefield. Other accomplishments this year included the completed resurfacing of approximately 1,200 miles at a cost of approximately $250 million.

DOT also continued to improve the operating efficiency of its heavy equipment road maintenance fleet through the procurement of approximately $15 million in new replacement units during the fiscal year. The DOT continues to prioritize replacing equipment involved in its core maintenance functions.

State Park Enhancements

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

The system is composed of 34 state parks, nine state forests, the Greenbrier River Trail, and the North Bend Rail Trail. The parks section manages or assists in managing more than

164,000 acres of public land and sees up to seven million visitors annually. Facility inventory includes 818 lodge rooms, 369 cabins, 1,498 campsites, 144 picnic shelters and 549 playground units. More than 1,400 miles of hiking trails are provided across 45 areas.

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

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

Since 1993, State Park operations have added 38 cabins; three major conference centers at Blackwater Falls, Cacapon and Pipestem; one major campground at Little Beaver; the Hawks Nest Golf Course; Chief Logan Lodge & Conference Center; a new lodge wing at Twin Falls with 27 rooms; a total lodge reconstruction at Canaan with 160 guest rooms; and converted two major park restaurants from concessionaire contracts to self-operated facilities.

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

Workers' Compensation Reforms

West Virginia continues to reduce its workers' compensation rates. The loss costs have decreased for eleven consecutive filings since the privatization in January 2006. Employers will have saved $323 million since July 2006. The workers' compensation market is competitive, with more than 200 carriers providing workers' compensation.

Prior to the privatization, the unfunded liability for the State's Workers' Compensation Fund exceeded $3 billion. A plan was adopted to eliminate the unfunded liability and dedicate revenues from severance taxes, personal income taxes and specific lottery proceeds to eliminate the debt. During FY 2016 the State allocated approximately $122 million to reduce the unfunded liability. As of June 30, 2016, the unfunded liability for the Old Fund was $51million.

Environmental Protection Initiatives

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

The Abandoned Mine Lands and Reclamation Division (AMLR) completed 19 reclamation projects totaling $8.3 million; 6 waterline projects totaling $24.6 million; and 22 Emergency projects totaling $2.3 million. AMLR solicited bids for 41 AML reclamation projects at a cost of $10.6 million and six waterline construction projects at a cost of $24.6 million. These waterline projects brought drinking water to citizens whose drinking water was affected by mining activity that occurred before enactment of the Federal Mining Act in 1977. The Act requires companies to reclaim the land when mining ceases.

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

Long Term Financial Planning and Relevant Financial Policies

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

Long Term Financial Planning

The State's "Six Year Financial Plan" includes information on anticipated General and Lottery Funds revenues and expenditures over a six year horizon with the goal of providing policy makers and citizens a clear understanding of not only the current budget, but also the larger, long term implications of budget decisions on the State's future fiscal outlook.

Financial Policies

Under current law, the State is required to deposit the first 50% of all surplus from the General Fund accrued during the fiscal year just ended into its Rainy Day Fund until the aggregate amount of the fund is equal to 13% of total appropriations from the fiscal year just ended. In Fiscal Year 2016, the State deposited $6.4 million in the State's Rainy Day Fund, which was 50% of the State's Fiscal Year 2015 General Fund surplus.

Strong Financial Performance

In 2016, fiscal accountability and unwavering policies enabled the State of West Virginia to operate through challenging national economic times. By staying the course of efficient business practices, West Virginia closed its 2016 fiscal year with a General Fund surplus of $28.8 million, after successfully closing a mid-year budget gap of $426 million with a combination of budget cuts and the use of reserve funds. West Virginia's Rainy Day Fund was the third best in the country as a percentage of the State's General Revenue appropriations at 18.2 percent.

Conclusion

West Virginia continues to aggressively address the fiscal challenges associated with a changing economy. During Fiscal Year 2016, the State was able to manage its budgetary demands in a challenging economic environment. Governor Earl Ray Tomblin and the members of the State Legislature worked collaboratively to ensure that financial and strategic decisions were made for the betterment of the State's citizens so that programs and services continue to operate efficiently. Meanwhile, our State's leadership also maintains a competitive atmosphere for current and future businesses to ignite job growth.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of West Virginia for its CAFR for the fiscal years ended June 30, 1995 through 2015. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement Program requirements. We are again submitting it to the GFOA for consideration. Other State entities that have been awarded the Certificate of Achievement include the Board of Risk and Insurance Management, the Consolidated Public Retirement Board, the Department of Transportation, the Housing Development Fund, the Parkways Authority, the West Virginia Lottery, the Board of Treasury Investments and the West Virginia Prepaid College Plan.

Acknowledgments

The annual budget document, prepared by the State Budget Office, provides additional information related to budget priorities and goals, including acknowledgement of significant accomplishments of various agency programs. The budget document has received the GFOA's Award for Distinguished Budget Presentation Program for the fiscal years 1997 through 2016 budgets.

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

Sincerely,

John A Myers

John A. Myers

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

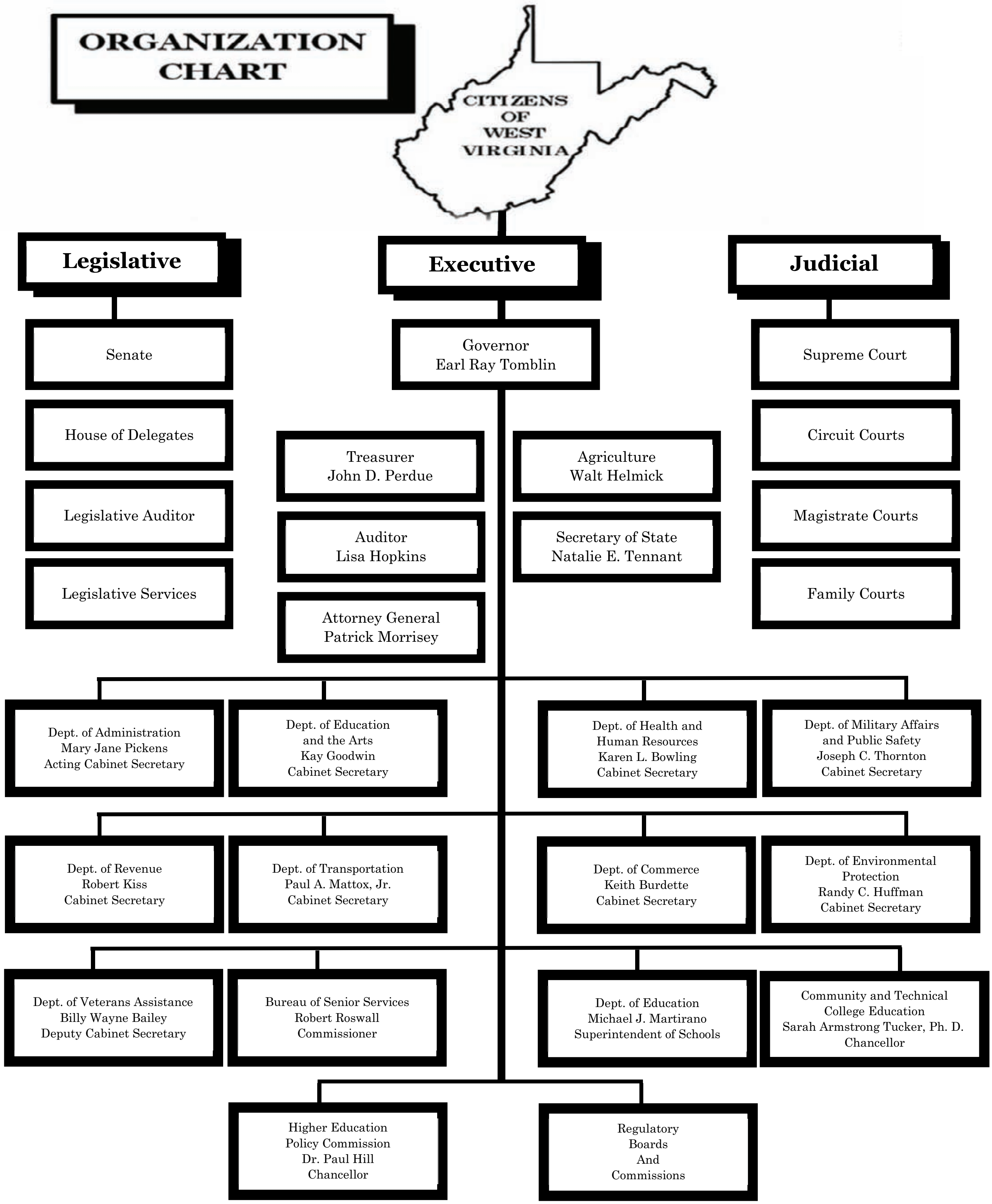
Presented to

State of West Virginia

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO



As of June 30, 2016

State of WEST VIRGINIA
Principal Officials

Executive Branch	Legislative Branch	Judicial Branch
Governor Earl Ray Tomblin	Senate President William P. Cole, III	Supreme Court Chief Justice Margaret L. Workman
Agriculture Commissioner Walt Helmick	Speaker of the House Tim Armstead	Supreme Court Justice Brent D. Benjamin
Attorney General Patrick Morrisey	Chairman Senate Finance Mike Hall	Supreme Court Justice Robin Jean Davis
State Auditor Lisa Hopkins	Chairman House Finance Eric Nelson	Supreme Court Justice Menis E. Ketchum, II
Secretary of State Natalie E. Tennant		Supreme Court Justice Allen H. Loughry, II
State Treasurer John D. Perdue		

FINANCIAL SECTION

Report of Independent Auditors

Management's Discussion and Analysis

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

Ernst & Young LLP
900 United Center
500 Virginia Street East
Charleston, WV 25301

Tel: +1 304 343 8971
Fax: +1 304 357 5993
ey.com

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the State of West Virginia (the State), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of certain entities or funds within the governmental activities, the business-type activities, the aggregate discretely presented component units, certain major funds, and the aggregate remaining fund information, which represent 64 percent of total assets, 73 percent of net position, and 11 percent of total revenues for the governmental activities; 100 percent of total assets, net position, and total revenue for the business-type activities; 100 percent of total assets, net position, and revenues for the aggregate discretely presented component units; 93 percent of total assets, 79 percent of fund balance, and 98 percent of revenues of the major Transportation Special Revenue Fund; 100 percent of total assets, fund balance/net position, and revenues of each of the following major funds – Tobacco Settlement Finance Authority, Workers' Compensation, Unemployment Compensation, and West Virginia Infrastructure and Jobs Development Council; and 92 percent of total assets, 94 percent of net position/fund balance, and 57 percent of the total revenues/additions for the aggregate remaining fund information, respectively. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for certain entities or funds within the governmental activities, business-type activities, aggregate discretely presented component units, certain major funds, and certain entities or funds within the aggregate remaining fund information, is based on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements, and the other information, such as the introductory and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund financial statements is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Ernst & Young LLP

April 30, 2017


STATE OF WEST VIRGINIA.
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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, 2016. Please read it in conjunction with the transmittal letter in the Introductory Section of this report and the State's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:

The assets and deferred outflows of resources of the primary government exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by $6.8 billion, reported as net position. Governmental activities reported $4.8 billion in net position, a $235 million increase, up 5.1% from last year, while the business-type activities reported net position of $1.9 billion, a $72 million decrease.

Fund Level:

At year-end, the governmental funds reported combined fund balances of $840 million, a decrease of $232 million, or 21.6% lower than the prior year. The unrestricted fund balance, including the committed, assigned, and unassigned balances, was $(199) million. The nonspendable balance was $753 million, and $285 million was restricted to capital projects, debt service, general government operations, development tourism and recreation, education, health and social services, public protection, and transportation. General Revenue cash surpluses allowed $14.4 million to be transferred to the Revenue Shortfall Reserve Fund (Rainy Day Fund); this transfer was up from the previous year by $8 million.

Long-Term Obligations:

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

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

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

- *Governmental activities* – Most of the State's basic services are included under these activities, such education, health and human resources, military affairs and public safety, judicial, and administration. Personal income taxes and consumer sales taxes finance most of these activities.

- *Business-type activities* – The State charges fees to customers to help it cover all or a significant portion of the costs of certain services it provides. The Public Employees' Insurance Agency and the Board of Risk and Insurance Management, among other funds, are examples of these activities.

- *Component units* – The State includes several other entities in its report for which it is financially accountable, such as the West Virginia Housing Development Authority; West Virginia Lottery; Parkways Authority; and Higher Education. Separately issued financial statements are also available for the component units.

Fund Financial Statements

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

The State has three kinds of funds:

- *Governmental funds* – Most of the State's basic services are included in governmental funds, which focus on (1) cash and other financial assets that may readily be converted to cash flow in and out and (2) the balances left at year-end available for spending. Consequently, the governmental funds statements provide a detailed short-term view to help determine whether there are more or fewer financial resources that may be spent in the near future to finance the State's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the pages immediately following each statement, explaining the relationship (or differences) between them and the government-wide statements.

- *Proprietary funds* – Proprietary funds include enterprise funds and internal service funds. They account for state activities that are operated in a manner similar to private-sector businesses. Like the government-wide statements, proprietary fund statements are presented using the accrual basis of accounting and provide both long- and short-term financial information. Services for which the State charges external customers a fee are generally reported in enterprise funds. Activities where customers are mostly other state agencies are accounted for in internal service funds. The internal service funds are consolidated with the governmental activities on the government-wide statements because they predominantly benefit the governmental rather than business-type activities.

- *Fiduciary funds* – Fiduciary funds account for assets held for the benefit of parties outside of state government. The State is the trustee, or fiduciary, for its employees' pension plans and other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the State's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net position, where applicable. These funds are excluded from the State's government-wide financial statements because the State cannot use these assets to finance its operations.

Reconciliation Between Government-wide and Fund Statements

The financial statements contain schedules that reconcile the differences between the government-wide financial statements (long-term focus, accrual accounting) and the fund financial statements (short-term focus, modified accrual accounting). The following summarizes the primary differences between modified accrual to accrual accounting:

- Capital assets and long-term debt are included on the government-wide statements, but are not reported on the governmental fund statements.

- Capital outlay spending results in expenditures on the governmental fund statements; however, on the statement of activities, the cost of capital assets is allocated over their useful lives as depreciation expense. The excess of capital outlay over depreciation expense is included on the government-wide statement of activities.

- Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces the long-term liabilities on the government-wide statement of net position.

- Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net revenue of the internal service funds are reported with governmental activities on the government-wide statements.

- Certain tax revenues that are earned, but not available, are reported as revenue on the government-wide statements, but are deferred inflows of resources on the governmental fund statements.

- Some revenues and expenses reported in the statement of activities do not provide or require the use of current financial resources and, therefore, are not reported as revenues and expenditures in the funds.

- Net pension liabilities or assets along with related deferrals are reported on the government-wide statements, but not reported in the funds.

Notes to the Financial Statements

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

Required Supplementary Information

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

Combining Financial Statements and Schedules

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

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

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

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

Net Position

The largest component of the State's net position is the amount invested in capital assets (e.g., land, buildings, equipment, infrastructure, and others), less any related debt outstanding needed to acquire or construct the assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. Capital assets are used to provide services to citizens; therefore, they are not available for future spending or to pay off their related liabilities. Net position unrestricted, increased $156 million. In addition, the increase in operating grants and contributions at DHHR for the Medicaid program contributed to the increase in net position.

Restricted net position comprises 31.8% of total net position and are subject to constitutional, legal, or external constraints on how they can be used. Net position that are restricted include funds for construction projects, debt service, lending activities, insurance activities, transportation, public protection, and economic development and tourism programs of the State.

Changes in Net Position

The chart below represents financial information derived from the government-wide statement of activities and reflects the State's total revenues, expenses, and changes in net position for the years ended June 30, 2016 and 2015 (expressed in thousands):

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues:						
Charges for Services	$ 428,877	$ 471,293	$ 1,230,111	$ 967,687	$ 1,658,988	$ 1,438,980
Operating Grants and Contributions	4,774,274	4,610,518	—	—	4,774,274	4,610,518
Capital Grants and Contributions	456,222	390,949	—	—	456,222	390,949
General Revenues:						
Personal Income Tax	1,849,056	1,921,597	—	—	1,849,056	1,921,597
Consumer Sales Tax	1,291,813	1,265,957	—	—	1,291,813	1,265,957
Business Taxes	640,081	907,362	—	—	640,081	907,362
Transportation Taxes	605,403	640,135	—	—	605,403	640,135
Other Taxes	526,348	446,794	—	—	526,348	446,794
Lottery Revenue	342,702	356,401	42,735	37,000	385,437	393,401
Other Revenues	226,837	205,387	37,652	36,553	264,489	241,940
Total Revenues	11,141,613	11,216,393	1,310,498	1,041,240	12,452,111	12,257,633
Program Expenses:						
Legislative	25,766	26,762	—	—	25,766	26,762
Judicial	133,702	126,904	—	—	133,702	126,904
Executive	139,580	124,455	—	—	139,580	124,455
Administration	234,542	280,007	—	—	234,542	280,007
Commerce	166,129	141,566	—	—	166,129	141,566
Environmental Protection	84,533	109,036	—	—	84,533	109,036
Employment Programs	48,173	43,876	—	—	48,173	43,876
Education	2,708,236	2,762,735	—	—	2,708,236	2,762,735
Health and Human Resources	5,352,930	5,241,337	—	—	5,352,930	5,241,337
Military Affairs and Public Safety	417,604	412,894	—	—	417,604	412,894
Revenue	78,504	86,654	—	—	78,504	86,654
Transportation	1,183,397	1,121,182	—	—	1,183,397	1,121,182
Veterans Assistance	20,588	19,264	—	—	20,588	19,264
Regulatory Board and Commissions	47,680	74,255	—	—	47,680	74,255
Senior Services	44,037	49,205	—	—	44,037	49,205
Interest on Long-term Debt	112,273	123,064	—	—	112,273	123,064
Workers' Compensation Fund	—	—	202,406	44,488	202,406	44,488
Unemployment Compensation	—	—	509,796	225,940	509,796	225,940
West Virginia Infrastructure and Jobs Development Council	—	—	60,622	71,587	60,622	71,587
Water Pollution Control Revolving Fund	—	—	4,745	6,358	4,745	6,358
Public Employees' Insurance Agency	—	—	542,825	577,433	542,825	577,433
Board of Risk and Insurance Management	—	—	67,650	72,436	67,650	72,436
Other Nonmajor Business-type Activities	—	—	103,294	108,868	103,294	108,868
Total Expenses	10,797,674	10,743,196	1,491,338	1,107,110	12,289,012	11,850,306
Increase (Decrease) in Net Position, Before Transfers	343,939	473,197	(180,840)	(65,870)	163,099	407,327
Transfers	(108,778)	(230,208)	108,778	230,208	—	—
Increase (Decrease) in Net Position	235,161	242,989	(72,062)	164,338	163,099	407,327
Net Position, Beginning of Year as Originally Reported	4,561,189	9,141,248	2,017,960	1,857,313	6,579,149	10,998,561
Revision (Note 2)	49,472	—	—	—	49,472	—
Change in Accounting Principle for GASB 68 Implementation	—	(4,823,048)	—	(3,691)	—	(4,826,739)
Net Position, Beginning of Year, as Revised	4,610,661	4,318,200	2,017,960	1,853,622	6,628,621	6,171,822
Net Position, End of Year	$ 4,845,822	$ 4,561,189	$ 1,945,898	$2,017,960	$ 6,791,720	$ 6,579,149

Governmental Activities

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

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

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

Chart A

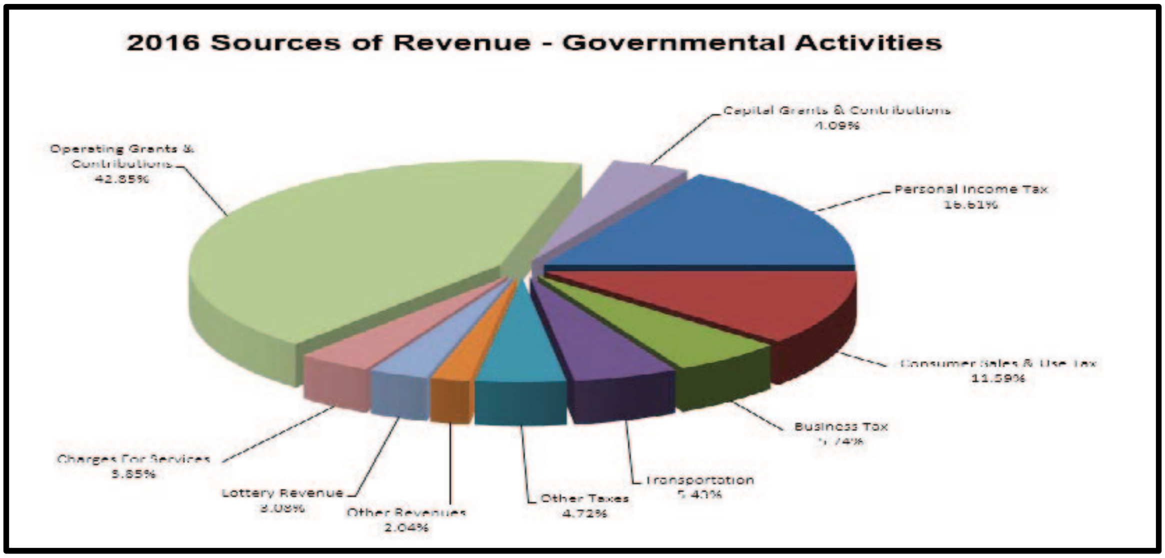
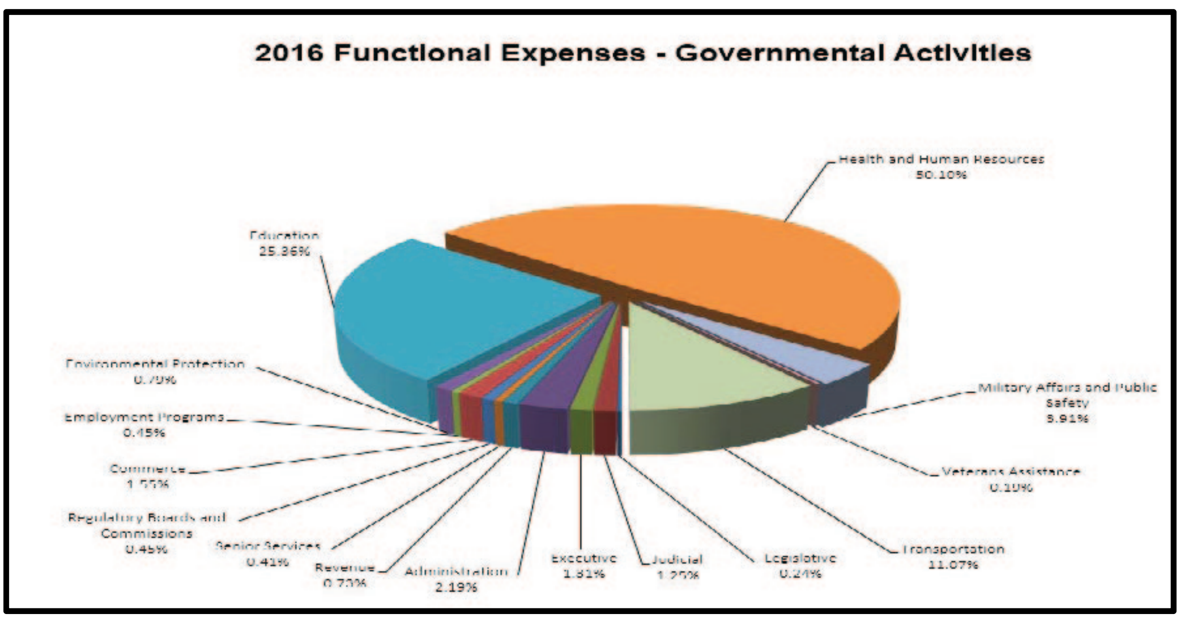


Chart B



Business-type Activities

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

- The Unemployment Compensation Fund had a $77 million decrease in net position before transfers. Revenues were higher by $208 million and expenses were higher by $284 million comparing the years ending June 30, 2016 and 2015. The change is due to an increase in unemployment insurance benefits.

- The Workers' Compensation Fund (WCF) had a $70 million decrease in net position before transfers. Revenues were higher by $60 million and expenses were higher by $158 million comparing the years ending June 30, 2016 and 2015. This change is, among other factors, due to the net of increase of $158 million in insurance claims and claims adjustment expense from FY 2015. An aggressive settlement program as part of the strategy to eliminate the WCF deficit was implemented in FY 2011, and FY 2016 marks the elimination of that deficit.

- West Virginia Infrastructure and Jobs Development Council had a $22 million decrease in net position before transfers. The receipt of excess lottery revenues of $36 million increased net position. Also, loan repayments of principal and interest totaling $21 million increased net position. These increases were offset by loan disbursements of $71 million during FY 2016.

- West Virginia Public Employees Insurance Agency saw a $32 million decrease in net position before transfers. This is due to investment depreciation because of unfavorable market experience and liquidating assets to meet current financial obligations offset by a decrease in the premium deficiency reserve.

- West Virginia Board of Risk and Insurance Management (BRIM) recorded a decrease in net position before transfers of $2 million. This was primarily due to an increase in estimated claims expense liability, which was offset by investment returns.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Governmental Funds

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

At the end of the current fiscal year, the State's governmental funds reported a fund balance of $840 million, a decrease of $232 million in comparison to that of the prior year.

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

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

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

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

The General Fund is the chief operating fund of the State. At the end of the current fiscal year, the General Fund maintained an assigned fund balance of $6 million, committed fund balance of $816 million, nonspendable fund balance of $138 million offset by an unassigned fund balance of $(1.3) billion and a total fund balance of $(362.4) million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents (13.8)% of total General Fund expenditures, while total fund balance represents (3.8)% of the same amount.

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

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

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

Proprietary Funds

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

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

GENERAL REVENUE FUND BUDGETARY HIGHLIGHTS

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

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

Capital Assets at Year-End
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Land and Improvements	$ 1,277,171	$ 1,243,544	$ 611	$ 611	$ 1,277,782	$ 1,244,155
Building and Improvements	993,267	974,081	883	961	994,150	975,042
Equipment	101,183	89,640	1,240	1,338	102,423	90,978
Library Holdings	733	938	—	—	733	938
Intangibles	99,310	82,232	206	53	99,516	82,285
Construction in Progress	910,931	894,093	—	—	910,931	894,093
Infrastructure	6,137,609	6,150,616	—	—	6,137,609	6,150,616
Totals	$ 9,520,204	$ 9,435,144	$ 2,940	$ 2,963	$ 9,523,144	$ 9,438,107

The total increase, net of disposals and accumulated depreciation, in the State's net investment in capital assets for the current fiscal year, approximated $85 million. The most significant changes in capital assets during the year were in the Transportation and Public Safety function. Transportation continues to expand the state road system, focusing primarily on upgrading existing roadways and completion of Appalachian Highway Corridors. Although transportation had significant construction projects, infrastructure capital asset additions of $289 million were lower than the prior year amount, resulting in a net decrease of $13 million in infrastructure, due to depreciation of $302 million. Transportation also had a net increase of $30 million in land acquisition. An increase in the intangible in a net amount of $17 million was due to software licenses at the Enterprise Resource Planning Board and Consolidated Public Retirement Board, offset by depreciation. The $17 million increase in construction in progress was due primarily to a

$41 million increase at the Building Commission for renovations of Building 3 and pending completion of the Clarksburg building. This increase was offset by $28 million in decreases at the Adjutant General for the completion of the Logan and Buckhannon armories. The net increase in buildings of $19 million is due to the addition of the Logan and Buckhannon armories, offset by depreciation expense. Additional information concerning the State's capital assets can be found in Note 9 of this report and under the capital assets heading in Note 1.

Long-Term Debt

At year-end the State had $9 billion in bonds, capital leases, notes payable, claims and judgments, compensated absences, net pension liability, and other long-term obligations outstanding, as shown in the following table. The State's general obligation bonds are rated AA by Fitch Investors Service, Moody's Investors Service rating is Aa2 and Standard and Poor's Corporation have an AA- rating.

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

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

Outstanding Debt at June 30
(Expressed in Thousands)

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

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

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

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

Government-Wide

Major Funds

Notes 1 – 16

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

Statement of Net Position
June 30, 2016
(Expressed in Thousands)

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

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

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

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

		Program Revenues		
	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions				
Primary Government:				
Governmental Activities:				
Legislative	$ 25,766	$ 1,431	$ 136	$ —
Judicial	133,702	1,730	1,978	—
Executive	139,580	14,407	33,725	—
Administration	234,542	45,767	3,006	2,552
Commerce	166,129	43,541	41,846	—
Environmental Protection	84,533	74,621	98,312	—
Employment Programs	48,173	—	48,050	—
Education	2,708,236	2,580	451,719	—
Health and Human Resources	5,352,930	72,849	3,940,757	—
Military Affairs and Public Safety	417,604	10,868	118,282	1,235
Revenue	78,504	42,754	1,917	—
Transportation	1,183,397	92,171	—	452,435
Veterans Assistance	20,588	—	8,008	—
Senior Services	44,037	—	23,489	—
Regulatory Boards and Commissions	47,680	26,158	3,049	—
Interest on Long-Term Debt	112,273	—	—	—
Total Governmental Activities	10,797,674	428,877	4,774,274	456,222
Business-type Activities:				
Water Pollution Control Revolving Fund	4,745	5,850	—	—
Workers' Compensation Fund	202,406	105,897	—	—
Unemployment Compensation	509,796	431,717	—	—
West Virginia Infrastructure and Jobs Development Council	60,622	1,940	—	—
Public Employees' Insurance Agency	542,825	507,419	—	—
Board of Risk and Insurance Management	67,650	58,303	—	—
Other Activities	103,294	118,985	—	—
Total Business-type Activities	1,491,338	1,230,111	—	—
Total Primary Government	12,289,012	1,658,988	4,774,274	456,222
Component Units:				
West Virginia Lottery	1,147,175	1,136,636	—	—
Economic Development Authority	3,342	7,790	—	—
Housing Development Authority	106,439	40,147	75,910	—
Parkways Authority	88,337	100,983	—	—
Water Development Authority	11,406	13,295	—	—
Higher Education	1,954,266	923,053	437,591	171,966
Regional Jail Authority	91,025	86,425	3,098	—
School Building Authority	70,266	—	1,330	—
Other Component Units	57,179	11,038	2,062	—
Total Component Units	$ 3,529,435	$ 2,319,367	$ 519,991	$ 171,966
General Revenues:				
Taxes:				
Personal Income				
Consumer Sales				
Business				
Medicaid				
Transportation				
Other				
Grants and Contributions not Restricted to Specific Programs				
Unrestricted Investment Earnings				
Tobacco Settlement Revenue				
Payments from State of West Virginia				
Lottery Revenues				
Miscellaneous				
Transfers				
Total General Revenues and Transfers				
Change in Net Position				
Net Position, Beginning of Year, as Revised				
Net Position, End of Year				

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (24,199)	$ —	$ (24,199)	$ —
(129,994)	—	(129,994)	—
(91,448)	—	(91,448)	—
(183,217)	—	(183,217)	—
(80,742)	—	(80,742)	—
88,400	—	88,400	—
(123)	—	(123)	—
(2,253,937)	—	(2,253,937)	—
(1,339,324)	—	(1,339,324)	—
(287,219)	—	(287,219)	—
(33,833)	—	(33,833)	—
(638,791)	—	(638,791)	—
(12,580)	—	(12,580)	—
(20,548)	—	(20,548)	—
(18,473)	—	(18,473)	—
(112,273)	—	(112,273)	—
(5,138,301)	—	(5,138,301)	—
—	1,105	1,105	—
—	(96,509)	(96,509)	—
—	(78,079)	(78,079)	—
—	(58,682)	(58,682)	—
—	(35,406)	(35,406)	—
—	(9,347)	(9,347)	—
—	15,691	15,691	—
—	(261,227)	(261,227)	—
(5,138,301)	(261,227)	(5,399,528)	—
—	—	—	(10,539)
—	—	—	4,448
—	—	—	9,618
—	—	—	12,646
—	—	—	1,889
—	—	—	(421,656)
—	—	—	(1,502)
—	—	—	(68,936)
—	—	—	(44,079)
—	—	—	(518,111)
1,849,056	—	1,849,056	—
1,291,813	—	1,291,813	—
640,081	—	640,081	—
222,578	—	222,578	—
605,403	—	605,403	—
303,770	—	303,770	—
—	—	—	834
34,380	31,098	65,478	5,140
62,697	—	62,697	—
—	—	—	584,875
342,702	42,735	385,437	—
129,760	6,554	136,314	67,102
(108,778)	108,778	—	—
5,373,462	189,165	5,562,627	657,951
235,161	(72,062)	163,099	139,840
4,610,661	2,017,960	6,628,621	3,316,824
$ 4,845,822	$1,945,898	$ 6,791,720	$3,456,664


STATE OF WEST VIRGINIA.
JUNE 20 1863
MONTANI SEMPER LIBERI

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

Major Funds

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

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

The Tobacco Settlement Finance Authority The Authority was created to issue revenue bonds related to the State's portion of the tobacco receipts from the Master Settlement Agreement between tobacco manufacturers and the covered states. The revenue bonds were sold June 26, 2007. See Note 10 for more information.

Nonmajor governmental funds are presented, by fund type, beginning on page 232.

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

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

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

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

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

Total Fund Balances - Governmental Funds		$ 839,829
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets (excluding Internal Service Funds) consist of:		
Land	$ 1,237,026	
Construction in Progress	848,408	
Infrastructure Assets	12,401,210	
Buildings, Equipment, and Other Depreciable Assets	1,833,227	
Intangibles	34,725	
Accumulated Depreciation	(7,103,905)	
Total Capital Assets		9,250,691
The Net Pension Asset is not recognized at the fund level.		61,678
Certain tax and other revenues are earned but not available and therefore are deferred inflows in the funds.		104,041
Deferred inflows for pensions (excluding internal service funds) are reported in the statement of net position, but not reported in the funds		(439,212)
Internal Service Funds are used by management to charge the costs of certain activities, such as building rental and information services, to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the statement of net position.		235,135
Bonds issued by the State have associated costs that are paid from current available financial resources in the funds. However, these costs are amortized over the life of the bond on the statement of net position.		286
Deferred Outflows of Resources – related to pensions and loss on bond refundings.		732,324
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities (excluding Internal Service Funds) consist of:		
General Obligation Bonds	(393,089)	
Revenue Bonds	(1,142,347)	
Capital Leases	(225,693)	
Compensated Absences	(86,986)	
Net Pension Liability	(3,702,833)	
Accrued Interest Payable and Other Liabilities	(388,002)	
Total Long-Term Liabilities		(5,938,950)
Net Position of Governmental Activities		$ 4,845,822

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, 2016
(Expressed in Thousands)

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

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

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2016

(Expressed in Thousands)

Net Change in Fund Balances – Total Governmental Funds		$ (231,787)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expenses. In the current period, these amounts are:		
Capital Outlay	$ 384,463	
Depreciation Expense	(344,807)	
Excess of Capital Outlay Over Depreciation Expense		39,656
Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net position, the lease obligation is reported as a liability.		(2,019)
Accretion of interest related to capital appreciation bonds is an expense of the governmental activities		(14,828)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. For the current year, these amounts consist of:		
Bond Principal Retirement	71,380	
Capital Lease Payments	14,980	
Total Long-Term Debt Repayment		86,360
Internal Service Funds are used by management to charge the costs of certain activities, such as building and vehicle maintenance and leasing, data processing, and investment and management of state moneys, to individual funds. The net increase in net assets of the internal service funds is reported with governmental activities.		1,657
Revenues in the statement of activities that do provide current financial resources are not reported as revenues in the funds.		(10,910)
Gain on issuance of new refunding bonds in the current fiscal year, but was deferred on the statement of activities.		(811)
Retirement contributions (excluding internal service funds) to define benefit pension plans in The current fiscal year are not included on the statement of activities.		526,638
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:		
Decrease of Accrued Interest (Asset)	(44)	
Increase of Compensated Absences	(54)	
Decrease of Accrued and Other Liabilities	87,916	
Increase of Net Pension Liability (Asset), net of deferrals	(252,015)	
Amortization of Bond Premiums/Discounts	5,402	
Total Change in Expenditures		(158,795)
Change in Net Position of Governmental Activities		$ 235,161

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


STATE OF WEST VIRGINIA.
JUNE 20 1863
MONTANI SEMPER LIBERI

PROPRIETARY FUNDS FINANCIAL STATEMENTS

Major Funds

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

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

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

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

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

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

Nonmajor proprietary funds are presented beginning on page 254.

Statement of Net Position
Proprietary Funds
June 30, 2016
(Expressed in Thousands)

	Business-type Activities – Enterprise Funds			
Assets:	Water Pollution Control Revolving Fund	Workers' Compensation Fund	Unemployment Compensation	West Virginia Infrastructure and Jobs Development Council
Current Assets:				
Cash and Cash Equivalents	$ 104,890	$ 1,637,501	$ 53,104	$ 168,120
Investments	—	—	—	102,794
Receivables, Net	33,372	17,998	54,819	21,824
Due from Other Governments	—	—	446	—
Due from Other Funds	—	—	295	—
Due from Component Units	—	—	222	—
Inventories	—	—	—	—
Prepaid Insurance	—	—	—	15
Other Assets	—	—	—	—
Restricted Assets:				
Cash and Cash Equivalents	—	—	—	—
Receivables, Net	—	—	—	—
Other Restricted Assets	—	—	—	—
Total Current Assets	138,262	1,655,499	108,886	292,753
Noncurrent Assets:				
Investments	—	—	—	—
Receivables, Net	576,165	—	—	509,474
Prepaid Insurance	—	—	—	334
Restricted Assets:				
Cash and Cash Equivalents	—	—	—	—
Investments	—	—	—	—
Capital Assets, Net	—	—	—	—
Total Noncurrent Assets	576,165	—	—	509,808
Total Assets	714,427	1,655,499	108,886	802,561
Deferred Outflows of Resources:				
Deferred Loss on Bond Refundings	—	—	—	2,153
Related to Pensions	261	—	—	71
Total Deferred Outflows of Resources	261	—	—	2,224
Liabilities:				
Current Liabilities:				
Accounts Payable	81	—	—	16
Accrued Tuition Contract Benefits	—	—	—	—
Accrued and Other Liabilities	—	772	1,873	2,958
Premium Deficiency	—	—	—	—
Unearned Revenue	—	—	—	—
Due to Other Governments	—	—	4,706	—
Due to Other Funds	396	—	—	1
Due to Component Units	26	—	—	172
Insurance and Compensation Benefits Obligations	—	179,901	35,218	—
Revenue Bonds Payable	—	—	—	5,884
Capital Leases and Other Debt	—	—	—	—
Capital Leases Payable to Component Units	—	—	—	—
Compensated Absences	78	—	—	—
Total Current Liabilities	581	180,673	41,797	9,031
Noncurrent Liabilities:				
Accrued Tuition Contract Benefits	—	—	—	—
Insurance and Compensation Benefits Obligations	—	1,393,400	—	—
Revenue Bonds Payable	—	—	—	185,165
Capital Leases and Other Debt	—	—	—	—
Capital Leases Payable to Component Units	—	—	—	—
Compensated Absences	42	—	—	—
Net Pension Liability	479	—	—	124
Total Noncurrent Liabilities	521	1,393,400	—	185,289
Total Liabilities	1,102	1,574,073	41,797	194,320
Deferred Inflows of Resources:				
Grants and Contributions	4,166	—	—	—
Related to Pensions	164	—	—	42
Total Deferred Inflows of Resources	4,330	—	—	42
Net Position:				
Net Investment in Capital Assets	—	—	—	—
Restricted for:				
Capital Projects	—	—	—	—
General Government Operations	—	—	—	—
Lending Activities	709,256	—	—	595,586
Insurance Activities	—	132,517	67,089	—
Unrestricted (Deficit)	—	(51,091)	—	14,837
Total Net Position	$ 709,256	$ 81,426	$ 67,089	$ 610,423

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

Public Employees' Insurance Agency	Board of Risk and Insurance Management	Other Enterprise Funds	Total	Government Activities - Internal Service Funds
$ 9,589	$ 15,748	$ 69,282	$ 2,058,234	$ 24,295
—	—	—	102,794	—
16,451	1,079	9,298	154,841	9,799
—	—	—	446	—
3,502	133	1,746	5,676	5,965
35	42	98	397	342
—	—	2,075	2,075	984
—	—	—	15	—
—	—	20,000	20,000	68
—	10,198	—	10,198	2,558
—	620	—	620	—
—	210,152	—	210,152	—
29,577	237,972	102,499	2,565,448	44,011
176,829	83,881	54,948	315,658	—
—	—	123,444	1,209,083	—
—	—	—	334	—
26,549	—	—	26,549	41,902
—	48,441	—	48,441	—
165	—	2,775	2,940	269,513
203,543	132,322	181,167	1,603,005	311,415
233,120	370,294	283,666	4,168,453	355,426
—	—	—	2,153	—
299	245	664	1,540	4,650
299	245	664	3,693	4,650
5,926	988	3,952	10,963	22,050
—	—	16,294	16,294	—
3,145	554	216	9,518	684
6,860	—	—	6,860	—
8,902	8,300	—	17,202	—
—	—	—	4,706	298
9,601	583	2,399	12,980	11,641
72	—	20	290	10
73,523	50,819	5,600	345,061	—
—	—	—	5,884	—
—	—	—	—	6,598
—	—	—	—	545
—	—	65	143	—
108,029	61,244	28,546	429,901	41,826
—	—	54,781	54,781	—
26,549	117,616	10,300	1,547,865	—
—	—	—	185,165	—
—	—	—	—	13,032
—	—	—	—	58,050
—	91	364	497	2,004
528	467	1,172	2,770	7,457
27,077	118,174	66,617	1,791,078	80,543
135,106	179,418	95,163	2,220,979	122,369
—	—	—	4,166	—
183	162	552	1,103	2,572
183	162	552	5,269	2,572
165	—	2,775	2,940	210,966
—	—	—	—	41,902
—	—	1,528	1,528	2,558
—	—	154,808	1,459,650	—
—	57,123	23,097	279,826	—
97,965	133,836	6,407	201,954	(20,291)
$ 98,130	$ 190,959	$ 188,615	$ 1,945,898	$ 235,135

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

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

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2016
(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	$ 36,921	$ 107,934	$ 410,554	$ 21,095
Receipts from State Agencies	—	—	—	—
Payments to Suppliers	—	(11,686)	—	(633)
Payments to Employees	(1,285)	(22)	—	(20)
Payments to Beneficiaries	—	—	—	—
Payments for Loans Originated	(55,717)	—	—	(126,977)
Payments for Premiums	—	—	—	—
Payments to Claimants	—	(186,660)	(503,171)	—
Other Operating Cash Receipts	—	52	28,484	—
Other Operating Cash Payments	(3,505)	—	—	—
Net Cash Provided by (Used For) Operating Activities	(23,586)	(90,382)	(64,133)	(106,535)
Cash Flows from Noncapital Financing Activities:				
Repayment of Operating Debt	—	—	—	(6,035)
Interest Paid on Operating Debt	—	—	—	(8,347)
Transfers In	25,882	115,465	—	1,464
Transfers Out	—	(8,477)	—	—
Entitlements and Grants	—	—	—	—
Distributions or Subsidies from (to) Other Organizations	—	6,735	—	36,000
Provided from Issuing Liquor Licenses	—	—	—	—
Net Cash Provided by (Used for) Noncapital Financing Activities	25,882	113,723	—	23,082
Cash Flows from Capital and Related Financing Activities:				
Proceeds from Sale of Capital Bonds and Other Debts	—	—	—	108
Repayment of Capital Debt	—	—	—	—
Interest Paid on Capital Debt	—	—	—	—
Acquisition and Construction of Capital Assets	—	—	—	—
Net Cash Provided by (Used for) Capital and Related Financing Activities	—	—	—	108
Cash Flows from Investing Activities:				
Purchase of Investments	—	—	—	(199,658)
Proceeds from Sale of Investments	—	—	—	199,817
Investment Earnings	1,251	19,940	2,020	548
Net Cash Provided by Investing Activities	1,251	19,940	2,020	707
Net Increase (Decrease) in Cash and Cash Equivalents	3,547	43,281	(62,113)	(82,638)
Cash and Cash Equivalents, Beginning of Year	101,343	1,594,220	115,217	250,758
Cash and Cash Equivalents, End of Year	$ 104,890	$ 1,637,501	$ 53,104	$ 168,120

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

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2016
(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)	$ 1,086	$ (96,454)	$ (78,079)	$ (50,993)
Adjustments to Reconcile Operating Income (Loss) Net Cash Provided by (Used for) Operating Activities:				
Depreciation and Amortization	—	—	—	—
Provisions for Uncollectible Loans	—	—	—	2,117
Pension Expense	43	—	—	17
Changes in Assets and Liabilities and Deferred Outflow of Resources:				
Receivables	(24,647)	2,034	7,017	(52,220)
Inventories	—	—	—	—
Other Assets	—	—	—	—
Accounts Payable and Accrued Liabilities	56	4,700	6,784	(5,925)
Tuition Contracts Benefits and Expenses	—	—	—	—
Unearned Revenue	—	—	—	—
Escrow Deposits	—	—	—	—
Due to/from Other Funds	44	—	145	506
Unpaid Claims Liabilities	—	—	—	—
Other Liabilities	—	(662)	—	—
Compensated Absences	(13)	—	—	—
Deferred Outflows of Resources	(155)	—	—	(37)
Net Cash Provided by (Used for) Operating Activities	$ (23,586)	$ (90,382)	$ (64,133)	$ (106,535)
Schedule of Noncash Capital and Financing Activities:				
Contribution of Capital Assets	$ —	$ —	$ —	$ —
Loans Originated with Principal Forgiveness Features	—	—	—	—
Unrealized Gain (Loss) on Investments	—	—	—	—

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

Public Employees' Insurance Agency	Board of Risk and Insurance Management	Other Enterprise Funds	Total	Governmental Activities – Internal Service Funds
$ (30,534)	$ (9,274)	$ 17,027	$ (247,221)	$ (12,117)
28	—	389	417	19,067
—	—	—	2,117	—
35	137	103	335	1,360
5,152	657	(9,130)	(71,137)	1,101
—	—	(29)	(29)	(394)
—	—	—	—	15
(8,874)	—	1,033	(2,226)	(449)
—	—	(10,850)	(10,850)	—
(4,268)	(28)	—	(4,296)	—
—	(5,933)	—	(5,933)	—
411	—	317	1,423	—
—	7,475	—	7,475	—
(32,014)	641	(108)	(32,143)	383
—	—	(1)	(14)	—
(270)	(149)	(402)	(1,013)	(2,485)
$ (70,334)	$ (6,474)	$ (1,651)	$ (363,095)	$ 6,481
$ —	$ —	$ —	$ —	$ 2,552
—	—	1,723	1,723	—
(3,799)	5,502	102	1,805	—


STATE OF WEST VIRGINIA.
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FIDUCIARY FUNDS FINANCIAL STATEMENTS

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

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

The individual Pension and Other Employee Benefit Trust Funds, Investment Trust Funds, and Agency Funds descriptions and financial statements begin on page 264.

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016
(Expressed in Thousands)

	Pension and Other Benefit Trust Funds	Investment Trust Funds	SMART 529	Agency Funds
Assets:				
Cash and Cash Equivalents	$ 96,894	$ 256,765	$ —	$ 85,171
Investments:				
Equity Pooled Investment	13,835,902	—	—	7,823
Mutual Funds	423,002	—	2,232,968	—
Receivables, Net				
Contributions	40,317	—	16,272	—
Participant Loans	4,291	—	—	—
Accrued Interest	—	—	—	7
Accounts	3,948	—	—	—
Due from Other Funds	94,175	—	—	135
Due from Component Units	679	—	—	—
Total Assets	14,499,208	256,765	2,249,240	$ 93,136
Deferred Outflows of Resources:				
Related to Pensions	149	—	—	—
Total Deferred Outflows of Resources	149	—	—	—
Liabilities:				
Accounts Payable	3,716	—	15,696	$ 1,023
Accrued and Other Liabilities	11,352	—	1,003	—
Due to Other Governments	—	—	—	19,977
Due to Other Funds	2,327	—	—	—
Due to Component Units	179	—	—	—
Insurance Claims Payable	11,950	—	—	—
Agency Liabilities	—	—	—	72,136
Net Pension Liability	301	—	—	—
Total Liabilities	29,825	—	16,699	$ 93,136
Deferred Inflows of Resources:				
Related to Pensions	104	—	—	
Total Deferred Inflows of Resources	104	—	—	
Net Position:				
Restricted for:				
Pension Benefits	13,783,760	—	—	
Other Postemployment Benefits	685,668	—	—	
Held in Trust for:				
External Investment Pool Participants	—	256,765	—	
Individuals and Organizations	—	—	2,232,541	
Total Net Position	$ 14,469,428	$ 256,765	$ 2,232,541	

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

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

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

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

DISCRETELY PRESENTED COMPONENT UNITS FINANCIAL STATEMENTS

Major Component Units

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

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

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

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

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

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

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

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

Nonmajor component units are presented beginning on page 278.

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

	West Virginia Lottery	Economic Development Authority	Housing Development Fund	Parkways Authority
Assets:				
Current Assets:				
Cash and Cash Equivalents	$ 166,621	$ 70,968	$ 14,707	$ 9,533
Investments	—	—	—	—
Receivables, Net	25,243	8,090	1,403	3,662
Capital Leases Receivable from Primary Government	—	14,855	—	—
Due from Primary Government	—	—	—	55
Due from Component Units	1,400	—	—	—
Inventories	380	—	—	3,891
Prepaid Insurance	—	—	—	—
Other Assets	1,788	—	—	1,383
Restricted Assets:				
Cash and Cash Equivalents	—	1,689	43,359	25,388
Investments	—	—	—	17,176
Receivables, Net	—	—	3,107	—
Other Restricted Assets	—	—	—	—
Total Current Assets	195,432	95,602	62,576	61,088
Noncurrent Assets:				
Cash and Cash Equivalents	—	—	—	—
Investments	—	3,199	—	—
Receivables, Net	—	171,625	50,382	—
Capital Leases Receivable from Primary Government	—	260,910	—	—
Other Assets	—	—	—	—
Restricted Assets:				
Cash and Cash Equivalents	—	9,320	37,107	—
Investments	—	—	93,506	25,603
Receivables, Net	—	—	677,557	—
Other Restricted Assets	—	—	6,292	—
Capital Assets, Net	44,874	31,593	10,001	453,833
Total Noncurrent Assets	44,874	476,647	874,845	479,436
Total Assets	240,306	572,249	937,421	540,524
Deferred Outflows of Resources:				
Accumulated Decrease in Fair Value of Hedging Derivatives	—	—	—	1,484
Deferred Loss on Bond Refundings	—	—	—	2,403
Related to Pensions	1,644	150	1,269	3,515
Total Deferred Outflows of Resources	1,644	150	1,269	7,402

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
$ 18,413	$ 444,750	$ 28,562	$ 159,452	$ 53,823	$ 966,829
—	155,391	—	70,922	2,222	228,535
11,305	118,063	11,650	283	1,931	181,630
—	—	—	—	—	14,855
218	8,977	—	—	710	9,960
—	4,561	—	—	—	5,961
—	4,572	1,790	—	26	10,659
—	—	—	154	—	154
—	9,860	—	—	131	13,162
—	—	20,970	—	18,455	109,861
2,508	—	—	—	—	19,684
—	—	—	—	808	3,915
20	—	—	—	—	20
32,464	746,174	62,972	230,811	78,106	1,565,225
—	84,155	—	—	—	84,155
1,200	468,779	—	—	4,816	477,994
10,708	47,002	—	—	3,731	283,448
—	—	—	—	—	260,910
—	99,227	—	—	550	99,777
14,009	—	—	—	—	60,436
—	—	—	—	—	119,109
189,644	—	—	—	855	868,056
460	—	—	—	234	6,986
6,075	3,234,872	119,883	734	43,430	3,945,295
222,096	3,934,035	119,883	734	53,616	6,206,166
254,560	4,680,209	182,855	231,545	131,722	7,771,391
—	333	—	—	—	1,817
9,677	29,828	—	8,843	—	50,751
140	3,038	7,068	85	3,883	20,792
9,817	33,199	7,068	8,928	3,883	73,360

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

	West Virginia Lottery	Economic Development Authority	Housing Development Fund	Parkways Authority
Liabilities:				
Current Liabilities:				
Accounts Payable	23,960	20	—	2,441
Interest Payable	—	—	1,903	166
Accrued and Other Liabilities	26,698	2,682	16,997	5,862
Unearned Revenue	—	—	—	—
Due to Primary Government	129,676	121	80	11,130
Due to Component Units	4,561	1,400	—	—
Revenue Bonds Payable	—	14,855	33,975	9,310
Capital Leases and Other Debt	—	903	—	—
Compensated Absences	570	33	392	735
Total Current Liabilities	185,465	20,014	53,347	29,644
Noncurrent Liabilities:				
Unearned Revenue	—	1,005	—	—
Advances from Primary Government	—	124,419	—	—
Liabilities Payable from Restricted Assets	—	—	63,807	—
Accrued and Other Liabilities	—	—	—	—
Revenue Bonds Payable	—	260,910	329,283	20,479
Capital Leases and Other Debt	—	8,506	622	—
Net Pension Liability	3,044	249	2,310	5,847
Compensated Absences	—	41	—	262
Total Noncurrent Liabilities	3,044	395,130	396,022	26,588
Total Liabilities	188,509	415,144	449,369	56,232
Deferred Inflows of Resources:				
Accumulated Increase in Fair Value of Hedging Derivative Instruments	—	—	—	1,484
Related to Pensions	1,069	84	784	2,111
Service Concession Arrangements	—	—	—	—
Grants and Contributions	—	—	—	—
Total Deferred Inflows of Resources	1,069	84	784	3,595
Net Position:				
Net Investment in Capital Assets	44,874	26,953	9,032	426,447
Restricted for:				
Capital Projects	—	—	—	—
Debt Service	—	—	341,213	58,626
Nonexpendable	—	—	—	—
Lending Activities	—	9,020	71,329	—
Specific Component Unit Purposes	—	—	—	—
Unrestricted (Deficit)	7,498	121,198	66,963	3,026
Total Net Position (Deficit)	$ 52,372	$ 157,171	$ 488,537	$ 488,099

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
99	82,935	2,859	6	3,260	115,580
1,637	11,888	—	—	—	15,594
—	187,693	2,218	12,483	631	255,264
—	73,572	—	—	3	73,575
221	328,230	25,087	270	9,532	504,347
—	—	—	—	—	5,961
8,807	141,329	6,830	28,345	—	243,451
—	23,807	98	—	—	24,808
—	43,690	2,048	48	1,324	48,840
10,764	893,144	39,140	41,152	14,750	1,287,420
—	—	—	—	56	1,061
—	—	—	—	—	124,419
—	—	—	—	14,910	78,717
—	176,666	—	—	200	176,866
189,694	1,236,188	31,190	442,132	—	2,509,876
—	80,340	343	—	—	89,811
241	23,450	12,942	439	6,996	55,518
57	4,418	—	—	215	4,993
189,992	1,521,062	44,475	442,571	22,377	3,041,261
200,756	2,414,206	83,615	483,723	37,127	4,328,681
—	—	—	—	—	1,484
81	5,829	4,816	81	2,806	17,661
—	39,746	—	—	—	39,746
—	515	—	—	—	515
81	46,090	4,816	81	2,806	59,406
6,075	2,153,792	81,422	734	43,430	2,792,759
—	15,231	—	—	—	15,231
—	3,137	8,785	123,637	—	535,398
—	244,079	—	—	234	244,313
26,168	—	—	—	—	106,517
—	163,538	11,285	—	32,928	207,751
31,297	(326,665)	—	(367,702)	19,080	(445,305)
$ 63,540	$2,253,112	$ 101,492	$ (243,331)	$ 95,672	$3,456,664

Combining Statement of Activities
Discretely Presented Component Units
For the Fiscal Year Ended June 30, 2016
(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	$ 1,149,736	$ 1,136,636	$ —	$ —	$ (13,100)
Economic Development Authority	3,342	7,790	—	—	4,448
Housing Development Fund	106,439	40,147	75,910	—	9,618
Parkways Authority	88,337	100,983	—	—	12,646
Water Development Authority	11,406	13,295	—	—	1,889
Higher Education	1,954,266	925,614	437,591	171,966	(419,095)
Regional Jail Authority	91,025	86,425	3,098	—	(1,502)
School Building Authority	70,266	—	1,330	—	(68,936)
Other Component Units	57,179	11,038	2,062	—	(44,079)
Total Component Units	$ 3,531,996	$ 2,321,928	$ 519,991	$ 171,966	$ (518,111)

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

General Revenue							
Unrestricted Investment Earnings	Grants and Contributions Not Restricted for Specific Programs	Miscellaneous	Payments from the State of West Virginia	Total General Revenues and Special Item	Change in Net Position	Net Position (Deficit) Beginning of Year, as Revised	Net Position (Deficit) End of Year
$ 788	$ —	$ 10,528	$ —	$ 11,316	$ (1,784)	$ 54,156	$ 52,372
525	—	562	—	1,087	5,535	151,636	157,171
5,116	—	—	—	5,116	14,734	473,803	488,537
336	—	—	—	336	12,982	475,117	488,099
221	—	—	—	221	2,110	61,430	63,540
(4,786)	—	53,729	456,450	505,393	86,298	2,166,814	2,253,112
116	—	—	—	116	(1,386)	102,878	101,492
2,673	—	—	84,708	87,381	18,445	(261,776)	(243,331)
151	834	2,283	43,717	46,985	2,906	92,766	95,672
$ 5,140	$ 834	$ 67,102	$ 584,875	$ 657,951	$ 139,840	$ 3,316,824	$ 3,456,664


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

NOTE 1

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The State of West Virginia (the State) is governed by elected officials. These financial statements present the State (the primary government) and its component units. The component units discussed below are included in the State's reporting entity because of the significance of their operational or financial relationships with the State.

Individual Component Unit Disclosures

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

Blended Component Units

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

Transportation

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

West Virginia Investment Management Board

The West Virginia Investment Management Board (IMB) is governed by a thirteen-member Board of Trustees. The IMB was created as a public corporation by West Virginia Code §12-6-1 to serve as the administrator, investor, and manager of the State's pension, Workers' Compensation, Pneumoconiosis, and other state funds. The Governor, the State Auditor, and the State Treasurer are members of the Board and the other members are appointed by the Governor. Because there is a financial benefit-burden relationship between the State and the IMB, and assets of the State and its component units comprise over 90% of the assets managed by the IMB, it is blended in the internal service funds of the State.

West Virginia Board of Treasury Investments

The West Virginia Board of Treasury Investments (BTI) is governed by a five-member board. The Governor, the State Auditor, and the State Treasurer are members of the Board and the other two members are appointed by the Governor. The BTI was created as a public corporation by West Virginia Code §12-6C-4 to provide prudent fiscal administration, investment, and management for the Consolidated Fund and is blended in the internal service funds of the State.

Tobacco Settlement Finance Authority

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

Blended Component Unit Financial Statements

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

Administrative Offices:

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

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

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

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

Discretely Presented Component Units

Discretely presented component units are entities which are legally separate from the State, but are financially accountable to the State, or whose relationship with the State is such that exclusion would cause the State's financial statements to be misleading or incomplete. Because of the nature of the services they provide and the State's ability to impose its will on them, the following component units are discretely presented. The State has both governmental (providing services to the government) and proprietary (providing services to external parties) component units. The component units are presented in a single column on the government-wide statements.

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

West Virginia Lottery

The West Virginia Lottery (Lottery) is governed by a seven-member board appointed by the Governor. It was formed to assist the State in funding education, debt service, the promotion of tourism, and other basic governmental activities. Even though the Lottery was created primarily to generate revenue for the State, the service provided by the Lottery - the opportunity for financial gain - is provided to anyone who chooses to participate. When prizes are awarded to winners and financial gain is achieved, the lottery operation does not exclusively, or almost exclusively, benefit the primary government as an institution, not meeting the criteria for blending and thus requiring discrete component unit presentation.

Economic Development Authority

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

Housing Development Fund

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

Parkways Authority

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

Water Development Authority

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

Higher Education Fund

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

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

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

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

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

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

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

Regional Jail and Correctional Facility Authority

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

School Building Authority

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

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

Educational Broadcasting Authority

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

Jobs Investment Trust

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

West Virginia State Rail Authority

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

Solid Waste Management Board

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

Racing Commission

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

Public Defender Corporation

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

Municipal Pensions Oversight Board

The Municipal Pensions Oversight Board is responsible for monitoring and improving the performance of the municipal policemen's and fireman's pension and relief funds. The board ensures legal compliance of the funds and distribution of tax revenues to the relief funds as well as any reasonable actions necessary to provide for the security and fiscal integrity of pension funds. The board consists of nine members including the executive directors of the State's IMB and Consolidated Public Retirement Board, an active or retired member from both the Municipal Policeman's Pension and Relief Fund, and the Municipal Fireman's Pension and Retirement Fund, an attorney experienced in finance and investment matters related to pensions management, two persons experienced in pension management, a Certified Public Accountant experienced in auditing and one person chosen from a list of three persons submitted to the Governor.

Discretely Presented Component Unit Financial Statements

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

Administrative Offices:

West Virginia Lottery
900 Pennsylvania Avenue
Charleston, WV 25302

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

Water Development Authority
1009 Bullitt Street
Charleston, WV 25301

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

Educational Broadcasting Authority
600 Capitol Street
Charleston, WV 25301

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

Racing Commission
900 Pennsylvania Avenue
Charleston, WV 25302

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

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

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

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

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

Jobs Investment Trust
1012 Kanawha Boulevard, East
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 $6,562,858 for the year ended December 31, 2015. At December 31, 2015, the Project's current liabilities exceeded its current assets by $95,752,271, and its total liabilities exceeded its total assets by $61,306,817. Additionally, the Project was in default under its Series A and Series B Revenue Bonds after having been unable to make required debt service payments in association with the Series A and Series B bonds from 2006 to 2015, except for one partial payment of approximately $725,000 to the Series A bondholders was made in 2007. Interest payment of $300,000 was made to A and B bondholders in 2015.

Presently, the Project has no additional sources of funding available which can be accessed to satisfy existing or future financial obligations imposed by its revenue bonds or notes payable. Cash flows generated from the Project's operations have not historically been sufficient to enable the Project to fund its operations and satisfy its debt obligations.

The Master Trust Indenture states that given the event of default, the outstanding balance on the revenue bonds may be declared due and payable in the manner and with the effect provided in the Indenture. Certain remedies available upon the occurrence of an event of default are set forth in the Indenture. The only collateral pledged under the Indenture is Project revenues. The Bondholders may not, therefore, foreclose upon or liquidate Park facilities or other non-financial Project assets. At this time, the bondholders have formed a committee to explore their options but as yet have generally not exercised their rights nor enforced the remedies with regard to the default.

The losses, negative cash flows from operations, bond covenant violations, and the Project's inability to meet its debt service requirements raise substantial doubt about the Project's ability to continue as a going concern. Furthermore, the independent auditor's report on the Project's financial statements for the year ended December 31, 2015, included a going-concern opinion modification emphasizing that these conditions raised substantial doubt about the Project's ability to continue as a going concern.

The developer is continuing in its efforts to market the Stonewall Resort for conferences and as a vacation destination to increase revenues, and to monitor its cost of operations. A park foundation has been established to facilitate improving the park programs, amenities and facilities. The bondholders have approved a 2009 Supplemental Indenture that was designed to facilitate expansion planning for the park. The West Virginia Legislature passed legislation which will allow the addition of privately financed lodging to the park, although the actual additions will require approval of the DNR, The United States Army Corps of Engineers (USACOE), and the bondholders. Third-party professionals were consulted to suggest changes that would increase revenues. In 2016, this has resulted in written recommendations for increased amenities and programs, additional lodging capacity, and analysis of the impact of such expansion on revenues. Project management is engaged with DNR, USACOE, and other stakeholders in addressing the legal and financial issues associated with the changes that were suggested.

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

Basis of Presentation

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

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

Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

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

- Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, and other debt of resources that are attributed to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

- Restricted net position results when constraints are placed on net position used by external creditors, grantors, contributors, etc. or imposed by law through constitutional provisions or enabling legislation and reduced by liabilities and deferred inflows of resources related to those assets.

- Unrestricted net position consists of net position which does not meet the definition of the two preceding categories. Unrestricted net position is often designated, which indicates that management does not consider it available for general operations. They also often have constraints on resources imposed by management, but can be removed or modified.

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

Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Governmental Fund Types

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

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

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

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

The State reports the following major governmental funds:

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

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

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

Proprietary Fund Types

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

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

The State reports the following major enterprise funds:

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

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

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

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

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

Additionally, the State reports the following fund types:

Fiduciary Fund Types

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

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

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

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

Interfund Activity and Balances

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

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

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

Major Reserve/Stabilization Funds

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

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

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

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

Expenditures may not be made from the Rainy Day Fund—Part B unless all monies in the Revenue Shortfall Reserve Fund have been first expended. After June 30, 2025, interest and other amounts earned on monies held in the Rainy Day Fund—Part B may be appropriated by the Legislature for continued support of the programs offered by the Public Employees' Insurance Agency; funding for expansion of the federal-state Medicaid program; funding for public health programs, services, and agencies; funding for any State owned or operated health facilities; or in instances of revenue shortfalls or fiscal emergencies of an extraordinary nature. On June 30, 2016, the balance in the Rainy Day Fund—Part B was $387.1 million.

The Income Tax Refund Reserve Fund was established during FY 1990 by West Virginia Code §11-21-93 to pay personal income tax refunds, interest, and penalties to taxpayers in a timely manner. It may also be used by the Legislature to make appropriations from the fund to address other items as the Legislature so desires. Personal income taxes received by the State can be added to this fund, if the state tax commissioner determines the balance in the fund is not enough to ensure the timely payment of income tax refunds. On June 30, 2016, the balance in the Income Tax Refund Reserve Fund was $5 million.

Assets and Liabilities

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

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

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

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

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

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

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

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

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

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

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

Advances - The amount of EDA loans held by the State's General Fund at June 30, 2016, is approximately $124.4 million and is recorded as Advances to/from Component Units. There is a revolving loan agreement with the BTI to borrow up to $175 million ($122.7 million outstanding) to be reloaned for economic development purposes, with interest equal to the twelve-month average of BTI's yield on its cash liquidity pool, adjusted annually. Monthly payments must be sufficient to repay outstanding principal over ten years, secured by a security interest in the investments derived from the loan. There is also a note payable to the BTI, nonrecourse with right of offset against a note receivable, amount not to exceed $25 million ($1.2 million outstanding) interest at 3%, principal due in annual installments through June 2022, unsecured. Note repayments are dependent upon the proceeds received from the investments in venture capital funds. The nonrecourse note has been written down based upon the borrowing agreement with BTI.

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

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

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

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

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

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

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

- Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

- Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Net position that is restricted due to legal restrictions from creditors, grantors, or laws and regulations of other governments, and in some cases by legally enforceable enabling legislation or constitution of the State is as restricted net position.

- Unrestricted net position consists of net position which does not meet the definition of the two preceding categories.

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

- Nonspendable fund balances include amounts that cannot be spent because they are in a nonspendable form, such as inventory, or they are legally or contractually required to be maintained intact, such as the corpus of a permanent fund.

- Restricted fund balances are restricted due to legal restriction from creditors, grantors, or laws and regulations of other governments, or by legally enforceable enabling legislation or constitution of the State.

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

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

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

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

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

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

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

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

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

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

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

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

Future Adoption of Accounting Pronouncements

The GASB issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." This statement is intended to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This statement is effective for fiscal year 2017, and management has not yet determined the financial statement impact of the pronouncement.

The GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." This statement is intended to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement is effective for fiscal year 2018, and management has not yet determined the financial statement impact of the pronouncement.

The GASB issued Statement No. 77, "Tax Abatement Disclosures." The objective of this statement is to provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability for financial statements prepared by state and local governments in conformity with GAAP. This statement is effective for fiscal year 2017, and management has not yet determined the financial statement impact of the pronouncement.

The GASB issued Statement No. 80, "Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14," which is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This statement is effective for fiscal year 2017, and management has not yet determined the financial statement impact of the pronouncement.

The GASB issued Statement No. 81, "Irrevocable Split-Interest Agreements," which is to improve accounting and financial reporting for irrevocable split-interest agreement by providing measurement and recognition guidance in which the government is a beneficiary of the agreement. This statement is effective for fiscal year 2018, and management has not yet determined the financial statement impact of the pronouncement.

The GASB issued Statement No. 83, "Certain Asset Retirement Obligations," which addresses accounting and financial reporting for certain asset retirement obligations. Certain asset retirement obligations are a legally enforceable liability associated with the retirement of a tangible capital asset. This statement is effective for fiscal year 2019, and management has not yet determined the financial statement impact of the pronouncement.

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

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


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NOTE 2

REVISION AND RESTRICTED BALANCES

Revision of Beginning Balances

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

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

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

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

Restricted Net Position

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

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

The government-wide statement of net position reports $2,163,151 of restricted net position for the primary government of which $839,414 is restricted by enabling legislation.

Restricted Fund Balance

The following table summarizes, by fund, the restricted fund balance of each of the funds included in "other" columns at June 30, 2016 (expressed in thousands):

Fund Type/Fund	Total Reporting Entity	Capital Projects	Debt Service	Development Tourism, and Recreation	Education	Public Protection
Governmental Funds:						
Special Revenue Funds:						
Environmental Protection	$ 48,726	$ —	$ —	$ —	$ —	$ 48,726
Public Service Commission	2,608	—	—	—	—	2,608
Wildlife Resources	54,591	—	—	54,591	—	—
	105,925	—	—	54,591	—	51,334
Capital Projects Funds:						
Education, Arts, Sciences, and Tourism Fund	2,062	2,062	—	—	—	—
Lease Purchase Accounts	10,271	10,271	—	—	—	—
	12,333	12,333	—	—	—	—
Debt Service:						
West Virginia Infrastructure & Jobs Development Council	1	—	1	—	—	—
Education, Arts, Sciences, and Tourism Fund	1,004	—	1,004	—	—	—
Lease Purchase Accounts	6,878	—	6,878	—	—	—
Economic Development Project Fund	45,708	—	45,708	—	—	—
	53,591	—	53,591	—	—	—
Permanent Funds:						
Irreducible School	584	—	—	—	584	—
Total	$ 172,433	$ 12,333	$ 53,591	$ 54,591	$ 584	$ 51,334


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NOTE 3

NET POSITION/FUND DEFICITS

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

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

General Fund

The deficit in the General Fund is largely due to OPEB liability in the amount of $1.9 billion, which is discussed in Note 13, Other Postemployment Benefits. Senate Bill 469, effective July 1, 2012, amended West Virginia Code §11-21-96 by dedicating $30 million to be transferred commencing in FY 2017 to fund the Retiree Health Benefit Trust Fund (RHBT) unfunded liability in its entirety or by July 1, 2037.

Special Revenue Funds

WORKFORCE West Virginia is continuing to improve its budgetary process and is looking at various methods to control expenses; for instance, budget cutbacks, closing of offices, and the reorganization of various job responsibilities. In addition, a more comprehensive oversight program to monitor the seven subrecipient workforce investment boards is being developed in an effort to reduce non-allowable expenditures. New guidelines have been issued and fiscal training is being conducted. The recent increase in the deficit can primarily be attributed to a liability with the United States Division of Labor due to cash on hand.

Enterprise Funds

West Virginia Prepaid College Plan (the Plan) has a net position deficiency of approximately $12 million as of June 30, 2016. This deficiency was largely caused by investment losses in fiscal years 2002, 2008, and 2009, unexpected tuition increases beginning with the 2002-2003 school year, changes in prior years of estimates of future investment rate of return and tuition growth, and significant adjustments in actuarial assumptions in fiscal year 2008. The West Virginia College Prepaid Tuition and Savings Program's ability to pay obligations of the Prepaid Tuition Plan is dependent on long-term investment programs and adequate levels of future cash flows. In March 2003, the West Virginia Legislature closed the Plan to new enrollment until the Legislature authorizes it to reopen. Contract holders are supposed to continue to pay any amounts due, and the Plan will continue to pay all benefits due.

The Plan sought and received support from the State Legislature to support payment of plan benefits. In March 2003, the Legislature created the Prepaid Tuition Trust Escrow Account (the Escrow Account) to guarantee payment of plan contracts. Under the legislative action, the Escrow Account may receive transfers of up to $1 million each year there is an actuarially determined unfunded liability of the Plan. All earnings on the transferred funds will remain in the Escrow Account. In the event the Plan is unable to cover the amount of money needed to meet its current obligations, funds may be withdrawn from the Escrow Account to meet those obligations. The funds were invested and have had a net investment gain of $1.6 million for the thirteen years ended June 30, 2016, leaving the account with a balance of $19.8 million at June 30, 2016. Because there was an actuarially determined unfunded liability of approximately $13 million in the Plan as of June 30, 2016, an additional $1 million was transferred from the Fund to the Escrow Account on October 31, 2016, in accordance with the provisions enacted by the Legislature. Funds transferred or to be transferred into the Escrow Account do not affect the actuarial valuation of the Plan and are not included in the Plan's financial statements. Management believes that the Plan will continue to have sufficient liquid resources to meet its obligations as they become due through June 30, 2017. The financial statements do not reflect any adjustments that might result should the plan to eliminate the net position deficiency fail to be successful.

Internal Service Funds

The Information Services and Communication's (the IS&C) net position deficiency at June 30, 2016, is $460 thousand. The deficiency is due to the increase of the net pension liability and net of deferred inflows and outflows.

Discretely Presented Component Units

The School Building Authority of West Virginia's (the SBA) combined net position deficiency at June 30, 2016, is $243.3 million. The deficit arose from the issuance of revenue bonds to replace or improve school facilities in the State of West Virginia and the SBA's policy to grant ownership of these new and renovated buildings to the local county boards of education. The SBA will receive $23 million per year from an allocation from the West Virginia Department of Education through June 30, 2022, for debt service. At that time, the debt service payments dedicated from Step 7 of the Department of Education's funding formula will be allocated to the SBA's pay-as-you-go construction program. The West Virginia Supreme Court has ruled that any future allocations for debt service from Step 7 of the funding formula are unconstitutional.

At year-end, the SBA had $470.5 million in bonds outstanding, compared to $461.2 million at June 30, 2015, an increase of 2%. This increase of $9.2 million was caused by principal bond payments, the amortization of unamortized premiums and discounts associated with bond issuance during the current period, and the refunding activity. Since the SBA receives all its debt service funding from allocations from the West Virginia Lottery, any bonds issued by the SBA will always be assigned a debt rating based on the performance of the West Virginia Lottery.

The Racing Commission's net position deficit at June 30, 2016, is $1.1 million. The deficiency is due to the increase of the net pension liability and related deferred inflows and deferred outflows.

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


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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.

<u>Primary Government</u>

At June 30, 2016, the reported amount of the primary government's deposits was $126,617,000 and the bank balance was $333,013,000. Of that bank balance, $23,688,000 was uninsured and collateralized with securities held by the pledging financial institution but not in the name of the State.

<u>Component Units</u>

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

Investments

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

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

Investment Valuation

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

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

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

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

Level 3 Unobservable pricing inputs for assets and liabilities.

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

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

- Equity securities and money market mutual funds are valued at the last sale price or official closing price reported in the market in which they are primarily traded.
- Equity securities that trade in non-U.S. markets are valued in U.S. dollars using period-end spot market exchange rates as supplied by the pool's custodian.
- Fixed income securities are valued according to prices furnished by independent pricing services to the pool's custodian. These services determine the security prices by a number of methods including, but not limited to, dealer quotes, live market trading levels when available, live feeds of trade execution data, spreads over U.S. Treasury securities, and other models and formulae appropriate to the specific security type.
- Open-end regulated investment companies or other commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.
- Futures and option contracts are valued at the last settlement price established each day by the exchange on which they are traded.
- Repurchase agreements and time deposits are valued at amortized cost, provided such amount approximates fair value.
- Commingled investment funds are valued at the net asset value of the fund as reported by the fund's administrator.
- Credit default, interest rate, and currency swap values are based on market values received from third parties or are determined by valuation models.
- Foreign currency forward contracts are valued at the difference between the forward contract amount and the month-end forward exchange rate.
- Investments in private equity partnerships, real estate limited partnership funds, and other private funds are not securities for which market quotations are readily available. The IMB has concluded that the net asset value reported by the general partners or fund administrators approximates the fair value of these investments and consequently these investments are carried at net asset value as a practical expedient for fair market value. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds, and consequently, the fair value of the IMB's interest in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is therefore reasonably possible that if the IMB were to sell these investments in the secondary market a buyer may require a discount to the reported net asset value, and the discount could be significant. The IMB believes that the net asset value of such investments is a reasonable estimate of fair value at June 30, 2016.

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

The BTI is an investment vehicle of the State and its component units, all of which are government entities. The investments of the WV Money Market, WV Government Money Market, WV Bank, Loan, and Reserve pools and accounts are carried at cost as permissible under GASB 31, as amended by GASB 72 and 79. The WV Money Market and WV Government Money Market pools measure all investments at amortized cost for financial reporting purposes in accordance with criteria established in GASB 79. The criteria specify that the pools must transact with their participants at a stable net asset value per share and meet requirements for portfolio maturity, portfolio quality, portfolio diversification, portfolio liquidity, and shadow pricing. The BTI does not place any limitations or restrictions on participant withdrawals from the WV Money Market and WV Government Money Market pools, such as redemption notice periods, maximum transaction amounts, and any authority to impose liquidity fees or redemption gates. The specific exceptions to fair value reporting for the other pools as defined in professional standards are as follows:

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

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

A more detailed discussion of the IMB's and BTI's investment pools can be found in the IMB's and BTI's annual reports. A copy of the IMB's annual report can be obtained from the following address: 500 Virginia Street East, Suite 200, Charleston, WV 25301 or http://www.wvimb.org. A copy of the BTI's annual report can be obtained from the following address: West Virginia Board of Treasury Investments, 315 70th Street SE, Charleston, WV 25304 or http://www.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 State Building Fund, Education, Arts, Sciences, and Tourism Fund; West Virginia Infrastructure and Jobs Development Council; Tobacco Settlement Finance Authority; the Department of Health and Human Resources; and the Department of Administration have investments with bond trustees. The West Virginia Infrastructure and Jobs Development Council enterprise fund also has investments with bond trustees. The following discretely presented component units have reported investments held with third-party trustees: Regional Jail Authority; Economic Development Authority (EDA); Educational Broadcasting Authority; Jobs Investment Trust; Housing Development Fund; Parkways Authority; Water Development Authority; School Building Authority; and Higher Education Fund. IMB has operating funds in an institutional Treasury Money Market Fund. The Teachers' Defined Contribution Retirement System of the Consolidate Public Retirement Board and the SMART 529 College Savings Plan have their assets held by outside third parties.

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

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

Derivatives

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

Repurchase Agreements

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

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

Foreign Currency

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

- Market value of investment securities, other assets, and liabilities - at the closing rate of exchange at the valuation date.

- Purchases and sales of investment securities, income, and expenses - at the rate of exchange prevailing on the respective dates of such transactions.

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

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

Futures Contracts

A futures contract is an agreement between a buyer or a seller and the clearinghouse of a futures exchange in which the parties agree to buy or sell a commodity, financial instrument or index at a specified future date and price. Upon entering into a financial futures contract, the IMB is required to pledge to the broker an amount of cash, U.S. government securities, or other assets, equal to a certain percentage of the contract amount (initial margin deposit). Cash (variation margin) is received from or paid to the broker on a daily basis for the fluctuations of the underlying securities or index. The IMB records futures at fair market value, as determined by the exchange on which they are traded. Gains or losses on open futures positions are unrealized. These gains or losses become realized when the position is closed.

Stock index futures may be used to provide immediate exposure to fluctuations in the market values of the stocks in the underlying index and to provide liquidity for cash flows. The market risk associated with holding stock index futures results from changes in the market value of the contractual positions due to changes in the value of the underlying instruments or indices. Investment risk associated with these futures contracts arises because the value of the futures contracts may not correlate perfectly with changes in the values of the underlying instruments or indices due to market distortions. Other risks associated with futures contracts are liquidity risk and credit risk. Liquidity risk arises when there is insufficient trading in a particular futures contract. Credit risk arises from the potential inability of counterparties to meet the terms of the contracts. The IMB's managers generally only utilize futures contracts that are traded on major exchanges or are executed with major dealers. The major exchanges assume the risk of a counterparty default and generally require an initial margin deposit of cash or securities.

As of June 30, 2016, the futures contracts had the following open positions denominated in U.S. dollars (summarized and expressed in thousands):

Open Positions/Pool	Expiration	Value Upon Entering Contract (Notional Value)	Fair Value at June 30, 2016	Change in Fair Value
Long:				
Large Cap Domestic Equity	Sept 2016	$ 106,605	$ 109,631	$ 3,026
Total Return Fixed Income	Sept 2016	277,461	282,964	5,503
Short:				
Total Return Fixed Income	Dec 2016	(74,314)	(74,494)	(180)
Total Return Fixed Income	Mar 2017	(295,075)	(295,432)	(357)
Total Return Fixed Income	Sept 2016	(206,160)	(209,544)	(3,384)

As of June 30, 2016, the futures contracts had the following open positions denominated in foreign currencies (summarized and expressed in thousands):

Open Positions/Pool	Expiration	Value Upon Entering Contract (Notional Value)	Fair Value at June 30, 2016	June 30, 2016 Exchange Rate	Change in Fair Value
Short:					
Total Return Fixed Income	Sept 2016	$ (93,321)	$ (95,258)	1.1109	$ (2,152)
Total Return Fixed Income	Sept 2016	(15,205,200)	(15,292,000)	.0097	(846)

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

Foreign Exchange Forward Contracts

A foreign exchange forward contract is an agreement between two parties to exchange different currencies at a specified exchange rate at an agreed-upon future date. The IMB's investment managers enter into such contracts to correspond to investment transactions trading in foreign currency. Risks associated with such contracts include movement in the value of the foreign currency relative to the U.S. dollar and the ability of the counterparty to perform. These contracts have relatively short durations and are valued at the prevailing market exchange rates at month-end. At June 30, 2016, the IMB was party to outstanding foreign exchange forward contracts to purchase foreign currencies with contract amounts of $171.9 million, collectively. The fair values of these outstanding contracts were $168.2 million resulting in a change in fair value of approximately $3,688,000. The realized gain or loss is reclassified to realized gain or loss when the contract expires and deposited at fair value in the International Equity, Real Estate, and the Total Return Fixed Income pools.

Asset-Backed Securities

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

Security Loans

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

At June 30, 2016, the fair value of securities on loan and collateral held by the pools of the IMB are as follows (expressed in thousands). Of the collateral held, $1,289 billion was received as cash. The collateral received as cash is invested in the Mellon GSL DBT II Funds.

	Fair Value of Securities on Loan	**Collateral Held**
Large Cap Domestic Equity	$ 798,386	$ 828,443
Non-Large Cap Domestic Equity	422,464	431,472
International Equity	343,560	373,678
Total Return Fixed Income	207,311	211,988
Core Fixed Income Pool	74,364	76,076
TIPS Pool	53,761	54,862
Real Estate Pool	38,762	40,389
Total	$ 1,938,608	$ 2,016,908

Commitments

The IMB, with the assistance of its consultant, began implementing its plan to invest in real estate and private equity partnerships in February of 2008. As of June 30, 2016, the IMB had made commitments to 58 private equity general partnerships (expressed in thousands).

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

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

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

Investment Pools

Schedule of Participation

The participant balances below for the Total Return Fixed Income and the Core Fixed Income pools do not include approximately a $7.5 million dividend declared by the pool on the last day of the month and reinvested to the participant's accounts on the first day of the following month. The following schedule details the participation in the various IMB pools exclusive of those pools comprising the Consolidated Fund or Participant Directed Accounts as of June 30, 2016 (expressed in thousands):

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

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

Investment Pool Descriptions

Large Cap Domestic Equity

The pool's objective is to exceed, net of external management fees, the S&P 500 Stock Index over three- to five-year periods. Intech Investment Management, LCC and State Street Global Advisors manage assets of this pool.

Credit Risk
The pool is exposed to credit risk from investments made with cash collateral for securities loaned. This risk is limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standard & Poor's at the time of purchase. Short-term debt instruments must be rated P-1 by Moody's or A-1 by Standard & Poor's at the time of purchase.

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

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

Interest Rate Risk
The pool is exposed to interest rate risk from investments made with cash collateral for securities loaned. The weighted-average maturity for investments made with cash collateral for securities loaned is not to exceed 90 days. The maturity of floating rate notes is assumed to be the next interest reset date.

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

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

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

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

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

Non-Large Cap Domestic Equity

This pool invests in the equities of small- to mid-sized companies and its objective is to exceed, net of external investment fees, the Russell 2500 Index over three- to five-year periods. Assets of this pool are managed by AJO and Westfield Capital Management.

Credit Risk
The pool is exposed to credit risk from investments made with cash collateral for securities loaned. This risk is limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standard & Poor's at the time of purchase. Short-term debt instruments must be rated P-1 by Moody's or A-1 by Standard & Poor's at the time of purchase.

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

Security Type	Credit Rating Moody's	Credit Rating S&P	Carrying Value Prior to Repurchase Collateral Included	Reclassified Repurchase Agreement to Actual Investment Types	Carrying Value	Percent of Assets
Rated:						
Foreign Corporate Bonds	A	A	$ —	$ 2,198	$ 2,198	0.20%
Foreign Government Bonds	Aa	A	—	7	7	0.00%
Money Market Mutual Fund	Aaa	AAA	88,686	—	88,686	7.70%
Non-Negotiable Time Deposits	P-1	A-1	73,468	—	73,468	6.40%
U.S. Corporate Bonds	A	A	—	8,524	8,524	0.70%
U.S. Government Agency Bonds	Aaa	AA	—	2,322	2,322	0.20%
U.S. Government Agency MBS	Aaa	AA	—	76,389	76,389	6.60%
U.S. Treasury Bonds	Aaa	AA	—	22,357	22,357	1.90%
Repurchase Agreements			218,904	(218,904)	—	—%
Total Rated Investments			381,058	(107,107)	273,951	23.70%
Unrated:						
Common Stock			760,811	119,319	880,130	76.30%
Securities Lending Repurchase Agreement Less Collateral Received			(12,212)	—	(12,212)	0.00%
Total Unrated Investments			748,599	119,319	867,918	76.30%
Total Investment Securities at Carrying Value			$ 1,129,657	$ 12,212	$ 1,141,869	100%

Interest Rate Risk

The pool is exposed to interest rate risk from investments made with cash collateral for securities loaned. The weighted-average maturity for investments made with cash collateral for securities loaned is not to exceed 90 days. The maturity of floating rate notes is assumed to be the next interest reset date.

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

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

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

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

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

International Qualified

Funds of this pool are invested in Silchester International Investors' International Value Equity Group Trust which is a collective trust fund that invests in equities denominated in foreign currencies. This pool's objective is to produce investment returns that exceed the Morgan Stanley Capital International's Europe Australasia Far East (EAFE) Index by 200 basis points on an annualized basis over three- to five-year periods, net of external investment management fees. Only "qualified participants" (as defined by the Internal Revenue Code) may invest in this pool. The value of this investment at June 30, 2016, was $1,208,025,000. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments.

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

International Nonqualified

Funds of this pool are invested in Silchester International Investors' International Value Equity Group Trust which is a collective trust fund that invests in equities denominated in foreign currencies. This pool's objective is to produce investment returns that exceed the Morgan Stanley Capital International's EAFE Index by 200 basis points on an annualized basis over three- to five-year periods, net of external investment management fees. This pool exists for participants who are not "qualified" (as defined by the Internal Revenue Code). The value of this investment at June 30, 2016, was $141,311,000. This investment, although denominated in U.S. dollars, is exposed to foreign currency risk through the underlying investments.

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

International Equity

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

Credit Risk
The pool is exposed to credit risk from investments made with cash collateral for securities loaned. This risk is limited by requiring minimum ratings on debt instruments. Long-term debt instruments must be rated A or better by Moody's or Standard & Poor's at the time of purchase. Short-term debt instruments must be rated P-1 by Moody's or A-1 by Standard & Poor's at the time of purchase.

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

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

Interest Rate Risk

The pool is exposed to interest rate risk from certain investments made with cash collateral for securities loaned. The weighted-average maturity for investments made with cash collateral for securities loaned is not to exceed 90 days. The maturity of floating rate notes is assumed to be the next interest reset date.

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

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

This pool has both equity securities and cash that are denominated in foreign currencies and are exposed to foreign currency risks. The amounts at fair value (in U.S. dollars) of investments and cash denominated in foreign currencies as of June 30, 2016, consisted of the following (expressed in thousands):

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

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

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

Liabilities	Level 1	Level 2	Level 3	Total
Foreign Currency Contracts	$ —	$ (63)	$ —	$ (63)

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

Short-Term Fixed Income

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

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

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

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
Rated:						
Commercial Paper	P-1	A-1	$ 52,734	$ —	$ 52,734	14.9%
Money Market Mutual Fund	Aaa	AAA	82,161	—	82,161	23.2%
U.S. Government Agency Bonds	P-1	A-1	130,482	—	130,482	37.0%
U.S. Treasury Bonds	Aaa	AA	74,786	13,260	88,046	24.9%
Repurchase Agreements			13,000	(13,000)	—	—%
Total Rated Investments			353,163	260	353,423	100%
Unrated Investments:						
Repurchase Agreement Less Collateral Received			(260)	—	(260)	
Total Unrated Investments			(260)	—	(260)	
Total Investment Securities at Carrying Value			$ 352,903	$ 260	$ 353,163	

Interest Rate Risk

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

Security Type	Carrying Value	WAM (Days)
Repurchase Agreements (Underlying Securities):		
U.S. Treasury Issues	$ 13,000	1
Commercial Paper	52,734	22
U.S. Treasury Issues	74,786	28
U.S. Government Agency Issues	130,482	55
Total	271,002	39
Investments with no Interest Rate Risk:		
Money Market Mutual Fund	82,161	
Total Assets	$ 353,163	

Fair Value Measurements

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

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

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

Total Return Fixed Income

The main objective of the Total Return Fixed Income Pool is to earn superior returns with low volatility by actively investing in the extended fixed income markets. Dodge & Cox, Franklin Templeton Investments (FTI), and Western Asset Management Company, LLP manage this pool. The pool's investment objective, net of external investment management fees, is to meet or exceed the Barclays Capital Universal index.

Credit Risk

The IMB limits the exposure to credit risk in the Total Return Fixed Income Pool by maintaining at least an average rating of investment grade as defined by the Nationally Recognized Statistical Rating Organizations. The following table provides the weighted-average credit ratings of the investments in the Total Return Fixed Income Pool as of June 30, 2016 (expressed in thousands):

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

Interest Rate Risk

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

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

The Total Return Fixed Income Pool invests in commercial and residential mortgage-backed securities, asset-backed securities, and collateralized mortgage obligations. The cash flows from these securities are based on the payment of the underlying collateral. The effective duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions, and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2016, the Total Return Fixed Income Pool held $407,958,000 of these securities. This represents approximately 19% of the value of the pool's securities.

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

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

Counterparty, Moody's Rating, S&P Rating
a – Barclay's PLC, Baa, BBB
b – BNY Mellon, A, A
c – Citigroup Inc, Baa, BBB
d – Deutsche Bank, A, BBB
e – Morgan Stanley, A, BBB
f – UBS AG, Ba, A
g – Available for offset under a netting provision

Fair Value Measurements

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

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

Liabilities	Level 1	Level 2	Level 3	Total
Foreign Currency Forward Contracts	$ —	$ (4,747)	$ —	$ (4,747)
Futures Contracts	(7,013)	—	—	(7,013)
Options Contracts Written	(142)	(293)	—	(435)
Swaps	—	(18,200)	—	(18,200)
Total	$ (7,155)	$ (23,240)	$ —	$ (30,395)

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

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

The pool can redeem these investments daily.

Opportunistic Debt Pool

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

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

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

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

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

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

Core Fixed Income Pool

The main objective of the Core Fixed Income Pool is to generate investment income, provide stability and diversification, but not at the expense of total return. JP Morgan Investment Advisors, Inc. manages this pool. This pool's investment objective, net of external investment management fees, is to meet or exceed the Barclays Capital U.S. Aggregate index.

Credit Risk

The IMB limits the exposure to credit risk in the pool by maintaining at least an average rating of investment grade as defined by the Nationally Recognized Statistical Rating Organizations. The following table provides the weighted-average credit ratings of the rated assets in the Core Fixed Income Pool as of June 30, 2016 (expressed in thousands):

Security Type	Credit Rating: Moody's	Credit Rating: S&P	Carrying Value Prior to Repurchase Collateral Included	Reclassified Repurchase Agreement to Actual Investment Types	Carrying Value	Percent of Assets
Rated Investments:						
Corporate Asset-Backed Issues	Aa	AA	$ 71,452	$ —	$ 71,452	6.7%
Corporate Collateralized Mortgage Obligations	A	A	58,738	—	58,738	5.5%
Corporate CMO Interest-Only	Ba	AAA	713	—	713	0.1%
Corporate CMO Principal-Only	B	AA	200	—	200	0.0%
Foreign Asset-Backed Issues	Aa	AA	1,793	—	1,793	0.2%
Foreign Corporate Bonds	A	A	44,401	392	44,793	4.2%
Foreign Government Bonds	Aa	A	7,251	1	7,252	0.7%
Money Market Mutual Fund	Aa	AAA	35,271	—	35,271	3.3%
Municipal Bonds	Aa	AA	9,782	—	9,782	0.9%
Negotiable Time Deposits	P-1	A-1	13,097	—	13,097	1.2%
U.S. Corporate Bonds	A	A	220,656	1,519	222,175	21.1%
U.S. Government Agency Bonds	Aaa	AA	22,805	414	23,219	2.2%
U.S. Government Agency CMO	Aaa	AA	129,989	—	129,989	12.3%
U.S. Government Agency CMO Interest-Only	Aaa	AA	5,229	—	5,229	0.5%
U.S. Government Agency CMO Principal-Only	Aaa	AA	9,002	—	9,002	0.8%
U.S. Government Agency MBS	Aaa	AA	187,412	13,617	201,029	19.0%
U.S. Treasury Bonds	Aaa	AA	200,745	3,985	204,730	19.3%
U.S. Treasury Inflation Protected Security	Aaa	AA	431	—	431	0.0%
Repurchase Agreements			39,023	(39,023)	—	—%
Total Rated Investments			1,057,990	(19,095)	1,038,895	98.0%
Unrated Investments:						
Common Stock			—	21,270	21,270	2.0%
Securities Lending Repurchase Agreement Less Collateral Received			(2,175)	—	(2,175)	0.0%
Total Unrated Investments			(2,175)	21,270	19,095	2.0%
Total Investment Securities at Carrying Value			$ 1,055,815	$ 2,175	$ 1,057,990	100%

Interest Rate Risk

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

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

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

Fair Value Measurements

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

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

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

TIPS Pool

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

Credit Risk

The IMB limits the exposure to credit risk in the pool by primarily investing in U.S. Treasury inflation protected securities. The following table provides the weighted-average credit ratings of the rated assets in the pool as of June 30, 2016 (expressed in thousands):

	Credit Rating			
Security Type	Moody's	S&P	Carrying Value	Percent of Assets
Rated:				
U.S. Treasury Inflation-Protected Securities	Aaa	AA	$ 374,622	100.0%
Money Market Mutual Fund	Aaa	AAA	127	0.0%
Total Rated Investments			$ 374,749	100.0%

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

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

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

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

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

TRS Annuity Pool

The pool held 100% of investment in an investment contract strictly for the benefit of the Teachers Retirement System (TRS). The IMB assumed responsibility for this investment as part of the restructuring of the Teachers Defined Contribution (TDC) plan, a separate retirement plan outside of the IMB, whereby certain TDC participants elected to transfer the ownership of their individual TDC retirement accounts to the TRS in exchange for current participation in the TRS defined benefit plan. The contract, issued by the Variable Annuity Life Insurance Company (VALIC), could not be liquidated as part of the restructuring, and was transferred in-kind to the IMB on December 10, 2008. The final amount transferred on the contract was $248,293,000. Effective April 23, 2009, the IMB elected to liquidate this contract and will receive five equal annual payments of $55,058,000. The first scheduled payments were received on May 4, 2009, 2010, 2011 and 2012. The final payment of $55,191,000 was received on May 8, 2013. The contract and the payments included a guaranteed annual interest yield of 4.5%. VALIC is a wholly owned subsidiary of American International Group, Inc. (AIG), but is not in bankruptcy.

Private Equity

This pool was established to hold the IMB's investments in various private equity funds, a hedge fund, and a commingled investment fund. Franklin Park Associates, LLC has been retained by the IMB to provide consulting services for the private equity funds. The hedge fund is managed by Bridgewater Associates, LP and the commingled investment fund is managed by State Street Global Advisors. This pool holds limited partnerships, shares of a hedge fund, a commingled investment fund and a money market fund. The money market is rated AAA by Standard & Poor's and Aaa by Moody's. The pool is restricted from investing more than 10% of the IMB's total private equity exposure in a single fund. As of June 30, 2016, the pool was in compliance with this restriction.

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

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

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

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

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

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

Real Estate

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

Credit Risk
The IMB limits the exposure to credit risk in the Real Estate Pool by maintaining at least an average rating of investment grade as defined by the Nationally Recognized Statistical Rating Organizations.

The following table provides the weighted-average credit ratings of the rated assets in the Real Estate Pool as of June 30, 2016 (expressed in thousands):

Security Type	Credit Rating Moody's	Credit Rating S&P	Carrying Value Prior to Repurchase Collateral Included	Reclassified Repurchase Agreement to Actual Investment Types	Carrying Value	Percent of Assets
Rated Investments:						
Foreign Corporate Bonds	A	A	$ —	$ 198	$ 198	0.00%
Foreign Government Bond	Aa	A	—	1	1	0.00%
Money Market Mutual Fund	Aaa	AAA	70,652	—	70,652	4.60%
Negotiable Time Deposits	P-1	A-1	6,614	—	6,614	0.40%
U. S. Corporate Bonds	Baa	BBB	8,083	767	8,850	0.60%
U.S. Government Agency Bond	Aaa	AA	—	209	209	0.00%
U.S. Government Agency MBS	Aaa	AA	—	6,878	6,878	0.40%
U.S. Preferred Stock	Baa	BB	12,767	—	12,767	0.80%
U.S. Treasury Issues	Aaa	AA	—	2,013	2,013	0.10%
Repurchase Agreements			19,708	(19,708)	—	—%
Total Rated Investments			117,824	(9,642)	108,182	6.90%
Unrated Investments:						
Common Stock			109,014	10,743	119,757	7.80%
Real Estate Limited Partnerships and Funds			1,314,563	—	1,314,563	85.30%
Securities Lending Repurchase Agreement Less Collateral Received			(1,101)	—	(1,101)	0.00%
Total Unrated Investments			1,422,476	10,743	1,433,219	93.10%
Total Investments			$ 1,540,300	$ 1,101	$1,541,401	100%

Interest Rate Risk

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

Security Type	Carrying Value	Modified Duration (Years)
Rated:		
Repurchase Agreements	$ 19,708	0.0
Negotiable Time Deposits	6,614	0.0
U.S. Corporate Bonds	8,083	2.5
U.S. Preferred Stock	12,767	2.2
Total Rated Assets	47,172	1.0
Unrated:		
Money Market Mutual Fund	70,652	
Common Stock	109,014	
Real Estate Limited Partnerships	1,314,563	
Total Unrated Assets	1,494,229	
Total Assets	$ 1,541,401	

Foreign Currency Risk

The pool has real estate investment trusts and real estate limited partnerships and funds that are denominated in foreign currencies and are exposed to risks. The amounts at fair value (in U.S. dollars) of investments denominated in foreign currencies as of June 30, 2016 (expressed in thousands):

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

Fair Value Measurements

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

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

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

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

property type and geographically in the United States. No contractual termination date. Redemption is quarterly with 45 days written notice.
- To invest in a portfolio of core equity investments in income producing real property diversified by property type and geographically in the United States. No contractual termination date. Redemption is quarterly with 60 days written notice.
- To provide investors with positive total return in excess of the rate of invest inflation in all market conditions on a rolling three to five year period. No contractual termination date. Redemption is quarterly with 60 days written notice.
- To invest in a broad range of real estate and real estate related investments in Europe.
- To target distressed real estate debt and equity investments that provide an opportunity for substantial long-term capital appreciation and current income.
- To generate a 14% net return to investors through the acquisition of moderately leveraged real estate assets generally valued between $10 million and $30 million in the value-add sector.
- To invest in core plus equity real estate investments primarily located in the U.S. that provide opportunities to enhance and stabilize returns, and to generate a gross return ranging from 13-15%.
- To invest in a broad range of real estate assets in the U.S. in which value can be enhanced through intense operations and asset management, and to generate an internal rate of return in excess of 12%, net of fees, costs, and carried interest.
- To capitalize on inefficiencies in real estate markets and to make real estate investments that provide value-add opportunities expected to provide investors a 12-15% rate of return on their investments.
- To acquire illiquid ownership interests in core-quality properties within the United States and Europe with long-term cash flow profiles and limited lease expiration risks.
- To originate and service first mortgage and mezzanine loans on middle-market, value-added and traditional commercial real estate assets in the United States.

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

Hedge Fund

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

Fair Value Measurements
U.S. GAAP does not require the pool to categorize within the fair value hierarchy table investments for which fair value is measured using the net asset value per share practical expedient. All of the pool's investments in hedge funds were valued using the net asset value per share practical expedient. The significant investment strategies of the underlying investees comprising of the following:
- To generate consistent long-term appreciation through active leveraged trading and investment on a global basis. Redemption is monthly with 90 days prior written notice subject to provisions on maximum withdrawals.
- To achieve substantial capital appreciation in a wide range of asset classes using

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

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

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

Investments in hedge funds are not securities for which market quotations are readily available. The IMB has concluded that the net asset value reported by the underlying funds approximates the fair value of these investments and consequently these investments are carried at net asset value as a practical expedient for fair market value. These investments are redeemable with the fund at net asset value under the original terms of the agreements and operations of the underlying fund. However, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreements. Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds, and consequently, the fair value of the IMB's interest in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is therefore reasonably possible that if the IMB were to sell these investments in the secondary market a buyer may require a discount to the reported net asset value, and the discount could be significant. The IMB believes that the net asset value of such investments is a reasonable estimate of fair value at June 30, 2016.

Consolidated Fund

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

WV Money Market

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

Credit Risk
The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all corporate bonds to be rated A+ by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P-1 by Moody's. Additionally, the pool must have at least 15% of its assets in U.S. Treasury issues.

The following table provides information on the credit ratings as of June 30, 2016, of the WV Money Market Pool's investments (expressed in thousands):

	Credit Rating			
Security Type	**Moody's**	**S&P**	**Carrying Value**	**Percent of Pool Assets**
Commercial Paper	P-1	A-1+	$ 290,118	18.65%
	P-1	A-1	632,773	40.68%
Corporate Bonds and Notes	Aa1	AA-	23,014	1.48%
	Aa3	AA-	15,000	0.96%
	A2	A	11,268	0.72%
U.S. Agency Bonds	Aaa	AA+	9,499	0.61%
U.S. Treasury Notes *	Aaa	AA+	231,398	14.88%
U.S. Treasury Bills *	P-1	A-1+	19,982	1.28%
Negotiable Certificates of Deposit	Aa2	AA-	3,000	0.19%
	Aa3	AA-	6,000	0.39%
	P-1	A-1+	78,006	5.02%
	P-1	A-1	121,001	7.78%
Money Market Funds	Aaa	AAAm	72,370	4.65%
Repurchase Agreements (Underlying Securities):				
U.S. Treasury Notes*	Aaa	AA+	42,100	2.71%
Total			$ 1,555,529	100%

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

Interest Rate Risk

The overall weighted-average maturity of the investments of the WV Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides information on the WAM for the various asset types in the WV Money Market Pool as of June 30, 2016 (expressed in thousands):

Security Type	Total Carrying Value	Primary Government	Investment Trust Funds	Agency Funds	Component Units	WAM (Days)
Commercial Paper	$ 922,891	$ 537,769	$ 56,112	$ 23,349	$ 305,661	48
U.S. Treasury Bills	19,982	11,643	1,215	506	6,618	91
Corporate Bonds and Notes	49,282	28,717	2,996	1,247	16,322	14
Negotiable Certificates of Deposit	208,007	121,206	12,647	5,263	68,891	40
U.S. Agency Bonds	9,499	5,535	578	240	3,146	24
Money Market Funds	72,370	42,170	4,400	1,831	23,969	1
U.S. Treasury Notes	231,398	134,835	14,070	5,854	76,639	88
Repurchase Agreements (Underlying Securities):						
U.S. Treasury Notes	42,100	24,532	2,559	1,065	13,944	1
Total	$ 1,555,529	$ 906,407	$ 94,577	$ 39,355	$ 515,190	49
Percentage of Ownership	100%	58.27%	6.08%	2.53%	33.12%	

WV Government Money Market

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

Credit Risk

The BTI limits the exposure to credit risk in the WV Government Money Market Pool by limiting the pool to U.S. Treasury issues, U.S. government agency issues, money market funds investing in U.S. Treasury issues and U.S. government agency issues, and repurchase agreements collateralized by U.S. Treasury issues and U.S. government agency issues. The pool must have at least 15% of its assets in U.S. Treasury issues. The following table provides information on the credit ratings of the WV Government Money Market Pool's investments as of June 30, 2016 (expressed in thousands):

Security Type	Credit Rating Moody's	Credit Rating S&P	Carrying Value	Percent of Pool Assets
U.S. Treasury Notes *	Aaa	AA+	$ 60,445	31.80%
U.S. Treasury Bills *	P-1	A-1+	6,999	3.68%
U.S. Agency Discount Notes	P-1	A-1+	78,200	41.14%
Money Market Funds	Aaa	AAAm	34	0.02%
Repurchase Agreements (Underlying Securities):				
U.S. Treasury Notes	Aaa	AA+	44,400	23.36%
Total			$ 190,078	100%

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

Interest Rate Risk

The overall weighted-average maturity of the investments of the WV Government Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides information on the WAM for the various asset types in the WV Government Money Market Pool as of June 30, 2016 (expressed in thousands):

Security Type	Carrying Value	Primary Government	Investment Trust Fund	Component Units	WAM (Days)
U.S. Agency Discount Notes	$ 78,200	$ 774	$ 68,808	$ 8,618	50
U.S. Treasury Bills	6,999	69	6,159	771	21
Money Market Funds	34	—	30	4	1
U.S. Treasury Notes	60,445	598	53,186	6,661	89
Repurchase Agreements (Underlying Securities):					
U.S. Agency Notes	44,400	440	39,067	4,893	1
Total	$ 190,078	$ 1,881	$ 167,250	$ 20,947	50
Percentage of Ownership	100%	0.99%	87.99%	11.02%	

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

WV Short Term Bond

This pool consists of the operating funds of the State that are not immediately needed to fund the State's liquidity requirements. The pool is managed by Federated Investors.

Credit Risk

The BTI limits the exposure to credit risk in the WV Short Term Bond Pool by requiring all corporate bonds to be rated BBB- by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P-1 by Moody's. Mortgage-backed and asset-backed securities must be rated AAA by Standard & Poor's and Aaa by Moody's. The following table provides information on the credit ratings of the WV Short Term Bond Pool's investments as of June 30, 2016 (expressed in thousands):

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

NR = Not Rated

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

Interest Rate Risk

The overall effective duration of the investments of the WV Short-Term Bond Pool cannot exceed 731 days. Maximum effective duration of individual securities cannot exceed 1,827 days (five years) from date of purchase. The following table provides information on the effective duration for the various asset types in the WV Short-Term Bond Pool as of June 30, 2016 (expressed in thousands):

Security Type	Total Carrying Value	Primary Government	Investment Trust Funds	Component Units	Effective Duration (Days)
Corporate Bonds and Notes	$ 386,556	$ 355,438	$ 2,397	$ 28,721	480
U.S. Treasury Notes	89,497	82,292	555	6,650	1,034
Corporate Asset-Backed Securities	227,907	209,561	1,413	16,933	302
U.S. Agency Mortgage-Backed Securities	47,311	43,502	293	3,516	175
Corporate Mortgage Backed Securities	29,402	27,035	182	2,185	338
Money Market Funds	10,077	9,266	62	749	1
Total	$ 790,750	$ 727,094	$ 4,902	$ 58,754	462
Percentage of Ownership	100%	91.95%	0.62%	7.43%	

Fair Value Measurements

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

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

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

WV Bank Pool

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

Loans

This pool is comprised of loans made by the State. The $1 unit price is utilized for accounting purposes only. The State is the sole participant in this pool. This pool primarily holds intergovernmental loans and an investment in a money market mutual fund in the amount of approximately $8,000 with a weighted-average maturity of one day which is rated AAAm by Standard & Poor's and Aaa by Moody's. The loans are not rated by any nationally recognized statistical rating organization; however, as there is the potential for defaults, they are exposed to credit risk. For financial statement purposes, the intergovernmental loans are reflected in the Advances to Component Units line on the Statement of Net Position. The BTI addresses the credit risk by evaluating the need for and establishing a reserve for uncollectible loans.

Reserve

This pool is composed of an interest-bearing depository account with funds totaling approximately $18,762,000 in a bank depository. The pool was created to provide an added layer of security for the WV Money Market and WV Government Money Market pools. The objective of this pool is to provide support for the WV Money Market and WV Government Money Market pools to ensure their unit net position levels do not fall below $0.9975. The State is the sole participant in this pool.

Participant-Directed Accounts

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

Municipal Bond Commission

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

The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in the MBC account arising from increasing interest rates. The following table provides information on the weighted-average maturities for the various asset types in the MBC account as of June 30, 2016 (expressed in thousands):

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

Fair Value Measurements

The MBC account holds U.S. Treasury Notes and Bonds reported at a fair value of $21,524,000 using Level 1 inputs. The Account also holds Treasury Securities – State and Local Government Series ("SLGS") issues that are reported at historical cost (face value) of $3,725,000. SLGS are special purpose securities the U.S. Department of the Treasury issues to state and local government entities, upon request by those entities, to assist them in complying with federal tax laws and Internal Revenue Service arbitrage regulations when they have cash proceeds to invest from their issuance of tax exempt bonds. There is no market for these securities as they may only be redeemed at the U.S. Department of Treasury on or before their stated maturity date at face value plus accrued interest.

School Fund

The School Fund account holds an interest in a money market mutual fund valued at $1,584,000 with a weighted-average maturity of one day. The mutual fund is rated AAAm by Standard & Poor's and Aaa by Moody's as of June 30, 2016 (expressed in thousands):

		Investment Maturities			
Security Type	Carrying Value	Less than 1	1-5	6-10	More than 10
Governmental Activities:					
Money Market	$ 1,584	$ 1,584	$ —	$ —	$ —

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

EDA-AW

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

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

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

This schedule reconciles disclosed investment values to net asset values of the pools as reflected in the accompanying financial statements, at IMB and BTI at June 30, 2016 (expressed in thousands):

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

**Pools had cash denominated in foreign currencies.

Outside Investments

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

Credit Risk

The following table provides information on the credit ratings of the State's third-party trustee investments as of June 30, 2016 (expressed in thousands):

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

Underlying Securities:

* Primary Government:

US Treasury Notes $76,089

** Component Units:

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

Concentration of Credit Risk

As of June 30, 2016, the State had investment balances with the following issuers which are greater than or equal to 5% of the respective third-party trustee investment balance (expressed in thousands):

Security Type	Carrying Value	Issuer	Percentage of Concentration
Primary Government:			
Repurchase Agreement	$ 71,181	DEPFA Bank, PLC	14.6%
State & Local Government Securities	25,171	The County Commission of Monongalia	5.2%
Component Units:			
Other Investments	143,956	The $75,668,000 of the $143,956,000 is invested by the Foundations at the Higher Education institutions which are reported under FASB and the information is not available.	12.8%
Common & Preferred Stock	136,879	The $136,879,000 is invested by the Foundations at the Higher Education institutions which are reported under FASB and the information is not available.	12.2%

Interest Rate Risk

The following table provides information on the interest rate risk of the State's third-party trustee investments as of June 30, 2016 (expressed in thousands):

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

Underlying Securities:

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

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

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

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

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

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

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

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

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

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

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

Reconciliation to Financial Statements

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

Deposits:

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

Investments:

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


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NOTE 5

RECEIVABLES
(Expressed in Thousands)

Receivables at June 30, 2016, consisted of the following:

	Governmental Funds				
	General	Transportation	Tobacco Settlement Finance Authority	Other Governmental	Total Governmental Receivables
Taxes	$ 407,010	$ 67,798	$ —	$ —	$ 474,808
Accounts	289,520	66,287	31,109	9,365	396,281
Loans	4,284	—	—	—	4,284
Accrued Interest	10,094	—	5	1,144	11,243
Total Receivables	710,908	134,085	31,114	10,509	886,616
Allowance for Doubtful Accounts	(103,396)	—	—	(1,986)	(105,382)
Receivables, Net	$ 607,512	$ 134,085	$ 31,114	$ 8,523	$ 781,234
As Reported on the Fund Financial Statements:					
Current Receivables	$ 607,512	$ 134,085	$ 31,114	$ 8,523	$ 781,234
Noncurrent Receivables	—	—	—	—	—
Total Receivables, Net	$ 607,512	$ 134,085	$ 31,114	$ 8,523	$ 781,234

	Fiduciary	
	Pension and Other Employee Benefit Trust Fund	SMART 529
Accounts	$ 3,948	$ —
Loans	4,291	—
Leases	—	—
Contributions	40,723	16,272
Accrued Interest	—	—
Total Receivables	48,962	16,272
Allowance for Doubtful Accounts	(406)	—
Receivables, Net	$ 48,556	$ 16,272
As Reported on the Fund/Component Units Financial Statements:		
Current Receivables, Net	$ 48,556	$ 16,272
Noncurrent Receivables, Net	—	—
Total Receivables, Net	$ 48,556	$ 16,272

Enterprise Funds

Water Pollution Control Revolving Fund	Workers' Compensation Fund	Unemployment Compensation	West Virginia Infrastructure and Jobs Development Council	Public Employees' Insurance Agency	Board of Risk and Insurance Management	Other Enterprise	Total Enterprise	Internal Service Funds
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
477	17,998	54,819	18	17,979	1,699	824	93,814	9,799
609,060	—	—	529,477	—	—	131,855	1,270,392	—
—	—	—	1,803	—	—	63	1,866	—
609,537	17,998	54,819	531,298	17,979	1,699	132,742	1,366,072	9,799
—	—	—	—	(1,528)	—	—	(1,528)	—
$ 609,537	$ 17,998	$ 54,819	$ 531,298	$ 16,451	$ 1,699	$ 132,742	$ 1,364,544	$ 9,799
$ 33,372	$ 17,998	$ 54,819	$ 21,824	$ 16,451	$ 1,699	$ 9,298	$ 155,461	$ 9,799
576,165	—	—	509,474	—	—	123,444	1,209,083	—
$ 609,537	$ 17,998	$ 54,819	$ 531,298	$ 16,451	$ 1,699	$ 132,742	$ 1,364,544	$ 9,799

Discretely Presented Component Units

West Virginia Lottery	Economic Development Authority	Housing Development Fund	Parkways Authority	Water Development Authority	Higher Education	Regional Jail Authority	School Building Authority	Other Component Units	Total Discretely Presented Component Units
$ 25,243	$ —	$ 776,566	$ 3,569	$ —	$ 136,129	$ 11,650	$ —	$ 2,472	$ 955,629
—	129,168	66,138	—	208,321	65,093	—	—	4,843	473,563
—	55,556	—	—	—	—	—	—	—	55,556
—	—	—	—	—	—	—	—	—	—
—	1,591	196	93	3,336	—	—	283	10	5,509
25,243	186,315	842,900	3,662	211,657	201,222	11,650	283	7,325	1,490,257
—	(6,600)	(110,451)	—	—	(36,157)	—	—	—	(153,208)
$ 25,243	$ 179,715	$ 732,449	$ 3,662	$ 211,657	$ 165,065	$ 11,650	$ 283	$ 7,325	$ 1,337,049
$ 25,243	$ 8,090	$ 4,510	$ 3,662	$ 11,305	$ 118,063	$ 11,650	$ 283	$ 2,739	$ 185,545
—	171,625	727,939	—	200,352	47,002	—	—	4,586	1,151,504
$ 25,243	$ 179,715	$ 732,449	$ 3,662	$ 211,657	$ 165,065	$ 11,650	$ 283	$ 7,325	$ 1,337,049

Taxes Receivable

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

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

Leases Receivable

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

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


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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, 2016 (expressed in thousands):

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

Due From								
Proprietary								
West Virginia Infrastructure and Jobs Development Council	Public Employees' Insurance Agency	Board of Risk and Insurance Management	Other Nonmajor Enterprise	Internal Service Funds	Pension and Other Benefit Trust Funds	Discretely Presented Component Units	Total
$ —	$ 178	$ 105	$ 8	$ 11	$ 1,271	$ 124,251	$ 126,102
—	518	—	—	—	156	629	14,156
—	26	—	—	—	—	1,119	1,272
—	722	105	8	11	1,427	125,999	141,530
—	—	—	3	—	—	222	517
—	—	—	—	405	307	35	3,537
—	—	—	—	—	133	42	175
—	1	—	—	23	—	98	1,844
—	318	7	11	45	84	342	6,307
—	319	7	14	473	524	739	12,380
—	8,560	471	2,378	11,157	376	377,609	1,960,840
—	—	—	—	—	—	1,400	1,400
—	—	—	—	—	55	—	55
172	—		20	—	—	—	218
—	67	—	—	10	—	4,561	13,538
		—					
—	2	—	—	—	1		3
—	3	—	—		—	—	584
—	—	—	—	—	123	—	123
172	72	—	20	10	179	5,961	15,921
$ 172	$ 9,673	$ 583	$2,420	$11,651	$ 2,506	$ 510,308	$ 2,130,671

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

*The Retiree Health Benefit Trust (RHBT) has recorded a Due From, but because the receivable is uncollectible the RHBT has also recorded a valuation allowance; however the Due To has been recorded by the agencies participating in the plan. GASB 43 requires that only the revenue/receivable that has a reasonable expectation of collection be recorded at RHBT, whereas GASB 45 requires each agency to record contractually owed liability to RHBT. The agencies have recorded a Due to RHBT of $1.9 billion related to these receivables and obligations.

NOTE 7

INTERFUND TRANSFERS

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

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

The deferred charge of the amortization of the future tobacco settlement revenue of the Tobacco Settlement Finance Authority resulted in a transfer of $21.3 million to the General Fund. The General Fund transferred $22.5 million to the West Virginia Infrastructure and Jobs Development Council and $19 million to the Economic Development Project Fund for bond debt service. The General Fund also transferred certain dedicated taxes, in the amount of $115.5 million, to the Workers' Compensation Fund to reduce the unfunded liability for claims prior to June 30, 2005.

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

Of the $20 million transferred from the General Fund to Transportation, $12.5 million is allocated sales tax, and the balance is miscellaneous legislative appropriations. A reappropriation of funds from the Office of the Insurance Commissioner resulted in a $33.6 million transfer to the General Fund. The Water Pollution Revolving Fund received $21.7 million in grants from the West Virginia Department of Environmental Protection. All other transfers are made to finance various programs as authorized by the Legislature.


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NOTE 8

RESTRICTED ASSETS

Restricted assets are held by special revenue funds, a debt service fund, enterprise funds, internal service funds, and discretely presented component units, primarily for the repayment of future long-term obligations and benefits payments. The restricted assets, composed of cash, investments, and other similar assets at June 30, 2016, are as follows (expressed in thousands):

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

Special Revenue Funds

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

Debt Service

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

Enterprise Funds

The Public Employees' Insurance Agency's restricted assets are the premium stabilization fund consisting of accumulated dividends and interest on optional life insurance policies to defray future premium increases. Board of Risk and Insurance Management's (BRIM) cash and investment assets include funds to provide mine subsidence, medical malpractice, and general liability insurance coverage. BRIM's other restricted assets include advance deposits with insurance companies of $210 million and $620 thousand in receivables.

Internal Service Funds

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

Discretely Presented Component Units

The Economic Development Authority's assets are restricted to provide assurance that adequate amounts will be available to repay notes secured by the real estate being leased and to guarantee portions of certain loans made for economic development purposes. The Housing Development Authority's (HDA) cash and cash equivalents assets are restricted on behalf of mortgagors and for payments collected on mortgages for which the fund acts as servicer only. The investments are primarily United States government and agency obligations, investment agreements, and certificates of deposit with maturities greater than 90 days to meet the requirements of bond resolutions. Other restricted assets for the HDA of $686 million include certain foreclosed properties, properties developed for flood activities, other land for restricted housing purposes, and miscellaneous receivables. These assets are restricted subject to the provisions of bond resolutions, or state or federal regulations. The Parkways Authority's assets are restricted for construction, turnpike maintenance and operation, and debt service. The cash and investment assets of the Water Development Authority are restricted as part of applicable bond covenants and the other restricted assets are $190 million restricted for revenue bonds receivable net of unamortized discount. The Regional Jail Authority's assets are restricted because of a safekeeping arrangement with inmates and for debt service and compliance with bond covenants. The Solid Waste Management Board's assets are restricted because their use is limited by applicable repayment agreements and certain assets are set aside to administer a revolving loan program in accordance with appropriations by the Legislature. The Educational Broadcasting Authority's (EBA) other restricted assets are in a charitable trust allowing the use of part of the interest to benefit the EBA. The West Virginia Racing Commission's cash is restricted for unclaimed winning tickets and other trust holdings which are mandated by West Virginia Code.

NOTE 9

CAPITAL ASSETS

Governmental Activities
(Expressed in Thousands)

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

Depreciation expense was charged to function as follows:

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

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	2,029	—	—	2,029
Equipment	6,844	232	(254)	6,822
Intangibles	8,730	165	—	8,895
Total Capital Assets, Being Depreciated	17,603	397	(254)	17,746
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,068)	(78)	—	(1,146)
Equipment	(5,506)	(327)	251	(5,582)
Intangibles	(8,677)	(12)	—	(8,689)
Total Accumulated Depreciation	(15,251)	(417)	251	(15,417)
Total Capital Assets, Being Depreciated, Net	2,352	(20)	(3)	2,329
Business-type Activities Capital Assets, Net	$ 2,963	$ (20)	$ (3)	$ 2,940

Depreciation expense was charged to function as follows:

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

Discretely Presented Component Units
(Expressed in Thousands)

	Beginning Balance	Increases	Decreases	Ending Balance
Discretely Presented Component Units:				
Capital Assets, Not Being Depreciated:				
Land	$ 255,586	$ 3,568	$ (3,142)	$ 256,012
Construction in progress	323,763	204,149	(220,220)	307,692
Total Capital Assets, Not Being Depreciated	579,349	207,717	(223,362)	563,704
Capital Assets, Being Depreciated:				
Buildings and Improvements	3,370,907	369,643	(8,820)	3,731,730
Equipment	483,107	32,726	(14,572)	501,261
Infrastructure	1,405,110	40,680	(446)	1,445,344
Library Holdings	184,642	6,850	(749)	190,743
Land Improvements	88,460	3,588	(5)	92,043
Intangibles	184,284	619	(338)	184,565
Total Capital Assets, Being Depreciated	5,716,510	454,106	(24,930)	6,145,686
Less Accumulated Depreciation for:				
Buildings and Improvements	(997,789)	(80,920)	2,177	(1,076,532)
Equipment	(339,173)	(33,607)	13,203	(359,577)
Infrastructure	(904,268)	(43,932)	265	(947,935)
Library Holdings	(157,130)	(7,580)	19	(164,691)
Land Improvements	(42,618)	(4,983)	2	(47,599)
Intangibles	(147,094)	(20,982)	315	(167,761)
Total Accumulated Depreciation	(2,588,072)	(192,004)	15,981	(2,764,095)
Total Capital Assets, Being Depreciated, Net	3,128,438	262,102	(8,949)	3,381,591
Discrete Component Unit Activities Capital Assets, Net	$ 3,707,787	$ 469,819	$ (232,311)	$ 3,945,295

Depreciation expense charged to functions as follows:

Economic Development Authority	$ 575
Housing Development Fund	494
Parkways Authority	36,929
Water Development Authority	1,337
Higher Education	142,550
Educational Broadcasting Authority	695
Jobs Investment Trust	26
State Rail Authority	1,904
Solid Waste Management Board	5
Regional Jail Authority	6,256
Lottery	1,086
Public Defenders Corporation	132
School Building Authority	5
Municipal Pension Oversight Board	10
Total Discrete Component Unit Depreciation Expense	$ 192,004


STATE OF WEST VIRGINIA.
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NOTE 10

LONG-TERM OBLIGATIONS

Primary Government:

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

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

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

The assets of the general, special revenue, and internal service funds are used to liquidate the capital lease obligations and accrued and other liabilities of their respective fund types. Compensated absences liabilities are liquidated by the applicable governmental and internal service funds that account for the salaries and wages of the related employees. The net pension liabilities are liquidated by the State's governmental and internal service funds that contribute toward the pension funds based on plans established by the action of the State Legislature. Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the totals for governmental activities. At year-end, $2.0 million of internal service funds' compensated absences are included in the governmental amounts.

Senate Bill 1002, enacted in January 2005, provides that on and after February 1, 2005, bonds may not be issued or refunded by the State or any of its agencies, boards, or commissions without the express written direction of the governor if (1) the ultimate user of the proceeds of the bonds is the State or any of its agencies, boards, commissions, or departments, or (2) the issuance or refunding of the bonds implicates the State's credit rating.

Compliance – Various debt agreements governing the State's bonds contain a number of covenants, including continuing disclosure requirements, debt service coverage ratio, and maintaining debt service reserve and maintenance reserve funds. It is required that debt service reserve funds, and maintenance reserve funds are to be held with a trustee. As of June 30, 2016, the debt service reserve funds approximated $73 million, and the maintenance reserve funds approximated $10 million.

General Obligation Bonds – The State has constitutionally limited its ability to incur debt. The State's general obligation debt must be authorized by constitutional amendment. A proposed amendment must be approved by two-thirds of both the Senate and the House of Delegates before it can be ratified or rejected by the voters. Once the amendment has voter approval, the Legislature must pass specific legislation authorizing the issuance of general obligation debt. Bonds for veterans' bonuses were authorized in 1973, 1992, and 2004. The bonds authorized were $40 million, $4 million, and $8 million, respectively. General revenue funds were available for these bonuses;

therefore, none of these bonds were issued. General obligation bonds outstanding at June 30, 2016, were as follows (expressed in thousands):

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

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

Year Ending June 30	Principal	Interest	Total
2017	$ 24,935	$ 13,189	$ 38,124
2018	25,965	11,960	37,925
2019	27,315	10,656	37,971
2020	27,195	9,372	36,567
2021	28,430	8,076	36,506
2022-2026	138,735	19,090	157,825
2027-2031	12,445	307	12,752
	285,020	72,650	357,670
Premium	38,358	—	38,358
Total	323,378	$ 72,650	$ 396,028

Capital Appreciation Bonds

Year Ending June 30	Principal Net of Accreted Amounts	Future Accreted Amounts	Total
2017	7,000	$ 125	$ 7,125
2018	6,585	490	7,075
2019	6,189	836	7,025
2020	7,156	1,419	8,575
2021	6,817	1,807	8,624
2022-2026	30,570	14,905	45,475
2027-2031	5,394	4,056	9,450
Total	69,711	$ 23,638	$ 93,349
Total General Obligation Bonds	$ 393,089		

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

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

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

The Taxable Tobacco Settlement Asset-Backed Bonds, Series 2007 are comprised of two series of turbo term bonds, the Taxable Tobacco Settlement Asset-Backed Bonds, Series 2007A, which are current interest bonds issued in the amount of $845,810,000, and the Taxable Tobacco Settlement Asset-Backed Bonds, Series 2007B, which are capital appreciation bonds in the amount of $65,331,503. The Series 2007 Bonds are secured by and are payable solely from the right, title, and interest of the TSFA of 100% of the Tobacco Receipts, and investment earnings on the accounts with the trustee under the Indenture. The tobacco receipts through 2039 have been estimated to be approximately $2.4 billion, using 85% (the percentage actually received 2005-2007) of the amount calculated by the National Governor's Association. Assuming a 5.2% interest rate, the net present value of the receipts is $897 million. During FY 2016, $66.7 million was paid for interest and principal. Actual tobacco receipts of $66.4 million and interest earnings were used for the payments.

Economic Development Project Fund

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

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

EAST Fund

New Education, Arts, Sciences, and Tourism Fund (EAST) bonds were issued by the EDA in FY 2011 in the amount of $155.6 million to provide financing for capital projects which promote education, and tourism, payable through 2040. The State has committed to appropriate each year, from Lottery's net profits, amounts sufficient to cover the principal and interest requirements on the EDA debt. EDA has pledged these revenues as the sole security for the bonds. Total principal and interest remaining on the new debt is $239.9 million. For the current year, principal and interest paid were $10 million, and the net profits of the Lottery committed to the debt were $10 million.

Revenue bonds outstanding at June 30, 2016, were as follows (expressed in thousands):

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

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

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

Capital Appreciation Bonds

Year Ending June 30	Principal Net of Accreted Amounts	Future Accreted Amounts	Total
2017	—	$ 11,995	$ 11,995
2018	—	13,036	13,036
2019	—	14,167	14,167
2020	—	15,397	15,397
2021	—	16,734	16,734
2022-2026	—	108,146	108,146
2027-2031	—	163,968	163,968
2032-2036	—	149,684	149,684
2037-2041	138,187	31,748	169,935
2042-2046	—	—	—
Total	138,187	$ 524,875	$ 663,062
Total Revenue Bonds	$1,333,396		

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	2017-2020	1.00-2.73	$ 1,736
Travel Management	2017-2020	0.99-2.65	15,047
Total Notes Payable			$ 16,783

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

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

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

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

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

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

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

Year Ending June 30	Principal	Interest	Total
2017	$ 243,014	$ 108,364	$ 351,378
2018	138,431	102,826	241,257
2019	148,608	97,645	246,253
2020	166,825	88,870	255,695
2021	257,272	83,542	340,814
2022-2026	578,530	352,939	931,469
2027-2031	469,613	232,095	701,708
2032-2036	306,329	115,838	422,167
2037-2041	234,264	53,156	287,420
2042-2046	128,379	12,391	140,770
	2,671,265	1,247,666	3,918,931
Discount	(612)	—	(612)
Premium	82,674	—	82,674
Total	$ 2,753,327	$ 1,247,666	$ 4,000,993

Notes payable are issued for various reasons, including construction and the purchase of land, buildings, and vehicles. For detailed information on specific notes, see the separately issued financial statements of the discretely presented component units.

The following is a summary of notes payable at June 30, 2016 (expressed in thousands):

	Issue Date	Final Maturity Date	Interest Rate(s)%	Balance
Housing Development Fund	2008-2014	N/A	0.00	$ 622
Economic Development Authority	2007 & 2013	2029	3.00	9,409
Regional Jail Authority	2015	2020	1.23	441
Higher Education	2008-2014	2033	1.90-6.65	52,000
Total Notes Payable				$ 62,472

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

Year Ending June	Principal	Interest	Total
2017	$ 16,386	$ 472	$ 16,858
2018	4,526	471	4,997
2019	3,113	414	3,527
2020	3,165	381	3,546
2021	4,866	360	5,226
2022-2026	15,742	1,267	17,009
2027-2031	7,265	497	7,762
2032-2036	5,764	59	5,823
2037-2041	1,645	—	1,645
Total	$ 62,472	$ 3,921	$ 66,393

Parkways Authority

In July 2008, the Parkways Authority (Parkways) issued $59,100,000 of Variable Rate Demand Revenue Refunding Bonds for the express purpose of refunding $59,100,000 of the Parkways Series 2003 Bonds. This refunding resulted in a $5,972,000 deferred loss arising from the difference between the reacquisition price and the net carrying amount of the refunded debt. Amortization of this deferral, charged annually to interest expense through 2019, approximated $569,000 in 2016 and 2015, respectively. Parkways completed the refunding to remove the requirement for bond insurance that was included in the Series 2003 Bonds. In July 2011, Parkways converted the Series 2008 Variable Rate Demand Revenue Refunding Bonds to a LIBOR Index rate and placed the bonds with a direct purchaser. The supplemental indenture established eight distinct registered bonds in principal amounts identical to the principal maturity schedule prior to the conversion. The Indenture establishes an applicable factor ranging from 67% to 82% of the one-month LIBOR Index with an additional spread ranging from 70 to 110 basis points on each bond. The Interest Rate Swap associated with the

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

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

Type	Pay-fixed interest rate swap
Objective	Hedge changes in cash flows on the Series 2008 Refunding Variable Rate Bonds
Notional Amount	$19,200,000
Effective Date	July 2, 2008
Maturity Date	April 15, 2019
Terms	Pay 4.387%, receive 67% of One-Month LIBOR

The fair value of this interest rate swap is estimated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rate implied by the yield curve correctly anticipates future spot interest rates. These payments are then discounted using the spot rate implied by the current yield curve for hypothetical zero-coupon bonds due on the date of the future net settlement on the swap. At June 30, 2016 and 2015, the decrease in the value of the swap since inception was equal to the market value of the swap creating a deferred inflow of resources that offsets the deferred outflow of resources in the Statements of Net Position.

The fair value balance for the hedging derivative instrument outstanding at June 30, 2016, and the change in fair value of the instrument for the year ended June 30, 2016, which is disclosed in the IMB financial statements, were immaterial to the financial statements.

The credit ratings of the counterparty to the interest rate swap are A1 from Moody's, A from Standard & Poor's, and A+ from Fitch. The interest rate swap agreement requires certain collateralization if the credit rating of the counterparty falls below specific levels. As of June 30, 2016, no collateralization was required by the interest rate swap agreement.

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

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

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

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

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

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

	Variable-Rate Bonds			
Year Ending June 30	Principal	Interest	Interest Rate Swap, Net	Total
2017	$ 6,100	$ 242	$ 784	$ 7,126
2018	6,400	169	535	7,104
2019	6,700	89	274	7,063
	$ 19,200	$ 500	$ 1,593	$ 21,293

Debt Contingencies and No-Commitment Debt

As a vehicle to assist the local and other nonstate governments in West Virginia, the State may appropriate sufficient amounts to meet any deficiencies that may arise because of failures by such entities to provide for debt service payments for obligations under the supervision and control of the Municipal Bond Commission. For the year ended June 30, 2016, no such amounts were transferred to the Municipal Bond Commission under this agreement.

The Hospital Finance Authority (HFA) and the Economic Development Authority (EDA) have issued special limited obligations on behalf of third parties that in no way obligate the State, HFA, or EDA, for these debt issuances, unless these entities or the State serve in a third-party role. The obligations become an obligation of the third party when issued, because all rights to payments and/or obligations have been irrevocably assigned to a trustee. Payments are made directly to the trustee from dedicated revenues of the third parties, in accordance with the related bond indentures. The amount of such no-commitment debt outstanding at June 30, 2016, is approximately $1.9 billion and $1.7 billion for HFA and EDA, respectively.

Current Year Extinguishment of Debt

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

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

Prior Defeasances

In prior years, the State defeased certain revenue bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payment on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in these financial statements. At June 30, 2016, the following outstanding bonds are considered defeased (expressed in thousands):

Outstanding Amount	
Primary Government	$ 80,915
Discretely Presented Component Units	188,405
Total	$ 269,320

NOTE 11

LEASES

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

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

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

The following table is an analysis of the capital leases, including capital leases between the primary government and the EDA described above, by asset category at June 30, 2016 (expressed in thousands):

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

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

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

Other leases, principally for equipment, are classified as operating leases with the lease payments recorded as expenditures or expenses during the life of the lease. Operating lease expenditure/expense for the year ended June 30, 2016, was $37 million. Future minimum commitments under operating leases as of June 30, 2016, were as follows (expressed in thousands):

Year Ending June 30	Operating Leases: Governmental Activities	Business-type Activities	Discretely Presented Component Units	Total
2017	$ 29,305	$ 236	$ 8,984	$ 38,525
2018	23,536	222	7,109	30,867
2019	16,888	222	6,087	23,197
2020	14,085	37	4,450	18,572
2021	9,991	—	3,783	13,774
2022-2026	20,345	—	14,852	35,197
2027-2031	3,266	—	11,494	14,760
2032-2036	696	—	782	1,478
2037-2041	—	—	5	5
2042-2046	—	—	5	5
2047-2051	—	—	5	5
2052-2056	—	—	5	5
2057-2060	—	—	2	2
Total Minimum Lease Payments	$ 118,112	$ 717	$ 57,563	$ 176,392

NOTE 12

RETIREMENT SYSTEMS

Plan Description

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

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

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

- The Public Employees' Retirement System (PERS) is a multiple-employer, cost-sharing, public employee retirement system. The number of local government employers participating in PERS at June 30, 2016 was 646, including 134 West Virginia state agencies, 116 cities and towns, 341 special districts, and 55 counties.

  Benefits Provided

  For PERS, a member is eligible for normal retirement at age 60 with five or more years of service, or at least age 55 with age and service equal to 80 or greater. For all employees hired after July 1, 2015, qualification for normal retirement is age 62 with 10 years of service or at least age 55 with age and service equal to 80 or greater. The straight-life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. Average salary is the average of the three consecutive highest annual earnings out of the last 15 years of earnings. For all employees hired after July 1, 2015, average salary is the average of the five consecutive highest annual earnings out of the last 15 years of earnings. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired after July 1, 2015, this age increases to 64.

- The Deputy Sheriff Retirement System (DSRS) is a multiple-employer, cost-sharing, public employee retirement system which was established for all deputy sheriffs hired on or after July 1, 1998. Current employees were eligible to transfer from PERS. The State makes no employer contributions to DSRS.

- The Emergency Medical Services Retirement System (EMSRS) is a multiple-employer, cost-sharing public employee retirement system which was established for eligible emergency medical service officers. Participation is voluntary. The State makes no employer contributions to EMSRS.

- The Municipal Police Officers and Firefighters Retirement System (MPFRS) is a multiple-employer, cost-sharing public employee retirement system which was established for any municipality or municipal subdivision employing municipal police officers or firefighters. Participation is voluntary. The MPFRS had 191 participating members as of June 30, 2016. The State makes no employer contributions to MPFRS.

- The Teachers' Retirement System (TRS) is a multiple-employer, cost-sharing, public employee retirement system. Fifty-five county public school systems, certain personnel of the thirteen State-supported institutions of higher education, West Virginia Department of Education, and boards of higher education participate in the TRS plan. There were 79 employers and one nonemployer contributing entity (the State) participating in the plan as of June 30, 2016.

Benefits Provided

For TRS, a member is eligible for normal retirement at age 60 with 5 years of service, age 55 with 30 years of service or any age with 35 years of service. For all employees hired after July 1, 2015, qualification for normal retirement is age 62 with 10 years of service or age 55 with 30 years of service. A member may retire at any age after 30 years with the pension reduced actuarially if the member retires before age 55. All members hired after July 1, 2015, may retire with the pension reduced actuarially if the member is between ages 60 and 62 with 10 years of service or between ages 55 and 62 with 30 years of service. Terminated members with at least 5, but less than 20, years of credited service who do not withdraw their accumulated contributions are entitled to a deferred retirement beginning at age 62. For all employees hired after July 1, 2015, this age increases to 64. Retirement benefits are equivalent to 2% of average annual salary multiplied by years of service. Average salary is the average of the five highest fiscal years of earnings during the last 15 fiscal years of earnings.

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

Benefits Provided

For SPDDRS, a member is eligible for normal retirement at age 50 after 20 years of contributory service, or at any age upon completion of 25 years of service. There is no vesting in the State's contributions prior to 10 years of service. Benefits payable to members retiring prior to age 50 are deferred until the normal retirement date. The annual retirement benefit is 5.5% of the members' aggregate salary, but not less than $6,000 per year. Total service related disability benefits are equal to the member's annual salary, but not less than $15,000 per year. Aggregate salary may include up to five years of active military service credited at the average departmental salary. Aggregate salary for purposes of determining disability benefits may include salary that would have been earned had the participant served at least 25 years. An annual cost of living adjustment of 3.75% is granted to retirees and beneficiaries. For service-connected total disability retirees, the adjustment begins at age 65.

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

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

Plan membership consisted of the following as of the plan valuation date June 30, 2016:

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

Funding Policy

Funding policies for all the Plans have been established and changed from time to time by action of the State Legislature. Actuarial valuations are performed to assist the Legislature in determining appropriate contribution rates. As a condition of participation in the Plans, employers and/or employees are required to contribute certain percentages of salaries and wages as authorized by statute and specified by CPRB. The following schedule summarizes each defined benefit plan's required contribution rates at June 30, 2016:

Statutory Contribution Rates as a Percent of Covered Payroll

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

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

System	Actual Contribution
PERS	$126,530
TRS	398,756
SPDDRS	13,977
SPRS	3,724
JRS	739

Special Funding Situation

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

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

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

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

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

At June 30, 2016, the State reported a net pension liability of $3,664,520,000, for its proportionate share of the multiple-employer, cost-sharing plans which were measured as of June 30, 2015. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, rolled forward to the measurement date of June 30, 2015. The pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense are allocated to the internal service funds of the State. The State's proportionate share of the net pension liability for the PERS and TRS was based on the State's share of contributions to the pension plan relative to the contributions of all employers participating in PERS and TRS for the year ended June 30, 2015.

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


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

PERS (expressed in thousands):

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

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

Deferred outflows of resources and deferred inflows of resources related to the PERS pension were from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ —	$ (83,807)
Changes in proportion and difference between employer contributions and proportionate share of contributions	7,677	(13,371)
Difference between expected and actual experience	77,650	—
Change in Assumptions	—	(45,110)
Contributions made subsequent to the measurement date	126,530	—
Total	$ 211,857	$ (142,288)

Deferred outflows of resources of $126,530,000 related to pensions are the result of contributions made subsequent to the measurement date of June 30, 2015 and will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2017	$ (28,951)
2018	(28,951)
2019	(28,126)
2020	29,067

TRS including special funding situation (expressed in thousands):

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

Deferred outflows of resources and deferred inflows of resources related to the TRS pension plan were from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	$ —	$ (138,910)
Changes in proportion and difference between employer and proportionate share of contributions	122,018	(125,158)
Net difference in expected and actual experience		(28,432)
Contributions made subsequent to the measurement date	398,756	—
Total	$ 520,774	$ (292,500)

Deferred outflows of resources of $398,756,000 related to pensions are the result of contributions made subsequent to the measurement date of June 30, 2015 and will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2017	$ (68,271)
2018	(68,271)
2019	(68,271)
2020	40,017
2021	(5,686)

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

Single Employer Plans (expressed in thousands):

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

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

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

SPRS	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
Balance at 6/30/2014	$ 114,501	$ 120,572	$ (6,071)
Changes for the year:			
Service cost	6,337	—	6,337
Interest	9,024	—	9,024
Difference between expected and actual experience	(201)	—	(201)
Contributions – employer	—	4,060	(4,060)
Contributions – employee	—	3,609	(3,609)
Net investment income	—	4,972	(4,972)
Benefit payments	(1,051)	(1,051)	—
Administrative expense	—	(45)	45
Net changes	14,109	11,545	2,564
Balances at 6/30/2015	$ 128,610	$ 132,117	$ (3,507)

JRS	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)
	Increase (Decrease)		
Balance at 6/30/2014	$ 112,081	$ 165,239	$ (53,158)
Changes for the year:			
Service cost	2,812	—	2,812
Interest	8,458	—	8,458
Difference between expected and actual experience	(6,506)	—	(6,506)
Contributions – employer	—	2,845	(2,845)
Contributions – employee	—	413	(413)
Net investment income	—	6,525	(6,525)
Benefit payments	(4,313)	(4,313)	—
Administrative expense	—	(6)	6
Other changes	—	—	—
Net changes	451	5,464	(5,013)
Balances at 6/30/2015	$ 112,532	$ 170,703	$ (58,171)

Actuarial Methods and Assumptions

The total pension liabilities for financial reporting purposes were determined by an actuarial valuation as of July 1, 2014 rolled forward to June 30, 2015, using the actuarial assumptions and methods.

Significant assumptions used in the actuarial valuations are as follows:

	PERS	TRS	SPDDRS
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Asset valuation method	Market value	Market value	Market value
Amortization method	Level dollar, fixed period	Level dollar, fixed period	Level dollar, fixed period
Amortization period	Through FY 2035	Through FY 2034	Through FY 2025
Actuarial assumptions:			
Investment rate of return	7.5%	7.5%	7.5%
Projected salary increases:			
PERS:			
State	3.00% – 4.6%	—	—
Nonstate	3.35% – 6.0%	—	—
TRS:			
Teachers	—	3.75% – 5.25%	—
Non Teachers	—	3.40% – 6.50%	—
SPDDRS:	—	—	5.0% for first 2 yrs of service 4.5% for the next 3 yrs of service 4.0% for the next 5 yrs and 3.25% thereafter
Inflation rate	3.0%	3.0%	3.0%
Discount rate	7.5%	7.5%	7.5%
Mortality rates	Healthy males – 110% of RP-2000 healthy annuitant table projected Scale AA; healthy females – 101% of RP-2000 healthy annuitant table projected Scale AA; disabled male - 96% of RP-2000 disabled annuitant table projected with Scale AA disabled females – 107% of RP-2000 disabled annuitant table, projected with Scale AA	Active–RP-2000, non-annuitant mortality table; retired–RP-2000 healthy annuitant mortality table projected to 2020 with Scale AA; disabled – RP-2000 disabled annuitant mortality table projected to 2020 with Scale AA, set back 2 yrs for males and set back 1 yr for females	Active – RP-2000 healthy non-annuitant mortality table, projected to 2020 using Scale BB; retired RP-2000 healthy annuitant mortality table projected to 2025 using Scale BB; disabled RP-2000 healthy annuitant mortality table projected to 2025 using Scale BB, set forward 1 yr
Withdrawal rates:			
State	1.75% - 26%	Teachers: 1.2% - 35%	0.0% - 2.67%
Nonstate	2.0% - 31.2%	Non-teachers: 1.4% - 24.75%	
Disability rates	0.0% - 0.7%	0.0% - 0.7%	.05% - 0.4%
Retirement rates	25% - 100%	0.0% - 100%	20% - 100%
Date range in most recent experience study	2009 - 2014	2005 - 2010	2006 - 2011

	SPRS	JRS
Actuarial cost method	Entry age normal	Entry age normal
Actuarial valuation method	Market value	Market value
Amortization method	Level dollar, fixed period	Level dollar, fixed period
Amortization period	Through FY 2030	Through FY 2018
Actuarial assumptions:		
Investment rate of return	7.5%	7.5%
Projected salary increases	5.0% for first 2 yrs of service, 4.5% for next 3 yrs of service, 4.0% for the next 5 yrs, and 3.25% thereafter	4.25%
Inflation rate	3.0%	3.0%
Discount rate	7.5%	7.5%
Mortality rates	Active – RP-2000 non-annuitant tables projected to 2020; healthy RP-2000 healthy annuitant tables, projected to 2025 with Scale BB; disabled RP-2000 healthy annuitant tables, projected to 2025 with Scale BB, set forward 1 yr	Active – N/A; post-retirement RP-2000 healthy annuitant Scale BB; disabled – RP-2000 healthy annuitant tables, projected to 2025 with Scale BB
Withdrawal rates	0.0% – 7.6%	-
Disability rates	.05% - 0.4%	-
Retirement rates	20% - 100%	5.0% - 100%
Date of most recent experience study	2006 - 2011	2006 - 2011

Long-Term Expected Rates of Return

The long-term rates of return on pension plan investments were determined using the building block method in which estimates of expected real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. Rates summarized in the following table include the inflation component and were used for all defined benefit plans as of June 30, 2015:

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

Discount Rate

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

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

Defined Contribution Plans

The Teachers' Defined Contribution Retirement System (TDCRS)

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

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

The TDCRS investments are held and managed by an investment company as the third-party administrator for the plan. As prescribed by West Virginia Code, the TDCRS investments are placed in participant accounts and the participants direct the investment of their account by selecting from a list of plan mutual funds or a long-term fixed investment option. The TDCRS provides members with a choice of sixteen separate investment options made up of a fixed income, balanced, large cap, mid cap, small cap, and international mutual funds, a money market fund, and a fixed annuity. The State currently does not have specific overall policies addressing limitations on specific risk types, such as credit risk, custodial credit risk, concentration of credit risk, interest rate risk, or foreign currency risk.

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

Custodial Credit Risk - Cash Deposits

The TDCRS' cash deposits with financial institutions were approximately $36,000 at June 30, 2016. These deposits, which had a bank balance of approximately $36,000, are either insured by the Federal Deposit Insurance Corporation or collateralized with securities held in TDCRS' name by its agents.

Interest Rate Risk

As of June 30, 2016, the TDCRS had the following investments and maturities (expressed in thousands):

		Investment Maturities (in Years)		
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**
Mutual Funds	$423,002	$423,002	$ —	$ —

For the year ended June 30, 2016, the approximate payroll of state employees covered by TDCRS was $144 million, and total covered payroll for both the TDCRS and TRS was approximately 1.6 billion. Both the employees and employers made the required contributions amounting to $6.4 million and $11.4 million, respectively, or approximately 4.50% and 7.9% of covered payroll.

Teachers' Insurance and Annuity Association

The Teachers' Insurance and Annuity Association and/or College Retirement Equities Fund (TIAA-CREF), a privately administered multiple employer defined contribution retirement plan, provides individual retirement fund contracts for each eligible participating employee. Eligible employees consist mainly of state college/university faculty and staff. For the year ended June 30, 2016, contributions were approximately $44.1 million from the covered employees and approximately $44.1 million from the 13 participating institutions from the State of West Virginia.

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

Great-West Retirement Services

Higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have a one-time option to switch to the New Educators Money 401(a) basic retirement plan, administered by Great-West Retirement Services. New hires have the choice of either plan. For the year ended June 30, 2016, contributions were approximately $681 thousand from the covered employees and $681 thousand from the thirteen participating institutions from the State of West Virginia.


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NOTE 13

OTHER POSTEMPLOYMENT BENEFITS

General

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

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

In addition to the pension benefits allowing certain retirees to convert sick leave to health care premiums, state statutes provide that employees who retire may continue participation in the State's health insurance plan subject to certain length of service and participation requirements. Such employees are eligible to participate in the public employees' insurance program by making the premium contribution specified by the Public Employee's Insurance Agency (PEIA) Finance Board. Approximately 41,850 retirees and 76,104 active plan members met those eligibility requirements at June 30, 2016.

During February 2012, Senate Bill 469 was passed granting Other Postemployment Benefits Liability relief to the State's 55 county boards of education effective July 1, 2012. The law, in effect, requires the State to cover any amount of the respective employers' annual required contribution allocated and billed to the county boards of education on or after July 1, 2012, and any amount of the employer annual required contribution allocated and billed to the county boards of education prior to that date for employees who are employed as professional employees, as service personnel, or as professional student support personnel within the limits authorized by this law. In compliance with Senate Bill 469 for fiscal year 2012, Retiree Health Benefit Trust Fund (RHBT) transferred $715 million in annual required contribution liability from the county boards of education to the State.

Plan Description

In conjunction with the implementation of GASB Statement No. 43, the State established the RHBT under West Virginia Code §5-16D-2, an irrevocable trust, to account and report for the other postemployment benefits (OPEBs) provided under the multiemployer cost-sharing plan. The PEIA Finance Board was assigned the authority to establish and amend contribution requirements of the plan members and the participating employers, and PEIA administers the plan. The legislation requires the RHBT to determine, through an actuarial study, the contractually required contribution (CRC) which shall be sufficient to maintain the RHBT in an actuarially sound manner. The CRC, which is reviewed and approved by the PEIA Finance Board, shall be allocated to the 550 respective employers who are required by law to remit at least the minimum annual premium component of the CRC.

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

Basis of Accounting

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

The State's OPEB liability, including the county school boards, to RHBT at June 30, 2016, is $1.9 billion. For financial reporting purposes the OPEB liability is reported as follows: the Governmental portion on the Balance Sheet is recorded in the Due to Other Funds; the Proprietary portion on the Statement of Net Position is also recorded in the Due to Other Funds; the liability is included in the Due to Fiduciary Funds on the government-wide Statement of Net Position.

Funding Policy

Historically, the obligation associated with retiree health care benefits has been funded and recognized for financial statement purposes on a pay-as-you-go basis. The retiree premiums currently pay approximately 33% of health care claims for retirees and their dependents. The balance of the cost is funded by the State and other participating employers through a retiree subsidy, which is included in the premium charged for the coverage of each active employee. A non-Medicare plan member or beneficiaries receiving benefits contributes monthly health care premiums ranging from $264 to $1,055 per month for retiree-only coverage, and from $529 to $2,510 per month for retiree and spouse coverage. Medicare covered retirees are charged health care premiums ranging from $84 to $437 per month for retiree-only coverage, and from $139 to $1,464 per month for retiree and spouse coverage. Monthly premiums vary based on years of service and choice of coverage. The PEIA Finance Board has taken the first steps in addressing the OPEB problem by requiring any employees hired after July 1, 2010, to pay the full cost of premiums when they retire. This change will not have a substantial impact on the unfunded liability in the short-term but will virtually eliminate the unfunded liability in the long-run.

Revenues collected by RHBT will be used to fund current OPEB health care claims and administrative expenses with residual funds held in trust for future OPEB costs. The rates charged must generate sufficient revenues to not only meet all expected expenses, including insurance, administrative expenses, and incurred but unreported claims of the RHBT, but also include the amounts necessary to fund the unfunded obligation of the plan over an amortization period not to exceed 30 years. The total CRC for the years ended June 30, 2016, June 30, 2015, and June 30, 2014, were approximately $284 million, $262 million, and $253 million, respectively. The percentages contributed were 66%, 58%, and 65%, respectively.

West Virginia Code §5-16-25 requires the Finance Board of PEIA to maintain a reserve of 10% of projected PEIA plan costs for general operation purposes and to provide future plan stability. In the event the reserve fund exceeds certain parameters specified in the Code, the excess is to be transferred to the RHBT, in accordance with Senate Bill 129, which became effective July 1, 2007. In FY 2016, the PEIA reserve did not exceed funding parameters, resulting in zero funds transferred to the RHBT.

Senate Bill 469, effective July 1, 2012, amended West Virginia Code §11-21-96 by dedicating $30 million to be transferred annually from personal income tax previously collected for payment of the unfunded liability of the Workers' Compensation Fund (WCF) to the RHBT. Transfers will not commence until the WCF has been certified by the Governor to the Legislature as paid or provided for in its entirety. Thereafter, transfers will be made until the RHBT unfunded liability has been provided for in its entirety or July 1, 2037, whichever date is later. Presently, management estimates that the aforementioned $30 million transfers will likely commence in 2017.

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

Actuarial Value of Plan Assets

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

Annual OPEB Cost

The State's contributions to RHBT for the years ended June 30, 2016, June 30, 2015, and revised for June 30, 2014, were approximately $128 million, $130 million, and $136 million, respectively; 54%, 57%, and 81%, of the required amount, respectively. These contributions were approximately $109 million, $97 million, and $33 million, respectively, less than the required contributions for each year.

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

NOTE 14

RISK MANAGEMENT

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

On March 12, 2011, the West Virginia Legislature created the State Entities Workers' Compensation Program Fund (SEWC) to provide a means of managing workers' compensation coverage for persons directly employed by the State of West Virginia. The SEWC functions as an insurance purchasing risk pool and is administered by the Office of the Insurance Commissioner (OIC). On October 1, 2011, the OIC entered into a high-deductible insurance coverage policy with Zurich. Pursuant to the policy provisions, the SEWC retains the loss exposure up to $250,000 per occurrence. The SEWC has provided for these losses by establishing a Loss Reserve Fund with Zurich. The SEWC had a total of $15.9 million in unpaid claims and claim adjustment expenses at June 30, 2016.

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

The Patient Injury Compensation Fund (PICF) is an agency fund of the State, administered by BRIM. The balance of the PICF does not reflect claims until an award becomes final and all reasonable means of recovery have been exhausted. The PICF works on a "claims filed" basis and $200,000 was paid on one claim filed in fiscal year 2016. There are nineteen claims pending as of June 30, 2016; accordingly, the actuarial estimate of the claims reserve at such date is undetermined. Since the inception of the PICF, there have been approximately $6.3 million in payments through June 30, 2016. The assets and liabilities as of June 30, 2016, are approximately $900,000. The amount of settlements in the major insurance enterprise funds have not exceeded insurance coverage in the past three years.

Description of the Funds

Board of Risk and Insurance Management

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

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

Public Employees' Insurance Agency

PEIA provides a program of health, life, and prescription insurance for its member agencies. PEIA provides coverage for all participating state employees, including those of the institutions of higher education and the discretely presented component units. In addition, the political subdivisions in the State and certain other charitable and public service organizations may request coverage by PEIA. PEIA's general objectives are to provide a basic employee benefit insurance program which includes hospital, surgical, major medical, prescription drug, basic life, and accidental death for all participating employers and employees. Underwriting and rate-setting policies are established by PEIA. The cost of all coverage, as determined by PEIA, shall be paid by the participants. Life insurance coverage is limited to $500,000. Premiums are established by PEIA at varying rates dependent upon, among other things, coverage required, number of dependents, state vs. nonstate employees, and active employee vs. retired employee. PEIA retains all risks for the health and prescription features of its indemnity plan. PEIA has transferred the risks for health and prescription coverage for those individuals covered by the Managed Care Organization (MCO) Plan to the plan providers. PEIA has reinsured 100% of the basic life benefits; however, PEIA remains contingently liable in the event the insurer does not honor its obligation. PEIA presently charges equivalent premiums for participants in either the indemnity plan or the MCO Plan. Altogether, PEIA insures approximately 173,000 individuals, including participants and dependents.

Workers' Compensation Fund

The Workers' Compensation Commission (WCC) was an agency of the State of West Virginia from 1913 until 2005, which provided for the payment of benefits to all employees sustaining personal injuries in the course of, and as a result of, their covered employment. On February 16, 2005, the West Virginia legislature enacted "Senate Bill 1004" which established a framework for the privatization of the State's monopolistic workers' compensation system and created the means to transition the WCC into a domestic employers' mutual insurance company. On December 31, 2005, the West Virginia WCC ceased to exist as a separate state entity and all regulatory duties for workers' compensation insurance transitioned to the Office of the West Virginia Insurance Commissioner (the Insurance Commissioner), as did the administrative oversight of certain assets and liabilities of the former WCC. The Industrial Council was established by Senate Bill 1004 to assist the Insurance Commissioner in the regulation of the workers' compensation system. Any other applicable state agency or department, whose functions are necessary for the regulation of the workers' compensation insurance industry, transferred to the Industrial Council including, but not limited to, the following WCC functions: rate-making, self-insurance, office of judges, and board of review. The Industrial Council consists of five voting members appointed by the governor, with the advice and consent of the Senate, who meet the prescribed requirements and qualifications.

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

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

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

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

Unpaid Claims Liabilities

The three major insurance funds establish claims liabilities based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have been reported but not settled, and of claims that have been incurred but not reported. The estimates of the claims liabilities include amounts for nonincremental claims adjustment expense. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage and subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability and damage awards, the process used in computing claims liabilities does not result in an exact amount. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the near term. Accordingly, the actual incurred losses and loss adjustment expenses may vary significantly from the estimated amount included in the financial statements. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

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

	BRIM		PEIA		WCF	
	2016	2015	2016	2015	2016	2015
Unpaid claims and claims adjustments expense at beginning of year	$160,960	$153,204	$ 78,077	$ 53,230	$1,568,600	$1,727,400
Incurred claims and claims adjustments expense:						
Provision for insured events of the current fiscal year	66,740	62,342	556,952	555,751	1,297	292
Increase (decrease) in provision for insured events of prior fiscal years	(2,987)	5,803	(2,180)	320	123,795	(48,329)
Amortization of discount	—	—	—	—	66,268	81,378
Total incurred claims and claims adjustment expense	63,753	68,145	554,772	556,071	191,360	33,341
Payments:						
Claims and claims adjustment expense attributable to insured events of the current fiscal year	12,863	11,146	500,897	474,120	381	13
Claims and claims adjustment expense attributable to insured events of the prior fiscal years	43,415	49,243	58,429	57,104	186,279	192,128
Total payments	56,278	60,389	559,326	531,224	186,660	192,141
Total unpaid claims and claims adjustment expense liability, end of year	$168,435	$160,960	$ 73,523	$ 78,077	$1,573,300	$1,568,600

The above PEIA payments are net of pharmacy rebates of $24,183 and $17,622 for the years ended June 30, 2016 and June 30, 2015, respectively.

Neither BRIM nor PEIA discount their estimated claims liability. If BRIM's unpaid claims and claims adjustment expense liability were discounted using a 4% discount factor for 2016 to take into consideration the time value of money, the result would be a decrease in the liability and an increase in net position of approximately $14.9 million for fiscal year 2016. The overall unpaid claim liability number includes a provision for allocated and unallocated claims adjustment expense. At June 30, 2016, the total undiscounted claims liability for WCF approximated $2.42 billion. Invested assets of WCF are not sufficient at current investment rates to retire the claims liability, and WCF has a significant deficit. GASB standards provide that, if discounting is used, the pool should use a rate that is determined by giving consideration to such factors as the pool's expected settlement rate for those liabilities and its expected investment yield rate. Based on the expected investment yields on WCF's investment portfolio, the estimated liability for unpaid claims and claim adjustment expenses (claims liability) has been discounted using a blended rate of 4.5% and 3%. If discounting of the WCF claims liability was limited to anticipated investment income, the claims liability would have increased by approximately $490 million to a claims liability of approximately $2.07 billion, and the total deficit would have increased to approximately $410 million at June 30, 2016.

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

Fund Deficit and Deficit Funding Plan for Workers' Compensation

As stated earlier in this note, the WCC was terminated effective December 31, 2005, and its powers were transferred to the Industrial Council established by Senate Bill 1004 to assist the Insurance Commissioner in the regulation of the workers' compensation system. Senate Bill 1004 further established a workers' compensation debt reduction fund in the state treasury for the deposit of monies received after June 30, 2005, including certain funds designated in Code §4-11a-2 (d): $30 million to be received annually until 2025 from the tobacco master settlement agreement, which was stopped in Senate Bill 185, March 2007, and replaced with $50.4 million in annual personal income tax proceeds in addition to the personal income tax proceeds already dedicated to the WCF, Code §29-22A-10, 10b: an estimated $11 million to be received annually from the video lottery income, Code §11-13V-4: new and additional severance taxes imposed estimated to yield an approximate $125 million annually, Code §11-21-96: personal income tax proceeds of approximately $45 million annually, and Code §23-2C-3 (f) (3): monthly premium surcharges to be collected for all West Virginia employers expected to yield $43 million annually. The net proceeds from collection of these monies are to be dedicated to paying the unfunded liability in the Workers' Compensation Fund until fully paid or paying debt service on bonds sold to raise funds to pay the unfunded liability in the Workers' Compensation Fund.

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

Required Supplementary Information

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

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

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

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

Workers' Compensation Fund
c/o Offices of the Insurance Commissioner
1124 Smith Street
Charleston, WV 25301


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NOTE 15

COMMITMENTS AND CONTINGENCIES

Environmental Protection Claims

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

Management has estimated the total cost at current dollars of remediation efforts to approximate $339.8 million at June 30, 2016. The estimated remediation costs is not expected to be liquidated by expendable available financial resources, so the obligation is reported as a liability in the governmental activities on the statement of net position. As such, the State has recorded in governmental activities the following liabilities related to the above programs at June 30, 2016 (expressed in thousands):

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

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

Mine Reclamation Program

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

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

Landfill Closure Assistance Program (LCAP)

The LCAP was established to provide landfill closure assistance to owners/permittees or landfills that were required to cease operations pursuant to certain statutory closure deadlines for noncomposite-lined facilities. The program designs and constructs all closure-related activities necessary to provide sufficient leachate management, sediment and erosion control, gas management, groundwater monitoring and final cover cap on noncomposite-lined landfills, as funds are available. The LCAP began with 28 landfills. Four landfills have been added to the original inventory by the Legislative process and one in 2015. There are seven landfills left to be closed. As of June 30, 2016, the liability is estimated at $119 million and is projected to be paid through fiscal year 2052. In addition, the State, through the Solid Waste Management Board (the Board), operated one landfill that was closed in 1993. The Board made an application through the DEP for closure assistance from the LCAP. The Board's application was accepted by the LCAP and since then the LCAP has paid the landfill costs.

Underground Storage Tank (UST) Program

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

Other Contingencies

In addition to the $339.8 million in environmental protection claims, the State has recorded an obligation in the amount of $108 million, of which $13.6 million is a current obligation, for the payment of other contingencies. Such other contingencies include, but are not limited to, claims assessed against the State for property damage and personal injury, alleged torts, alleged breaches of contract, and other alleged violations of state and federal laws and regulations. These claims are based on management's evaluation of the nature of such claims and consideration of historical loss experience for the respective types of action. Certain other claims may be covered by the State's insurance carrier under its general liability or medical malpractice coverage.

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

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

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

Federal Grants

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

The State, including its institutions of higher education, receives significant financial assistance from the U.S. Government in the form of grants and other federal awards. Entitlement to those resources is generally conditioned upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for allowable purposes. The State provides for estimates of any material disallowance arising in connection with the operation of these federally funded programs as such amounts become reasonably estimable. Federal awards are subject to financial and compliance audits under either the federal Single Audit Act or by grantor agencies of the federal government or their designees. The ultimate obligations that may arise from cost disallowance or sanctions as a result of those audits and the related impact on the financial statements of the State or its component units is unknown. The ultimate resolution of the regulatory review process could materially impact the State's future change in financial position or cash flows in a particular period.

Arbitrage Rebates

The Internal Revenue Code of 1986 establishes rules and regulations for arbitrage rebates which are applicable to portions of the primary government and most of the discretely presented component units. Arbitrage rebate liabilities have been recorded in the financial statements under accrued and other liabilities, and the respective agencies have reserved estimated amounts for their future payment.

Construction and Other Commitments

(Expressed in Thousands)

	Amount Committed	Commitment
Governmental Funds:		
Transportation	$ 743,730	Construction
Enterprise Funds:		
Water Pollution Control Revolving Fund	85,597	Committed for loans
West Virginia Infrastructure and Jobs Development Council	69,061	Funding of water and economic Development projects
Drinking Water Treatment Revolving Fund	12,158	Lending consistent with Safe Drinking Water Act
Discretely Presented Component Units:		
West Virginia Lottery	9,656	Capital assets and construction
Economic Development Authority	47,785	Committed for loans
Housing Development Fund	16,537	Committed for loans
Parkways	64,472	Turnpike improvements
Higher Education	93,961	Construction
School Building Authority	119,697	Acquisition, construction and maintenance grants to county school boards

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

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

The West Virginia Providing Real Opportunities for Maximizing In-State Student Excellence (PROMISE) scholarship program provides scholarships to students within the West Virginia secondary education system who meet the scholarship requirements. The basic scholarship requirements include maintaining a 3.0 grade average, receiving an ACT composite score of 22 with a minimum sub-score of 20 in each of the four subject areas, and enrolling in a college or university in West Virginia. The program will pay for tuition and fees, and had $2.7 million at June 30, 2016, to fund the program obligations. Subsequent to year-end, the program received $20.9 million from the Lottery and $17.6 million in general revenue.

NOTE 16

SUBSEQUENT EVENTS

On August 1, 2016, the Housing Development Fund redeemed various Housing Finance Bonds and General New Issue Bond Program Bonds in advance of the scheduled maturities at a par amount of $5,000,000.

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

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

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

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

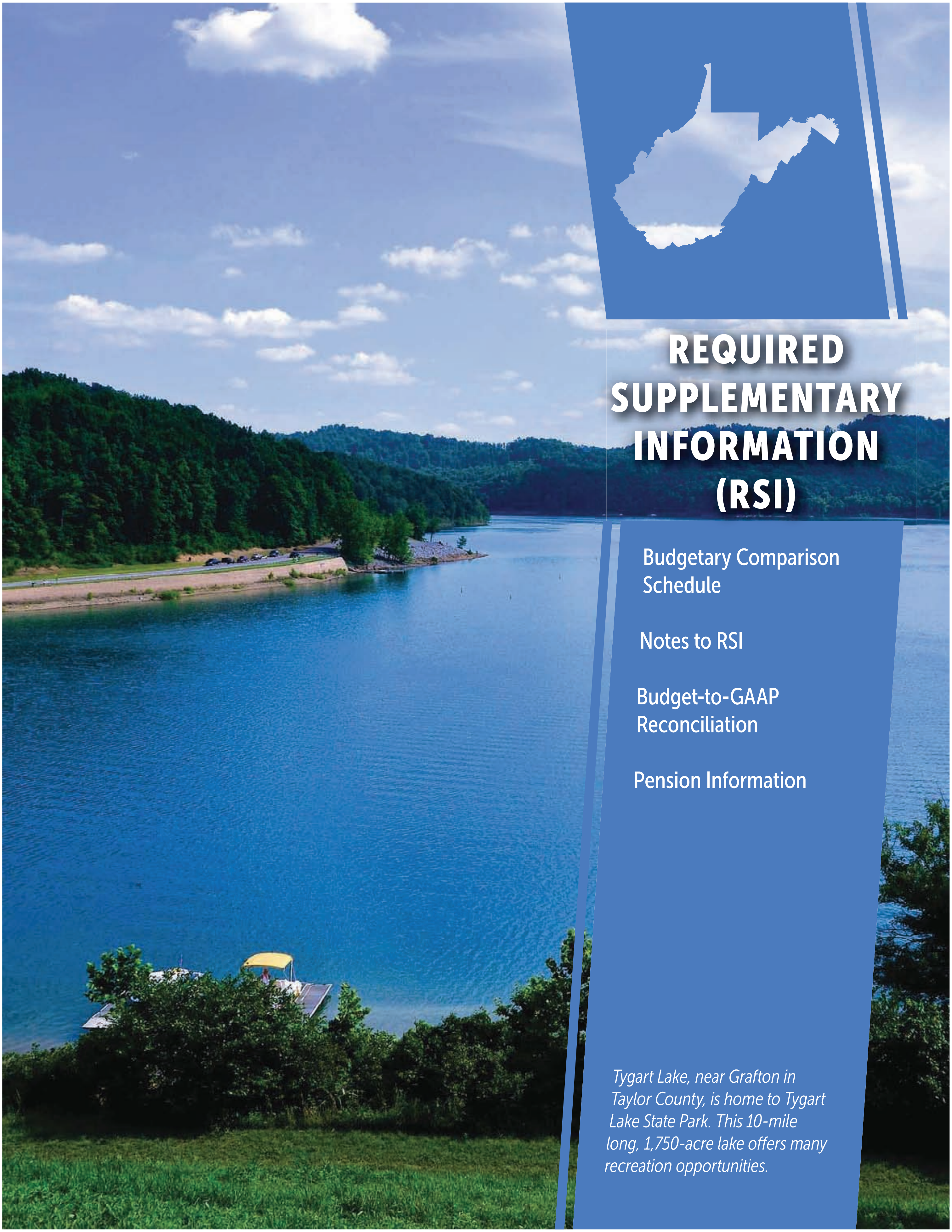
On December 20, 2016, the West Virginia Infrastructure and Jobs Development Council issued $74,320,000, Series A 2016 Infrastructure Refunding Revenue Bonds. The proceeds of $37,185,000 was used to refund the remaining balance of the 2006 Series A Bonds, $7,855,000 was used to refund the remaining balance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

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

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

On February 1, 2017, the Housing Development Fund redeemed various Housing Finance Bonds and General New Issue Bond Program Bonds in advance of the scheduled maturities at a par amount of $6,010,000.

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



REQUIRED SUPPLEMENTARY INFORMATION (RSI)

Budgetary Comparison Schedule

Notes to RSI

Budget-to-GAAP Reconciliation

Pension Information

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

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

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

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

(Continued)

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

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

REQUIRED SUPPLEMENTARY INFORMATION
Notes to Required Supplementary Information
Budgetary Reporting

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

Budgetary Process

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

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

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

In the event of higher than estimated revenue collections throughout the year, supplemental appropriation requests may be made to the Legislature. In FY 2015, Appropriated Special Revenue and Federal Funds were increased by total supplemental appropriations of $487 million. During the budget process, the Legislature may also decide to reappropriate certain unexpended budgetary appropriations for expenditure in the next year. Accounts reappropriated generally relate to special activities or projects that may require several years to complete. Reappropriated prior year general revenue appropriations of $368 million are reported as "Expenditures From Prior Year Appropriations."

In addition to the above, in the event of a General Revenue budget surplus from the previous fiscal year, additional appropriation requests may be made to the Legislature. Appropriations from 2015 General Revenue were increased by approximately $36 million for surplus appropriations. The $36 million surplus appropriations are also reported as "Expenditures From Prior Year Appropriations."

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

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

Budgetary Control

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

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

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

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

Budgetary Funds

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

> General Revenue Fund – consists primarily of the major tax revenues of the State such as Consumer Sales Tax, Personal Income Tax, Business and Occupation Tax, Corporate Net Income Tax, and Severance Tax. The General Revenue Fund supports the operation of certain primary government activities and certain other agencies.
>
> Federal Fund – consists of any financial awards made to any state agency by the U.S. Government, whether a loan, grant, subsidy, augmentation, reimbursement or any other form of such awards, including state funds used for federal matching purposes.
>
> Road Fund – consists of revenues from gasoline and other motor fuel excise and license taxes, motor vehicle registration and license fees, and all other revenue derived from motor vehicles or motor fuel. The Road Fund is appropriated by the Legislature and used solely for construction, repair, and maintenance of public highways, and also for the payment of interest and principal on all road bonds.
>
> Appropriated Special Revenue Fund – consists of individual accounts created for special purposes. These accounts generate revenue derived from established rates or fees. The spending within these accounts is limited to the amount collected or the amount appropriated by the Legislature, whichever is less.

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

2015 Budgetary Reporting

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

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

General Revenue Fund:	
Beginning Fund Balance	$ 381,159
Prior Year Refunds	348
Transfer from Expired Funds	26,660
Adjustment	(6,417)
Adjusted Beginning Fund Balance	$ 401,750

Budgetary Reporting and GAAP

Because the budgetary basis differs from accounting principles generally accepted in the United States, budget and actual amounts in the accompanying Budgetary Comparison Schedule are presented on the budgetary basis. A more detailed budgetary basis report, Supplementary Information to the State of West Virginia Comprehensive Annual Financial Report, is produced for internal purposes to demonstrate budgetary compliance and is available at the Financial Accounting and Reporting Section for public inspection. A reconciliation that compares the excess of revenues over expenditures on a budgetary basis for the year ended June 30, 2016, to the excess of revenues and other financing sources over expenditures and other financing uses presented in conformity with accounting principles generally accepted in the United States is set forth in the following schedule.

Required Supplementary Information
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation
For the Fiscal Year Ended June 30, 2016
(Expressed in thousands)

Budgetary Funds	General Revenue Fund	Federal Fund	State Road Fund	Appropriated Special Revenue Fund
Sources/inflows of resources				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	$ 4,102,679	$ 4,100,254	$ 1,111,017	$ 1,588,326
Differences – Budget to GAAP:				
Intrafund transactions not included in GAAP revenues:	(4,970,101)	—	—	—
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	97,285	—	20,083	—
Basis of Accounting Difference	410,235	—	17,869	—
Reclassifications:				
Nonappropriated Budgetary Fund's Revenue included as revenue/transfers in the GAAP General, Transportation, and Other Funds	5,173,052	—	50,159	—
Budgetary special revenue funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority and Other Funds	779,666	—	10,362	(1,588,326)
Budgetary federal funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority and Other Funds	3,964,278	(4,100,254)	20,079	—
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$9,557,094	$ —	$1,229,569	$ —
Uses/Outflows of resources				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 4,192,563	$ 4,093,886	$ 1,183,081	$ 1,693,853
Differences – Budget to GAAP:				
Intrafund transactions not included in GAAP expenditures	(4,970,101)	—	—	—
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(218,311)	—	—	—
Basis of Accounting Difference	501,651	—	40,020	—
Reclassifications:				
Nonappropriated Budgetary Fund's exp./tranfers out included as exp, in the GAAP General,, Transportation, WV Infrastructure, and Other Funds	5,236,538	—	38,563	—
Budgetary general revenue funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority, and Other Funds	(19,314)	—	5,489	—
Budgetary special revenue funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority, and Other Funds	887,304	—	17,042	(1,693,853)
Budgetary federal revenue funds transferred to GAAP General, Transportation, Tobacco Settlement Finance Authority, and Other Funds	3,963,273	(4,093,886)	20,127	—
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds	$ 9,573,603	$ —	$ 1,304,322	$ —

Schedule of the State's Proportionate Share of the Net Pension Liability Multiple-Employer Cost Sharing Plans (Expressed in Thousands) June 30, 2016

PERS

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

TRS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Year Ended June 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Actual Contribution as a % of Covered Employee Payroll
SPDDRS (1)					
2016	$ 13,209	$ 13,977	$ (768)	$ 3,713	376.43 %
2015	20,860	21,668	(808)	5,120	423.20 %
2014	25,146	26,218	(1,072)	5,988	437.84 %
2013	15,162	16,210	(1,048)	6,779	239.12 %
2012	22,051	23,297	(1,246)	8,001	291.18 %
2011	25,940	25,131	809	8,960	280.48 %
2010	12,416	12,169	247	10,215	119.13 %
2009	4,018	4,679	(661)	10,400	44.99 %
2008	5,693	5,352	341	10,997	48.67 %
2007	6,227	6,024	203	11,128	54.13 %
SPRS					
2016	$ 3,402	$ 3,887	$ (485)	$ 31,792	12.23 %
2015	3,183	4,060	(877)	29,574	13.73 %
2014	3,363	4,049	(686)	27,701	14.62 %
2013	3,802	4,193	(391)	27,670	15.15 %
2012	3,837	4,544	(707)	24,725	18.38 %
2011	4,387	4,570	(183)	23,635	19.34 %
2010	4,642	3,005	1,637	22,382	13.43 %
2009	3,446	2,340	1,106	20,285	11.54 %
2008	2,161	2,318	(157)	18,850	12.30 %
2007	1,613	2,176	(563)	15,870	13.71 %
JRS					
2016	$ 739	$ 739	$ —	$ 8,870	8.33 %
2015	2,845	2,845	—	9,248	30.76 %
2014	2,456	2,456	—	8,870	27.69 %
2013	2,422	2,422	—	8,860	27.34 %
2012	2,740	3,997	(1,257)	8,860	45.11 %
2011	3,454	3,954	(500)	8,256	47.89 %
2010	2,879	3,854	(975)	8,140	47.35 %
2009	2,763	6,034	(3,271)	8,261	73.04 %
2008	3,267	6,034	(2,767)	8,261	73.04 %
2007	4,204	6,034	(1,830)	8,029	75.15 %

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes to Required Supplementary Information

Changes in Assumptions

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

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

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE AND NINTH SUPPLEMENTAL TRUST INDENTURE

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APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE TRUST INDENTURE AND NINTH SUPPLEMENTAL TRUST INDENTURE

The following is a summary of certain material terms, provisions and covenants of the Trust Indenture dated as of January 1, 1990, by and between the School Building Authority of West Virginia (the "Authority") and United Bank, Inc. (formerly United National Bank), as Trustee, as previously supplemented and amended (the "Original Indenture"), and as supplemented and amended by the Ninth Supplemental Trust Indenture dated as of October 1, 2017, by and between the Authority and the Trustee (the "Supplemental Indenture" and, together with the Original Indenture, the "Indenture"). This summary makes use of terms defined in the Indenture, not all of which are defined in "Definitions of Certain Terms," which follows. This summary does not purport to be final, complete or definitive, and is qualified by reference to the Original Indenture and the Supplemental Indenture in their entirety for the complete and actual terms, provisions and covenants thereof.

DEFINITION OF CERTAIN TERMS

As used in this Summary, the following terms, unless the context requires otherwise, will have the respective meanings as set forth below. Any capitalized term not defined below will have the same meaning as set forth in the Original Indenture and Supplemental Indenture, copies of which can be obtained by contacting the Authority.

All capitalized terms and definitions contained in the Indenture shall, unless defined differently herein, have the same meanings herein, and in addition, the following words, terms or phrases, shall have the following respective meanings with respect to the Series 2017 Bonds, unless the context clearly indicates a different meaning.

"2007 Series A Bonds" means the School Building Authority of West Virginia Capital Improvement Refunding Revenue Bonds, 2007 Series A, dated April 3, 2007.

"Act" means Chapter 18, Article 9D of the Code of West Virginia, 1931, as amended.

"Bond Counsel" means an attorney or firm of attorneys of recognized standing in the field of law relating to municipal, state and public agency financing, selected by the Authority and satisfactory to the Trustee.

"Bond Counsel's Opinion" means an opinion signed by Bond Counsel rendered pursuant to the provisions of the Indenture.

"Bond Purchase Agreement" means the bond purchase agreement dated September 26, 2017, between the Authority and the Original Purchaser pertaining to the sale of the Series 2017 Bonds.

"Bond Year" means, with respect to the Series 2017 Bonds, the period commencing July 1 in each year and ending on June 30 of each subsequent calendar year during the term of the

Series 2017 Bonds, except that the first Bond Year shall commence on the Closing Date and end on June 30, 2018 (unless a different period is permitted or required by the Code).

"Bonds to be Refunded" means all of the outstanding 2007 Series A Bonds, which are currently outstanding in the aggregate principal amount of $72,105,000, which are to be defeased upon issuance and delivery of the Series 2017 Bonds.

"Building Fund" means the school building capital improvements fund created and established in the State Treasury pursuant to the Act.

"Business Day" means any day other than (i) a Saturday, Sunday or legal holiday, and (ii) a day when banking institutions located in the City of New York or in any of the cities in which the respective principal offices of the Trustee or any Paying Agent are located are required or authorized by law or executive order to close.

"Closing Date" means the date upon which the Series 2017 Bonds are delivered to the Original Purchaser upon payment of the purchase price of the Series 2017 Bonds.

"Computation Date" means the last day of the fifth Bond Year and each succeeding fifth Bond Year applicable to the Series 2017 Bonds, and the date on which the last Bond of such Series 2017 Bonds is discharged.

"Debt Service" means, with respect to any particular Fiscal Year and the Series 2017 Bonds, an amount equal to the sum of (i) all interest payable on such Series 2017 Bonds during such Fiscal Year, plus (ii) any principal payments on such Series 2017 Bonds during such Fiscal Year.

"Debt Service Reserve Fund" means the trust fund by that name established pursuant to the Original Indenture.

"Defeasance Obligations" means cash or noncallable Government Obligations.

"Earnings Fund" means the trust fund by that name established pursuant to the Indenture.

"Escrow Agreement" means the agreement to be entered into between the Authority and the Escrow Trustee, providing for the defeasance and ultimate payment of the Bonds to be Refunded, the deposit therein of the proceeds of the Series 2017 Bonds, the disposition of moneys in the existing Bond Funds and the Debt Service Reserve Fund, and matters in connection therewith.

"Escrow Fund" means the Escrow Fund established in the Escrow Agreement.

"Escrow Trustee" means United Bank, Inc., Charleston, West Virginia, the escrow trustee under the Escrow Agreement and any successor as provided therein.

"Event of Default" means any one or more of those events set forth in "Events of Default" below.

"Fiscal Year" means the twelve-month period commencing on the first day of July of any year, or such other twelve-month period adopted as the Fiscal Year of the Authority.

"Government Obligations" means direct obligations of (including obligations issued or held in book-entry form on the books of the Department of the Treasury), or obligations the full and timely payment of the principal of and the interest on which are unconditionally guaranteed by, the United States of America.

"Indenture" means (unless the context clearly indicates otherwise) collectively, the Original Indenture and the Supplemental Indenture, all by and between the Authority and the Trustee, as they may be amended or supplemented.

"Interest Payment Date" means any date upon which interest on the Series 2017 Bonds is due and payable in accordance with their terms and the Indenture.

"Investment Securities" shall mean:

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation),

(2) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:

- U.S. treasury obligations
- All direct or fully guaranteed obligations
- Farmers Home Administration
- General Services Administration
- Guaranteed Title XI financing
- Government National Mortgage Association (GNMA)
- State and Local Government Series

(3) Obligations of Government - Sponsored Agencies that are not backed by the full faith and credit of the U.S. Government:

- Federal Home Loan Mortgage Corp. (FHLMC) Debt obligations
- Farm Credit System (formerly: Federal Land Banks, Federal Intermediate Credit Banks, and Banks for Cooperatives)
- Federal Home Loan Banks (FHL Banks)
- Federal National Mortgage Association (FNMA) Debt obligations
- Financing Corp. (FICO) Debt obligations
- Resolution Funding Corp. (REFCORP) Debt obligations
- U.S. Agency for International Development (U.S.A.I.D) Guaranteed notes

U.S.A.I.D. securities must mature at least four business days before the appropriate payment date.

(4) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank

- Rural Economic Community Development Administration
- U.S. Maritime Administration
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHAs)
- Federal Housing Administration
- Federal Financing Bank

(5) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System

(6) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1") by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

(7) Commercial paper which is rating at the time of purchase in the single highest classification, "P-1" by Moody's and "A-1+" by S&P and which matures not more than 270 calendar days after the date of purchase;

(8) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P;

(9) Pre-refunded Municipal Obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's or S&P or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (2) above, which escrow maybe applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pray principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date of dates specified in the irrevocable instructions referred to above, as appropriate; and

(10) Municipal obligations rated "AAA/AAA" or general obligations of States with a rating of "A2/A" or higher by both Moody's and S&P.

The value of the above investments shall be determined as follows:

a) For the purpose of determining the amount in any fund, all Investment Securities credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services provide by Financial Times Interactive Data Corporation, Merrill Lynch or Citigroup; and

b) As to certificates of deposit and bankers' acceptances: the face amount thereof, plus, accrued interest thereon.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation for any reason no longer performs the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized rating agency designated by an Authorized officer by notice to the Trustee.

"Official Statement" means the Official Statement dated September 26, 2017, prepared and distributed in connection with the sale of the Series 2017 Bonds and approved by the Authority.

"Original Purchaser" means the person or persons designated in the Bond Purchase Agreement as the first purchaser or purchasers of the Series 2017 Bonds from the Authority or, if so designated in such Bond Purchase Agreement, the representatives or lead or managing underwriters of such initial purchasers.

"Outstanding" when used with reference to the Series 2017 Bonds, means, as of any date, all Series 2017 Bonds theretofore or thereupon being delivered under the Indenture except:

(1) any Series 2017 Bond cancelled by the Trustee or delivered to the Trustee for cancellation at or prior to such date;

(2) any Series 2017 Bond (or portion of a Series 2017 Bond) deemed to be paid within the meaning of the Indenture; and

(3) any Series 2017 Bond in lieu of or in substitution for which other Bonds have been delivered pursuant to the Indenture.

"Paying Agent" means United Bank, Inc. or its successors, designated as a paying agency or place of payment for the Series 2017 Bonds.

"Principal" or "principal" means, with respect to the Series 2017 Bonds, the principal amount of the Series 2017 Bonds.

"Record Date" means each June 15 and December 15.

"Principal Payment Date" means, with respect to the Series 2017 Bond, any date upon which a principal payment is due and payable.

"Rebate Account" means one of the Accounts by that name established within the Earning Fund pursuant to the Indenture with respect to a Series of Bonds.

"Revenues" means (i) any moneys appropriated by the legislature of the State, deposited in the Building Fund and transferred, at the request of the Authority or otherwise, by the Treasurer to the Trustee for deposit in the Revenue Fund in conformance with the Constitution and laws of the State, or (ii) any other moneys, income or property pledged by the Authority to the payment of the Series 2017 Bonds.

"Series" means all of the Bonds delivered on original issuance in a simultaneous transaction, regardless of variations in maturity, interest rate, Sinking Fund Payments or other provisions, and any Bonds thereafter delivered in lieu of or in substitution for (but not to refund) such Bonds as provided in the Indenture.

"Series 2017 Bonds" means one or more of the Authority's $38,415,000 aggregate principal amount of Capital Improvement Refunding Revenue Bonds, Series 2017, dated October 11, 2017, issued pursuant to the Supplemental Indenture.

"Series 2017 Bond Fund" means the fund by the name established pursuant to the Supplemental Indenture.

"Series 2017 Bond Resolution" means the Bond Resolution of the Authority authorizing the issuance of the Series 2017 Bonds, adopted by the Authority on August 29, 2017.

"Series 2017 Cost of Issuance Fund" means the fund by that name established pursuant to the Supplemental Indenture.

"Series 2017 Interest Account" means the account by that name established in the Series 2017 Bond Fund pursuant to the Supplemental Indenture.

"Series 2017 Principal Account" means the account by that name established in the Series 2017 Bond Fund pursuant to the Supplemental Indenture.

"Series 2017 Bonds Rebate Account" means the account by that name established in the Earnings Fund pursuant to the Supplemental Indenture.

"Sinking Fund Payment" means, as of any particular date of calculation and with respect to a Series of Bonds, the amount required to be paid by the Authority on a certain future date for the retirement of Outstanding Bonds of such Series which mature after said future date, but does not include any amount payable by the Authority by reason of the maturity of a Bond or by call for redemption at the option of the Authority.

"S&P" means Standard & Poor's Corporation, a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and, if such corporation for any reason no longer performs the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by an Authorized Officer by notice to the Trustee.

"State" means the State of West Virginia.

"State Treasury" means the treasury of the State of West Virginia established pursuant to the Constitution and laws of the State.

"Supplemental Indenture" means the Ninth Supplemental Trust Indenture by and between the Authority and the Trustee, dated as of October 1, 2017, as it may be amended or supplemented.

"Tax Compliance Certificate" means the Tax Compliance Certificate relating to the Series 2017 Bonds, entered into by the Authority, to be dated as of the Closing Date, as it may be amended or supplemented.

"Trust Estate" means the trust estate pledged pursuant to the Granting Clauses of the Indenture.

THE INDENTURE

Authorization of Series 2017 Bonds

The Authority hereby authorizes the issuance of the Series 2017 Bonds in the aggregate principal amount of $38,415,000 pursuant to the Act for the purposes of providing funds to refund the Bonds to be Refunded and to pay Costs of Issuance and related costs of such refunding. The Series 2017 Bonds so authorized shall be designated "School Building Authority of West Virginia Capital Improvement Refunding Revenue Bonds, Series 2017," and shall be issued and sold as directed by the Authority in accordance therewith. All conditions precedent to the issuance of the Series 2017 Bonds as required by the Original Indenture have been satisfied.

Trust Estate

In order to secure payment of the Series 2017 Bonds and to secure the performance and observance by the Authority of all covenants expressed or implied in the Indenture and in the Series 2017 Bonds, the Authority has granted, pledged and assigned to the Trustee (i) all right, title and interest of the Authority in and to the Revenues, (ii) all moneys and securities held by the Trustee under the Indenture (other than moneys and securities held in the Earnings Fund) and (iii) any other real or personal property pledged or transferred by the Authority as additional security for the Series 2017 Bonds.

Funds and Accounts

The Indenture creates and establishes the following trust funds and accounts to be held in trust by the Trustee:

(a) A Revenue Fund;

(b) Series 2017 Bond Fund; and therein;

(a) Series 2017 Principal Account; and

(b) Series 2017 Interest Account.

(c) Series 2017 Cost of Issuance Fund; and

(d) An Earnings Fund and therein the Series 2017 Rebate Account.

Revenue Fund

All Revenues received by the Trustee will be deposited in the Revenue Fund. Amounts on deposit in the Revenue Fund will he applied in the following order or priority, and except with respect to the deposits provided in (c) and (d) below, such deposits will be made on the first Business Day of each month:

(a) To the Series 2017 Interest Account, an amount equal to the interest which has accrued and will accrue since the last Interest Payment Date for the Series 2017 Bonds to and including the last day of such month and not previously deposited therein;

(b) To the Series 2017 Principal Account, an amount such that, if the same amount were transferred thereto on the first Business Day of each succeeding month for the period from the month of computation to and including the next Principal Payment Date, the aggregate amount so transferred to such Series 2017 Principal Account will equal the amount of principal coming due on the next Principal Payment Date for the Series 2017 Bonds;

(c) To the Trustee, Registrar, and Paying Agent, the fees and expenses thereof, payable on or prior to such date;

(d) On each Interest Payment Date for Series 2017 Bonds to the Series 2017 Interest Account, any deficiency in the amount necessary to pay the interest due on such Interest Payment Date;

(e) On each Principal Payment Date for the Series 2017 Bonds to the Series 2017 Principal Account, any deficiency in the amount necessary to pay the principal due on such Principal Payment Date; and

(f) To the Rebate Account, the amount, if any, determined by the Authority to be deposited therein to comply with the Tax Compliance Certificate relating to such Series 2017 Bonds.

Series 2017 Bond Fund

There is to be deposited into the Series 2017 Principal Account or the Series 2017 Interest Account, as appropriate, of the Series 2017 Bond Fund related to the Series 2017 Bonds the following:

(a) accrued interest, if any, paid on such Series 2017 Bonds to the date of delivery thereof paid by the Original Purchaser;

(b) amounts transferred to such Series 2017 Bond Fund from the Revenue Fund pursuant to the Indenture, as previously described herein; and

(d) any other amounts deposited with the Trustee for deposit into such Bond Fund.

Except as otherwise provided in the Indenture, moneys on deposit in the Principal Account will be used on each Principal Payment Date to pay the principal of the Series 2017 Bonds due on such Principal Payment Date and second, to make deposits to the Series 2017 Rebate Account required by the Indenture or Tax Compliance Certificate to the extent such moneys are not needed to pay principal of the Series 2017 Bonds. Moneys on deposit in an Interest Account will be used on each Interest Payment Date first to pay the interest due on such Series 2017 Bonds on each Interest Payment Date and second, to make deposits to the Series 2017 Rebate Account required by the Indenture or Tax Compliance Certificate to the extent such moneys are not needed to pay interest on such Series 2017 Bonds.

Earnings Fund

The Earnings Fund is not part of the Trust Estate created by the Indenture. The Trustee will, on July 1 of each year transfer all investment earnings on moneys on deposit in the funds and accounts created under the Indenture to the Earnings Fund to the extent not needed to pay Debt Service on the Series 2017 Bonds. The Trustee will, on the Computation Date, transfer from the Earnings Fund to the Series 2017 Rebate Account established therein for the Series 2017 Bonds, the amounts stated in a written notice of the Authority to be delivered to the Trustee on or before the Computation Date. All other amounts in the Earnings Fund may be used for any purpose of the Authority permitted by law.

Moneys to be Held in Trust

With the exception of moneys in the Earnings Fund, all moneys required to be deposited with or paid to the Trustee for the account of any Fund or Account will be held by the Trustee in trust, and will, while held by the Trustee, constitute part of the Trust Estate and be subject to the lien and security interest created by the Indenture.

Nonpresentment of Bonds,
Disposition of Unclaimed Money

If any Series 2017 Bond is not presented for payment when the principal thereof becomes due on a Principal Payment Date, if funds sufficient to pay any such Series 2017 Bond have been made available to the Trustee for the benefit of the Owner thereof, all liability of the Authority to the Owner thereof for the payment of such Series 2017 Bond will forthwith cease, determine and be completely discharged, and thereupon it will be the duty of the Trustee to hold such funds, without liability for interest thereon, for the benefit of the Owner of such Series 2017 Bond, who will thereafter be restricted exclusively to such funds, for any claim of whatever nature on his part under the Indenture or on, or with respect to, such Series 2017 Bond.

Any moneys so deposited with and held by the Trustee and not so applied to the payment of Series 2017 Bonds within five (5) years after the Principal Payment Date on which the same became due will be repaid by the Trustee to the Authority upon direction of the Authority, and thereafter the Owners of such Series 2017 Bonds will be entitled to look only to the Authority for payment, and then only to the extent of the amount so repaid, and all liability of the Trustee with respect to such money will thereupon cease, and the Authority will not be liable for any interest thereon and will not be regarded as a trustee of such money.

Repayment to Authority from Funds

Any amounts remaining in the Series 2017 Bond Fund or the Series 2017 Cost of Issuance Fund after payment in full of the principal of, premium, if any, and interest on the Series 2017 Bonds, the fees, charges and expenses of the Trustee and any agents thereof, any Paying Agent and all other amounts required to be paid under the Indenture with respect to such Series 2017 Bonds will be dispersed to the Authority to be used for any lawful purpose of the Authority.

Investment of Certain Funds

Any fund or account held by the Trustee under the Indenture may be invested and reinvested or deposited in Investment Securities having yields and maturities as determined by an Authorized Officer. Subject to the right of an Authorized Officer to direct the investment or deposit of funds and accounts held under the Indenture and subject to the provisions described in the paragraph below, moneys in any fund or account held by the Trustee will be continuously invested and reinvested or deposited and redeposited by the Trustee in the highest yield Investment Securities that may be reasonably known to the Trustee, with a view toward maximizing yield (with proper preservation of principal) and minimizing the instances of uninvested funds. An Authorized Officer may direct the Trustee to, or in the absence of direction, the Trustee will, invest and reinvest the moneys in all funds and accounts held under the Indenture in the investment described in (8) under the definition of Investment Securities. The Investment Securities purchased will be held by the Trustee and will be deemed at all times to be part of such fund or account, and the Trustee will keep the Authority advised as to the details of all such investments.

Investment Securities purchased as an investment of moneys in any Fund or Account under the provisions of the Indenture will be deemed at all times to be a part of such Fund or Account, but the income or interest earned and gains realized in excess of losses suffered by a Fund or Account due to the investment thereof will be deposited in the Earnings Fund.

Application of Series 2017 Bond Proceeds

Proceeds of the sale of the Series 2017 Bonds in the amount of $40,290.468.92 (par amount of $38,415,000.00, plus original issue premium of $1,954,403.90, minus underwriters' discount of $78,934.98) shall initially be transferred to the Trustee. Thereafter, upon transfer to the Trustee, such proceeds or portions thereof shall be applied by the Trustee as follows:

(i) The Trustee shall transfer to the Escrow Trustee the sum of $40,057,929.83 from the proceeds of the Series 2017 Bonds, plus $23,020,801.00 to be transferred from the Debt Service Reserve Fund, $5,856,192.50 to be transferred from the 2007 Series A Bond Fund, and $4,350,000 to be transferred from the Earnings Fund for deposit in the Escrow Fund, in accordance with the provisions of the Escrow Agreement. The Escrow Trustee will invest $73,284,923.00 of the money on deposit in the Escrow Fund in U.S. Treasury State and Local Government Series (SLGS) securities and will hold the remaining $0.33 in cash. The Escrow Trustee will not surrender or otherwise attempt to redeem or negotiate the investments in the Escrow Fund except to pay and redeem the Bonds to be Refunded, together with the accrued interest thereon, on November 1, 2017; and

(ii) The Trustee shall deposit the sum of $232,539.09 into the Series 2017 Costs of Issuance Fund, which shall thereafter be disbursed by the Trustee (in accordance with applicable law) for payment of Costs of Issuance of the Series 2017 Bonds.

Defeasance

If the Authority pays or causes to be paid to the Owners of the Series 2017 Bonds the principal and interest and all other amounts due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, then the pledge of the Trust Estate, the Revenues, payments made by the Authority in satisfaction of covenants contained in the Indenture and other moneys, securities and funds thereby pledged and all other rights granted thereby will be discharged and satisfied. If the Authority pays or causes to be paid, or there is otherwise paid, to the Owners of all Outstanding Series 2017 Bonds the principal, and interest due or to become due thereon, at the times and in the manner stipulated therein and in the Indenture, then such bonds will cease to be entitled to any lien, benefit or security under the Indenture and all covenants, agreements and obligations of the Authority to the Owners of such Series 2017 Bonds will thereupon cease, terminate and become void and be discharged and satisfied.

Series 2017 Bonds or interest installments for the payment of which moneys are set aside and held in trust by the Trustee (through deposit by the Authority of funds for such payment or otherwise) will, at their maturity, be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph. All Series 2017 Bonds will, prior to the maturity thereof, be deemed to have been paid within the meaning and with the effect expressed in the preceding paragraph if (i) there has been deposited with the Trustee Defeasance Obligations (including any Defeasance Obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States) the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, will be sufficient to pay when due the principal of and interest due and to become due on said Series 2017 Bonds on and prior to the maturity date thereof, as the case may be, and (ii) in the event said Series 2017 Bonds are not by their terms subject to redemption within the next succeeding sixty days, the Authority has given to the Trustee in form satisfactory to it, irrevocable instructions to mail, by first-class mail, postage prepaid, as soon as practicable, a notice of such deposit that the deposit required by (i) above has been made with the Trustee and that said

Series 2017 Bonds are deemed to have been paid in accordance with the Indenture and stating the maturity upon which moneys are to be available for the payment of the principal of and interest on such Series 2017 Bonds (other than Series 2017 Bonds which have been cancelled by the Trustee).

Events of Default

Each of the following events is hereby declared to be an "Event of Default" hereunder:

(a) Failure by the Authority to make payment of the principal of the Series 2017 Bonds when and as the same shall become due, whether at maturity or otherwise;

(b) Failure by the Authority to make payment of interest on the Series 2017 Bonds when and as the same shall become due;

(c) Failure or refusal by the Authority to comply with the provisions of the Indenture, or default by the Authority in the performance or observance of any of the covenants, agreements or conditions on its part contained in the Indenture or in the Series 2017 Bonds and the continuance of such failure, refusal or default for a period of sixty (60) days after written notice thereof by the Trustee or the Owners of not less than fifty percent (50%) in principal amount of the Outstanding Series 2017 Bonds; or

(d) A decree or order by a court of competent jurisdiction shall have been entered adjudging the Authority a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization or arrangement of the Authority under the United States Bankruptcy Code or any other similar applicable federal or state law, and such decree or order shall have been continued undischarged and unstayed for a period of ninety (90) days; or a decree or order of a court of competent jurisdiction for the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of the Authority or of its affairs, shall have been entered, and such decree or order shall have remained in force undischarged and unstayed for a period of ninety (90) days; or

(e) The Authority shall institute proceedings to be adjudicated a voluntary bankrupt, or shall consent to the institution of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganization or arrangement under the United States Bankruptcy Code or any other similar applicable federal or state law, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of it or of its property, or shall make assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due.

Remedies

(a) Upon the happening and continuance of any Event of Default, the Trustee may but shall not be required to, and, upon the written request of the Owners of not less than twenty-five percent (25%) in principal amount of the Outstanding Series 2017 Bonds shall, by written notice to the Authority, declare the entire principal of the Series 2017 Bonds to be due and payable, and upon such declaration, the same shall become due and payable, anything in the Indenture or the Series 2017 Bonds to the contrary notwithstanding. This provision, however, is subject to the condition that if, at any time after the principal of the Series 2017 Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered as hereinafter provided, (i) the Authority pays or deposits with the Trustee a sum sufficient to pay all interest due upon all such Series 2017 Bonds and the principal and premium, if any, of all such Bonds that shall have become due otherwise than by acceleration (with interest on overdue interest and on such principal and premium, if any, at the rate specified in the Indenture) and the expenses of the Trustee, and (ii) any and all Events of Default under the Indenture, other than the nonpayment of principal of and accrued interest on such Series 2017 Bonds that shall have become due by acceleration, shall have been remedied, the Trustee may and shall, upon the written request of the Owners of not less than fifty percent (50%) in aggregate principal amount of all Series 2017 Bonds then Outstanding, waive all Events of Default and rescind and annul such declaration and its consequences; but no such waiver or rescission and annulment shall extend to or affect any subsequent Event of Default, or shall impair any right consequent thereon.

(b) Upon the happening and continuance of any Event of Default, and in addition to the remedy provided in (a) above, the Trustee may, and, upon the written request of the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Series 2017 Bonds Outstanding, shall proceed to protect and enforce the rights of the Owners by such of the following remedies, which are then permitted by law, as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(i) By mandamus or other suit, action or proceeding at law or in equity, to enforce all rights of the Owners, including the right to require the Authority to receive and collect Revenues adequate to enable the Authority to carry out any of the covenants or agreements with Owners and to perform its duties as prescribed by law;

(ii) By bringing suit upon the Series 2017 Bonds;

(iii) By action or suit in equity, to require the Authority to account as if it were the trustee of an express trust for the Owners of the Series 2017 Bonds; or

(iv) By action or suit in equity, to enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Series 2017 Bonds.

(c) In the enforcement of any rights and remedies under the Indenture, the Trustee shall be entitled to sue for, enforce payment of and receive any and all amount then, or during any Event of Default becoming, and at any time remaining, due and unpaid from the Authority for principal, interest or otherwise, under any provisions of the Indenture or of the Series 2017 Bonds, with interest on overdue payments at the rate of interest specified in the Indenture, together with any and all costs and expenses of collection and of all proceedings under such Indenture or Series 2017 Bonds, without prejudice to any other right or remedy of the Trustee or of the Owners, and to recover and enforce a judgment or decree against the Authority for any portion of such amounts remaining unpaid, with interest, costs and expenses (including without limitation pre-trial, trial and appellate attorney fees), and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

(d) Upon the occurrence of any Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Owners under the Original Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and the Trust Estate, pending such proceedings, with such powers as the court making such appointment shall confer.

Owners' Direction of Proceedings

Anything in the Indenture to the contrary notwithstanding, the Owners of the majority in principal amount of the Series 2017 Bonds Outstanding have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee under the Indenture, provided that such direction may not be otherwise than in accordance with law or the provisions of the Indenture, and that the Trustee has the right to decline to follow a direction which, in the opinion of the Trustee, would be unjustly prejudicial to Owners not parties to such direction.

Limitation on Rights of Owners

No Owner of any Series 2017 Bond has any right to institute any suit, action, mandamus or other proceeding in equity or at law under the Indenture, for the protection or enforcement of any right under the Indenture unless such Owner has given the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the Owners of not less than 25% in principal amount of the Series 2017 Bonds Outstanding have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, has accrued, and have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers granted in the Indenture or under the law or to institute such action, suit or proceeding in its name and unless, also, there is offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be incurred therein or thereby, and the Trustee has refused or neglected to comply with such request within a reasonable time. Such notification, request and offer of indemnity are in every such case, at the option of the Trustee, conditions precedent to the execution of the powers under the Indenture or for any other remedy under the Indenture or by law.

It is understood and intended that no one or more Owners of the Series 2017 Bonds secured by the Indenture has any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture, or to enforce any right thereunder or under law with respect to the Series 2017 Bonds or the Indenture, except in the manner therein provided, and that all proceedings at law or in equity must be instituted, had and maintained in the manner provided in the Indenture and for the benefit of all Owners of Outstanding Bonds. Nothing contained in the Indenture will affect or impair the right of any Owner to enforce the payment of the principal of and interest on Series 2017 Bonds, or the obligation of the Authority to pay the principal of and interest on each Series 2017 Bond issued under the Indenture to the Owner thereof at the time and place expressed in said Series 2017 Bond.

Priority of Payments After Event of Default

In the event that upon the happening and continuance of any Event of Default the funds held by the Trustee are insufficient for the payment of the principal of and interest then due on the Series 2017 Bonds, such funds (other than funds held for the payment of particular Series 2017 Bonds which have theretofore become due at maturity and any other amounts received or collected by the Trustee acting pursuant to the Indenture, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interest of the Owners of the Series 2017 Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee in the performance of its duties under the Indenture, will be applied, as follows:

(i) Unless the Principal of all of the Series 2017 Bonds has become or has been declared due and payable:

FIRST: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amounts available are not sufficient to pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference;

SECOND: To the payment to the persons entitled thereto of the unpaid principal of any Series 2017 Bonds which has become due and, if the amounts available are not sufficient to pay in full all the Series 2017 Bonds due, then to the payment thereof ratably, according to the amounts of principal due on such date, to the persons entitled thereto, without any discrimination or preference; and

THIRD: To be held for the payment to the persons entitled thereto, as the same becomes due, of the principal of and interest on the Bonds which may thereafter become due and, if the amounts available are not sufficient to pay in full all the Series 2017 Bonds due on any date, together with such interest, payment will be made ratably according to the amount of principal due on such date to the persons entitled thereto, without any discrimination or preference.

(ii) If the principal of all of the Series 2017 Bonds has become or has been declared due and payable, to the payment of the principal and interest then due and unpaid upon the Series 2017 Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Series 2017 Bond over any other Series 2017 Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Series 2017 Bonds.

Whenever moneys are to be so applied by the Trustee, such moneys will be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion determines, having due regard to the amount of such moneys available for such application and the likelihood of additional money becoming available for such application in the future. Whenever the Trustee exercises such discretion in applying such moneys, it will fix the date (which will be an Interest Payment Date unless the Trustee deems another date more suitable) upon which such application is to be made. The Trustee will not be required to make payment to the Owner of any Series 2017 Bond unless such Bond is presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Supplemental Indenture Without Owner Consent

For any one or more of the following purposes and at any time or from time to time, the Authority and the Trustee may execute and deliver a Supplemental Indenture, without notice to or the consent of the Owners of Series 2017 Bonds:

(a) To close the Indenture against, or provide limitations and restrictions in addition to the limitations and restrictions contained in the Indenture on the delivery of Bonds or the issuance of other evidence of indebtedness;

(b) To add to the covenants and agreements of the Authority in the Indenture other covenants and agreements to be observed by the Authority which are not contrary to or inconsistent with the Indenture as theretofore in effect;

(c) To add to the limitations and restrictions in the Indenture other limitations and restrictions to be observed by the Authority which are not contrary to or inconsistent with the Indenture as theretofore in effect;

(d) To surrender any right, power or privilege reserved to or conferred upon the Authority by the terms of the Indenture, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and agreements of the Authority contained in the Indenture;

(e) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, the Indenture of the Revenues or of any other revenues or assets;

(f) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in the Indenture;

(g) To insert such provisions clarifying matters or questions arising under the Indenture as are necessary or desirable and are not contrary to or inconsistent with the Indenture as theretofore in effect;

(h) To modify any of the provisions of the Indenture in any respect whatsoever, is such modification shall be, and be expressed to be, effective only after all Series 2017 Bonds Outstanding and affected thereby at the date of the adoption of such Supplemental Indenture shall cease to be Outstanding;

(i) To authorize the issuance of additional Series of Bonds and to prescribe the terms and conditions upon which such Series 2017 Bonds may be issued;

(j) To provide for the issuance of Bonds in such form as permitted by the Original Indenture and to make such other provisions as are necessary to provide for Bonds issued in such form;

(k) To modify, alter, amend or supplement the Indenture in such manner as may be necessary or appropriate to qualify the Indenture under the Trust Indenture Act of 1939 as then amended, or under any similar federal or state statute hereafter enacted;

(l) To modify, alter, amend or supplement the Original Indenture in connection with the issuance of a Series of Bonds which by its terms affects only the proposed Series of Bonds and/or Bonds issued after the date of such Supplemental Indenture, which modification, alteration, amendment or supplement does not change the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon, or reduce the percentages or otherwise affect the classes of Outstanding Bonds, the consent of the Owners of which is required to effect modifications, alterations, amendments, or supplements to the Indenture;

(m) To impose a book-entry system for one or more Series of Bonds;

(n) To modify, alter, amend or supplement the Indenture in any manner which is deemed necessary in Bond Counsel's Opinion to maintain the excludability from gross income of interest Series 2017 Bonds for federal income tax purposes; or

(o) To modify, alter, amend or supplement the Indenture in any manner which, in the judgment of the Trustee does not materially adversely affect the interests of the Owners of the Series 2017 Bonds; or

Supplemental Indentures With Owner Consent

(a) Any modification of or amendment to the Indenture and of the rights and obligations of the Authority and of the Owners of the Series 2017 Bonds hereunder other than as permitted by the Original Indenture, in any particular, may be made by a Supplemental Indenture, with the written consent given as provided in the Indenture, (i) of the Owners of at least fifty percent (50%) in principal amount of the Series 2017 Bonds Outstanding at the time such consent is given, and (ii) in case less than all the maturities of the Series 2017 Bonds are affected by the modification or amendment, of the Owners of at least fifty percent (50%) in principal amount of the Series 2017 Bonds of each maturity so affected and Outstanding at the time such consent is given.

(b) No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Series 2017 Bond or of any installment of interest thereon without the consent of the Owner of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds, the consent of the Owners of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of the Trustee without its written consent thereto. For the purposes of this Section, a Series shall be deemed to be affected by a modification or amendment of the Indenture if the same adversely affects or diminishes the rights of the Owners of Bonds of such Series. The Trustee may, in its sole discretion, determine whether or not Bonds of any particular Series or maturity would be affected by any modification or amendment made in accordance with the foregoing power of amendment. Any such determination shall be binding and conclusive on the Authority and all Owners of Bonds.

APPENDIX D

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Series 2017 Bonds. The Series 2017 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2017 Bond certificate will be issued for each maturity of the Series 2017 Bonds and in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of bond certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC System is also available to others such as both U.S. and non-U.S. securities, brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a AA+ rating from S&P. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2017 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2017 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2017 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2017 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2017 Bonds, except in the event that use of the book-entry system for the Series 2017 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2017 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2017 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2017 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2017 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Redemption and other notices shall be sent to DTC. If less than all Series 2017 Bonds of a maturity and series are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such Series 2017 Bonds to be redeemed.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2017 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2017 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the Series 2017 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest on the Series 2017 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

THE AUTHORITY AND THE TRUSTEE WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTE FOR SUCH DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS. PAYMENTS MADE TO DTC OR ITS NOMINEE SHALL SATISFY THE AUTHORITY'S OBLIGATION UNDER THE INDENTURE TO THE EXTENT OF SUCH PAYMENTS.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE SERIES 2017 BONDS, REFERENCES TO THE HOLDERS OF THE SERIES 2017 BONDS OR OWNERS OF THE SERIES 2017 BONDS, SHALL MEAN CEDE & CO., AND SHALL NOT MEAN THE BENEFICIAL OWNERS.

In the event that either (a) the Authority receives notice from DTC to the effect that DTC is unable or unwilling to discharge its responsibilities as a clearing agency for the Series 2017 Bonds or (b) the Authority elects to discontinue its use of DTC as a clearing agency for the Series 2017 Bonds, then the Authority will do or perform or cause to be done or performed all acts or things, not adverse to the rights of the holders of the Series 2017 Bonds, as are necessary or appropriate to discontinue use of DTC as a clearing agency for the Series 2017 Bonds and to transfer the ownership of each of the Series 2017 Bonds to such person or persons, including any clearing agency, as provided in the Indenture. Any expenses of such a discontinuation and transfer, including any expenses of printing new certificates to evidence the Series 2017 Bonds, will be paid by the Authority.

According to DTC, the foregoing information with respect to DTC has been provided to the industry for informational purposes only and is not intended to serve as a representation, warranty or contract modification of any kind.

The information in this section concerning DTC and DTC's book-entry only system has been obtained from DTC. The Authority, the State and the Underwriters take no responsibility for the accuracy thereof.

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

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APPENDIX E

FORM OF BOND COUNSEL OPINION

(Letterhead of Bowles Rice LLP)

October 11, 2017

School Building Authority of West Virginia
Charleston, West Virginia

Department of Administration of the
State of West Virginia
Charleston, West Virginia

Public Resources Advisory Group
Media, Pennsylvania

Citigroup Global Markets Inc.
New York, New York

Piper Jaffray & Co.
Charleston, West Virginia

United Bank, Inc.
Charleston, West Virginia

Re: $38,415,000 School Building Authority of West Virginia
Capital Improvement Refunding Revenue Bonds, Series 2017

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the School Building Authority of West Virginia (the "Issuer") of its Capital Improvement Refunding Revenue Bonds, Series 2017 (the "Bonds"), in the aggregate principal amount of $38,415,000. We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion. We have also examined an unauthenticated specimen Bond.

As to questions of fact material to our opinion, we have relied upon representations of the Issuer contained in the documents descried herein and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation.

The 2017 Bonds are issued pursuant to the Constitution and the laws of the State of West Virginia (the "State"), including particularly Chapter 18, Article 9D of the Code of West Virginia, 1931, as amended (the "Act"), and pursuant to a Resolution of the Issuer adopted on August 29, 2017 (the "Resolution"), a Ninth Supplemental Trust Indenture, dated as of October

1, 2017, supplementing and amending the Trust Indenture dated as of January 1, 1990, as previously supplemented and amended (collectively, the "Indenture"), each by and between the Issuer and United Bank, Inc., as Trustee (the "Trustee"). The proceeds of the Bonds will be used for the purposes of (i) currently refunding all of the Issuer's outstanding Capital Improvement Refunding Revenue Bonds, 2007 Series A, and (ii) paying the costs of issuing the Bonds and related costs of such refunding. The Issuer has also entered into a Tax Compliance Certificate, dated as of October 11, 2017 (the "Tax Certificate").

We have not been engaged to review the accuracy, completeness or sufficiency of the Official Statement dated September 26, 2017, prepared in connection with Bonds (the "Official Statement") or other offering material related to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto.

Based upon the foregoing, we are of the opinion, under existing law, as follows:

1. The Issuer is duly created and validly existing pursuant to the Act, with power to adopt the Resolution, to execute and deliver the Indenture and the Tax Certificate, and to perform the agreements on its part contained therein and to issue the Bonds.

2. The Resolution has been duly adopted by the Issuer, is in full force and effect, and is valid and binding upon the Issuer and enforceable against the Issuer in accordance with its terms.

3. The Indenture and the Tax Certificate have been duly authorized, executed and delivered by the Issuer and, assuming due authorization, execution and delivery by the other parties thereto, constitute valid and binding agreements of the Issuer in accordance with the respective terms thereof.

4. The Indenture creates the valid pledge which it purports to create of the funds, accounts and property pledged under the Indenture, subject to the terms thereof. It should be noted that amounts available to be transferred to the Trustee under the Indenture to pay the principal or redemption price of, and interest on, the Bonds are subject to annual appropriation by the Legislature of the State of West Virginia (the "Legislature"), and no assurance can be given that future appropriations will be made by the Legislature in amounts sufficient to pay the principal or redemption price of, and interest on, the Bonds.

5. The Bonds have been duly authorized, executed and delivered by the Issuer and, assuming proper authentication, are valid and binding limited obligations of the Issuer, payable solely from the sources provided therefor in the Indenture.

6. Under existing laws, regulations, published rulings and judicial decisions of the United States of America, as presently written and applied, interest on the Bonds is excludable from gross income of the holders thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended, and is not an item of tax preference for purposes of the federal alternative minimum tax imposed upon individuals and corporations; however, such interest is included in the adjusted current earnings of certain corporations for the purpose of computing the alternative minimum tax that may be imposed on corporations.

In giving the foregoing opinion we have assumed and relied upon compliance with the covenants of the Issuer and the accuracy, which we have not independently verified, of the representations and certifications of the Issuer, all as contained in the Tax Certificate. The accuracy of certain of those representations and certifications, and compliance by the Issuer with those covenants subsequent to the issuance of the Bonds, may be necessary for the interest on the Bonds to be and to remain excluded from gross income for federal income tax purposes. Failure to comply with certain of those covenants subsequent to the issuance of the Bonds could cause the interest thereon to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

7. Under the Act, the Bonds and the interest thereon are exempt from all taxation by the State, or by any county, school district, municipality, or political subdivision thereof.

The validity and enforceability of the documents described above are subject to the provisions of applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to the enforcement of creditors' rights generally or against public agencies such as the Issuer or the State, whether now or hereafter in effect. Such obligations are also subject to the exercise of judicial discretion and to general equity principles, whether considered at law or in equity, which may, among other things, limit the specific enforcement under state law of certain remedies.

Our services as bond counsel to the Issuer have been limited to rendering the foregoing opinion based upon our review of such proceedings and documents as we deem necessary to approve the validity of the Bonds and the tax-exempt status of the interest thereon.

This opinion is rendered as of the date hereof. We are under no obligation to, nor will we, update or revise this opinion due to events occurring after the date hereof which change the facts or law upon which this opinion is based.

Respectfully submitted,

BOWLES RICE LLP

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APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

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DISCLOSURE DISSEMINATION AGENT AGREEMENT

This Disclosure Dissemination Agent Agreement (the "Disclosure Agreement"), dated October 11, 2017, is executed and delivered by the State of West Virginia (the "State"), acting by and through its Department of Administration (the "Department"), and Digital Assurance Certification, L.L.C., as exclusive Disclosure Dissemination Agent (the "Disclosure Dissemination Agent" or "DAC") for the benefit of the Holders (hereinafter defined) of the Bonds (hereinafter defined) and in order to provide certain continuing disclosure with respect to the Bonds in accordance with Rule 15c2-12 of the United States Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time (the "Rule").

The services provided under this Disclosure Agreement solely relate to the execution of instructions received from the Department through use of the DAC system and do not constitute "advice" within the meaning of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Act"). DAC will not provide any advice or recommendation to the Department or anyone on the Department's behalf regarding the "issuance of municipal securities" or any "municipal financial product" as defined in the Act and nothing in this Disclosure Agreement shall be interpreted to the contrary.

SECTION 1. Definitions. Capitalized terms not otherwise defined in this Disclosure Agreement shall have the meaning assigned in the Rule or, to the extent not in conflict with the Rule, in the Official Statement (hereinafter defined). The capitalized terms shall have the following meanings:

"Annual Filing Date" means the date, set in Sections 2(a) and 2(f), by which the Annual Report is to be filed with the MSRB.

"Annual Financial Information" means annual financial information as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(a) of this Disclosure Agreement.

"Annual Report" means an Annual Report described in and consistent with Section 3 of this Disclosure Agreement.

"Audited Financial Statements" means the State's Consolidated Annual Financial Report for the prior fiscal year, certified by an independent auditor as prepared in accordance with generally accepted accounting principles or otherwise, as such term is used in paragraph (b)(5)(i) of the Rule and specified in Section 3(b) of this Disclosure Agreement.

"Bonds" means the bonds as listed on the attached Exhibit A, with the 9-digit CUSIP numbers relating thereto.

"Certification" means a written certification of compliance signed by the Disclosure Representative stating that the Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure delivered to the Disclosure Dissemination Agent is the Annual

Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure required to be submitted to the MSRB under this Disclosure Agreement. A Certification shall accompany each such document submitted to the Disclosure Dissemination Agent by the Department and include the full name of the Bonds and the 9-digit CUSIP numbers for all Bonds to which the document applies.

"Disclosure Dissemination Agent" means Digital Assurance Certification, L.L.C, acting in its capacity as Disclosure Dissemination Agent hereunder, or any successor Disclosure Dissemination Agent designated in writing by the Department pursuant to Section 9 hereof.

"Disclosure Representative" means Robert P. Paulson, General Counsel for the Department, or his or her designee, or such other person as the Department shall designate in writing to the Disclosure Dissemination Agent from time to time as the person responsible for providing Information to the Disclosure Dissemination Agent.

"Failure to File Event" means the Department's failure to file an Annual Report on or before the Annual Filing Date.

"Force Majeure Event" means: (i) acts of God, war, or terrorist action; (ii) failure or shut-down of the Electronic Municipal Market Access system maintained by the MSRB; or (iii) to the extent beyond the Disclosure Dissemination Agent's reasonable control, interruptions in telecommunications or utilities services, failure, malfunction or error of any telecommunications, computer or other electrical, mechanical or technological application, service or system, computer virus, interruptions in Internet service or telephone service (including due to a virus, electrical delivery problem or similar occurrence) that affect Internet users generally, or in the local area in which the Disclosure Dissemination Agent or the MSRB is located, or acts of any government, regulatory or any other competent authority the effect of which is to prohibit the Disclosure Dissemination Agent from performance of its obligations under this Disclosure Agreement.

"Holder" means any person (a) having the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries) or (b) treated as the owner of any Bonds for federal income tax purposes.

"Information" means, collectively, the Annual Reports, the Audited Financial Statements (if any), the Notice Event notices, the Failure to File Event notices, the Voluntary Event Disclosures and the Voluntary Financial Disclosures.

"MSRB" means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

"Notice Event" means any of the events enumerated in paragraph (b)(5)(i)(C) of the Rule and listed in Section 4(a) of this Disclosure Agreement.

"Obligated Person" means any person, including the State, who is committed by contract or other arrangement to support payment of all, or part of the obligations on the Bonds (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities), as shown on Exhibit A.

"Official Statement" means that Official Statement prepared by the State in connection with the Bonds, as listed on Appendix A.

"Voluntary Event Disclosure" means information of the category specified in any of subsections (e)(vi)(1) through (e)(vi)(11) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(a) of this Disclosure Agreement.

"Voluntary Financial Disclosure" means information of the category specified in any of subsections (e)(vii)(1) through (e)(vii)(9) of Section 2 of this Disclosure Agreement that is accompanied by a Certification of the Disclosure Representative containing the information prescribed by Section 7(b) of this Disclosure Agreement.

SECTION 2. Provision of Annual Reports.

(a) The Department shall provide, annually, an electronic copy of the Annual Report and Certification to the Disclosure Dissemination Agent not later than the Annual Filing Date. Promptly upon receipt of an electronic copy of the Annual Report and the Certification, the Disclosure Dissemination Agent shall provide an Annual Report to the MSRB not later than March 31 of the calendar year following the end of each fiscal year of the State, commencing with the fiscal year ended June 30, 2017 (which is due March 31, 2018). Such date and each anniversary thereof is the Annual Filing Date. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 3 of this Disclosure Agreement.

(b) If on the fifteenth (15th) day prior to the Annual Filing Date, the Disclosure Dissemination Agent has not received a copy of the Annual Report and Certification, the Disclosure Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the Department of its undertaking to provide the Annual Report pursuant to Section 2(a). Upon such reminder, the Disclosure Representative shall either (i) provide the Disclosure Dissemination Agent with an electronic copy of the Annual Report and the Certification no later than two (2) business days prior to the Annual Filing Date, or (ii) instruct the Disclosure Dissemination Agent in writing that the Department will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Disclosure Dissemination Agent that a Failure to File Event has occurred and to immediately send a notice to the MSRB in substantially the form attached as Exhibit B, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(c) If the Disclosure Dissemination Agent has not received an Annual Report and Certification by 6:00 p.m. Eastern time on the Annual Filing Date (or, if such Annual Filing Date falls on a Saturday, Sunday or holiday, then the first business day thereafter) for the Annual Report, a Failure to File Event shall have occurred and the Department irrevocably directs the Disclosure Dissemination Agent to immediately send a notice to the MSRB in substantially the form attached as Exhibit B without reference to the anticipated filing date for the Annual Report, accompanied by a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

(d) If Audited Financial Statements of the State are prepared but not available prior to the Annual Filing Date, the Department shall, when the Audited Financial Statements are available, provide in a timely manner an electronic copy to the Disclosure Dissemination Agent, accompanied by a Certification for filing with the MSRB.

(e) The Disclosure Dissemination Agent shall:

(i) verify the filing specifications of the MSRB each year prior to the Annual Filing Date;

(ii) upon receipt, promptly file each Annual Report received under Sections 2(a) and 2(b) with the MSRB;

(iii) upon receipt, promptly file each Audited Financial Statement received under Section 2(d) with the MSRB;

(iv) upon receipt, promptly file the text of each Notice Event received under Sections 4(a) and 4(b)(ii) with the MSRB, identifying the Notice Event as instructed by the Department pursuant to Section 4(a) or 4(b)(ii) (being any of the categories set forth below) when filing pursuant to Section 4(c) of this Disclosure Agreement:

1. "Principal and interest payment delinquencies;"
2. "Non-Payment related defaults, if material;"
3. "Unscheduled draws on debt service reserves reflecting financial difficulties;"
4. "Unscheduled draws on credit enhancements reflecting financial difficulties;"
5. "Substitution of credit or liquidity providers, or their failure to perform;"
6. "Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7. "Modifications to rights of securities holders, if material;"
8. "Bond calls, if material;"
9. "Defeasances;"
10. "Release, substitution, or sale of property securing repayment of the securities, if material;"

11. “Rating changes;”

12. “Tender offers;”

13. “Bankruptcy, insolvency, receivership or similar event of the obligated person;”

14. “Merger, consolidation, or acquisition of the obligated person, if material;” and

15. “Appointment of a successor or additional trustee, or the change of name of a trustee, if material;”

(v) upon receipt (or irrevocable direction pursuant to Section 2(c) of this Disclosure Agreement, as applicable), promptly file a completed copy of Exhibit B to this Disclosure Agreement with the MSRB, identifying the filing as “Failure to provide annual financial information as required” when filing pursuant to Section 2(b)(ii) or Section 2(c) of this Disclosure Agreement;

(vi) upon receipt, promptly file the text of each Voluntary Event Disclosure received under Section 7(a) with the MSRB, identifying the Voluntary Event Disclosure as instructed by the Department pursuant to Section 7(a) (being any of the categories set forth below) when filing pursuant to Section 7(a) of this Disclosure Agreement:

1. “amendment to continuing disclosure undertaking;”

2. “change in obligated person;”

3. “notice to investors pursuant to bond documents;”

4. “certain communications from the Internal Revenue Service;”

5. “secondary market purchases;”

6. “bid for auction rate or other securities;”

7. “capital or other financing plan;”

8. “litigation/enforcement action;”

9. “change of tender agent, remarketing agent, or other on-going party;”

10. “derivative or other similar transaction;” and

11. “other event-based disclosures;”

(vii) upon receipt, promptly file the text of each Voluntary Financial Disclosure received under Section 7(b) with the MSRB, identifying the Voluntary

Financial Disclosure as instructed by the Department pursuant to Section 7(b) (being any of the categories set forth below) when filing pursuant to Section 7(b) of this Disclosure Agreement:

1. "quarterly/monthly financial information;"

2. "change in fiscal year/timing of annual disclosure;"

3. "change in accounting standard;"

4. "interim/additional financial information/operating data;"

5. "budget;"

6. "investment/debt/financial policy;"

7. "information provided to rating agency, credit/liquidity provider or other third party;"

8. "consultant reports;" and

9. "other financial/operating data."

(viii) provide the Department evidence of the filings of each of the above when made, which shall be by means of the DAC system, for so long as DAC is the Disclosure Dissemination Agent under this Disclosure Agreement.

(f) The Department may adjust the Annual Filing Date upon change of the State's fiscal year by providing written notice of such change and the new Annual Filing Date to the Disclosure Dissemination Agent and the MSRB, provided that the period between the existing Annual Filing Date and new Annual Filing Date shall not exceed one year.

(g) Any Information received by the Disclosure Dissemination Agent before 6:00 p.m. Eastern time on any business day that it is required to file with the MSRB pursuant to the terms of this Disclosure Agreement and that is accompanied by a Certification and all other information required by the terms of this Disclosure Agreement will be filed by the Disclosure Dissemination Agent with the MSRB no later than 11:59 p.m. Eastern time on the same business day; provided, however, the Disclosure Dissemination Agent shall have no liability for any delay in filing with the MSRB if such delay is caused by a Force Majeure Event provided that the Disclosure Dissemination Agent uses reasonable efforts to make any such filing as soon as possible.

SECTION 3. <u>Content of Annual Reports</u>. The Annual Report shall contain or include by reference:

(a) Annual Financial Information with respect to the State, which shall include the Audited Financial Statements for the prior fiscal year. Audited Financial Statements will be provided pursuant to Section 2(d).

Any or all of the items listed above may be included by specific reference from other documents, including official statements of debt issues with respect to which the State is an "obligated person" (as defined by the Rule), which have been previously filed with the Securities and Exchange Commission or available on the MSRB internet website. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Department will clearly identify each such document so incorporated by reference.

Any Annual Financial Information containing modified operating data or financial information is required to explain, in narrative form, the reasons for the modification and the impact of the change on the type of operating data or financial information being provided.

SECTION 4. Reporting of Notice Events.

(a) The occurrence of any of the following events with respect to the Bonds constitutes a Notice Event:

1. Principal and interest payment delinquencies;

2. Non-payment related defaults, if material;

3. Unscheduled draws on debt service reserves reflecting financial difficulties;

4. Unscheduled draws on credit enhancements reflecting financial difficulties;

5. Substitution of credit or liquidity providers, or their failure to perform;

6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

7. Modifications to rights of Bond holders, if material;

8. Bond calls, if material, and tender offers;

9. Defeasances;

10. Release, substitution, or sale of property securing repayment of the Bonds, if material;

11. Rating changes;

12. Bankruptcy, insolvency, receivership or similar event of the Obligated Person;

Note to subsection (a) 12 of this Section 4: For the purposes of the event described in subsection (a) 12 of this Section 4, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an Obligated Person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Obligated Person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Obligated Person.

13. The consummation of a merger, consolidation, or acquisition involving an Obligated Person or the sale of all or substantially all of the assets of the Obligated Person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Department shall, in a timely manner not in excess of ten business days after its occurrence, notify the Disclosure Dissemination Agent in writing of the occurrence of a Notice Event. Such notice shall instruct the Disclosure Dissemination Agent to report the occurrence pursuant to subsection (c) and shall be accompanied by a Certification. Such notice or Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Department desires to make, contain the written authorization of the Department for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Department desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(b) The Disclosure Dissemination Agent is under no obligation to notify the Department or the Disclosure Representative of an event that may constitute a Notice Event. In the event the Disclosure Dissemination Agent so notifies the Disclosure Representative, the Disclosure Representative will within two business days of receipt of such notice (but in any event not later than the tenth business day after the occurrence of the Notice Event, if the Department determines that a Notice Event has occurred), instruct the Disclosure Dissemination Agent that (i) a Notice Event has not occurred and no filing is to be made or (ii) a Notice Event has occurred and the Disclosure Dissemination Agent is to report the occurrence pursuant to subsection (c) of this Section 4, together with a Certification. Such Certification shall identify the Notice Event that has occurred (which shall be any of the categories set forth in Section 2(e)(iv) of this Disclosure Agreement), include the text of the disclosure that the Department desires to make, contain the written authorization of the Department for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Department desires for the Disclosure Dissemination Agent to disseminate the information (provided that such date is not later than the tenth business day after the occurrence of the Notice Event).

(c) If the Disclosure Dissemination Agent has been instructed by the Department as prescribed in subsection (a) or (b)(ii) of this Section 4 to report the occurrence of a Notice Event, the Disclosure Dissemination Agent shall promptly file a notice of such occurrence with MSRB in accordance with Section 2 (e)(iv) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-1.

SECTION 5. <u>CUSIP Numbers</u>. Whenever providing information to the Disclosure Dissemination Agent, including but not limited to Annual Reports, documents incorporated by reference to the Annual Reports, Audited Financial Statements, Notice Event notices, Failure to File Event notices, Voluntary Event Disclosures and Voluntary Financial Disclosures, the Department shall indicate the full name of the Bonds and the 9-digit CUSIP numbers for the Bonds as to which the provided information relates.

SECTION 6. <u>Additional Disclosure Obligations</u>. The Department acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933 and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, may apply to the Department, and that the duties and responsibilities of the Disclosure Dissemination Agent under this Disclosure Agreement do not extend to providing legal advice regarding such laws. The Department acknowledges and understands that the duties of the Disclosure Dissemination Agent relate exclusively to execution of the mechanical tasks of disseminating information as described in this Disclosure Agreement.

SECTION 7. <u>Voluntary Filing</u>.

(a) The Department may instruct the Disclosure Dissemination Agent to file a Voluntary Event Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Event Disclosure (which shall be any of the categories set forth in Section 2(e)(vi) of this Disclosure Agreement), include the text of the disclosure that the Department desires to make, contain the written authorization of the Department for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Department desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Department as prescribed in this Section 7(a) to file a Voluntary Event Disclosure, the Disclosure Dissemination Agent shall promptly file such Voluntary Event Disclosure with the MSRB in accordance with Section 2(e)(vi) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-2.

(b) The Department may instruct the Disclosure Dissemination Agent to file a Voluntary Financial Disclosure with the MSRB from time to time pursuant to a Certification of the Disclosure Representative. Such Certification shall identify the Voluntary Financial Disclosure (which shall be any of the categories set forth in Section 2(e)(vii) of this Disclosure Agreement), include the text of the disclosure that the Department desires to make, contain the written authorization of the Department for the Disclosure Dissemination Agent to disseminate such information, and identify the date the Department desires for the Disclosure Dissemination Agent to disseminate the information. If the Disclosure Dissemination Agent has been instructed by the Department as prescribed in this Section 7(b) to file a Voluntary Financial Disclosure, the

Disclosure Dissemination Agent shall promptly file such Voluntary Financial Disclosure with the MSRB in accordance with Section 2(e)(vii) hereof. This notice will be filed with a cover sheet completed by the Disclosure Dissemination Agent in the form set forth in Exhibit C-3.

(b) The parties hereto acknowledge that the Department is not obligated pursuant to the terms of this Disclosure Agreement to file any Voluntary Event Disclosure pursuant to Section 7(a) hereof or any Voluntary Financial Disclosure pursuant to Section 7(b) hereof.

(c) Nothing in this Disclosure Agreement shall be deemed to prevent the Department from disseminating any other information through the Disclosure Dissemination Agent using the means of dissemination set forth in this Disclosure Agreement or including any other information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure, in addition to that required by this Disclosure Agreement. If the Department chooses to include any information in any Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure in addition to that which is specifically required by this Disclosure Agreement, the Department shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, Audited Financial Statements, Notice Event notice, Failure to File Event notice, Voluntary Event Disclosure or Voluntary Financial Disclosure.

SECTION 8. Termination of Reporting Obligation. The obligations of the Department and the Disclosure Dissemination Agent under this Disclosure Agreement shall terminate with respect to the Bonds upon the legal defeasance, prior redemption or payment in full of all of the Bonds, when the State is no longer an Obligated Person with respect to the Bonds, or upon delivery by the Disclosure Representative to the Disclosure Dissemination Agent of an opinion of counsel with expertise in federal securities laws to the effect that continuing disclosure is no longer required.

SECTION 9. Disclosure Dissemination Agent. The Department has appointed Digital Assurance Certification, L.L.C. as exclusive Disclosure Dissemination Agent under this Disclosure Agreement. The Issuer may, upon thirty days written notice to the Disclosure Dissemination Agent, replace or appoint a successor Disclosure Dissemination Agent. Upon termination of DAC's services as Disclosure Dissemination Agent, whether by notice of the Department or DAC, the Department agrees to appoint a successor Disclosure Dissemination Agent or, alternately, agrees to assume all responsibilities of Disclosure Dissemination Agent under this Disclosure Agreement for the benefit of the Holders of the Bonds. Notwithstanding any replacement or appointment of a successor, the Department shall remain liable until payment in full for any and all sums owed and payable to the Disclosure Dissemination Agent. The Disclosure Dissemination Agent may resign at any time by providing thirty days' prior written notice to the Department.

SECTION 10. Remedies in Event of Default. In the event of a failure of the Department or the Disclosure Dissemination Agent to comply with any provision of this Disclosure Agreement, the Holders' rights to enforce the provisions of this Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the parties' obligation under this Disclosure Agreement. Any failure by a party to perform in accordance with this Disclosure Agreement shall not constitute a default on the Bonds or an

Event of Default under that certain Trust Indenture dated as of January 1, 1990, by and between the Authority and United National Bank (now known as United Bank, Inc.), as trustee (the "Trustee"), as amended and supplemented from time to time including, without limitation, by that certain Ninth Supplemental Trust Indenture dated as of October 1, 2017 (collectively, the "Indenture"), or under any other document relating to the Bonds, and all rights and remedies shall be limited to those expressly stated herein.

SECTION 11. Duties, Immunities and Liabilities of Disclosure Dissemination Agent.

(a) The Disclosure Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement. The Disclosure Dissemination Agent's obligation to deliver the information at the times and with the contents described herein shall be limited to the extent the Department has provided such information to the Disclosure Dissemination Agent as required by this Disclosure Agreement. The Disclosure Dissemination Agent shall have no duty with respect to the content of any disclosures or notice made pursuant to the terms hereof. The Disclosure Dissemination Agent shall have no duty or obligation to review or verify any Information or any other information, disclosures or notices provided to it by the Department and shall not be deemed to be acting in any fiduciary capacity for the Department, the Holders of the Bonds or any other party. The Disclosure Dissemination Agent shall have no responsibility for the Department's failure to report to the Disclosure Dissemination Agent a Notice Event or a duty to determine the materiality thereof. The Disclosure Dissemination Agent shall have no duty to determine, or liability for failing to determine, whether the Department has complied with this Disclosure Agreement. The Disclosure Dissemination Agent may conclusively rely upon Certifications of the Department at all times.

The obligations of the Department under this Section shall survive resignation or removal of the Disclosure Dissemination Agent and defeasance, redemption or payment of the Bonds.

(b) The Disclosure Dissemination Agent may, from time to time, consult with legal counsel (either in-house or external) of its own choosing in the event of any disagreement or controversy, or question or doubt as to the construction of any of the provisions hereof or its respective duties hereunder, and shall not incur any liability and shall be fully protected in acting in good faith upon the advice of such legal counsel. The reasonable fees and expenses of such counsel shall be payable by the Department.

(c) All documents, reports, notices, statements, information and other materials provided to the MSRB under this Agreement shall be provided in an electronic format and accompanied by identifying information as prescribed by the MSRB.

SECTION 12. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Department and the Disclosure Dissemination Agent may amend this Disclosure Agreement and any provision of this Disclosure Agreement may be waived, if such amendment or waiver is supported by an opinion of counsel with expertise in federal securities laws acceptable to both the Department and the Disclosure Dissemination Agent to the effect that such amendment or waiver does not materially impair the interests of Holders of the Bonds and would not, in and of itself, cause the undertakings herein to violate the Rule if such amendment or waiver had been effective on the date hereof but taking into account any subsequent change in or official interpretation of the Rule; provided neither the Department or the Disclosure

Dissemination Agent shall be obligated to agree to any amendment modifying their respective duties or obligations without their consent thereto.

Notwithstanding the preceding paragraph, the Disclosure Dissemination Agent shall have the right to adopt amendments to this Disclosure Agreement necessary to comply with modifications to and interpretations of the provisions of the Rule as announced by the Securities and Exchange Commission from time to time by giving not less than 20 days written notice of the intent to do so together with a copy of the proposed amendment to the Department. No such amendment shall become effective if the Department shall, within 10 days following the giving of such notice, send a notice to the Disclosure Dissemination Agent in writing that it objects to such amendment.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the State, the Disclosure Dissemination Agent, the underwriter, and the Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Governing Law. This Disclosure Agreement shall be governed by the laws of the State of West Virginia (other than with respect to conflicts of laws).

SECTION 15. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of page intentionally left blank.]

The Disclosure Dissemination Agent and the Department have caused this Disclosure Agreement to be executed, on the date first written above, by their respective officers duly authorized.

DIGITAL ASSURANCE CERTIFICATION, L.L.C.,
as Disclosure Dissemination Agent

By:______________________________________
Name: Jenny Emami
Title: Assistant CSM Director

STATE OF WEST VIRGINIA, acting by and
through the Department of Administration

By: ______________________________________
Name: John Myers
Title: Secretary

EXHIBIT A

NAME AND CUSIP NUMBERS OF BONDS

Name of Issuer	State of West Virginia
Obligated Person(s)	State of West Virginia
Name of Bond Issue:	School Building Authority of West Virginia Capital Improvement Refunding Revenue Bonds, Series 2017
Date of Issuance:	October 11, 2017
Date of Official Statement	September 26, 2017

Maturity Year (July 1)	CUSIP
2018	95667QBA3
2019	95667QBB1

EXHIBIT B

NOTICE TO MSRB OF FAILURE TO FILE ANNUAL REPORT

Issuer:	State of West Virginia
Obligated Person:	State of West Virginia
Name(s) of Bond Issue(s):	School Building Authority of West Virginia Capital Improvement Refunding Revenue Bonds, Series 2017
Date(s) of Issuance:	October 11, 2017
Date(s) of Disclosure Agreement:	October 11, 2017
CUSIP Number:	95667Q______

NOTICE IS HEREBY GIVEN that the State of West Virginia, acting by and through its Department of Administration, has not provided an Annual Report with respect to the above-named Bonds as required by the Disclosure Agreement between the State of West Virginia, acting by and through its Department of Administration, and Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent. [The Department of Administration has notified the Disclosure Dissemination Agent that it anticipates that the Annual Report will be filed by ______________].

Dated: ______________________________

Digital Assurance Certification, L.L.C., as Disclosure Dissemination Agent, on behalf of the State of West Virginia Department of Administration

____

cc:

EXHIBIT C-1
EVENT NOTICE COVER SHEET

This cover sheet and accompanying "event notice" will be sent to the MSRB, pursuant to Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C) and (D).

Issuer's and/or Other Obligated Person's Name:

State of West Virginia

Issuer's Six-Digit CUSIP Number:

95667Q

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

95667Q ____

Number of pages attached: _____

____ Description of Notice Events (Check One):

1.______"Principal and interest payment delinquencies;"
2.______"Non-Payment related defaults, if material;"
3.______"Unscheduled draws on debt service reserves reflecting financial difficulties;"
4.______"Unscheduled draws on credit enhancements reflecting financial difficulties;"
5.______"Substitution of credit or liquidity providers, or their failure to perform;"
6.______"Adverse tax opinions, IRS notices or events affecting the tax status of the security;"
7.______"Modifications to rights of securities holders, if material;"
8.______"Bond calls, if material;"
9.______"Defeasances;"
10._____"Release, substitution, or sale of property securing repayment of the securities, if material;"
11._____"Rating changes;"
12._____"Tender offers;"
13._____"Bankruptcy, insolvency, receivership or similar event of the obligated person;"
14._____"Merger, consolidation, or acquisition of the obligated person, if material;" and
15._____"Appointment of a successor or additional trustee, or the change of name of a trustee, if material."

____ Failure to provide annual financial information as required.

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

____

Name: ___________________________________ Title: _____________________________________

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date: ________________________

EXHIBIT C-2
VOLUNTARY EVENT DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary event disclosure" will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated October 11, 2017, between the State of West Virginia, acting by and through its Department of Administration, and DAC.

Issuer's and/or Other Obligated Person's Name:

State of West Virginia

Issuer's Six-Digit CUSIP Number:

95667Q

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

95667Q ____

Number of pages attached: _____

____ Description of Voluntary Event Disclosure (Check One):

1.______"amendment to continuing disclosure undertaking;"
2.______"change in obligated person;"
3.______"notice to investors pursuant to bond documents;"
4.______"certain communications from the Internal Revenue Service;"
5.______"secondary market purchases;"
6.______"bid for auction rate or other securities;"
7.______"capital or other financing plan;"
8.______"litigation/enforcement action;"
9.______"change of tender agent, remarketing agent, or other on-going party;"
10._____"derivative or other similar transaction;" and
11._____"other event-based disclosures."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

____

Name: ______________________________ Title: ______________________________

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date: _________________

EXHIBIT C-3
VOLUNTARY FINANCIAL DISCLOSURE COVER SHEET

This cover sheet and accompanying "voluntary financial disclosure" will be sent to the MSRB, pursuant to the Disclosure Dissemination Agent Agreement dated October 11, 2017, between the State of West Virginia, acting by and through its Department of Administration, and DAC.

Issuer's and/or Other Obligated Person's Name:

State of West Virginia

Issuer's Six-Digit CUSIP Number:

95667Q

or Nine-Digit CUSIP Number(s) of the bonds to which this event notice relates:

95667Q ____

Number of pages attached: _____

____ Description of Voluntary Financial Disclosure (Check One):

1.______"quarterly/monthly financial information;"
2.______"change in fiscal year/timing of annual disclosure;"
3.______"change in accounting standard;"
4.______"interim/additional financial information/operating data;"
5.______"budget;"
6.______"investment/debt/financial policy;"
7.______"information provided to rating agency, credit/liquidity provider or other third party;"
8.______"consultant reports;" and
9.______"other financial/operating data."

I hereby represent that I am authorized by the issuer or its agent to distribute this information publicly:

Signature:

____

Name: ______________________________________ Title: ____

Digital Assurance Certification, L.L.C.
390 N. Orange Avenue
Suite 1750
Orlando, FL 32801
407-515-1100

Date: _________________

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SCHOOL BUILDING AUTHORITY OF WEST VIRGINIA • CAPITAL IMPROVEMENT REFUNDING REVENUE BONDS, SERIES 2017

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