



State of West Virginia
 Department of Administration
 Purchasing Division
 2019 Washington Street East
 Post Office Box 50130
 Charleston, WV 25305-0130

Request for Quotation

RFQ NUMBER
WV11869

PAGE
1

ADDRESS CORRESPONDENCE TO ATTENTION OF:
FRANK WHITTAKER 304-558-2316

VENDOR

RFQ COPY
 TYPE NAME/ADDRESS HERE

SHIP TO

WV BUREAU OF EMPLOYMENT PROGRA
 3701 MAC CORKLE AVENUE SE

 CHARLESTON, WV
 25304 348-2634

DATE PRINTED	TERMS OF SALE	SHIP VIA	F.O.B.	FREIGHT TERMS
09/30/2010				

BID OPENING DATE:

10/14/2010

BID OPENING TIME

01:30PM

LINE	QUANTITY	UOP	CAT NO	ITEM NUMBER	UNIT PRICE	AMOUNT
***** ADDENDUM NO. 1 *****						
THIS ADDENDUM IS ISSUED TO:						
1) EXTEND THE BID OPENING DATE AND TIME TO: 10/14/2010 AT 1:30 PM						
2) REPLACE THE ENTIRE SPECIFICATIONS WITH THE ATTACHED REVISED SPECIFICATIONS.						
3) PROVIDE THE ATTACHED TECHNICAL QUESTIONS & ANSWERS.						
4) PROVIDE THE ATTACHED 2009 WORKFORCE WEST VIRGINIA 2009 FINANCIAL STATEMENT.						
***** END ADDENDUM NO. 1 *****						
0001		LS		946-20		
	1			AUDITING SERVICES		

SEE REVERSE SIDE FOR TERMS AND CONDITIONS

SIGNATURE	TELEPHONE	DATE
TITLE	FEIN	ADDRESS CHANGES TO BE NOTED ABOVE

WHEN RESPONDING TO RFQ, INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED 'VENDOR'

GENERAL TERMS & CONDITIONS
REQUEST FOR QUOTATION (RFQ) AND REQUEST FOR PROPOSAL (RFP)

1. Awards will be made in the best interest of the State of West Virginia.
2. The State may accept or reject in part, or in whole, any bid.
3. Prior to any award, the apparent successful vendor must be properly registered with the Purchasing Division and have paid the required \$125 fee.
4. All services performed or goods delivered under State Purchase Order/Contracts are to be continued for the term of the Purchase Order/Contracts, contingent upon funds being appropriated by the Legislature or otherwise being made available. In the event funds are not appropriated or otherwise available for these services or goods this Purchase Order/Contract becomes void and of no effect after June 30.
5. Payment may only be made after the delivery and acceptance of goods or services.
6. Interest may be paid for late payment in accordance with the *West Virginia Code*.
7. Vendor preference will be granted upon written request in accordance with the *West Virginia Code*.
8. The State of West Virginia is exempt from federal and state taxes and will not pay or reimburse such taxes.
9. The Director of Purchasing may cancel any Purchase Order/Contract upon 30 days written notice to the seller.
10. The laws of the State of West Virginia and the *Legislative Rules* of the Purchasing Division shall govern the purchasing process.
11. Any reference to automatic renewal is hereby deleted. The Contract may be renewed only upon mutual written agreement of the parties.
12. **BANKRUPTCY:** In the event the vendor/contractor files for bankruptcy protection, the State may deem this contract null and void, and terminate such contract without further order.
13. **HIPAA BUSINESS ASSOCIATE ADDENDUM:** The West Virginia State Government HIPAA Business Associate Addendum (BAA), approved by the Attorney General, is available online at www.state.wv.us/admin/purchase/vrc/hipaa.htm and is hereby made part of the agreement. Provided that the Agency meets the definition of a Cover Entity (45 CFR §160.103) and will be disclosing Protected Health Information (45 CFR §160.103) to the vendor.
14. **CONFIDENTIALITY:** The vendor agrees that he or she will not disclose to anyone, directly or indirectly, any such personally identifiable information or other confidential information gained from the agency, unless the individual who is the subject of the information consents to the disclosure in writing or the disclosure is made pursuant to the agency's policies, procedures, and rules. Vendor further agrees to comply with the Confidentiality Policies and Information Security Accountability Requirements, set forth in <http://www.state.wv.us/admin/purchase/privacy/noticeConfidentiality.pdf>.
15. **LICENSING:** Vendors must be licensed and in good standing in accordance with any and all state and local laws and requirements by any state or local agency of West Virginia, including, but not limited to, the West Virginia Secretary of State's Office, the West Virginia Tax Department, and the West Virginia Insurance Commission. The vendor must provide all necessary releases to obtain information to enable the director or spending unit to verify that the vendor is licensed and in good standing with the above entities.
16. **ANTITRUST:** In submitting a bid to any agency for the State of West Virginia, the bidder offers and agrees that if the bid is accepted the bidder will convey, sell, assign or transfer to the State of West Virginia all rights, title and interest in and to all causes of action it may now or hereafter acquire under the antitrust laws of the United States and the State of West Virginia for price fixing and/or unreasonable restraints of trade relating to the particular commodities or services purchased or acquired by the State of West Virginia. Such assignment shall be made and become effective at the time the purchasing agency tenders the initial payment to the bidder.

I certify that this bid is made without prior understanding, agreement, or connection with any corporation, firm, limited liability company, partnership, or person or entity submitting a bid for the same material, supplies, equipment or services and is in all respects fair and without collusion or fraud. I further certify that I am authorized to sign the certification on behalf of the bidder or this bid.

INSTRUCTIONS TO BIDDERS

1. Use the quotation forms provided by the Purchasing Division. Complete all sections of the quotation form.
2. Items offered must be in compliance with the specifications. Any deviation from the specifications must be clearly indicated by the bidder. Alternates offered by the bidder as **EQUAL** to the specifications must be clearly defined. A bidder offering an alternate should attach complete specifications and literature to the bid. The Purchasing Division may waive minor deviations to specifications.
3. Unit prices shall prevail in case of discrepancy. All quotations are considered F.O.B. destination unless alternate shipping terms are clearly identified in the quotation.
4. All quotations must be delivered by the bidder to the office listed below prior to the date and time of the bid opening. Failure of the bidder to deliver the quotations on time will result in bid disqualifications: Department of Administration, Purchasing Division, 2019 Washington Street East, P.O. Box 50130, Charleston, WV 25305-0130
5. Communication during the solicitation, bid, evaluation or award periods, except through the Purchasing Division, is strictly prohibited (W.Va. C.S.R. §148-1-6.6).

TECHNICAL QUESTIONS AND ANSWERS FOR WWV 11-869

1. Page 4, General Requirements refers to audit services for the fiscal year ending June 30, 2010. The delivery schedule on Page 7 refers to dates in 2011. Is the RFQ for audit services to audit the financial statements for the year ended June 30, 2010 or June 30, 2011?

A1 The auditing services to be provided under this RFQ are for the year ending June 30, 2011.

2. If the services are for the year ended June 30, 2010, what caused the RFQ to be issued so late? It appears that the previous contract was available for renewal for the year ended June 30, 2010. Why was the contract not renewed?

A2 The auditing services requested are for the year ending June 30, 2011.

3. Please provide the auditor's reports, financial statements, schedule of findings and responses (if findings), and management letter (if issued) for the year ended June 30, 2009 (or for June 30, 2010, if this RFQ is for audit services for the year ended June 30, 2011).

A3 Please see Attachment I

4. Please provide the current status of any prior year findings or management letter comments.

A4 There are no current unresolved findings.

5. Page 6 states that final report preparation, editing, and printing shall be the responsibility of the auditing firm. Will Workforce West Virginia prepare the content of the financial statements and notes for the audit firm to type? If not, what is the source of information and the process for accumulating and summarizing financial statement content, format, and information in the notes to financial statements?

A5 WorkForce West Virginia will use the prior year financial statements and update for the current year. Once complete, these financial statements will be emailed to the CPA firm who has been awarded the contract

6. We observed that the RFQ requires as part of the deliverables a PDF copy of the audit report for posting on the WORKFORCE West Virginia web site. We have searched for a copy of the latest audited financial statements for WORKFORCE West Virginia on the internet, however, we have been unable to locate a copy. Could the latest copy of the audited financial statements of WORKFORCE West Virginia be provided to us?

A6 Please see Attachment I

7. We observed that proposing firms “must provide an affirmative statement that it is independent of WORKFORCE West Virginia and related systems as defined by general accepted auditing standards” and the GAO audit standards, and that the firm must also “provide an affirmative statement that it is independent of the State of West Virginia and any other component units of that entity as defined by those same standards”. Though auditing standards generally accepted in the United States of America and GAO standards require that the proposing firms must be independent of WORKFORCE West Virginia, those same standards do not require that the proposing firms be independent of the State of West Virginia and any other component units of the State of West Virginia (Ethics Interpretations 101-10). Consequently, the requirements of the RFQ appear to exceed the requirements of professional standards. Is it the intent of WORKFORCE West Virginia that, even though it is not required by professional standards, that the firms submitting proposals comply with this additional requirement?

A7 The successful vendor does not need to be independent of the State of West Virginia but will need to meet standard requirements. See revised specifications.

8. The regional offices of WORKFORCE West Virginia appear to be separate legal independent not-for-profit organizations. Are the financial statements of these regional entities combined/consolidated into the financial statements of WORKFORCE West Virginia?

A8 No

9. Though the RFQ states that no internal audit support will be available in the conduct of the audit, will it be possible to review the results of their work, reports, procedures, etc. so that we may determine if we can rely on such work?

A9 No audit staff exists within WorkForce West Virginia.

10. Is it possible for you to provide to the interested firms the estimated number of audit staff that worked onsite at WORKFORCE West Virginia during the most recent audit as well as the number of weeks the team was onsite?

A10 WorkForce West Virginia does not track that specific information.

11. Could you please provide a schedule of expenditures of Federal awards anticipated for the year to be audited?

A11 No

12. Could you please provide the amount of fees paid for non-audit accounting and advisory services paid to the prior auditors as a result of their provision of audit services?

A12 The only fees paid are those paid for the review of the audit.

STATE OF WEST VIRGINIA
WorkForce West Virginia
REQUISITION For QUOTATION WWV11-869

PROCUREMENT SPECIFICATIONS

General Requirements:

The qualified firm of certified public accountants will audit the financial statements for WorkForce West Virginia for the fiscal year ending June 30, 2011, with the option to audit the financial statements for each of the two (2) subsequent fiscal years. The audit for fiscal year 2010 and forward must also be audited in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

Scope of Work:

Scope: The auditing firm shall issue an opinion on the fair presentation, in conformity with Generally Accepted Accounting Principles, of its general purpose financial statements that will include all WorkForce West Virginia Programs (the audit for fiscal year 2011 and forward must be audited in accordance with Government Auditing Standards, issued by the Comptroller General of the United States). This work is to include providing technical assistance to WorkForce West Virginia's financial personnel for the continuation of GASB 34 "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments" and the continuation of SAS 99 which revises guidance on the consideration of fraud in financial statement audits.

WorkForce West Virginia desires the auditing firm to express an opinion on the fair presentation of its financial statements and schedules in conformity with Generally Accepted Accounting Principles.

The auditing firm is required to audit the additional financial information schedules required by the Financial Accounting and Reporting Section (FARS) of the West Virginia Department of Administration.

The auditing firm shall also be responsible for performing certain limited procedures involving required supplementary information required by Governmental Accounting Standards Board as mandated by Generally Accepted Auditing Standards.

All work under the proposed contract will be under the direction of the Executive Director of WorkForce West Virginia or his designee. Written reports must be submitted initially in draft form in order that any necessary changes may be discussed and agreed upon before final acceptance. Any public statements, which may be required, must be discussed with the Executive Director or designee prior to the statements being made or released.

Standards: To meet the requirements of this request, the audits shall be performed in accordance with Generally Accepted Auditing Standards. The audit for fiscal year 2011 and forward must also be audited in accordance with the Government Auditing Standards, issued by the Comptroller General of the United States.

Required Reports: Following the completion of each audit of the fiscal year's financial statements, the auditing firm shall issue reports on the fair presentation of the financial statements in conformity with Generally Accepted Accounting Principles and in accordance with Government Auditing Standards. The firm shall be required to give to the Director of the Financial Accounting and Reporting Section (FARS) of the Department of Administration, 2101 Washington Street East, Building 17, 3rd floor, Charleston, WV 25305, under the authority of Section 5A-2-23 of the State Code, an immediate, written report of all irregularities and illegal acts of which the firm becomes aware. Additionally, a copy of all such reports will be give to the Executive Director of WorkForce West Virginia and the Director of FAM in writing of each of the following:

1. The auditing firm's responsibility under generally accepted auditing standards.
2. Significant accounting policies.
3. Management judgments, accounting estimates and projections.
4. Significant audit adjustments and significant revisions of past and current estimates and projections.
5. Other information in documents containing audited financial statements and/or estimates and projections.
6. Disagreements with management.
7. Consultation with other accountants and actuaries.
8. Major issues discussed with management prior to retention.
9. Difficulties encountered in performing the audit.

Any issues that arise during the course of the audit that could cause delays in the issuance of the report or have an adverse impact or the audit opinion must be immediately communicated to the Executive Director of WorkForce West Virginia and the Director of FAM. A written summary of the issue must also be provided within 24 hours.

Management Communication: WorkForce West Virginia's financial statements are to be included in the financial statements of the State of West Virginia. The auditing firm may be required to provide special assistance to WorkForce West Virginia's auditors, the State's auditors, and the Financial Accounting and Reporting Section of the West Virginia Department of Administration.

Working Paper Retention and Access: All working papers and reports must be retained, at the auditing firm's expense, for a minimum of five (5) years, unless the firm is notified by WorkForce West Virginia of the need to extend the retention period. The firm will be required to make working papers available, upon request, to the Executive Director of WorkForce West Virginia and the Director of FAM and the Financial Accounting and Reporting Section of the West Virginia Department of Administration.

In addition, the firm must respond to the reasonable inquiries of federal grantors and successor auditors and allow them to review working papers relation to matters of continuing significance.

Assistance and Report Preparation: The accounting staff of WorkForce West Virginia, as well as management, will be available during the audit to assist the auditing firm by providing information, documentation and explanations. The preparation of confirmations will be the responsibility of the auditor. In addition, an appropriate number of hours of clerical support will be made available to the auditing firm for preparation of routine conformation/informational letters and memoranda.

No internal audit support will be available.

WorkForce West Virginia will provide the auditing firm with reasonable workspace, desks, and chairs. The auditing firm will also be provided with access to telephone lines, internet access, photocopying facilities, and fax machines. The firm will provide WorkForce West Virginia with an estimate of the number of personnel to be assigned to the audit in the detailed audit plan.

Final report preparation, editing, and printing shall be the responsibility of the auditing firm.

The firm must deliver 15 copies of the bound final audit report to the Director of FAM in Room 618, 112 California Avenue, Charleston, WV 25305-0112 by October 16, 2011. Also, an electronic copy of the report must be provided in a PDF or similar format for public review on the agency's website.

The dates in the following schedule are required delivery deadlines:

Delivery Schedule	
Entrance Conference	Before June 24, 2011
Detailed audit plan	July 18, 2011
Field work to begin	On or after July 18, 2011
Draft of WorkForce West Virginia Reports and financial statements for review	September 2, 2011
Revised draft with all requests changed and modification of WorkForce West Virginia reports and financial statements for review	September 9, 2011
Draft submitted to the Financial Accounting and Reporting Section (FARS) of the WV Department of Administration with copies to Executive Director of WorkForce West Virginia and Director of FAM	September 15, 2011
Unsigned final draft with all modifications to WorkForce West Virginia management for final review	October 11, 2011
Final signed report submitted to WorkForce West Virginia and FARS	October 17, 2011

In accordance with West Virginia State Code 5A-3-4(8), failure to deliver the required reports by the dates specified above will result in liquidated damages at the rate of \$2,500.00 per day for reasons attributable to the firm. In the event of such failure by the firm, this contract may be terminated immediately at the discretion of WorkForce West Virginia. The firm will not be subject to liquidated damages if the reasons for the failure are attributable to WorkForce West Virginia.

WorkForce West Virginia requires that the accounting firm be available to assist with accounting issues and new reporting requirements as they arise on an as-needed basis. The bid must include a firm fixed fee for the services discussed above as well as an hourly rate scale for accounting and auditing consulting services. The total cost submitted for bid must include all travel and out-of-the-pocket expenses.

Mandatory Requirements:

Independence:

Governmental auditing standards required by the governmental accounting office define independence in the second general standard for governmental auditing as follows: "In all matters related to the audit work, the audit organization and the individual auditors, whether government or public, should be free from personal and external impairments to independence, should be organizationally independent, and should maintain an independent attitude and appearance."

The firm must meet standard accounting requirements as promulgated by United States General Accounting Offices and must also provide an affirmative statement that it is independent of the State of West Virginia and any other component units of that entity as defined by those same standards.

In addition, the firm will provide an affirmative statement that it will review the independent of all personnel within the firm assigned to this engagement to ensure that they are independent of WorkForce West Virginia and the State of West Virginia and its component entities.

In addition, the firm shall give WorkForce West Virginia written notice of any professional relationships entered into during the period of the agreement with any major contractors as defined in WV §29.22.23. The firm will also notify WorkForce West Virginia in writing if any other matters come to its attention during this engagement, which may impair its independence.

Required Software for Financial Statement Preparation:

The CPA Firm who is awarded this contract must use CorpSystem WorkPaper Manager software by CCH for Financial Statement Preparation.

License to Practice in West Virginia:

The firm and all assigned key professional personnel and all associated and subcontracted firms must be licensed to practice in West Virginia. In addition, the firm and all associated and subcontracted firms are in good standing with the Unemployment Compensation Division of the State of West Virginia.

Quality Control:

The fourth general standard as set forth in governmental auditing standards is promulgated by the United States Governmental Accounting Offices states that “each audit organization conducting audits in accordance with these standards should have an appropriate internal control system in place and undergo an external quality control review.”

The firm and all associated and sub-contracted firms have in place an internal quality control system to provide reasonable assurance that an adequate quality standard will be maintained during the engagement. In addition, copies of the firm or firms internal control document should be attached to the RFQ as well as a copy of the most recent external quality control review or made available within 48 hours upon request of the agency. Should the written report of the most recent external quality review disclose significant matters that would leave doubts as to the ability of the firm to maintain quality control, a written explanation should be attached to say what steps have been taken by the firm to improve their quality control procedures. The quality control review should have included a review of specific governmental engagements.

The firm should provide with the bid or make available within 48 hours request from the agency information on the results of any federal or state desk reviews or field reviews of its audits during the past three years.

Section I: Firm Qualifications and Experience

Should the firm intend to include any subcontracted firms the firm must provide the information for each subcontracted firm as for the primary firm; however, the primary firm will still be responsible for the results and deliverables of the contract.

Section II: Personnel Qualifications and Experience

The firm must identify the managing partner of the office from which the engagement will be performed upon request within 48 hours. The contact information for the managing partner must include the name of the managing partner, his address, his direct dial telephone number, fax number, and email address. This information is intended for use in the unlikely event that WorkForce West Virginia is unable to obtain satisfactory responses from the audit team and need to have direct contact with management.

The firm must identify the principle supervisory and management personnel to be included in the engagement including the engagement partner, reviewing partners, managers, other supervisors and specialists. All personnel must hold a license to practice as a Certified Public Accountant in West Virginia.

The Vender must provide for each of the aforementioned personnel a resume outlining the qualifications and experience including years of experience in the auditing field and in the governmental sectors. Resumes should be attached to the bid response or made available within 48 hours upon request of the agency. At minimum, each resume must include the following:

- **Number of years of total experience**
- **Number of years of experience in specific specialties and a description of each specialty**
- **General certifications and qualifications obtained**
- **Listing of relevant continuing professional education courses within the last three years**
- **A list of those clients similar to WorkForce West Virginia for which the person has performed a significant amount of work within the last three years**

A chief concern of WorkForce West Virginia is the ability of the successful firm to maintain the quality of staff assigned to the engagement over the term of agreement. The firm must clearly state what steps will be taken in order to ensure the quality of staff over the term of agreement.

All personnel assigned to the engagement must have at least one year of auditing experience in public accounting or a similar environment.

Subcontracted firms can only be added, dropped, or changed with the expressed written permission of WorkForce West Virginia, which retained the right to approve and reject these changes. Personnel assigned to the engagement by subcontracted firms must go through the same approval process as the primary firm's personnel discussed above. Any changes regarding a subcontractor must be made via a contract change order and subject to approval of the State Purchasing Division.

**STATE OF WEST VIRGINIA
WORKFORCE WEST VIRGINIA
REQUISITION For QUOTATION WWV11-869
COST SHEET**

DELIVERABLES	
PHASE I Entrance Conference Detailed Audit Plan Draft of WORKFORCE West Virginia Reports and financial statements For review	PHASE I
PHASE II Revised draft with all requests changed and modification of WORKFORCE West Virginia reports and financial statements for review Draft submitted to the Financial Accounting and Reporting Section (FARS) of the WV Department of Administration with copies to Executive Director of WORKFORCE West Virginia and Director of FAM	PHASE II
PHASE III Unsigned final draft with all modifications to WORKFORCE West Virginia management for final review Final signed report submitted to WORKFORCE West Virginia and FARS	PHASE III
GRAND TOTAL	

Vendor may request payment pursuant to the following schedule:

First payment shall be 25% of the grand total and can be submitted upon completion of Phase I identified in the above table.

Second payment shall be 25% of the grand total and can be submitted upon completion of Phase II identified in the above table.

Third payment shall be 50% of the grand total and can be submitted upon completion of Phase III identified in the above table.

WorkForce WEST VIRGINIA
(A Division of the State of West Virginia)
Management's Discussion and Analysis (MD & A),
Basic Financial Statements,
Required Supplementary Information, and
Other Financial Information

June 30, 2009

(With Independent Auditors' Reports Thereon)

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INDEPENDENT AUDITORS' REPORT

The Commissioner
WorkForce West Virginia
Charleston, West Virginia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of WorkForce West Virginia, as of and for the year ended June 30, 2009, which collectively comprise WorkForce West Virginia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of WorkForce West Virginia's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of WorkForce West Virginia's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

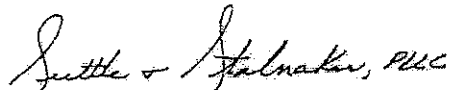
As discussed in Note 1, the financial statements of WorkForce West Virginia are intended to present the financial position, and the changes in financial position and cash flows, where applicable, of only that portion of the governmental activities, the business-type activities, and each major fund of the West Virginia Department of Commerce and of the State of West Virginia that is attributable to the transactions of WorkForce West Virginia. They do not purport to, and do not, present fairly, the financial position of the West Virginia Department of Commerce or the State of West Virginia as of June 30, 2009 and the changes in their financial position and their cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of WorkForce West Virginia, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 5 through 13 and the budgetary comparison information on pages 35 through 36 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated January 25, 2010 on our consideration of WorkForce West Virginia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise WorkForce West Virginia's basic financial statements. The budget versus actual schedules on pages 38 through 41 are presented for the purpose of additional analysis and have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Charleston, West Virginia
January 25, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

6

17

WORKFORCE WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(In Thousands Unless Otherwise Noted)

The management of WorkForce West Virginia (Division), a Division of the West Virginia Department of Commerce, State of West Virginia, provides this *Management's Discussion and Analysis* of the Division's financial standing for the readers of the audited financial statements. As of June 30, 2009, WorkForce West Virginia consisted of four primary operating Divisions: the One Stop Operations Division (OS); the Employment Services Division (ES); the Unemployment Compensation Division (UC); and the Research Information and Analysis Division (RIA).

This narrative overview and analysis of the financial activities for the Division is for the fiscal year ended on June 30, 2009. Please read it in conjunction with the Division's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Division Wide Highlights:

The assets of the Division exceeded the liabilities for the fiscal year ended June 30, 2009 by \$194 million as compared to \$251 million for the fiscal year ended June 30, 2008.

Fund Level Highlights:

At the close of the fiscal year, the governmental activities of the Division reported a net fund balance deficit of \$1.6 million as compared to \$3.0 million for the fiscal year ended June 30, 2008. The decrease of this deficit is mainly due to resolving the past audit findings and increased funding from the State of West Virginia.

The business-type activities reported net assets of \$196 million for the Unemployment Compensation Trust Fund at June 30, 2009 as compared to \$254 million at June 30, 2008. The decrease in net assets is mainly due to increased Unemployment Compensation benefits for fiscal year June 30, 2009.

More detailed information regarding these funds and their activities is contained in Footnote 1 to the audited financial statements, which follow.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts - *management's discussion and analysis* (this section), *the basic financial statements*, *required supplementary information*, and *other financial information*. The basic financial statements include two kinds of statements that present different views of the Division.

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Division's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual* parts of the Division's government, reporting the Division's operations in *more* detail than the government-wide statements.
 - The *government fund* statements tell how *general government* services like education were financed in the *short term* as well as what remains for future spending. For the Division, this consists primarily of federally funded workforce development programs.
 - *Proprietary fund* statements offer short and long-term financial information about the activities the government operates like businesses. For the Division, this consists of the Unemployment Compensation Trust Program.

WORKFORCE WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(In Thousands Unless Otherwise Noted)

- *Fiduciary fund* statements provide information about the financial relationships - like the retirement plan for the Division's employees - in which the State acts solely as a *trustee* or *agent* for the benefit of others, to whom the resources in question belong. The Division has no fiduciary funds.
- 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 further explains and supports the information in the financial statements.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the Division as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the reporting entity's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Division's *net assets* and how they have changed. Net assets - the difference between the Division's assets and liabilities - are one way to measure the Division's financial health or *position*.

- Over time, increases or decreases in the Division's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Division, one needs to consider additional non-financial factors such as changes in the Division's revenue sources and the condition of the Division's assets.

The government-wide financial statements of the State are divided into three categories:

- *Governmental activities* - These are the activities that are necessary for the government to function and meet its intended purpose. They are generally funded through a tax. For the Division, this consists primarily of federally funded workforce development programs.
- *Business-type activities* - The Division charges fees to customers to help it cover the costs of certain services it provides. For the Division, this consists of the Unemployment Compensation Trust Program.
- *Component Units* - The State includes other entities in its report such as West Virginia Housing Development Fund; Parkways, Economic Development and Tourism Authority; and West Virginia Higher Education Fund. These "component units" are important because the State is financially accountable for them. The Division has no component units. However, the Division exists within the State of West Virginia, and is considered part of the primary government in the State of West Virginia Comprehensive Annual Financial Report.

WORKFORCE WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(In Thousands Unless Otherwise Noted)

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Division's most significant *funds* - not the Division as a whole. Funds are accounting devices that the governmental agencies use to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The State Legislature establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The Division has two kinds of funds:

- *Governmental funds* - Most of the Division's basic services are included in the governmental general fund, which focuses on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Division's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund statements, or on the subsequent page, that explains the relationship (or differences) between them. For the Division, this fund consists primarily of federally funded workforce development programs.
- *Proprietary funds* - Services for which the Division charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. For the Division, this consists of the Unemployment Compensation Trust Fund.

FINANCIAL ANALYSIS OF THE DIVISION AS A WHOLE

Net Assets

The Division's *combined* net assets (governmental and business-type) totaled \$194 million at the end of 2009, compared to \$251 million at the end of the previous year. (See table below).

	Statements of Net Assets (Expressed in Thousands)						% of Change Primary Government 2008-2009
	Governmental Activities		Business-type Activities		Total Primary Government		
	2008	2009	2008	2009	2008	2009	
Current and other assets	\$ 1,596	\$ 1,927	\$ 286,120	\$ 247,942	\$ 287,716	\$ 249,869	(13.15%)
Capital assets	292	254	-	-	292	254	(13.01%)
Total assets	<u>1,888</u>	<u>2,181</u>	<u>286,120</u>	<u>247,942</u>	<u>288,008</u>	<u>250,123</u>	(13.18%)
Long-term debt outstanding	411	414	-	-	411	414	(0.73%)
Other liabilities	4,484	3,325	31,788	52,095	36,272	55,420	(52.79%)
Total liabilities	<u>4,895</u>	<u>3,739</u>	<u>31,788</u>	<u>52,095</u>	<u>36,683</u>	<u>55,834</u>	(52.21%)
Net Assets (Deficit):							
Invested in capital assets, net of debt	292	254	-	-	292	254	(13.01%)
Restricted	3,850	581	254,332	195,847	258,182	196,428	(23.92%)
Unrestricted (deficit)	(7,149)	(2,393)	-	-	(7,149)	(2,393)	56.53%
Total net assets (deficit)	<u>\$ (3,007)</u>	<u>\$ (1,658)</u>	<u>\$ 254,332</u>	<u>\$ 195,847</u>	<u>\$ 251,325</u>	<u>\$ 194,289</u>	(22.69%)

The total net assets deficit of the Division's governmental activities decreased 48% to (\$1.6) million. This is primarily due to utilizing Reed Act carryover, and the reduction of compensated absences with the implementation of GASB Statement No. 45.

WORKFORCE WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(In Thousands Unless Otherwise Noted)

The total net assets' of the Division's business-type activities decreased 23% to \$196 million. This is primarily due to the increased cost of unemployment payments.

Changes in net assets

The Division's total revenues increased by 42% to \$308 million. (See table below.) 15% of the Division's revenues come from federal grant programs aimed at workforce analysis and development. Other revenue comes from fees charged for services to employers by the Unemployment Compensation programs and investment earnings.

The total cost of all programs and services was \$405 million. The Division's expenses can be categorized into two categories: general governmental and direct benefits. General government expenses include all costs associated with operation of the Division and its programs, which includes administration and federal grant expenses incurred for employment training, statistics and support. Direct benefits consist of unemployment insurance benefits and comprised 88% of the total expenses of the Division for the fiscal year ended June 30, 2009.

	Change in Net Assets (Deficit) (Expressed in Thousands)						% of Change Primary Government 2008-2009
	Governmental Activities		Business-type Activities		Total Primary Government		
	2008	2009	2008	2009	2008	2009	
Revenues							
Program revenues:							
Charges for services	\$ -	\$ -	\$ 147,742	\$ 250,000	\$ 147,742	\$ 250,000	69.21%
Federal grants	56,319	47,443	-	-	56,319	47,443	(15.76%)
General revenues:							
Investment earnings	-	-	11,984	10,246	11,984	10,246	(14.50%)
Total revenues	56,319	47,443	159,726	260,246	216,045	307,689	42.42%
Expenses							
Program expenses:							
General government	58,464	48,010	-	-	58,464	48,010	17.88%
Unemployment Compensation Trust	-	-	175,107	356,715	175,107	356,715	(103.71%)
Total expenses	58,464	48,010	175,107	356,715	233,571	404,725	(73.28%)
Increase (decrease) in net assets before transfers	(2,145)	(567)	(15,381)	(96,469)	(17,526)	(97,036)	(453.67%)
Transfers and other revenues	4,171	2,016	(1,190)	37,984	2,981	40,000	1,241.83%
Increase (decrease) in net assets	2,026	1,449	(16,571)	(58,485)	(14,545)	(57,036)	(292.13%)
Beginning net assets (deficit)	(9,104)	(3,007)	270,903	254,332	261,799	251,325	(4.00%)
Cumulative effect of adoption of accounting principles	4,071	-	-	-	4,071	-	(100.00%)
Ending net assets (deficit)	\$ (3,007)	\$ (1,558)	\$ 254,332	\$ 195,847	\$ 251,325	\$ 194,289	(22.69%)

WORKFORCE WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(In Thousands Unless Otherwise Noted)

Business-type Activities

For the Unemployment Compensation Trust Program, the Regular Unemployment Benefits expenditures increased \$182 million as compared with last year. As for revenue, the Regular Unemployment revenue categories increased by \$102 million.

FINANCIAL ANALYSIS OF THE DIVISION'S FUNDS

Governmental Funds

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

The general fund is the chief operating fund of the Division's federal program activities. At the end of the current fiscal year, the Division's governmental fund reported an ending fund balance deficit of (\$1.4) million, a reduced deficit in fund balance of \$1.5 million from prior year.

Proprietary Funds

The Unemployment Compensation (UC) Program has a total of 79 performance measurements. West Virginia met the eighteen Federal standards for measurement year ending March, 2009 and has met all established Federal standards over the past nine years with the exception of one in fiscal year 2005. These performance measurements cover timeliness, quality, and accuracy of each state's Benefit and Tax operations.

West Virginia's operational proper payment rate for unemployment benefits was 95.7% during Calendar Year 2007 which is substantially above the National Average Rate of 90.9%. Please note, the National Office has not published the proper payment rates for 2008.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original general fund budget of the Division was not amended during the year ending June 30, 2009. The most significant budget versus actual variances includes:

- Expenditure schedules are budgeted at an increased amount for a number of reasons including:
 - Some of the grants received by the Division are adjusted based upon workloads. As the economy worsens, workloads increase and additional funds are received; therefore, additional amounts are budgeted in case additional grant funds are received.
 - Additional funds are budgeted in case grants are received in the event of natural disasters.
 - The Division operates the Trade Readjustment Assistance Program (TRA) which provides retraining services to workers who find themselves unemployed due to competition from foreign trade. In addition to the annual grant received from the United States Department of Labor to fund this program, the Division may receive additional grants to serve special groups laid off by large employers. These National Emergency grants have amounted to as much as \$23 million in past years. The Division budgets additional funds each year in case these major layoffs occur and National Emergency grants are received.
 - As disclosed above, some additional amounts, such as personal services, are budgeted in case grant funds are received for natural disasters and/or the economy worsens which results in an increase in the Division's workload.

WORKFORCE WEST VIRGINIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(In Thousands Unless Otherwise Noted)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2009, the Division had invested \$254 in capital assets that consist entirely of office furniture and equipment. (See table below). This amount represents a net decrease of \$38 or (13.01%) from last year.

Capital Assets (Equipment) at Year-end
(Expressed in Thousands)
(Net of Depreciation)

	Governmental Activities		Total Percentage Change
	2008	2009	2008-2009
Governmental Activities	\$ 292	\$ 254	(13.01%)

The 13.01% decline in total capital assets from 2008 to 2009 is due to the normal disposal of equipment which is antiquated or no longer of use to the Division and due to depreciation expense. More detailed information is presented in Note 1 to the financial statements.

Long-term Debt

At year end, the Division had \$414 in the long-term portion of compensated absences, an increase of 0.72% as shown in the table below. More detailed information is presented in Notes 1 and 4 to the financial statements.

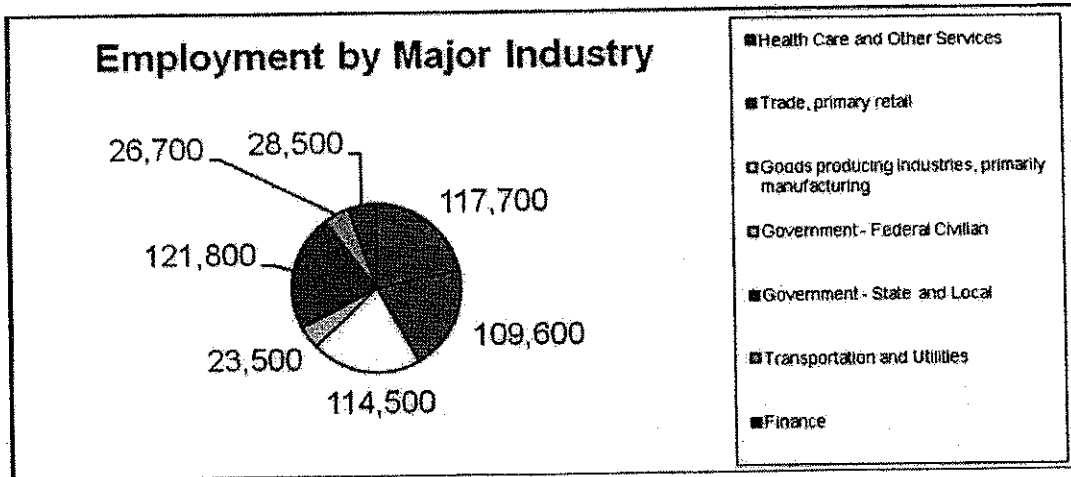
Outstanding Long-Term Debt at Year-end
(Expressed in Thousands)

	Governmental Activities		Total Percentage Change
	2008	2009	2008-2009
Compensated absences	\$ 411	\$ 414	0.73%

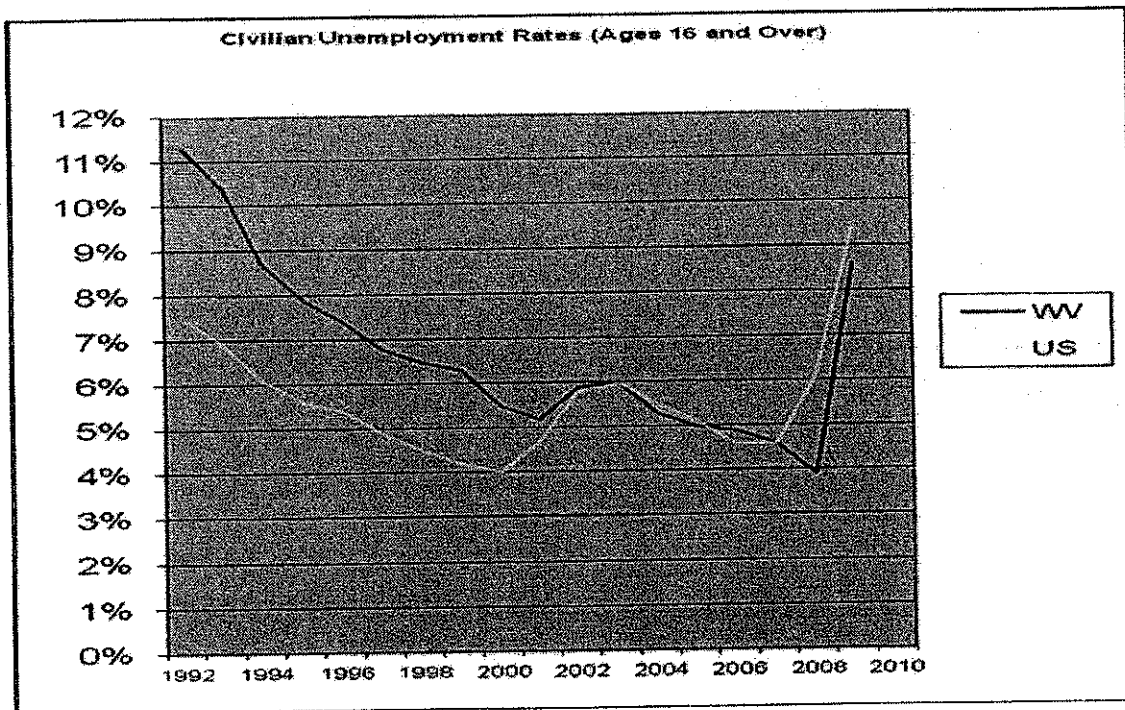
WORKFORCE WEST VIRGINIA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 (In Thousands Unless Otherwise Noted)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

These indicators were taken into account when adopting the Division's budget for 2009.



The following chart shown includes projected information for fiscal year 2009.



Senate Bill 246

This bill was passed by the Legislature on April 11, 2009 and signed into law by the governor on May 11, 2009. The purpose of the bill was to bolster the solvency of the Unemployment Compensation Trust Fund. Provisions included in the bill to do that included increasing the taxable wage base on employee wages from \$8,000 (dollars) per year to \$12,000 (dollars) per year effective with passage of the bill. The taxable wage base will remain at \$12,000 (dollars) until the UC Trust Fund has a year end balance in excess of \$220 million. When that threshold is reached, the taxable wage base will revert to \$9,000 (dollars) and be indexed annually thereafter depending on the increase or decrease of average annual wages in West Virginia. The rate of benefits, previously adjusted annually, would also be frozen while the taxable wage base remains at \$12,000 (dollars). The bill also provided for the transfer of \$40 million from the old Workers Compensation Fund into the Unemployment Compensation Trust Fund.

The bill also provided for inclusion of the application of an alternate based period on UC claimants who did not qualify for benefits under the regular base period. This change in statute was made to qualify West Virginia for one third of a possible Reed Act distribution from USDOL. Subsequent to year end, in September 2009, the UC Trust Fund received the Reed Act distribution in the amount of approximately \$11 million.

The bill also made some minor clarifications to language concerning employees who leave their jobs due to medical reasons, work stoppages, etc. The bill also called for the creation of a violators list to be made available to the public via internet. Employers on the list would include those who had an outstanding liability due the UC Trust Fund.

House Bill 301

Subsequent to year end, this bill was introduced to the Legislature in a special session and approved by the Legislature on August 12, 2009. The bill was signed into law by the governor on August 19, 2009. The purpose of the bill was to make provision for a trigger for payment of extended benefits based on the Total Unemployment Rate (TUR). Existing law provided only for a trigger for extended benefits based only on the Insured Unemployment Rate (IUR). The reason for the change in statute was to qualify West Virginia for 100% federal funding of extended benefits by meeting the requirements set forth in the ARRA. The basic provisions of the change was that WV claimants who exhaust their regular benefits and emergency unemployment compensation benefits could qualify for an additional 13 weeks of extended benefits if WV had a 13 week average of TUR of 6.5% or an additional 20 weeks of extended benefits if WV had a 13 week average of TUR of 8.0% or more.

CONTACTING THE DIVISION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Division's finances and to demonstrate the Division's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact WorkForce West Virginia, 112 California Avenue, Charleston, WV 25305.

BASIC FINANCIAL STATEMENTS

WORKFORCE WEST VIRGINIA
STATEMENT OF NET ASSETS (DEFICIT)
JUNE 30, 2009
(in Thousands)

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	Primary Government		
	Governmental Activities	Business - type Activities	
	General Fund	Unemployment Compensation Trust	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,611	\$ 193,174	\$ 194,785
Receivables, net:			
Unemployment compensation premiums	-	49,971	49,971
Other	192	-	192
Due from other governments	-	4,199	4,199
Due from other funds - primary government	68	598	666
Inventories	56	-	56
Total current assets	<u>1,927</u>	<u>247,942</u>	<u>249,869</u>
Noncurrent assets:			
Capital assets, net	254	-	254
Total noncurrent assets	<u>254</u>	<u>-</u>	<u>254</u>
Total assets	<u>2,181</u>	<u>247,942</u>	<u>250,123</u>
Liabilities			
Current liabilities:			
Accounts payable	275	-	275
WV Retiree Health Benefit Trust (RHBT) payable (OPEB)	796	-	796
Accrued expenses and other liabilities	677	1,179	1,856
Due to other governments	666	4,386	5,052
Unemployment Compensation benefits payable	-	46,530	46,530
Compensated absences due within one year	911	-	911
Total current liabilities	<u>3,325</u>	<u>52,095</u>	<u>55,420</u>
Noncurrent liabilities:			
Compensated absences due in more than one year	414	-	414
Total noncurrent liabilities	<u>414</u>	<u>-</u>	<u>414</u>
Total liabilities	<u>3,739</u>	<u>52,095</u>	<u>55,834</u>
Net assets (deficit)			
Net assets (deficit):			
Invested in capital assets, net of related debt	254	-	254
Restricted for:			
Encumbrances	537	-	537
Reed Act	44	-	44
Unemployment Compensation benefit payments	-	195,847	195,847
Unrestricted net assets (deficit)	(2,393)	-	(2,393)
Total net assets (deficit)	<u>\$ (1,558)</u>	<u>\$ 195,847</u>	<u>\$ 194,289</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

WORKFORCE WEST VIRGINIA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009
(In Thousands)

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets		Totals
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary government:						
Governmental activities:						
General government	\$ 47,913	\$ -	\$ 47,443	\$ (470)	\$ -	\$ (470)
Unallocated depreciation	97	-	-	(97)	-	(97)
Total governmental activities	48,010	-	47,443	(567)	-	(567)
Business-type activities:						
Unemployment Compensation Trust	356,715	250,000	-	-	(106,715)	(106,715)
Total business-type activities	356,715	250,000	-	-	(106,715)	(106,715)
Total primary government	\$ 404,725	\$ 250,000	\$ 47,443	(567)	(106,715)	(107,282)
General Revenues:						
Investment earnings				-	10,246	10,246
Fund balance transfers				(37,984)	37,984	-
Transfers in from the State of West Virginia				40,000	-	40,000
Change in net assets (deficit)				1,449	(58,485)	(57,036)
Net assets (deficit) - beginning				(3,007)	254,332	251,325
Net assets (deficit) - ending				\$ (1,558)	\$ 195,847	\$ 194,289

The Accompanying Notes Are An Integral
Part Of These Financial Statements

WORKFORCE WEST VIRGINIA
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2009
(In Thousands)

	Governmental Activities
	General Fund
Assets:	
Cash and cash equivalents	\$ 1,611
Due from other funds - primary government	68
Accounts Receivable - other	192
Inventories	56
Total assets	\$ 1,927
Liabilities and Fund Balance (Deficiency):	
Liabilities:	
Accounts payable	\$ 275
RHBT Payable (OPEB)	796
Due to other governments	666
Accrued expenditures and other liabilities	1,588
Total liabilities	3,325
Fund balance (Deficiency):	
Reserved for Encumbrances	537
Reserved for Reed Act	44
Unreserved deficiency	(1,979)
Total fund balance (deficiency)	(1,398)
Total liabilities and fund balance (deficiency)	\$ 1,927
Total fund balance (deficiency)	\$ (1,398)
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	254
Long term liabilities (compensated absences) are not due and payable in the current period and therefore are not reported in the funds.	(414)
Net assets (deficit) of governmental activities	\$ (1,558)

The Accompanying Notes Are An Integral
Part Of These Financial Statements

WORKFORCE WEST VIRGINIA
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE (DEFICIENCY)
 GOVERNMENTAL FUND
 YEAR ENDED JUNE 30, 2009
 (In Thousands)

	Governmental Activities General Fund
Revenues:	
Grants	\$ 47,443
	47,443
Expenditures:	
Employment training, statistics, and support	47,969
Excess (deficiency) of revenues over expenditures	(526)
Other financing sources and uses, including transfers	
Transfer out to the Unemployment Compensation Trust Fund	(37,984)
Transfer in from the State of West Virginia	40,000
Net change in fund balance	1,490
Fund balance (deficiency) - beginning	(2,888)
Fund balance (deficiency) - ending	\$ (1,398)
Net change in fund balance (deficiency) - total governmental funds	\$ 1,490
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which depreciation exceeded capital outlays in the current period.	(38)
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. This is the amount by which expenditures exceeded expense for long term compensated absences.	(3)
Change in Net Assets of Governmental Activities	\$ 1,449

The Accompanying Notes Are An Integral
Part Of These Financial Statements

WORKFORCE WEST VIRGINIA
 BALANCE SHEET
 PROPRIETARY FUND
 JUNE 30, 2009
 (In Thousands)

	Business-type Activities - Enterprise Fund Unemployment Compensation Trust
Assets:	
Current assets:	
Cash and cash equivalents	\$ 193,174
Receivables, net:	
Unemployment Compensation premiums	49,971
Due from other governments	4,199
Due from other funds - primary government	598
Total current assets	247,942
Total assets	\$ 247,942
Liabilities and Fund Balance:	
Current liabilities:	
Accrued expenses and other liabilities	\$ 1,179
Due to other governments	4,386
Unemployment Compensation benefits payable	46,530
Total current liabilities	52,095
Total liabilities	52,095
Fund Balance:	
Restricted for:	
Unemployment Compensation benefit payments	195,847
Total Fund Balance	195,847
Total liabilities and fund balance	\$ 247,942

The Accompanying Notes Are An Integral
 Part Of These Financial Statements

WORKFORCE WEST VIRGINIA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009
(In Thousands)

	Business-type Activities - Enterprise Fund Unemployment Compensation Trust
Operating revenues:	
Unemployment Compensation premiums	\$ 250,000
Total operating revenues	<u>250,000</u>
Operating expenses:	
Unemployment insurance benefits	<u>356,715</u>
Total operating expenses	<u>356,715</u>
Operating income (loss)	<u>(106,715)</u>
Nonoperating revenues:	
Investment earnings	<u>10,246</u>
Total nonoperating revenues (expenses)	<u>10,246</u>
Income (loss) before transfers	(96,469)
Transfer in from general fund	<u>37,984</u>
Increase (decrease) in net assets	(58,485)
Total net assets - beginning	<u>254,332</u>
Total net assets - ending	<u>\$ 195,847</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements

WORKFORCE WEST VIRGINIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2009
(In Thousands)

	Business-type Activities - Enterprise Fund Unemployment Compensation Trust
Cash flows from operating activities:	
Received from employers	\$ 151,203
Received from federal and local agencies	77,761
Payments to claimants and providers	(335,850)
Net cash provided (used) by operating activities	(106,886)
Cash flows from non-capital financing activities:	
Transfers from other funds	37,984
Net cash provided (used) by non-capital financing activities	37,984
Cash flows from investing activities:	
Investment earnings	10,246
Net cash provided (used) by investing activities	10,246
Net increase (decrease) in cash and cash equivalents	(58,656)
Cash and cash equivalents - beginning	251,830
Cash and cash equivalents - ending	\$ 193,174
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (106,715)
Net change in assets and liabilities:	
Unemployment compensation premiums receivable	(17,553)
Due from other governments	(2,600)
Due from other funds – primary government	(325)
Accrued expenses and other liabilities	148
Due to other governments	(2,628)
Unemployment Compensation benefits payable	22,787
Net cash provided (used) by operating activities	\$ (106,886)

The Accompanying Notes Are An Integral
Part Of These Financial Statements

WORKFORCE WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009
(In Thousands, Unless Otherwise Noted)

(1) Summary of Significant Accounting Policies

(a) Financial Reporting Entity

WorkForce West Virginia (Division) is a Division of the West Virginia Department of Commerce and as of June 30, 2009, consisted of four primary operating Divisions: the One Stop Operations Division (OS); the Employment Services Division (ES); the Unemployment Compensation Division (UC); and the Research, Information and Analysis Division (RIA).

The financial statements of the Division are intended to present the financial position, and the results of operations of only that portion of the West Virginia Department of Commerce and of the State of West Virginia that is attributable to the transactions of WorkForce West Virginia. They do not purport to, and do not, present fairly the financial position of the West Virginia Department of Commerce or the State of West Virginia as of June 30, 2009 and the results of their operations for the year then ended in conformity with accounting principles generally accepted in the United States of America. The Division is reported as part of the primary government in the State of West Virginia Comprehensive Annual Financial Report.

The General Fund of the Division includes funds received from the United States Department of Labor (USDOL) for Employment Services, Unemployment Compensation and Labor Statistics. These funds allow for operating local offices throughout the State of West Virginia to serve those seeking and providing employment. Most local offices were historically identified as "Job Service," and conduct employment outreach, interviewing, testing, counseling and referral to placement, training and other services designed to ready individuals for employment.

The UC provides temporary income as partial compensation to unemployed workers. The Division has direct responsibility for operation of this program. This program is administered under the oversight of USDOL, which establishes guidelines and funds administrative costs from monies collected under provisions of the Federal Unemployment Tax Act. Both ES and UC are federal mandated partners in the one stop delivery system.

Senate Bill 246

This bill was passed by the Legislature on April 11, 2009 and signed into law by the governor on May 11, 2009. The purpose of the bill was to bolster the solvency of the Unemployment Compensation Trust Fund. Provisions included in the bill to do that included increasing the taxable wage base on employee wages from \$8,000 (dollars) per year to \$12,000 (dollars) per year effective with passage of the bill. The taxable wage base will remain at \$12,000 (dollars) until the UC Trust Fund has a year end balance in excess of \$220 million. When that threshold is reached, the taxable wage base will revert to \$9,000 (dollars) and be indexed annually thereafter depending on the increase or decrease of average annual wages in West Virginia. The rate of benefits, previously adjusted annually, would also be frozen while the taxable wage base remains at \$12,000 (dollars). The bill also provided for the transfer of \$40 million from the old Workers Compensation Fund into the Unemployment Compensation Trust Fund.

The bill also provided for inclusion of the application of an alternate based period on UC claimants who did not qualify for benefits under the regular base period. This change in statute was made to qualify West Virginia for one third of a possible Reed Act distribution from USDOL. Subsequent to year end, in September 2009, the UC Trust Fund received the Reed Act distribution in the amount of approximately \$11 million.

WORKFORCE WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009
(In Thousands, Unless Otherwise Noted)

(1) **Summary of Significant Accounting Policies (Continued)**

The bill also made some minor clarifications to language concerning employees who leave their jobs due to medical reasons, work stoppages, etc. The bill also called for the creation of a violators list to be made available to the public via internet. Employers on the list would include those who had an outstanding liability due the UC Trust Fund.

House Bill 301

Subsequent to year end, this bill was introduced to the Legislature in a special session and approved by the Legislature on August 12, 2009. The bill was signed into law by the governor on August 19, 2009. The purpose of the bill was to make provision for a trigger for payment of extended benefits based on the Total Unemployment Rate (TUR). Existing law provided only for a trigger for extended benefits based only on the Insured Unemployment Rate (IUR). The reason for the change in statute was to qualify West Virginia for 100% federal funding of extended benefits by meeting the requirements set forth in the ARRA. The basic provisions of the change was that WV claimants who exhaust their regular benefits and emergency unemployment compensation benefits could qualify for an additional 13 weeks of extended benefits if WV had a 13 week average of TUR of 6.5% or an additional 20 weeks of extended benefits if WV had a 13 week average of TUR of 8.0% or more.

(b) **Basis of Presentation**

The accompanying financial statements of the Division have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

USE OF ESTIMATES - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from management's estimates.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS - The government-wide financial statements (the statement of net assets and the statement of activities) report information of all of the non-fiduciary activities of the primary government and its component units, if any. For the most part, the effect of inter-fund activity has been removed from these government-wide statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable. The Division has no component units or fiduciary activities.

WORKFORCE WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009
(In Thousands, Unless Otherwise Noted)

(1) Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets.

When both restricted and unrestricted resources are available for use, generally it is the Division's policy to use restricted resources first, then unrestricted resources, as they are needed. Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds and similar component units, and major component units, if applicable. However, the fiduciary funds are not included in the government-wide statements. Major individual governmental funds and major individual enterprise funds, if applicable, are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

FUND FINANCIAL STATEMENTS - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Division considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Significant revenues subject to accrual include business unemployment taxes, federal grants, federal reimbursements, and other reimbursements for use of materials and services.

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts. The following summarizes the major governmental funds that are presented in the accompanying financial statements:

- **General Fund** - The General Fund is the general operating fund of the Division. It is used to account for all financial resources obtained and spent for those services normally provided by the Division that are not accounted for in other funds, including the administrative services related to the Unemployment Compensation System (see below), and the operation of various federal programs funded by USDOL.

WORKFORCE WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2009
 (In Thousands, Unless Otherwise Noted)

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(1) Summary of Significant Accounting Policies (Continued)

- Enterprise Funds - Enterprise funds are used to account for the operations of state agencies providing goods or services to the general public on a user-charge basis, and for any activity whose principal revenue sources meet any of the following criteria: debt backed solely by fees and charges; legal requirement to recover cost; and policy decision to recover cost. Based upon these criteria state unemployment compensation funds should be reported in enterprise funds.

The Division reports the following enterprise fund: The UC Trust fund is used to account for the operations of the UC Division, which is responsible for providing temporary income as partial compensation to unemployed workers.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental funds are accounted for using a flow of 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. Significant revenues susceptible to accrual include business unemployment taxes, federal grants, federal reimbursements, and other reimbursements for use of materials and services. Revenues from federal grants are recognized when the related expenditures have been incurred. Expenditures under the modified accrual basis of accounting are recognized when the related fund liability is incurred.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

In accordance with OMB Circular A-87, all allowable indirect costs related to USDOL for the Division are allocated to federal grants in compliance with the applicable federal cost principles. The basis for this allocation is the percentage of salary dollars paid by each federal grant in comparison to the total salary dollars paid by all of the Division's federal grants.

(c) Budgetary Data

All financial operations of the Division, except for benefits and direct claims costs of the UC Division are subject to a non-appropriated budget review and approval process in which the Division submits a financial plan for approval in a manner authorized by statute. Pursuant to West Virginia Code §5A-2-12, the Division submits a detailed budgetary schedule of general administrative expenses to the Secretary of the Department of Administration prior to the beginning of each fiscal year. The budgetary schedule is prepared on the cash basis. The cash basis is modified at year-end to allow for payment of invoices up to 31 days after year-end for goods or services received prior to year-end. Appropriated budgeted expenditures, which lapse 31 days after the end of the fiscal year, are incorporated into the Division's overall financial plan, which includes revenue estimates developed by the Division and the State's executive branch. Expenditures are budgeted using natural categories of activity including specific categories as well as for special items. Any revisions that alter budgeted expenditures for the expenditure categories for each Division as a whole must be approved by the State Legislature. The Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis) - General Fund along with the reconciliation of budgetary information to GAAP is included in the Required Supplementary Information.

WORKFORCE WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009
(In Thousands, Unless Otherwise Noted)

(1) **Summary of Significant Accounting Policies (Continued)**

(d) **Cash and Cash Equivalents**

Cash and cash equivalents include short-term investments with original maturities of 90 days or less. Cash and cash equivalents principally consist of amounts on deposit with outside financial institutions or amounts on deposit in the State Treasurer's Office (STO) or State Auditor's Office. Balances are recorded at fair value or amortized cost which approximates fair value. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

Permissible investments for all agencies include those guaranteed by the United States of America, its agencies and instrumentalities (U.S. Government obligations); corporate debt obligations, including commercial paper, which meet certain ratings; certain money market funds; repurchase agreements; reverse repurchase agreements; asset-backed securities; certificates of deposit; state and local government securities (SLGS); and other investments. Other investments consist primarily of investments in accordance with the Linked Deposit Program, a program using financial institutions in West Virginia to obtain certificates of deposit, loans approved by the legislature and any other program investments authorized by the legislature.

In addition, the Division's UC Trust Fund maintains a deposit account in the Federal Unemployment Insurance Trust Fund of the United States Treasury, and utilizes commercial banks for depositing amounts disbursed for unemployment benefit payments. All such funds are generally available to the Division with overnight notice, and are considered cash equivalents.

(e) **Inventory**

Inventory consists of supplies used in the normal course of business and is valued at the lower of cost or market using the first in first out method.

(f) **Revenue and Receivables**

The Division has one primary source of revenue for each fund type. The general fund's activities are supported by federal grants primarily on a reimbursement basis. Expenditures in excess of receipts are recorded as "due from other governments".

Revenue in the UC Trust Fund represents employer contributions for unemployment insurance. The Division recognizes as revenue and taxes receivable amounts due for periods ending on or before the balance sheet date, together with an allowance for estimated uncollectible employer contributions. When collected, these funds are held in trust until expended to pay unemployment benefits. The amounts on the financial statement are reported net of an allowance for doubtful accounts of \$1.7 million.

WORKFORCE WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2009
 (In Thousands, Unless Otherwise Noted)

(1) Summary of Significant Accounting Policies (Continued)

(g) Capital Assets

Capital assets, which consist primarily of office furniture and equipment of the Division, are reported in the applicable governmental or business-type activities columns in the statement of net assets of the government-wide financial statements. In accordance with the capitalization policy adopted by the Division for financial reporting, assets costing in excess of five thousand dollars are capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add value to the asset or materially extend asset lives are not capitalized. Depreciation is computed for these assets using the straight-line method over the estimated economic useful lives ranging from 3-20 years. Total depreciation expense relating to the Division approximated \$96 for the fiscal year ended June 30, 2009. Accumulated depreciation relating to the capital assets approximated \$546 at June 30, 2009. Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital asset activity for the year ended June 30, 2009, was as follows:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2009</u>
Capital assets:				
Governmental activities:				
Office furniture and equipment	\$ 989	\$ 58	\$ (247)	\$ 800
Accumulated depreciation	<u>(697)</u>	<u>(96)</u>	<u>247</u>	<u>(546)</u>
Governmental activities capital assets, net	<u>\$ 292</u>	<u>\$ (38)</u>	<u>\$ -</u>	<u>\$ 254</u>

(h) Other Operating Revenue

Proprietary funds distinguish operating revenues and expenses from non-operating items. Balances classified as operating revenues and expenses are those which comprise the Division's ongoing operations. Principal operating revenues are charges to customers for use of the services. Principal operating expenses are the costs of providing the goods and services and include administrative expenses and depreciation of capital assets. Other revenues and expenses, if any, are classified as non-operating in the financial statements.

(i) Retirement Benefits

The Division's employees are covered by the West Virginia Public Employees Retirement System (PERS), a multi-employer cost-sharing defined benefit pension plan. PERS covers substantially all employees of the Division.

WORKFORCE WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2009
 (In Thousands, Unless Otherwise Noted)

(1) Summary of Significant Accounting Policies (Continued)

(j) Net Assets and Fund Balance

NET ASSETS - As required by GASB 34, the Division displays net assets in three components, if applicable: invested in capital assets, net of related debt; restricted, and unrestricted.

INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT - This component of net assets consists primarily of capital assets, including restricted capital assets (if any), net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

RESTRICTED NET ASSETS - Restricted net assets should be reported when constraints placed on the net assets used are either externally imposed (for instance, by creditors, laws or grantors) or imposed by law through constitutional provisions or enabling legislation. Such constraints limit the Division's ability to use the resources to pay current liabilities.

UNRESTRICTED NET ASSETS - Unrestricted net assets consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt". In the governmental environment, net assets are often designated to indicate that management does not consider them to be available for general operations. These types of constraints on resources are internal and management can remove or modify them. Such internal designations are not reported on the face of the statement of net assets.

FUND BALANCE - General fund balance reservations principally represent encumbrances for outstanding purchase orders and commitments at June 30, 2009. The UC expendable trust fund balance is fully reserved for benefit payments to claimants.

(k) Compensated absences

Effective July 1, 2007, the Division adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This statement provided standards for the measurement, recognition, and display of other postemployment benefit ("OPEB") expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2007, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State of West Virginia (the "State"). Effective July 1, 2007, the Division was required to participate in this multiple employer cost-sharing plan the West Virginia Retiree Health Benefit Trust Fund (RHBT), sponsored by the State of West Virginia. The Plan provides the following retiree group insurance coverage to participants: medical and prescription drug coverage through a self-insured preferred provider benefit (PPB) plan and through external managed care organizations (MCOs), basic group life, accidental death, and prescription drug coverage for retired employees of the State and various related State and non-State agencies and their dependents. Details regarding this plan can be obtained by contacting Public Employees Insurance Agency ("PEIA"), State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard, East, Charleston WV 25305-0710 or <http://www.wvpeia.com>.

This statement requires entities to accrue for employees' rights to receive compensation for vacation leave, or payments in lieu of accrued vacation or sick leave, as such benefits are earned and payment becomes probable.

WORKFORCE WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009
(In Thousands, Unless Otherwise Noted)

(1) **Summary of Significant Accounting Policies (Continued)**

Full-time employees earn 1-1/2 sick leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extend health insurance for one month of single coverage and three days extend health insurance for one month of family coverage. For employees hired after 1988, the employee shares in the cost of the extended benefit coverage to the extent of 50% of the premium required for the extended coverage. Employees hired July 1, 2001, or later will no longer receive sick leave credit toward insurance premiums when they retire. The liability is now provided for under the multiple employer cost-sharing plan sponsored by the State.

The estimated expense and expense incurred for the vacation leave, or OPEB benefits are recorded as a component of benefits expense on the statements of revenues, expenses, and changes in net assets.

Legislation requires the RHBT to determine through an actuarial study, the ARC (Annual Required Contribution) which shall be sufficient to maintain the RHBT in an actuarially sound manner. The ARC is allocated to respective cost-sharing employers including the Division who are required by law to fund at least the minimum annual premium component of the ARC. Revenues collected by RHBT shall be used to fund current OPEB healthcare claims and administrative expenses with residue funds held in trust for future OPEB costs. Based on the actuarial study completed, the annual required contribution rates were determined for the fiscal year ended June 30, 2009. The OPEB expense for fiscal year 2009 based upon actuarial determined amounts is \$388.21 dollars per current employee per month which was the annual required contribution. The total OPEB expense for fiscal year 2009 was \$1,587. The amount accrued as the RHBT cumulative liability is \$796 at June 30, 2009.

The total OPEB expense incurred and the amount of OPEB expense that relates to retirees was \$1,587 and \$224, respectively, during 2009. As of the year ended June 30, 2009, there were 66 individual retirees receiving these benefits.

(II) **Recent Statements Issued By GASB**

The GASB has issued Statement No. 51, *Accounting and Financial Reporting*, effective for fiscal years beginning after June 15, 2009. This statement provides guidance regarding whether and when intangible assets should be considered capital assets for financial reporting purposes. The Division has not yet determined the effect that the adoption of GASB Statement No. 51 may have on the financial statements.

The GASB has issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, effective for fiscal years beginning after June 15, 2009. This statement requires governmental entities to measure most derivative instruments at fair value as assets or liabilities. It also improves disclosure requirements surrounding the entity's derivative instrument activity, its objectives for entering into the derivative instrument, and the instrument's significant terms and risks. The Division has not yet determined the effect that the adoption of GASB Statement No. 53 may have on its financial statements.

WORKFORCE WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2009
 (In Thousands, Unless Otherwise Noted)

(2) Deposits

The composition of cash and cash equivalents were as follows at June 30, 2009:

	<u>Amortized Cost</u>	<u>Estimated Fair Value</u>
Cash on deposit with State Treasurer	\$ 1,474	\$ 1,474
Cash in bank / bank overdraft balance	(158)	(158)
Cash in U.S. Treasury	<u>193,469</u>	<u>193,469</u>
	<u>\$ 194,785</u>	<u>\$ 194,785</u>

At June 30, 2009, the carrying value of amounts on deposit with the U.S. Treasury in the Federal Unemployment Insurance Trust Fund approximated \$193,469 while a bank overdraft balance of (\$158) in deposits was held in commercial bank accounts that are utilized for collection of unemployment taxes and benefit payments. Substantially all of the Division's deposits in commercial bank accounts are collateralized by securities held by the pledging financial institution, but not in the Division's name.

(3) Leases

The Division has various lease agreements for its current central office buildings and various hearing and field offices throughout West Virginia. The Division also leases a small number of vehicles.

All State agencies are required to have language in their lease agreements which allow termination by either party with 30 days notice. The Division has entered into several such agreements. The Division plans to honor the original terms of all such agreements and, therefore, has provided disclosure of these "operating" leases as though they were non-cancelable. These leases are classified as operating leases with the lease payments recorded as rent expense as they become payable. Contingent rentals on operating leases for certain equipment are determined based on usage of the equipment. In addition, certain operating leases for office space include rent escalation provisions based on increases in the lessor's real property taxes over taxes paid in a base year and annual renewal options.

Future minimum rentals under operating leases for the Division at June 30, 2009 are as follows:

Rentals due in fiscal year:	
2010	\$ 1,807
2011	809
2012	598
2013	598
2014	440
Thereafter	<u>445</u>
Total minimum lease payments	<u>\$ 4,697</u>

Rental expense for the minimum rentals under operating leases for the year ended June 30, 2009 was \$1,722.

WORKFORCE WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2009
 (In Thousands, Unless Otherwise Noted)

(4) Compensated Absences and Other Post Employment Benefits

The liability for compensated absences is generally liquidated in the fund for which the liability is recorded. Changes in compensated absences balances and other post employment benefits are as follows:

	<u>Beginning Balance</u>	<u>Additions/ Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:				
Compensated absences	\$ 1,327	\$ (2)	\$ 1,325	\$ 911
RHBT payable (OPEB)	<u>387</u>	<u>409</u>	<u>796</u>	<u>-</u>
	<u>\$ 1,714</u>	<u>\$ 407</u>	<u>\$ 2,121</u>	<u>\$ 911</u>

The Division's obligation for accrued vacation leave time includes leave time and related costs expected to be paid to employees in the future and are determined using wage levels in effect at the date the obligation is calculated. Also included in this amount is the Division's unfunded obligation arising in connection with legislation to fund portions of employee post retirement health insurance costs for retired employees.

Upon retirement, an employee may apply unused sick leave or annual leave, or both to reduce their future insurance premiums paid to the West Virginia Public Employees Insurance Division or to obtain a greater benefit under the West Virginia Public Employees Retirement System.

(5) Pension Plan

(a) Plan Description

The Division contributes to the West Virginia Public Employees Retirement System (PERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board (CPRB). PERS provides retirement, disability, and death benefits to plan members and beneficiaries. Chapter 5, Article 10 of the West Virginia Code assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees. Employees who retire at or after age 55 and have completed 25 years of credited service are eligible for retirement benefits as established by State statute. Retirement benefits are payable monthly for life, in the form of a straight-line annuity equal to two percent of the employee's final average salary, multiplied by the number of years of the employee's credited service at the time of retirement. PERS also provides deferred retirement, early retirement, death, and disability benefits to plan members and beneficiaries. CPRB issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report can be obtained by writing to CPRB, Capitol Complex, Building 5, Room 1000, Charleston, WV 25305.

(b) Funding Policy

The PERS funding policy has been established by action of the State Legislature. State statute requires plan members to contribute 4.5% of their annual covered salary. Effective July 1, 2005, the employer contribution rate from the Division increased from 9.5% to 10.5% of the covered employee's salaries. The contribution requirements of plan members and the Division are established and may be amended by the PERS Board of Trustees. The Division's contributions to PERS for the years ended June 30, 2009, 2008, and 2007 were \$1,503, \$1,587, and \$1,532 respectively, equal to the required contributions for each year.

WORKFORCE WEST VIRGINIA
 NOTES TO THE FINANCIAL STATEMENTS
 YEAR ENDED JUNE 30, 2009
 (In Thousands, Unless Otherwise Noted)

(6) Related Party Transactions

During the course of operations, the Division enters into transactions with other agencies of the State of West Virginia. These transactions consist of normal Division/employer transactions or fees for services paid to other State enterprise or internal service funds, as set forth below:

	General Fund	Unemployment Compensation Trust
Employer premiums revenue from other State agencies	\$ -	\$ 4,199
Employee benefits and other costs paid to other State agencies	\$ 7,060	\$ -

Due from other State Agencies:

	General Fund	Unemployment Compensation Trust
West Virginia Human Rights Commission	\$ 4	\$ -
West Virginia Department of Health and Human Resources, Bureau of Child Support	64	-
Rehabilitation Services	-	52
Motor Vehicles	-	2
WV Department of Highways	-	5
Health & Human Resources	-	42
Natural Resources	-	36
Lakin State Hospital	-	7
William R. Sharpe Jr. Hospital	-	3
Bluefield State College	-	8
Marshall Division	-	10
West Virginia Division	-	66
Attorney General's Office	-	5
Environmental Protection	-	3
Regional Jail	-	58
Mt. Olive	-	21
Division of Juvenile Services	-	21
Others	-	259
Total	<u>\$ 68</u>	<u>\$ 598</u>

(7) Commitments and Contingencies

(a) Risk Management

The Division 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 established the Board of Risk and Insurance Management (BRIM) and the Public Employees Insurance Agency (PEIA) to account for and finance uninsured risks of losses for state agencies, institutions of higher education, and component units.

WORKFORCE WEST VIRGINIA
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2009
(In Thousands, Unless Otherwise Noted)

(7) Commitments and Contingencies (Continued)

BRIM is a public entity risk pool that provides coverage for general, liability and property damage in the amount of \$1,000 per occurrence. There have been no settlements that have exceeded this coverage in the last three years. PEIA is also a public entity risk pool and provides coverage for employee and dependent health, life and prescription drug insurance.

Through its participation in the PEIA, the Division has obtained health, life and prescription drug coverage for all its employees. The Division, through a third-party insurer has obtained coverage for job related injuries for its employees. In exchange for payment of premiums to PEIA and a third-party insurer, the Division has transferred its risks related to health, life, prescription drug coverage, and job related injuries.

These entities issue publicly available financial reports that include financial statements and required supplementary information. Those reports may be obtained by writing to these specific entities.

West Virginia had a single private insurance company, BrickStreet Insurance, which provides workers' compensation coverage to all employers in the state. Other private insurance companies began to offer coverage to private-sector employers beginning July 1, 2008 and can begin to offer services to government employers July 1, 2010. Nearly every employer in the State, who has a payroll, must have coverage. The cost of all coverage is paid by the employers. BrickStreet or other insurance agencies retain the risk related to the compensation of injured employees under the program.

(b) Other Risks

During the normal course of operations, the Division incurs certain routine claims. The Legal Counsel for the Division has evaluated the potential loss for these claims and believes that the insurance coverage provided by BRIM is adequate to cover any potential losses from these claims.

The Division participates in several federal programs which are subject to audit by the federal awarding agency. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the federal awarding agency cannot be determined at this time. The Division records these disallowed audit adjustments for questioned costs in the period the audit is finalized.

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

WORKFORCE WEST VIRGINIA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL (BUDGETARY BASIS) - GENERAL FUND
 YEAR ENDED JUNE 30, 2009
 (In Dollars)

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
Budgetary Fund Balance July 1				
Resources (Inflows)			\$ 580,506	\$ 580,506
Beginning Balance 7/1/08			83,777,794	7,527,794
2009 FY Gross Revenue and Appropriations Amounts Available For Appropriation	\$ 76,250,000	\$ 76,250,000	84,358,300	8,108,300
Charges To Appropriations (Outflows)			14,495,355	760,645
001-Personal Services (With Payroll Deductions)	15,256,000	15,256,000	417,594	(15,374)
004-Annual Increment	402,220	402,220		
Employee Benefits:				
010-Personnel Division & Public Employees Insurance	130,311	130,311	97,999	32,312
011-Social Security Matching	1,197,854	1,197,854	1,092,385	105,469
012-Public Employees' Insurance	2,866,842	2,866,842	2,071,585	795,277
013-Other Health Insurance	100,000	100,000		100,000
014-Workers Compensation	286,545	286,545	72,900	213,645
015-Unemployment Compensation	100,000	100,000	10,586	89,414
016-Pension & Retirement	1,644,113	1,644,113	1,502,549	141,564
Current Expenses:			389,071	110,929
020-Office Expenses	500,000	500,000	229,142	270,858
021-Printing and Binding	500,000	500,000	2,146,229	(446,229)
022-Rental Expense	1,700,000	1,700,000	72,752	1,772,248
023-Utilities	250,000	250,000	347,055	402,935
024-Telecommunications	750,000	750,000	1,223,662	4,088,985
025-Contractual and Professional	5,312,657	5,312,657		750,000
026-Travel	750,000	750,000	1,104,453	(854,453)
027-Computer Services	250,000	250,000	15,189	134,811
028-Vehicle Rental	150,000	150,000		200,000
030-Rentals (Machine and Miscellaneous)	200,000	200,000		16,452
031-Association Dues and Professional Memberships	38,780	38,780	22,328	1
032-Fire, Auto, Bond, and Other Insurance	86,017	86,017	86,016	22,464
034-Clothing, Household and Recreational Supplies	30,000	30,000	7,536	73,562
035-Advertising and Promotional	100,000	100,000	25,408	14,342
036-Vehicle Operating Expense	30,000	30,000	15,858	400,000
038-Routine Maintenance Contracts	400,000	400,000		6,239
041-Cellular Charges	15,000	15,000	8,761	36,631
042-Hospitality	100,000	100,000	63,369	4,197
043-Educational Training (Stipends)	25,000	25,000	29,803	210,603
051-Miscellaneous	213,983	213,983	3,360	189,310
052-Training and Development	200,000	200,000	965,410	(235,410)
053-Postal and Freight	750,000	750,000		400,000
054-Computer Supplies	400,000	400,000		69,930
056-Attorney Legal Service Payments	100,000	100,000	170	(157,550)
058-Miscellaneous Equipment Purchases	30,000	30,000	187,550	(58,553)
059-Student Activities			59,653	44,478
061-Office & Communication Equipment Repairs	50,000	50,000	5,622	5,000
063-Building & Household Equipment Repairs	5,000	5,000		(5,317)
064-Routine Maintenance Of Buildings	10,000	10,000	15,317	(2,123)
065-Vehicle Repairs			2,123	85,457
070-Office and Communication Equipment	100,000	100,000	14,513	(1,928)
083-Grants, Awards, Scholarships, and Loans			1,928	(489)
086-Bank Costs			489	(14,847)
088-Other Interest and Penalties	5,000	5,000	19,847	41,157,111
106-Fund Transfers	41,434,020	41,434,020	276,609	(40,000,000)
101-Legislative Direct Transfer			40,800,000	150,000
124-Cost Allocation Adjustment/Settlement	150,000	150,000		(13,678,150)
126-Federal Subrecipient Disbursement	90,178	90,178	13,766,328	(7,309)
143-Building Improvements			7,309	(288,425)
160-OPEB Expense			288,425	50,000
170-Computer Equipment	50,000	50,000		(10,490)
171-Computer Software	20,000	20,000	30,490	(535,407)
331-Other Travel			535,407	(174,498)
343-Other Rentals			174,498	(22,359)
350-Comm Equip Maint Contracts			22,359	(341,157)
351-Other Maintenance Contracts			341,157	(177,712)
360-Software Licenses			177,712	(418,315)
361-Other Computer Supplies			418,315	(6,105,236)
Total Charges To Appropriations	\$ 76,779,520	\$ 76,779,520	\$ 82,884,756	\$ 2,003,064
Budgetary Fund Balance, June 30, 2009	\$ (929,520)	\$ (529,520)	\$ 1,473,544	

WORKFORCE WEST VIRGINIA
 NOTES TO SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL (BUDGETARY BASIS) – GENERAL FUND
 YEAR ENDED JUNE 30, 2009
 (in thousands)

(1) **Budget and Actual Comparison**

The Division's General Fund has a legislatively approved budget. However, certain monies reported within the General Fund in accordance with accounting principles generally accepted in the United States of America (GAAP), are not considered appropriated funds in accordance with the Division's budgetary reporting policy. Accordingly, these amounts have not been reported in the Division's Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis) - General Fund. A reconciliation of the net change in fund balance for the year ended June 30, 2009, on the budgetary basis to the GAAP basis for the General Fund follows:

Net change in fund balance - budgetary basis	\$ (2,003)
Basis of accounting differences (budgetary to GAAP)	1,423
Unbudgeted funds	54
Transfers, net	<u>2,016</u>
Net change in fund balance - GAAP basis	<u>\$ 1,490</u>

OTHER FINANCIAL INFORMATION

WORKFORCE WEST VIRGINIA
OTHER FINANCIAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
Fund 3450 Administration and Service
Year Ended June 30, 2009
(In Dollars)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary Fund Balance July 1				
Resources (Inflows)				
Beginning Balance 7/1/08	\$ -	\$ -	\$ 440,161	\$ 440,161
2009 FY Gross Revenue	70,332,843	70,332,843	64,771,164	(5,561,679)
Amounts Available For Appropriation	70,332,843	70,332,843	65,211,325	(5,121,518)
Charges To Appropriations (Outflows):				
001-Personal Services (With Payroll Deductions)	15,256,000	15,256,000	12,650,328	2,605,672
004-Annual Increment	402,220	402,220	377,198	25,022
Employee Benefits:				
010-Personnel Division & Public Employees Insurance	130,311	130,311	88,492	41,819
011-Social Security Matching	1,197,854	1,197,854	556,640	241,214
012-Public Employees' Insurance	2,866,842	2,866,842	1,852,614	1,014,228
013-Other Health Insurance	100,000	100,000	-	100,000
014-Workers Compensation	298,545	298,545	66,841	219,704
015-Unemployment Compensation	100,000	100,000	9,616	90,385
016-Pension & Retirement	1,644,113	1,644,113	1,325,189	318,914
Current Expenses:				
020-Office Expenses	500,000	500,000	339,441	160,559
021-Printing and Binding	500,000	500,000	224,439	275,561
022-Rental Expense	1,700,000	1,700,000	1,300,598	399,402
023-Utilities	250,000	250,000	29,174	220,826
024-Telecommunications	750,000	750,000	306,433	443,567
025-Contractual and Professional	300,000	300,000	919,584	(619,584)
028-Travel	750,000	750,000	-	750,000
027-Computer Services	250,000	250,000	943,359	(693,359)
029-Vehicle Rental	150,000	150,000	14,404	135,596
030-Rentals (Machine and Miscellaneous)	200,000	200,000	-	200,000
031-Association Dues and Professional Memberships	38,780	38,780	20,317	18,463
032-Fire, Auto, Bond, and Other Insurance	86,017	86,017	79,387	6,630
034-Clothing, Household and Recreational Supplies	30,000	30,000	7,520	22,480
035-Advertising and Promotional	100,000	100,000	23,689	76,311
036-Vehicle Operating Expense	30,000	30,000	14,380	15,620
038-Routine Maintenance Contracts	400,000	400,000	-	400,000
041-Cellular Charges	15,000	15,000	5,269	9,731
042-Hospitality	100,000	100,000	57,497	42,503
043-Educational Training (Stipends)	25,000	25,000	19,340	5,660
051-Miscellaneous	213,983	213,983	1,016	212,967
052-Training and Development	200,000	200,000	10,313	189,687
053-Postal and Freight	750,000	750,000	978,339	(228,339)
054-Computer Supplies	400,000	400,000	-	400,000
058-Attorney Legal Service Payments	100,000	100,000	170	99,830
058-Miscellaneous Equipment Purchases	30,000	30,000	162,996	(132,996)
061-Office & Communication Equipment Repairs	50,000	50,000	5,316	44,684
063-Building & Household Equipment Repairs	5,000	5,000	-	5,000
064-Routine Maintenance Of Buildings	10,000	10,000	14,952	(4,952)
065-Vehicle Repairs	-	-	1,998	(1,998)
070-Office and Communication Equipment	100,000	100,000	13,869	86,131
089-Bank Costs	-	-	409	(409)
086-Other Interest and Penalties	5,000	5,000	1,558	3,442
100-Fund Transfers	40,000,000	40,000,000	-	-
101-Legislative Direct Transfer	-	-	40,000,000	-
124-Cost Allocation Adjustment/Settlement	150,000	150,000	-	150,000
128-Federal Subrecipient Disbursement	90,178	90,178	346,802	(256,624)
143-Building Improvements	-	-	7,044	(7,044)
160-OPES Expense	-	-	264,101	(264,101)
170-Computer Equipment	50,000	50,000	(5,295)	55,295
171-Computer Software	20,000	20,000	30,490	(10,490)
331-Other Travel	-	-	441,407	(441,407)
343-Other Rentals	-	-	163,662	(163,662)
350-Comm Equip Maint Contract	-	-	20,811	(20,811)
351-Other Maintenance Contracts	-	-	246,935	(246,935)
360-Software Licenses	-	-	(11,772)	11,772
361-Other Computer Supplies	-	-	104,624	(104,624)
Total Charges To Appropriations	70,332,843	70,332,843	64,430,583	5,902,260
Budgetary Fund Balance, June 30, 2009	\$ -	\$ -	\$ 780,762	\$ 780,762

WORKFORCE WEST VIRGINIA
OTHER FINANCIAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
Fund 8835 Consolidated Federal Funds
Year Ended June 30, 2009
(In Dollars)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance July 1				
Resources (Inflows)				
Beginning Balance 7/1/08	\$ -	\$ -	\$ 13,458	\$ 13,458
2009 FY Gross Revenue	5,012,657	5,012,657	2,008,154	(3,004,503)
Amounts Available for Appropriation	5,012,657	5,012,657	2,021,612	(2,991,045)
Charges to Appropriations (Outflows):				
001-Personal Services (With Payroll Deductions)	-	-	419,781	(419,781)
004-Annual Increment	-	-	10,660	(10,660)
Employee Benefits				
010-Personnel Division & Public Employees Insurance	-	-	385	(385)
011-Social Security Matching	-	-	29,339	(29,339)
012-Public Employees' Insurance	-	-	76,780	(76,780)
014-Workers Compensation	-	-	47	(47)
016-Pension & Retirement	-	-	35,032	(35,032)
Current Expenses				
022-Rental Expense	-	-	737,079	(737,079)
023-Utilities	-	-	43,467	(43,467)
025-Contractual and Professional	5,012,657	5,012,657	41,250	4,971,407
027-Computer Services	-	-	82,500	(82,500)
058-Miscellaneous Equipment Purchases	-	-	17,661	(17,661)
170-Computer Equipment	-	-	5,295	(5,295)
331-Other Travel	-	-	21,358	(21,358)
351-Other Maintenance Contracts	-	-	76,505	(76,505)
360-Software Licenses	-	-	68,943	(68,943)
361-Other Computer Supplies	-	-	311,753	(311,753)
Total Charges To Appropriations	5,012,657	5,012,657	1,977,835	3,034,822
Budgetary Fund Balance, June 30, 2009	\$ -	\$ -	\$ 43,777	\$ 43,777

WORKFORCE WEST VIRGINIA
OTHER FINANCIAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
Fund 8888 Workforce Investment Act
Year Ended June 30, 2009
(In Dollars)

41

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance July 1				
Resources (Inflows)				
Beginning Balance 7/1/08	\$ -	\$ -	\$ -	\$ -
2009 FY Gross Revenue	-	-	16,745,712	16,745,712
Amounts Available For Appropriation	-	-	16,745,712	16,745,712
Charges To Appropriations (Outflows):				
001-Personal Services (With Payroll Deductions)	-	-	1,425,246	(1,425,246)
004-Annual Increment	-	-	29,736	(29,736)
Employee Benefits:				
010-Personnel Division & Public Employees Insurance	-	-	9,122	(9,122)
011-Social Security Matching	-	-	106,406	(106,406)
012-Public Employees' Insurance	-	-	142,171	(142,171)
014-Workers Compensation	-	-	6,012	(6,012)
015-Unemployment Compensation	-	-	971	(971)
016-Pension & Retirement	-	-	142,318	(142,318)
Current Expenses:				
020-Office Expenses	-	-	49,630	(49,630)
021-Printing and Binding	-	-	4,703	(4,703)
022-Rental Expense	-	-	108,552	(108,552)
023-Utilities	-	-	111	(111)
024-Telecommunications	-	-	40,632	(40,632)
025-Contractual and Professional	-	-	262,828	(262,828)
027-Computer Services	-	-	78,594	(78,594)
029-Vehicle Rental	-	-	785	(785)
031-Association Dues and Professional Memberships	-	-	2,011	(2,011)
032-Fire, Auto, Bond, and Other Insurance	-	-	6,629	(6,629)
034-Clothing, Household and Recreational Supplies	-	-	16	(16)
035-Advertising and Promotional	-	-	2,719	(2,719)
036-Vehicle Operating Expense	-	-	1,278	(1,278)
041-Cellular Charges	-	-	3,492	(3,492)
042-Hospitality	-	-	5,872	(5,872)
043-Educational Training (Stipends)	-	-	1,463	(1,463)
051-Miscellaneous	-	-	2,364	(2,364)
052-Training and Development	-	-	377	(377)
053-Postal and Freight	-	-	7,071	(7,071)
058-Miscellaneous Equipment Purchases	-	-	6,893	(6,893)
059-Student Activities	-	-	59,553	(59,553)
061-Office & Communication Equipment Repairs	-	-	206	(206)
064-Routine Maintenance Of Buildings	-	-	365	(365)
065-Vehicle Repairs	-	-	125	(125)
070-Office and Communication Equipment	-	-	644	(644)
083-Grants, Awards, Scholarships, and Loans	-	-	1,928	(1,928)
096-Other Interest and Penalties	-	-	18,289	(18,289)
100-Governors Workforce Investment Act	529,520	529,520	-	529,520
128-Federal Subrecipient Disbursement	-	-	13,419,526	(13,419,526)
143-Building Improvements	-	-	265	(265)
160-WV OPEB Contribution	-	-	24,324	(24,324)
331-Other Travel	-	-	72,642	(72,642)
343-Other Rentals	-	-	10,836	(10,836)
350-Comm equip Maint contract	-	-	1,548	(1,548)
351-Other Maintenance Contracts	-	-	18,717	(18,717)
361-Other Computer Supplies	-	-	120,541	(120,541)
360-Software Licenses	-	-	1,938	(1,938)
Total Charges To Appropriations	529,520	529,520	16,199,449	(15,669,929)
Budgetary Fund Balance, June 30, 2009	\$ (529,520)	\$ (529,520)	\$ 546,263	\$ 1,075,783

COMPLIANCE AND INTERNAL CONTROL REPORT



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Commissioner
WorkForce West Virginia
Charleston, West Virginia

We have audited the financial statements of the governmental activities, the business-type activities and each major fund of WorkForce West Virginia as of and for the year ended June 30, 2009, and have issued our report thereon dated January 25, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted other matters involving the internal control over financial reporting that we have reported to management of WorkForce West Virginia in a separate letter dated January 25, 2010.

This report is intended solely for the information and use of management, the State of West Virginia, grantor agencies, and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



Charleston, West Virginia
January 25, 2010