Audited Financial Statements

West Virginia Consolidated Public Retirement Board

Years Ended June 30, 2007 and 2006

Gibbons & Kawash
Certified Public Accountants

Audited Financial Statements

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

Years Ended June 30, 2007 and 2006

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INDEPENDENT AUDITORS' REPORT

To the Members of the
West Virginia Consolidated Public
Retirement Board
Charleston, West Virginia

We have audited the accompanying statement of plan net assets for the pension funds and statement of net assets of the internal service fund of the West Virginia Consolidated Public Retirement Board (the Board), a component unit of the State of West Virginia, as of June 30, 2007 and 2006, and the related statement of changes in plan net assets of the pension funds, and statements of revenues, expenses, and changes in fund net assets, and cash flows of the internal service fund for the years then ended, which collectively comprise the Board's basic financial statements. These financial statements are the responsibility of the management of the Board. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the pension funds and the internal service fund of the Board as of June 30, 2007 and 2006, and the changes in net assets of the pension funds, and the changes in financial position and cash flows of the internal service fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2007, on our consideration of the Board'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.

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The Board has not presented the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The required supplementary information on pages 34 through 38 is not a required part of the basic financial statements but is 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 such information and express no opinion on it.

Gibbons & Kawash

October 26, 2007

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

STATEMENT OF PLAN NET ASSETS - PENSION FUNDS

June 30, 2007
(In Thousands)

ASSETS	Public Employees' Retirement System	Teachers' Retirement System	Public Safety Death, Disability, and Retirement System
Cash	$ 185	$ -	$ -
Investments at fair value	4,289,067	3,638,376	512,726
Contributions receivable	4,312	19,668	-
Participant loans receivable	-	7,362	-
Appropriation receivable	-	-	-
Miscellaneous revenue receivable	-	622	286
Total assets	4,293,564	3,666,028	513,012
LIABILITIES AND PLAN NET ASSETS			
Liabilities:			
Accrued expenses and other payables	268	35	3
Net assets held in trust for pension benefits (see supplementary schedule of funding progress)	$ 4,293,296	$ 3,665,993	$ 513,009

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

State Police Retirement System	Deputy Sheriff Retirement System	Judges' Retirement System	Teachers' Defined Contribution Retirement System	Total
$ -	$ -	$ -	$ 3,097	$ 3,282
40,353	93,013	104,127	894,443	9,572,105
-	555	-	10,959	35,494
-	352	-	-	7,714
-	51	-	-	51
-	15	-	-	923
40,353	93,986	104,127	908,499	9,619,569
3	3	-	653	965
$ 40,350	$ 93,983	$ 104,127	$ 907,846	$ 9,618,604

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

STATEMENT OF PLAN NET ASSETS - PENSION FUNDS

June 30, 2006
(In Thousands)

	Public Employees' Retirement System	Teachers' Retirement System	Public Safety Death, Disability, and Retirement System
ASSETS			
Cash	$ 16	$ -	$ 2
Investments at fair value	3,696,027	2,079,390	452,366
Contributions receivable	4,293	85,460	438
Participant loans receivable	-	9,077	-
Miscellaneous revenue receivable	-	614	-
Total assets	3,700,336	2,174,541	452,806
LIABILITIES AND PLAN NET ASSETS			
Liabilities:			
Accrued expenses and other payables	150	77	12
Net assets held in trust for pension benefits (see supplementary schedule of funding progress)	$ 3,700,186	$ 2,174,464	$ 452,794

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

State Police Retirement System	Deputy Sheriff Retirement System	Judges' Retirement System	Teachers' Defined Contribution Retirement System	Total
$ -	$ -	$ -	$ 4,431	$ 4,449
30,744	77,075	85,932	736,012	7,157,546
-	510	-	8,238	98,939
-	241	-	-	9,318
3	78	-	-	695
30,747	77,904	85,932	748,681	7,270,947
-	5	-	385	629
$ 30,747	$ 77,899	$ 85,932	$ 748,296	$ 7,270,318

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

STATEMENT OF CHANGES IN PLAN NET ASSETS - PENSION FUNDS

Year Ended June 30, 2007
(In Thousands)

	Public Employees' Retirement System	Teachers' Retirement System	Public Safety Death, Disability, and Retirement System
Additions:			
Contributions:			
Member contributions	$ 52,239	$ 49,923	$ 1,029
Employer contributions	121,183	1,482,184	5,360
Total contributions	173,422	1,532,107	6,389
Investment income:			
Net increase in fair value of investments	612,613	344,824	74,267
Interest	32,885	21,817	3,854
Net investment income	645,498	366,641	78,121
Other income	4,600	4,399	680
Total additions	823,520	1,903,147	85,190
Deductions and transfers:			
Benefit expense	217,540	404,875	24,794
Refunds of contributions	9,216	3,326	130
Transfers to (from) plans	(443)	449	-
Administrative expenses	4,097	2,968	51
Total deductions and transfers	230,410	411,618	24,975
Net increase in plan net assets	593,110	1,491,529	60,215
Net assets held in trust for pension benefits:			
Beginning of year	3,700,186	2,174,464	452,794
End of year	$ 4,293,296	$ 3,665,993	$ 513,009

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

State Police Retirement System	Deputy Sheriff Retirement System	Judges' Retirement System	Teachers' Defined Contribution Retirement System	Total
$ 2,176	$ 2,837	$ 733	$ 30,599	$ 139,536
2,175	3,365	6,034	55,072	1,675,373
4,351	6,202	6,767	85,671	1,814,909
5,345	12,993	14,433	94,294	1,158,769
287	717	779	-	60,339
5,632	13,710	15,212	94,294	1,219,108
-	541	-	-	10,220
9,983	20,453	21,979	179,965	3,044,237
135	3,891	3,801	-	655,036
214	389	-	18,233	31,508
-	18	(24)	-	-
31	71	7	2,182	9,407
380	4,369	3,784	20,415	695,951
9,603	16,084	18,195	159,550	2,348,286
30,747	77,899	85,932	748,296	7,270,318
$ 40,350	$ 93,983	$ 104,127	$ 907,846	$ 9,618,604

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

STATEMENT OF CHANGES IN PLAN NET ASSETS - PENSION FUNDS

Year Ended June 30, 2006
(In Thousands)

	Public Employees' Retirement System	Teachers' Retirement System	Public Safety Death, Disability, and Retirement System
Additions:			
Contributions:			
Member contributions	$ 52,248	$ 48,201	$ 989
Employer contributions	133,594	658,644	77,630
Total contributions	185,842	706,845	78,619
Investment income:			
Net increase in fair value of investments	291,030	130,649	32,420
Interest	29,661	16,524	3,479
Net investment income	320,691	147,173	35,899
Appropriation from WV Lottery	-	69,042	-
Other income	-	3,802	616
Total additions	506,533	926,862	115,134
Deductions and transfers:			
Benefit expense	199,255	372,687	23,696
Refunds of contributions	9,142	3,994	(10)
Transfers to (from) plans	(578)	790	3
Administrative expenses	3,179	2,282	41
Total deductions and transfers	210,998	379,753	23,730
Net increase in plan net assets	295,535	547,109	91,404
Net assets held in trust for pension benefits:			
Beginning of year	3,404,651	1,627,355	361,390
End of year	$ 3,700,186	$ 2,174,464	$ 452,794

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

State Police Retirement System	Deputy Sheriff Retirement System	Judges' Retirement System	Teachers' Defined Contribution Retirement System	Total
$ 1,874	$ 2,674	$ 865	$ 28,459	$ 135,310
1,821	3,212	6,758	46,331	927,990
3,695	5,886	7,623	74,790	1,063,300
2,159	5,814	6,384	46,288	514,744
249	652	704	-	51,269
2,408	6,466	7,088	46,288	566,013
-	-	-	-	69,042
-	550	-	-	4,968
6,103	12,902	14,711	121,078	1,703,323
118	3,449	3,737	-	602,942
514	415	-	17,002	31,057
-	-	(207)	(8)	-
21	53	6	1,515	7,097
653	3,917	3,536	18,509	641,096
5,450	8,985	11,175	102,569	1,062,227
25,297	68,914	74,757	645,727	6,208,091
$ 30,747	$ 77,899	$ 85,932	$ 748,296	$ 7,270,318

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

STATEMENT OF NET ASSETS - INTERNAL SERVICE FUND

June 30, 2007 and 2006
(In Thousands)

ASSETS	2007	2006
Cash with the State Treasurer	$ 4,475	$ 1,944
Miscellaneous receivable	653	385
Total assets	$ 5,128	$ 2,329
LIABILITIES AND NET ASSETS		
Liabilities:		
Accrued expenses and other payables	568	530
Compensated absences	389	445
Total liabilities	957	975
Net assets, unrestricted	$ 4,171	$ 1,354

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

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS - INTERNAL SERVICE FUND

Years Ended June 30, 2007 and 2006
(In Thousands)

	2007	2006
Revenues:		
Fees received for administrative services	$ 9,407	$ 7,097
Expenses:		
Administrative	6,590	6,628
Change in net assets	2,817	469
Net assets:		
Beginning of year	1,354	885
End of year	$ 4,171	$ 1,354

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

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

STATEMENT OF CASH FLOWS - INTERNAL SERVICE FUND

Years Ended June 30, 2007 and 2006
(In Thousands)

	2007	2006
Cash flows from operating activities:		
Cash received from customers and users	$ 9,138	$ 7,083
Cash paid to employees	(2,484)	(2,319)
Cash paid to suppliers	(4,123)	(3,902)
Net cash provided by operating activities	2,531	862
Cash and cash equivalents, beginning of year	1,944	1,082
Cash and cash equivalents, end of year	$ 4,475	$ 1,944
Reconciliation of change in net assets to net cash provided by operating activities:		
Change in net assets	$ 2,817	$ 469
Adjustments to reconcile operating income to net cash used in operating activities:		
Change in assets and liabilities:		
Increase in miscellaneous receivable	(268)	(14)
Increase in accrued expenses and other payables	38	410
Decrease in compensated absences	(56)	(3)
Net cash provided by operating activities	$ 2,531	$ 862

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

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS

1 - DESCRIPTION OF PLAN

Reporting Entity

During fiscal year 1991, the West Virginia State Legislature created the Consolidated Public Retirement Board (the Board). The Board administers seven of the State of West Virginia's eight retirement plans. The seven retirement plans included within these financial statements are the Public Employees' Retirement System (PERS), the Teachers' Retirement System (TRS), the Public Safety Death, Disability and Retirement System (PSDDRS), the State Police Retirement System (SPRS), the Deputy Sheriff Retirement System (DSRS), the Judges' Retirement System (JRS), and the Teachers' Defined Contribution Retirement System (TDCRS). The Total Pension Funds column included in the statements of net assets and statements of changes in net assets is for informational purposes only. The net assets of each plan are only available to satisfy the obligations of that plan. The Board is a component unit of the State of West Virginia (the State). The Governmental Employees Deferred Compensation Plan is administered by the West Virginia State Treasurer's Office and has been excluded from these financial statements in accordance with Governmental Accounting Standards Board (GASB) Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.*

The Internal Service Fund (the Fund) is used for the administration of all plans administered by the Board. The Fund receives a service fee from each plan based upon the number of participants included in the plan. These fees are legally restricted for the purpose of administering the plans and are not available for any other purpose.

The Board is managed by a Board of Trustees, which consists of, by virtue of their position, the Governor, State Auditor, State Treasurer, and Secretary of the Department of Administration, together with the following gubernatorial appointments that are subject to the advice and consent of the State Senate: four residents of the State who are not participants in the retirement plans, one State and one non-State employee participant in PERS, and one participant each from TRS, PSDDRS, DSRS, and TDCRS.

Pursuant to the West Virginia Code, the Board submits a detailed budgetary schedule of administrative expenses to the Secretary of the Department of Administration prior to the beginning of each fiscal year. The fundamental purpose of budgetary control is to plan for the expected level of operations and to provide management with a tool to control deviation from such plan.

Basis of Accounting

The financial statements of the Board have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles for governmental units. The accompanying pension fund financial statements have been prepared on the accrual basis of accounting. Plan member contributions are recognized in the period when contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal

1 - DESCRIPTION OF PLAN (Continued)

Basis of Accounting (Continued)

commitment to provide contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. The Internal Service Fund financial statements have also been prepared on the accrual basis of accounting. The Board has prepared its financial statements primarily from accounts maintained by the State Auditor, the State Treasurer, the West Virginia Investment Management Board (the IMB), and the third-party administrator of its defined contribution plan.

Cash

Cash balances on deposit with the West Virginia State Treasurer's Office (the State Treasurer) are pooled by the State Treasurer with other available funds of the State for investment by the IMB. These funds are transferred to the IMB and the IMB invests these funds in specific investment pools. Investment income on these investment pools is allocated by the State Treasurer to the various participants in the investment pools based on the balances of the various participants and their deposits with the State Treasurer in the month in which the income was earned. The amounts on deposit with the State Treasurer are available for immediate withdrawal and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

Investments

All defined benefit plan funds not required to meet disbursement needs are invested in accordance with the West Virginia Code, as well as policies set by the IMB. The IMB has established various investment pools to provide for the investment of the defined benefit plan investments. These investment pools are structured as multiparticipant variable net asset funds.

The TDCRS investments are held by an investment company as the third party administrator for the plan. As prescribed by West Virginia Code, the TDCRS investments are placed in participant accounts and the participants direct the investment of their account by selecting from a list of plan mutual funds or a long term fixed investment option.

The TDCRS investments are carried at fair value as determined by a third-party pricing service utilized by an investment management company.

Investment transactions are accounted for on a trade date basis. Changes in the fair value of investments, including purchases and sales, are reported as the net increase or decrease in fair value of investments. Investment income is determined monthly and distributed to each of the defined benefit plans participating in the investment pools on the last day of the month in the form of reinvested shares. Investment income for the TDCRS is determined monthly and distributed to the individual participant accounts.

1 - DESCRIPTION OF PLAN (Continued)

Contributions Receivable

Contributions receivable represent funds owed to the Board from other government employer entities participating in the various retirement plans.

Participant Loans Receivable

The TRS makes loans to its members, hired prior to July 1, 2005, up to the lesser of one-half of a member's accumulated contributions or $8,000, at a fixed rate of interest over varying terms, with a maximum term of five years.

The DSRS also makes loans to its members, hired prior to July 1, 2005, up to the lesser of one-half of a member's accumulated contributions or $8,000, at an interest rate indexed to the interest rate used by the Board for determining actuarial contributions levels. DSRS loans require repayment over varying terms, with a maximum term of five years.

Accrued Expenses and Other Payables

Accrued expenses and other payables primarily represent retirement annuity amounts payable to new retirees.

Compensated Absences

Liability for compensated absences (annual and sick leave) is accounted for in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences* and, accordingly, a liability for employees' rights to receive compensation for future absences has been recorded. When an employee is separated from employment with the Board for reasons other than retirement, all sick leave credited to that employee is considered ended and no reimbursement to the employee is provided. Accrued sick leave, if any, existing for employees upon their retirement may be used either to extend benefits provided by the West Virginia Public Employees Insurance Agency or to increase retirement benefits. In accordance with GASB Statement No. 16, the accrual for compensated absences includes a provision for accrued sick leave that is likely to be paid in extended health or life insurance benefits for employees whose retirement from the State is probable.

Capital Assets

The Board does not record any capital assets. The administrative buildings occupied by CPRB are leased under operating leases and the furniture and other holdings are substantially depreciated. Therefore, this treatment does not have a material impact on the financial statements.

1 - DESCRIPTION OF PLAN (Continued)

Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, actuarial accrued liabilities and disclosure of contingent assets and liabilities as of the financial statement date, and the reported amounts of additions and deductions for the reporting period. Actual amounts could differ from those estimates. The various retirement plans utilize various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of plan net assets.

2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION

Funding policies for all plans have been established by and changed from time-to-time by action of the State Legislature. While contribution rates are legislatively determined, actuarial valuations are performed to assist the State Legislature in determining contribution rates. The following information is provided for general information purposes only. Plan participants should refer to the respective West Virginia State Code Section for more complete information.

Defined Benefit Plans

Public Employees' Retirement System

Plan Description **-** PERS is a multiple employer defined benefit cost sharing public employee retirement system covering substantially all employees of the State and its component units, as well as employees of participating non-State governmental entities who are not participants of another state or municipal retirement system. The number of participating local government employers as of June 30, 2007 and 2006, are as follows:

	2007	2006
Cities and towns	109	123
Counties	55	55
Special districts	367	346
	531	524

2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)

Public Employees' Retirement System (Continued)

PERS provides retirement benefits as well as death and disability benefits. Qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. The straight-life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. Average salary is the average of the three consecutive highest annual earnings out of the last ten years of earnings. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62.

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

Contributions - Per Chapter 5, Article 10, members contribute 4.5% of annual earnings. Funding by State and non-State governmental employers is based on 10.5% (9.5% prior to July 1, 2003) of covered employees' annual earnings. Contributions as a percentage of payroll for members and employers are established by the board, pursuant to statute and are not actuarially determined.

Teachers' Retirement System

Plan Description - TRS is a multiple employer defined benefit cost sharing public employee retirement system covering all full-time employees of the 55 county public school systems in the State and certain personnel of the 13 State-supported institutions of higher education, State Department of Education and the Higher Education Policy Commission. Employees of the State-supported institutions of higher education and the Higher Education Policy Commission, hired after June 30, 1991, are required to participate in the Higher Education Retirement System. TRS closed membership to new hires effective July 1, 1991. However, effective July 1, 2005, all new employees hired for the first time are required to participate in TRS.

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

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

2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)

Teachers' Retirement System (Continued)

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

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

The State contributes 15% of gross salary for TRS members, hired prior to July 1, 1991, employed by the State. The county boards of education, utilizing funds made available through the State's School Aid Formula (SAF), contribute 15% of the gross salary of their TRS covered employees, hired prior to July 1, 1991, and 7.5% of the gross salary of their TDCRS covered employees. For TRS covered employees hired for the first time on or after July 1, 2005, the employer pays 7.5% of the gross salary, available through the State's SAF, if applicable. In addition, the State contributes a certain percentage of fire insurance premiums paid by State residents and an amount determined by the State actuary as being needed to extinguish the TRS unfunded liability within 40 years of June 30, 1994. Other employers contribute 15% of the gross salary of their TRS covered employees, hired prior to July 1, 1991, earnings and 7.5% of the gross salary of their TDCRS covered employees earnings.

Counties contribute 15% of TRS members' gross salary on TRS members, hired prior to July 1, 1991, and from salaries paid by county boards of education that are not covered under the State's SAF. Counties contribute 7.5% of gross salary on TRS members, hired on or after July 1, 2005, from salaries paid by county boards of education who are not covered under the State's SAF.

Public Safety Death, Disability and Retirement System

Plan Description **-** PSDDRS is a single employer defined benefit public employee retirement system covering all West Virginia State Police (State Police) hired on or before March 11, 1994. This plan is closed to new entrants.

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

2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)

Public Safety Death, Disability and Retirement System (Continued)

Contributions - PSDDRS funding policy provides for member contributions based on 9% of their annual earnings. The State makes contributions based on 15% of the annual payroll of State Police, as well as contributing all revenue generated by the sale of traffic accident reports, criminal investigation reports and other fees. In addition, certain additional contributions of approximately $3.6 million and $75.9 million have been made during the years ended June 30, 2007 and 2006, respectively, representing extra appropriations to pay off the unfunded liability. Contributions, as a percentage of payroll for members and the employer, are established by State law and are not actuarially determined.

State Police Retirement System

Plan Description – SPRS is a single employer defined benefit public employee retirement system that was established for all State Police hired on or after March 12, 1994. SPRS provides retirement, death, and disability benefits. A member is eligible for normal retirement at age 55 with 20 years of service and for a reduced benefit with 20 years of service and retiring before age 55. The annual regular retirement benefit, paid monthly, is equal to 2.75% of the final average salary multiplied by the years of service. Final average salary is the average of the five highest calendar years of earnings during the last ten years of earnings. Annual retirement annuity adjustments are 1.0% for regular retirement and are payable on July 1 of each year after the member reaches 63 years of age.

Contributions - Employees contribute 12% of annual base salary and the employer contributes 12% of gross salary.

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

Deputy Sheriff Retirement System

Plan Description - DSRS, a multiple employer defined benefit cost sharing public employee retirement system, was established for all deputy sheriffs hired on or after July 1, 1998. The DSRS was also made available to any deputy sheriff employed in covered employment participating in PERS on the effective date so long as he/she made notification in writing before January 31, 1999, to both the County Commission in the county in which he/she was employed and the Board of his/her desire to transfer to the DSRS. Approximately 600 deputy sheriffs elected such transfer and as a result, approximately $28,638,000 of accumulated member and employer contributions and interest were transferred from PERS to DSRS in fiscal year 1999, in accordance with Chapter 7, Article 14 of the West Virginia State Code.

2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)

Deputy Sheriff Retirement System (Continued)

DSRS provides retirement as well as death and disability benefits. A member is eligible for normal retirement under the following circumstances:

1. Attainment of the age of 50 years and completion of 20 or more years of service
2. Member is in covered employment, has attained the age of 60 years, and has completed five or more years of service
3. Attainment of the age of 62 years and has completed five or more years of service

The annual regular retirement benefit is equal to 2.25% of a member's final average salary multiplied by the member's years of credited service. Final average salary refers to the average of the highest annual compensation received for covered employment by the member during any five consecutive plan years within the member's last ten years of service. A member may elect to receive retirement income payments equal to his/her accrued benefit in the normal form or in a variety of annuity options. The normal form signifies a monthly annuity which is 1/12 of the amount of a members accrued benefit which is payable for the member's life.

Benefit payments did not begin prior to January 1, 2000, except benefit payments resulting from disability.

Chapter 7, Article 14 of the West Virginia State Code assigns the authority to establish and amend the provisions of the plan to the State Legislature.

Contributions - Members contribute 8.5% of monthly base salary, and the Sheriff's Office/ County Commission of the County in which the member is employed contributes an additional 10.5% (9.5% prior to July 1, 2004) of the member's monthly salary. In addition, the Sheriff's Office/County Commissions contribute certain fees charged for reports and other services provided by the sheriff's offices.

Judges' Retirement System

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

2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)

Judges' Retirement System (Continued)

judge or justice. A member on the bench prior to July 2, 2005, is eligible for a deferred benefit upon termination of service prior to normal retirement provided the member completes 16 years of service of which 12 years of service is as a sitting judge or justice. A member on the bench on or after July 2, 2005, is eligible for a deferred benefit upon termination of service prior to normal retirement provided the member completes 16 years of service of which 14 years of service is as a sitting judge or justice.

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

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

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

Contributions - JRS funding policy provides for member contributions based on 10.5% of their annual earnings. This policy also provides for periodic employer contributions at varying amounts appropriated annually by the State Legislature. However, annual appropriations are determined in consideration of the most recent actuarial valuation. Any participant who terminates before becoming eligible for benefits may elect to withdraw his or her contributions without interest.

Plan Membership

Membership in the above plans consisted of the following as of July 1, 2007 and 2006:

As of July 1, 2007:	PERS	TRS	PSDDRS	SPRS	DSRS	JRS
Retirees and beneficiaries currently receiving benefits	20,026	27,389	645	7	183	53
Terminated members entitled to benefits but not yet receiving them	3,551	3,397	8	7	41	3
Terminated nonvested members	9,012	55	1	64	89	-
Active members:						
Vested	25,204	16,160	204	100	503	24
Nonvested	10,485	2,473	-	331	363	38
Total	68,278	49,474	858	509	1,179	118

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)

Plan Membership (Continued)

As of July 1, 2006:	PERS	TRS	PSDDRS	SPRS	DSRS	JRS
Retirees and beneficiaries currently receiving benefits	19,403	26,750	637	6	162	54
Terminated members entitled to benefits but not yet receiving them	3,166	3,518	7	1	35	3
Terminated nonvested members	8,307	43	2	39	82	-
Active members:						
Vested	23,685	17,653	213	73	478	20
Nonvested	12,439	72	-	328	357	39
Total	67,000	48,036	859	447	1,114	116

Plan Funded Status and Funding Progress – Defined Benefit Pension Plans

Plan Funded Status – The funded status of each plan as of June 30, 2006, the most recent actuarial valuation date, is as follows (dollar amounts in thousands):

	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
PERS	$3,700,186	$4,264,700	$ 564,514	86.6%	$1,159,715	48.7%
TRS	2,174,464	6,877,872	4,703,408	31.6%	759,206	619.5%
PSDDRS	452,794	506,828	54,034	89.3%	11,128	485.6%
SPRS	30,747	33,552	2,805	91.6%	15,870	17.7%
DSRS	77,899	103,748	25,849	75.1%	31,967	80.9%
JRS	85,932	91,820	5,888	93.6%	8,029	73.3%

Plan Funding Progress – The schedules of funding progress, presented as required supplemental information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)

2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)

Plan Funded Status and Funding Progress – Defined Benefit Pension Plans (Continued)

	PERS	TRS	PSDDRS
Valuation date	July 1, 2006	July 1, 2006	July 1, 2006
Actuarial cost method	Entry age cost	Entry age cost	Entry age cost
Asset valuation method	Fair value	Fair value	Fair value
Amortization method	Level dollar	Constant percentage of payroll	Constant percentage of payroll
Amortization period	Through FY 2035*	Through FY 2034	Through FY 2025
Actuarial assumptions:			
Investment rate of return	7.5%	7.5%	7.5%
Projected salary increases:			
PERS:			
State	4.25-6.0%	-	-
Nonstate	3.75-5.5%	-	-
TRS:			
Teachers	-	3.5-5.0%	-
Non Teachers	-	4.25-5.5%	-
Other plans	-	-	6% for first 5 yrs of service, 5.5% for the next 5 yrs, and 4.75% thereafter
Inflation rate	3.0%	3.0%	3.0%

* Contribution rates are not sufficient to meet original amortization funding target.

	SPRS	DSRS	JRS
Valuation date	July 1, 2006	July 1, 2006	July 1, 2006
Actuarial cost method	Entry age cost	Entry age cost	Entry age cost
Asset valuation method	Fair value	Fair value	Fair value
Amortization method	Constant percentage of payroll	Constant percentage of payroll	Level dollar
Amortization period	Through FY 2030	Through FY 2029*	Through FY 2018
Actuarial assumptions:			
Investment rate of return	7.5%	7.5%	7.5%
Projected salary increases:			
Other plans	6% for first 5 yrs of service, 5.5% for the next 5 yrs, and 4.75% thereafter	5.5% for first 5 yrs of service, 5.0% for the next 5 yrs, and 4.5% thereafter	4.5%
Inflation rate	3.0%	3.0%	3.0%

2 - PLAN DESCRIPTIONS AND CONTRIBUTION INFORMATION (Continued)

Defined Contribution Plan

Teachers' Defined Contribution Retirement System

Plan Description - TDCRS is a multiple employer defined contribution retirement system, which is a money purchase pension plan covering primarily full-time employees of the State's 55 county public school systems, the State Department of Education, and the Schools for the Deaf and Blind who were hired between July 1, 1991 and June 30, 2005. TDCRS members also include former TRS plan members, including higher education employees, who have elected to transfer into or participate in TDCRS. There were approximately 21,905 and 22,343 members in the TDCRS plan at June 30, 2007 and 2006, respectively. TDCRS benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. TDCRS closed participation to new members effective June 30, 2005.

The TDCRS provides members with a choice of ten separate investment options made up of a fixed income mutual fund, balanced mutual fund, large cap mutual funds, mid cap mutual fund, small cap mutual fund, international mutual fund, money market fund and a guaranteed insurance fixed annuity. Three Profile funds (conservative, moderate, or aggressive) allow participants to invest their contributions according to their risk tolerance (conservative, moderate, or aggressive) made up of these ten investment options are also offered to TDCRS members and are automatically rebalances quarterly.

Contributions - State legislation requires employees to contribute 4.5% of their gross compensation and the employers to contribute 7.5% of covered members' gross compensation. Employers contributions are comprised from amounts allocated to the employers through the State's School Aid Formula, forfeitures allotted from the TDC Plan and county contributions. Employer contributions for each employee (and interest allocated to the employee's account) become partially vested after six years and fully vested after 12 complete years of service. If a terminated employee does not return to active participant status within five years, the nonvested employer contributions and earnings thereon are forfeited to reduce the employer's current period contribution requirement. Any such forfeitures arising from contributions, plus earnings thereon, will be used to reduce future employer contributions.

3 - INVESTMENTS

The Board has adopted investment guidelines that are consistent with those specified in the West Virginia Code. Those guidelines authorize the Board to invest in obligations of the United States and certain of its agencies, certificates of deposit, direct and general obligations of states, repurchase agreements relating to certain securities and guaranteed investment contracts. Investments are managed by a third party administrator as the trustee for the TDCRS.

3 – INVESTMENTS (Continued)

The State Treasurer has statutory responsibility for daily cash management activities of the State's agencies, departments, boards and commissions, and transfers funds to the West Virginia Investment Management Board (IMB) and the West Virginia Board of Treasury Investments (BTI) for investment in accordance with West Virginia Code, policies set by the IMB and BTI and trust agreements when applicable. Certain of the individual plan's balances are invested by the IMB in the various IMB pools. Following is a summary of investments held by IMB and BTI for each plan as of June 30, 2007 and 2006.

As of June 30, 2007 (in thousands):	PERS	TRS	PSDDRS	SPRS	DSRS	JRS
Investments:						
Large cap equity	$ 975,720	$ 649,125	$ 129,958	$ 10,154	$ 23,627	$ 26,586
Non-large cap equity	661,559	390,047	78,391	6,096	14,209	15,973
International equity	1,025,178	512,189	103,138	8,023	18,701	21,026
Fixed Income	1,607,579	969,805	197,309	15,516	35,995	40,263
Short term fixed income	19,031	1,117,210	3,930	564	481	280
Total investments	$ 4,289,067	$ 3,638,376	$ 512,726	$ 40,353	$ 93,013	$ 104,128

As of June 30, 2006 (in thousands):	PERS	TRS	PSDDRS	SPRS	DSRS	JRS
Investments:						
Large cap equity	$ 903,218	$ 454,302	$ 113,626	$ 7,438	$ 18,823	$ 20,427
Non-large cap equity	510,331	272,909	65,572	4,424	11,240	12,286
International equity	738,509	367,702	84,470	5,937	15,290	16,747
Fixed Income	1,520,398	742,827	181,560	12,519	31,171	33,838
Short term fixed income	23,571	241,650	7,138	426	551	2,634
Total investments	$ 3,696,027	$ 2,079,390	$ 452,366	$ 30,744	$ 77,075	$ 85,932

Large Cap Domestic

This pool holds equity securities of U.S. companies and money market funds with the highest credit rating. These types of securities are not exposed to credit risk, interest rate risk, custodial credit risk, or foreign currency risk. At June 30, 2007, this pool did not hold securities of any one issuer in excess of 5% of the value of the pool in accordance with West Virginia statutes.

Non-Large Cap Domestic

This pool holds equity securities of U.S. companies and money market funds with the highest credit rating. These types of securities are not exposed to credit risk, interest rate risk, custodial credit risk, or foreign currency risk. At June 30, 2007, this pool did not hold securities of any one issuer in excess of 5% of the value of the pool in accordance with West Virginia statutes.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - INVESTMENTS (Continued)

International Equity

This pool is not exposed to credit risk, interest rate risk, or custodial credit risk. At June 30, 2007, this pool did not hold securities of any one issuer in excess of 5% of the value of the pool in accordance with West Virginia statutes. This pool has both equity securities and cash that are denominated in foreign currencies and are exposed to foreign currency risks. The amounts (in U.S. dollars) of the securities and cash denominated in foreign currencies are as follows:

Currency	Equity Securities	Cash	Total
Australian Dollar	$ 46,223,161	$ 511,319	$ 46,734,480
Brazil Cruzeiros Real	45,999,956	2	45,999,958
British Pound	140,476,291	302,597	140,778,888
Canadian Dollar	60,122,086	2,566,263	62,688,349
Danish Krone	3,851,377	63,533	3,914,910
Euro	266,416,058	3,821,725	270,237,783
Hong Kong Dollar	79,936,951	613,522	80,550,473
Hungarian Forint	12,073,967	114,414	12,118,381
Indian Rupee	13,748,116	-	13,748,116
Israeli Shekel	17,010,706	25,201	17,035,907
Japanese Yen	125,202,715	2,100,776	127,303,491
Malaysian Ringgit	8,346,813	184,506	8,531,319
Mexican New Peso	22,321,990	50,806	22,372,796
New Taiwan Dollar	68,582,811	51,895	68,634,706
New Zealand Dollar	3,476,562	39,666	3,516,228
Norwegian Krone	20,171,136	53,776	20,224,912
Philippine Peso	7,226,908	-	7,226,908
Singapore Dollar	32,274,713	511,686	32,786,399
South African Rand	15,480,425	16,520	15,496,945
South Korean Won	97,467,405	223,670	97,691,075
Swedish Krona	26,486,686	772,632	27,259,318
Swiss Franc	49,566,642	625,996	50,192,638
Thailand Baht	15,602,098	-	15,602,098
	$ 1,178,065,573	$ 12,650,505	$ 1,190,716,078

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - INVESTMENTS (Continued)

Short-Term Fixed Income

Credit risk

The IMB limits the exposure to credit risk in the Short-Term Fixed Income pool by requiring all corporate bonds to be rated AA or higher. Commercial paper must be rated A1 by Standard & Poor's and P1 by Moody's. Additionally, the pool must have at least 15% of its assets in the United States Treasury issues.

The following table provides information on the weighted average credit ratings of the Short-Term Fixed Income pool's investments.

Security Type	Moody's	S&P	Carrying Value	Percent of Assets
Agency discount notes	P1	A-1	$ 400,340,793	32.8%
US Treasury note	Aaa	AAA	274,589,706	22.5
Commercial Paper	P1	A-1	257,164,860	21.0
U.S. Treasury bills	Aaa	AAA	186,905,168	15.3
Agency bonds	Aaa	AAA	102,656,880	8.4
Money market funds	Aaa	AAA	571	0.0
Total rated investments			$ 1,221,657,978	100.0%

This table includes securities received as collateral for repurchase agreements valued at $582,723,099. Acceptable collateral for the repurchase agreements include U.S. Treasury and government agency securities, all of which carry the highest credit rating.

Concentration of credit risk

West Virginia statutes prohibit the Short-Term Fixed Income pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2007, the pool did not have investments in any one private corporation or association that represented more than 5% of assets.

Custodial credit risk

At June 30, 2007, the Short-Term Fixed Income pool held no securities that were subject to custodial credit risk. Repurchase agreements are collateralized at 102% and the collateral is held in the name of the IMB. Securities lending collateral that is reported in the Statement of Assets and Liabilities of the IMB is invested in the lending agent's money market fund.

3 - INVESTMENTS (Continued)

Short-Term Fixed Income (Continued)

Interest rate risk

The weighted average maturity of the investments of the Short-Term Fixed Income pool is not to exceed 60 days. The maturity of floating rate notes is assumed to be the next interest rate reset date. The following table provides the weighted average maturities (WAM) for various asset types in the Short-Term pool as of June 30, 2007.

Security Type	Carrying Value	WAM (days)
Repurchase agreements	$ 570,709,000	3
US Treasury bills	186,905,168	7
Commercial paper	257,164,860	17
Agency discount notes	194,864,281	8
Money market funds	571	1
Total assets	$ 1,209,643,880	7

Foreign currency risk

The Short-Term Fixed Income pool has no securities that are subject to foreign currency risk.

Fixed Income

Credit risk

The IMB limits the exposure to credit risk in the Fixed Income pool by requiring all corporate bonds to be rated B or higher at the time of purchase. Convertible bonds must be rated Baa or higher by Standard & Poor's or BBB or higher by Moody's. The following table provides the weighted average credit ratings of the asset types in the Fixed Income pool.

Security Type	Moody's	S&P	Fair Value	Percent of Assets
Corporate bonds and notes	Baa	BBB	$ 407,966,034	17.2%
U.S. Treasury bonds and notes	Aaa	AAA	261,067,200	11.0
Corporate asset backed securities	Aaa	AAA	80,498,053	3.4
Agency mortgage backed securities	Aaa	AAA	46,473,560	2.0
Agency bonds	Aa	AA	38,485,188	1.6
Money Markey funds	Aaa	AAA	27,039,310	1.1
Agency discount notes	P1	A-1	2,514,911	0.1
Total rated investments			$ 864,044,256	36.4%

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - INVESTMENTS (Continued)

Fixed Income (Continued)

Unrated securities include commingled investment pools of $1,512,436,613 and an interest swap valued at $(1,866,869). These securities represent 63.6 percent of the value of the pool's investments.

Concentration of credit risk

West Virginia statutes prohibit the Fixed Income pool from investing more than 5% of its assets in securities issued by a single private corporation or association. At June 30, 2007, the Fixed Income pool did not have investments in any one private corporation or association that represented more than 5% of assets.

Custodial credit risk

At June 30, 2007, the Fixed Income pool held no securities that were subject to custodial credit risk. Repurchase agreements are collateralized at 102% and the collateral is held in the name of the IMB. Securities lending collateral that is reported in the Statement of Assets and Liabilities of the IMB is invested in the lending agent's money market fund.

Interest rate risk

The IMB monitors interest rate risk of the Fixed Income pool by assessing the modified duration of the investments in the pool. The following table provides the weighted average modified duration for the various asset types in the Fixed Income pools as of June 30, 2007.

Security Type	Fair Value	Modified Duration (years)
Commingled investment pools	$ 1,512,436,613	4.7
Corporate notes and bonds	407,966,034	6.5
U.S. Treasury notes and bonds	261,067,200	6.6
Corporate asset backed securities	80,498,053	8.3
Agency mortgage backed securities	46,473,560	10.6
Agency bonds	38,485,188	4.8
Money market fund	27,039,310	0.0
Agency discount notes	2,514,911	0.7
Total assets	$ 2,376,480,869	5.4

3 - INVESTMENTS (Continued)

Fixed Income (Continued)

The Fixed Income pool invests in commercial and residential mortgage-backed and asset-backed securities. The cash flows from these securities are based on the payment of the underlying collateral. The modified duration and yield to maturity of these securities are dependent on estimated prepayment assumptions that consider historical experience, market conditions and other criteria. Actual prepayments may vary with changes in interest rates. Rising interest rates often result in a slower rate of prepayments while declining rates tend to lead to faster prepayments. As a result, the fair values of these securities are highly sensitive to interest rate changes. At June 30, 2007, the Fixed Income pool held $126,971,650 of these securities.

Foreign currency risk

The Fixed Income pool has no securities that are exposed to foreign currency risk.

Fixed Income Qualified

This pool holds positions in institutional mutual funds with a combined value of $1,154,047,650 at June 30, 2007, that invest in mortgage-backed securities and corporate bonds. The mutual funds are unrated. The weighted average modified duration of the underlying securities is 5.7 years. This pool is not exposed to custodial credit risk, concentration of credit risk, or foreign currency risk.

Fixed Income Nonqualified

This pool holds positions in institutional mutual funds with a combined value of $420,696,395 at June 30, 2007, that invest in mortgage-backed securities and corporate bonds. The mutual funds are unrated. The weighted average modified duration of the underlying securities is 5.7 years. This pool is not exposed to custodial credit risk, concentration of credit risk, or foreign currency risk.

Investments and Deposits - TDCRS

Credit Risk

The TDCRS' investments are not rated as to credit risk.

Concentration of Credit Risk

As of June 30, 2007 and 2006, the TDCRS has investment balances with the following issuers which were greater than 5% of the total investment balance of the TDCRS (in thousands):

3 - INVESTMENTS (Continued)

Investments and Deposits – TDCRS (Continued)

	2007	2006
Mutual Funds:		
American Funds Growth Fund A	$ 145,564	$ 117,538
American Funds Wash Mutual A	82,321	64,230
Federated Max Cap Institutional	72,434	57,664
Franklin Income Fund - A	99,128	78,432
American Funds Bond Fund A	78,791	66,850
Valic Fixed Annuity Option	266,099	244,816
Vanguard Money Market Prime Portfolio	52,283	45,422
Other (less than 5%)	97,823	61,060
	$ 894,443	$ 736,012

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the TDCRS will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2007, the TDCRS held no securities that were subject to custodial credit risk.

Concentration of Credit Risk – Cash Deposits

The TDCRS' cash deposits with financial institutions were $23,000 and $810,000 at June 30, 2007 and 2006, respectively. These deposits, which had a bank balance of $23,000 and 810,000 at June 30, 2007 and 2006, respectively, are either insured by the Federal Deposit Insurance Corporation or collateralized with securities held in TDCRS' name by its agent. Additionally, the TDCRS has deposits with the West Virginia Treasury of $3,074,000 and $3,621,000 at June 30, 2007 and 2006, respectively. These deposits are not subject to custodial credit risk.

Interest Rate Risk

As of June 30, 2007, the TDCRS had the following investments and maturities (in thousands):

		Investment Maturities (in Years)		
Investment Type	Fair Value	Less than 1	1-5	6-10
Mutual Funds	$ 894,443	$ 894,443	$ -	$ -

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - INVESTMENTS (Continued)

Investments and Deposits – TDCRS (Continued)

Foreign Currency Risk

There are no securities held by TDCRS that are subject to foreign currency risk.

4 - COMPENSATED ABSENCES

The liability for compensated absences consisted of the following at June 30 (in thousands):

	2007	2006
Accrued GASB Statement No. 16 termination payments related to sick leave	$ 237	$ 315
Accrued vacation leave	152	130
	$ 389	$ 445

5 - EMPLOYEE BENEFIT PLANS

The Board's employees are eligible to participate in PERS. The key provisions of the PERS plan are described in Note 2. Per the plan provisions, Board and employee contributions for the three years ended June 30, 2005, 2006, and 2007, are as follows, which equal their required contributions to the plan (in thousands):

	2007	2006	2005
Board contributions	$ 176	$ 240	$ 247
Employee contributions	75	103	108
Total contributions	$ 251	$ 343	$ 355

6 - CONTINGENCIES

The Board is engaged in various legal actions that it deems to be in the ordinary course of business. Some of these cases involve potential significant amounts for which legal counsel is unable to render an opinion on the outcome. Further, the financial impact of some cases is dependent upon judicial rulings in favor of petitioners and would have to be actuarially determined, inasmuch as the relief sought is an increase in the petitioners' annuity benefit. Accordingly, the financial statement impact of such cases cannot be determined at the present time. As legal actions are resolved, the Board recognizes the liability in its financial statements in the period the loss can be estimated.

6 - CONTINGENCIES (Continued)

An administrative appeal and a class action suit on behalf of the members of the 42nd through the 45th Cadet Classes of the West Virginia State Police have been filed in the circuit courts of Kanawha County. Petitioners in both suits seek to be moved from the West Virginia State Police Retirement System ("Plan B") to the more financially advantageous West Virginia State Police Death, Disability and Retirement Fund ("Plan A"). The financial impact of a judicial ruling conferring some or all of the relief sought by the petitioners has been estimated to increase the liabilities in the WV Public Safety Death, Disability and Retirement Fund by approximately $75 million. Moreover, transfers of participants from Plan B into Plan A in a manner contrary to plan provisions could raise plan qualification issues with the Internal Revenue Service. Plan disqualification could potentially result in substantial tax consequences such as the Plan's trust income being subject to tax, taxable employer contributions, taxable benefit distributions to participants and other negative ramifications. A Circuit Court Judge has entered an Order staying any further action in the class action suit until the administrative appeal has been resolved. On June 7, 2007, a Circuit Court Judge issued an Order of Certification in the administrative appeal in which the Judge found in the Board’s favor as a matter of law; however, the Judge ordered the petitioners to appeal the issue to the West Virginia Supreme Court of Appeals.

On April 9, 2005, the West Virginia Legislature enacted House Bill 2984, which authorized the election for the potential merger and consolidation of the Teachers’ Defined Contribution Retirement System (TDCRS) with the State Teachers’ Retirement System (TRS). In order for the election to be valid, at least 50% of TDCRS members with a balance of $1 or more were required to participate in the election. There were 12,747 valid ballots cast out of 22,707 eligible members, totaling 56.1%. For the merger to occur, the law required a majority of the eligible voting members of the TDCRS to vote in favor of the merger in an election held between March 1, 2006 and March 12, 2006. There were 7,821 valid ballots in favor of the merger, or 61.36%. The election results were certified by an independent accounting firm on April 4, 2006.

During May 2006, a lawsuit was filed in Kanawha County Circuit Court by TDCRS members opposed to the merger. A Circuit Court Judge issued a preliminary injunction, staying the merger. Oral arguments were heard on July 26, 2006 and proposed final orders were submitted to the Court.

On January 25, 2007, a Circuit Court Judge entered an order declaring portions of the Teachers’ Retirement Equity Act “TREA” unconstitutional and therefore null and void. On May 24, 2007, counsel for the Board filed a *Petition for Appeal on Behalf of the Consolidated Public Retirement Board* with the West Virginia Supreme Court of Appeals. On June 19, 2007, counsel for Respondents filed a *Response to Petition for Appeal on Behalf of Respondents.*

The merger, if the courts permit, is not projected to have a significant effect on the unfunded liability of the TRS, and contributions to the TRS for former TDCRS members will be made in accordance with applicable statutory requirements for TRS members.

7 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to, and illnesses of, employees; medical liabilities; and natural disasters.

Health insurance coverage for the Board's employees is obtained through its participation in the West Virginia Public Employees Insurance Agency (PEIA). PEIA provides the following basic employee benefit coverage to all participants: hospital, surgical, group major medical, basic group life, accidental death, and prescription drug coverage for active and retired employees of the State of West Virginia and various related State and non-State agencies. Additionally, the Board has obtained coverage for job-related injuries through the purchase of a policy from Brickstreet Mutual Insurance Company. Furthermore, the Board is a participant in the self-insured public entity risk pool administered by the Board of Risk and Insurance Management. Coverage is in the amount of $1,000,000 per occurrence for general liability and property damage.

There have been no significant reductions in insurance coverage from the prior year. Additionally, the amount of settlements has not exceeded insurance coverage in the past three years.

8 - SUBSEQUENT EVENT

During the 2007 Regular Legislative Session, the West Virginia Legislature passed a bill (H.B. 2717) which created the Emergency Medical Services Retirement System Act. In order for the Emergency Medical Services Retirement System (EMSRS) to become effective, the following must occur:

1. At least 70% of all eligible Emergency Medical Services Officers must elect to participate in the Emergency Medical Services Retirement Plan, and

2. At least 85% of all the eligible Emergency Medical Service Officers who are currently active members of the Public Employees Retirement System (PERS) must elect to participate in the Emergency Medical Services Retirement Plan.

The election window for current PERS participating employers to opt into the plan is June 7, 2007, to December 31, 2007. If the participation levels reach the required percentages outlined above by December 31, 2007, EMSRS will go into effect on January 1, 2008.

9 - NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than*

9 - NEW ACCOUNTING PRONOUNCEMENTS (Continued)

Pensions. These Statements establish standards for the measurement, recognition, and display of *other postemployment benefit* (OPEB) (including health care and life insurance) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The State of West Virginia nor the Board had previously reported in its financial statements costs associated with future participation of retirees in health benefit plans. The GASB statements are based on the premise that the "costs" of employee services should be reported during the periods when the services are rendered. Beginning with the fiscal year ending June 30, 2007, the Statement will implement financial reporting requirements for OPEB "substantive plans" under GASB Statement No. 43; beginning with the fiscal year ending June 30, 2008, the State will implement accounting and financial reporting requirements as an employer under GASB Statement No. 45. The financial statements will report OPEB funded status and funding progress and any "premium subsidy" resulting from the pooling of retiree participants with active employees in the health benefit plans. For "employer" OPEB reporting the State will report "expense" on an accrual basis in the amount of the "annual required contribution" and a "liability" for the amount of the "annual required contribution" that was not actually paid.

Funds have not been set aside to pay future costs of retirees, but the West Virginia Legislature, in response to the aforementioned GASB statements, has made statutory changes to create the West Virginia Retiree Health Benefit Trust Fund (RHBT), an irrevocable trust fund, in which employer contributions for future retiree health costs may be accumulated and invested, and which is expected to facilitate the separate financial reporting of OPEB. The legislation requires the RHBT to determine through an actuarial study, as prescribed by GASB No. 43, the ARC (Annual Required Contribution) which shall be sufficient to maintain the RHBT in an actuarially sound manner. The ARC shall be allocated to respective employers including the Board who are required by law to remit at least the minimum annual premium component of the ARC. Revenues collected by RHBT shall be used to fund current OPEB health-care claims and administrative expenses with residue funds held in trust for future OPEB costs. Because the necessary actuarial study has not yet been completed, the annual required contribution rates are not yet available. The Board expects to remit the annual required contributions to the State. The impact of this statement on these financial statements has not yet been determined by management.

The Governmental Accounting Standards Board (GASB) issued Statement No. 47, Accounting for Termination Benefits, in June 2005. This Statement establishes accounting standards for termination benefits and requires employers to disclose a description of the termination benefit arrangement, the cost of the termination benefits (required in the period in which the employer becomes obligated if that information is not otherwise identifiable from information displayed on the face of the financial statements), and significant methods and assumptions used to determine termination benefit liabilities.

9 - NEW ACCOUNTING PRONOUNCEMENTS (Continued)

The requirements of this Statement are effective in two parts. For termination benefits provided through an existing benefit OPEB plan, the provisions of this Statement should be implemented simultaneously with the requirements of Statement No. 45. For all other termination benefits, this Statement is effective for financial statements for periods beginning after June 15, 2005. No other termination benefits are offered or provided that required implementation in the years ended June 30, 2007 and 2006. The implementation of these statements is not expected to have a material effect on the internal service fund included in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

SCHEDULE OF FUNDING PROGRESS

(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
PERS						
July 1, 2006	$ 3,700,186	$ 4,264,700	$ 564,514	86.6%	$ 1,159,715	48.7%
July 1, 2005	3,404,651	4,074,385	669,734	83.6	1,162,098	57.6
July 1, 2004	3,095,660	3,870,201	774,541	80.0	1,134,111	68.3
July 1, 2003	2,699,941	3,691,001	991,060	73.1	1,109,272	89.3
July 1, 2002	2,588,777	3,432,467	843,690	75.4	1,040,269	81.1
July 1, 2001	2,681,395	3,178,037	496,642	84.4	972,711	51.1
July 1, 2000	2,700,356	2,932,484	232,128	92.1	930,331	255.0
July 1, 1999	2,504,002	2,681,756	177,754	93.4	854,833	20.8
July 1, 1998	2,371,359	2,524,214	152,855	93.9	836,541	18.3
July 1, 1997	2,152,300	2,371,752	219,452	90.7	809,315	27.1
July 1, 1996	1,988,588	2,382,004	393,416	83.5	783,162	50.2
TRS						
July 1, 2006	$ 2,174,464	$ 6,877,872	$ 4,703,408	31.6%	$ 759,206	619.5%
July 1, 2005	1,627,355	6,617,708	4,990,353	24.6	735,614	678.4
July 1, 2004	1,427,475	6,440,738	5,013,263	22.2	784,415	639.1
July 1, 2003	191,238	6,243,834	5,052,596	19.1	832,919	606.6
July 1, 2002	1,098,441	5,709,001	4,610,560	19.2	841,627	547.8
July 1, 2001	1,090,663	5,188,826	4,098,163	21.0	867,018	472.7
July 1, 2000	1,046,840	4,883,064	3,836,224	21.4	874,166	438.8
July 1, 1999	932,501	4,629,276	3,696,775	20.1	891,165	414.8
July 1, 1998	839,597	4,262,797	3,423,200	19.7	878,364	389.7
July 1, 1997	683,807	4,161,039	3,477,232	16.4	924,529	376.1
July 1, 1996	608,919	4,125,593	3,516,674	14.8	923,394	380.8
PSDDRS						
July 1, 2006	$ 452,794	$ 506,828	$ 54,034	89.3%	$ 11,128	485.6%
July 1, 2005	361,390	485,429	124,039	74.4	11,252	1,102.4
July 1, 2004	118,080	462,119	344,039	25.6	12,273	2,803.2
July 1, 2003	99,409	447,869	348,460	22.2	13,496	2,581.9
July 1, 2002	91,095	416,938	325,843	21.9	14,314	2,276.4
July 1, 2001	89,229	388,909	299,680	22.9	15,611	1,919.7
July 1, 2000	84,922	361,026	276,104	23.5	16,319	1,691.9
July 1, 1999	74,230	343,289	269,059	21.6	16,478	1,632.8
July 1, 1998	67,568	297,832	230,264	22.7	16,560	1,390.5
July 1, 1996	54,489	280,588	226,099	19.4	16,879	1,339.5

(Continued)

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

SCHEDULE OF FUNDING PROGRESS
(Continued)

(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
SPRS						
July 1, 2006	$ 30,747	$ 33,552	$ 2,805	91.6%	$ 15,870	17.7%
July 1, 2005	25,297	26,050	753	97.1	14,311	5.3
July 1, 2004	19,882	22,102	2,220	90.0	13,233	16.8
July 1, 2003	14,471	16,892	2,151	87.3	11,499	18.8
July 1, 2002	11,644	13,708	2,064	84.9	10,134	20.4
July 1, 2001	9,825	10,819	994	91.0	10,175	9.8
July 1, 2000	7,514	8,585	1,071	87.5	9,799	10.9
July 1, 1999	5,081	4,921	(160)	103.3	6,961	(2.3)
July 1, 1998	3,414	2,944	(470)	116.0	5,077	(9.3)
July 1, 1996	1,009	605	(404)	166.8	3,433	(11.8)
DSRS						
July 1, 2006	$ 77,899	$ 103,748	$ 25,849	75.1%	$ 31,967	80.9%
July 1, 2005	68,914	98,081	29,167	70.3	29,837	97.8
July 1, 2004	59,715	87,759	28,044	68.0	28,326	99.0
July 1, 2003	49,364	78,871	29,507	62.6	26,094	113.1
July 1, 2002	44,371	72,702	28,311	61.0	24,291	116.6
July 1, 2001	42,919	64,869	21,950	66.2	22,590	97.2
July 1, 2000	39,679	57,481	17,802	69.0	21,056	84.5
July 1, 1999	32,801	49,237	16,436	66.6	19,581	83.9
JRS						
July 1, 2006	$ 85,932	$ 91,820	$ 5,888	93.6%	$ 8,029	73.3%
July 1, 2005	74,757	90,528	15,771	82.6	8,145	193.6
July 1, 2004	63,559	85,778	22,219	74.1	6,325	351.3
July 1, 2003	52,779	96,709	43,930	54.6	6,325	694.5
July 1, 2002	47,620	92,215	44,595	51.6	6,325	705.1
July 1, 2001	46,635	84,791	38,156	55.0	6,325	603.3
July 1, 2000	43,779	83,982	40,203	52.1	6,055	664.0
July 1, 1999	37,359	78,598	41,239	47.5	5,965	691.3
July 1, 1998	32,593	73,900	41,307	44.1	5,363	770.2
July 1, 1996	23,051	70,091	47,040	32.9	5,385	873.5

Note: Data is not available for any plans for years prior to July 1, 1993. Fiscal year 1995 was the first year of activity for SPRS, which was created by the State Legislature in March 1994. Actuarial calculations for PSDDRS, SPRS, and JRS were not performed as of July 1, 1997. The June 30, 2003, TRS assets were changed to reflect the final audited financial statements which were unavailable at the issuance of the July 1, 2003, valuation report.

See accompanying note to required supplementary information.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYEE AND
OTHER CONTRIBUTING ENTITIES

(Dollars in Thousands)

Year Ended June 30	(1) Budgeted Recommended Contribution	(2) Restated Recommended Contribution	Percent of Budgeted Contributed	Percent of Restated Contributed
PERS				
2007	$ 121,770	$ 121,770	101.91 %	101.17 %
2006	122,020	124,033	109.49	107.71
2005	119,082	119,164	99.71	99.64
2004	116,474	116,474	99.28	99.28
2003	98,826	117,030	104.47	88.22
2002	92,408	92,408	104.63	104.63
2001	88,381	88,381	101.77	101.77
2000	81,214	81,214	104.73	104.73
1999	79,471	79,471	98.11	98.11
1998	76,885	76,885	100.03	100.03
TRS (3)				
2007	$ 348,688	$ 327,068	452.99 %	454.15 %
2006	345,215	347,802	191.52	190.10
2005	342,800	334,533	102.98	105.52
2004	307,634	333,208	106.76	98.57
2003	271,808	290,428	105.38	98.63
2002	237,688	254,050	110.19	103.10
2001	227,881	229,926	107.64	106.68
2000	213,085	220,853	103.42	99.78
1999	199,019	211,804	107.20	100.73
1998	223,564	220,500	104.06	105.50
PSDDRS (4)				
2007	$ 6,227	$ 6,227	96.74 %	96.74 %
2006	10,567	10,567	724.46	724.46
2005	27,953	27,953	904.90	904.90
2004	24,701	24,358	97.10	98.47
2003	22,473	23,866	100.19	94.34
2002	19,742	21,713	103.17	93.80
2001	18,546	19,074	100.35	97.58
2000	16,613	17,920	104.25	96.65
1999	14,600	12,983	105.76	118.93
1998	10,860	7,576	111.28	159.52
SPRS				
2007	$ 1,904	$ 1,904	114.29 %	114.29 %
2006	1,719	1,717	105.93	106.06
2005	1,487	1,588	114.46	107.18
2004	1,357	1,343	109.95	122.70
2003	1,422	1,170	90.93	110.50
2002	1,329	1,039	91.79	117.44
2001	842	1,105	141.28	107.74
2000	759	561	135.94	184.04
1999	424	325	176.06	229.46
1998	412	50	136.18	1,114.60

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYEE AND OTHER CONTRIBUTING ENTITIES
(Continued)

(Dollars in Thousands)

Year Ended June 30	(1) Budgeted Recommended Contribution	(2) Restated Recommended Contribution	Percent of Budgeted Contributed	Percent of Restated Contributed
DSRS (5)				
2007	$ 3,857	$ 3,857	100.96 %	100.96 %
2006	3,608	3,608	104.30	104.30
2005	3,449	2,912	103.48	122.56
2004	2,979	3,241	108.46	99.69
2003	2,758	2,993	105.48	97.21
2002	2,646	2,505	100.36	106.01
2001	2,537	2,094	103.18	125.05
2000	2,397	1,922	104.13	129.85
JRS				
2007	$ 4,204	$ 3,088	143.53 %	195.40 %
2006	4,713	4,104	143.39	164.67
2005	6,758	4,398	100.00	153.66
2004	6,517	6,652	81.77	80.11
2003	5,413	6,418	101.60	85.70
2002	5,138	5,330	116.77	112.58
2001	5,165	5,066	125.16	127.62
2000	5,550	4,920	97.58	110.09
1999	5,705	5,324	94.94	101.72
1998	5,210	5,433	100.00	95.89

Notes

(1) Budgeted recommended contribution represents the original budgeted recommended contribution per the actuarial reports as presented to the Legislature.

(2) Restated recommended contribution represents the updated recommended contribution based upon the availability of more recent information, including changes in market performance, payroll, and other factors.

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

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

(5) Contributions include employer contributions and various other fees designated for the fund from charges and fees per WV State Code Section 7-14E-2 and 17A-3-17 - Charges for obtaining reports (i.e., accident reports); fees for performing certain services (adult private employment, finger printing for federal firearm permits, motor vehicle number identification, adult identification card, and photo identification card); fees for nongovernmental background investigation reports; and fees for renewal of a Class A or G vehicle registration.

See accompanying note to required supplementary information.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

The information presented in the required supplementary schedules was based on the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	PERS	TRS	PSDDRS
Valuation date	July 1, 2006	July 1, 2006	July 1, 2006
Actuarial cost method	Entry age cost	Entry age cost	Entry age cost
Asset valuation method	Fair value	Fair value	Fair value
Amortization method	Level dollar	Constant percentage of payroll	Constant percentage of payroll
Amortization period	Through FY 2035*	Through FY 2034	Through FY 2025
Actuarial assumptions:			
Investment rate of return	7.5%	7.5%	7.5%
Projected salary increases:			
PERS:			
State	4.25-6.0%	-	-
Nonstate	3.75-5.5%	-	-
TRS:			
Teachers	-	3.5-5.0%	-
Non Teachers	-	4.25-5.5%	-
Other plans	-	-	6% for first 5 yrs of service, 5.5% for the next 5 yrs, and 4.75% thereafter
Inflation rate	3.0%	3.0%	3.0%

* Contribution rates are not sufficient to meet original amortization funding target.

SPRS	DSRS	JRS
July 1, 2006	July 1, 2006	July 1, 2006
Entry age cost	Entry age cost	Entry age cost
Fair value	Fair value	Fair value
Constant percentage of payroll	Constant percentage of payroll	Level dollar
Through FY 2030	Through FY 2029*	Through FY 2018
7.5%	7.5%	7.5%
-	-	-
-	-	-
-	-	-
-	-	-
6% for first 5 yrs of service, 5.5% for the next 5 yrs, and 4.75% thereafter	5.5% for first 5 yrs of service, 5.0% for the next 5 yrs, and 4.5% thereafter	
3.0%	3.0%	3.0%

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*

To the Members of the
West Virginia Consolidated Public
Retirement Board
Charleston, West Virginia

We have audited the basic financial statements of the West Virginia Consolidated Public Retirement Board (the Board) as of and for the year ended June 30, 2007, and have issued our report thereon dated October 26, 2007. 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 the Board'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 the Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control over financial reporting.

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. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 Board'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 Board's financial statements that is more than inconsequential will not be prevented or detected by the Board's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses as finding 2007-1, 2007-2, and 2007-3 to be significant deficiencies.

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 Authority'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 the internal control that might be significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency identified above as item 2007-1 is a material weakness.

The Board's responses to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Board's response and, accordingly, we express no opinion on it.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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*.

This report is intended solely for the information of management, the Members of the Board, and the Members of the West Virginia Legislature, and is not intended to be and should not be used by anyone other than these specified parties.

Gibbons & Kawash

October 26, 2007

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

SCHEDULE OF FINDINGS AND RESPONSES

2007-1 Journal Entry Review and Approval

Condition:

We noted that management's supervisory review and approval of the closing entries is not documented when completed.

Criteria:

All significant supervisory review and approval procedures should be documented by the individual performing the review and include the date that the review was completed.

Effect:

Without documentation of the review and approval of closing entries, no evidence exists to support management's assertion that the control procedure was performed.

Cause:

The Board's accounting procedures do not currently require the reviewer to document his or her review and approval.

Recommendation:

Management should develop procedures to ensure that all significant general journal entries posted to the Board's general ledger system have been reviewed and approved by someone with the requisite knowledge of the Board's operations and the accounting principles used in the preparation of its basic financial statements. This supervisory review and approval process should be documented on the item being reviewed.

Management's Response:

CPRB closing adjustments have been reviewed by the Chief Financial Officer during the year. In the future years, I will expect the reviewer to document his or her approval on the item being reviewed and that the Chief Financial Officer will document his approval of general journal entries in his monthly review of all journal entries posted to the system.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

SCHEDULE OF FINDINGS AND RESPONSES
(Continued)

2007-2 Accounts Payable Cutoff

Condition:

We noted that accounts payable balances reported in the financial statements of the internal service fund prepared by management did not include all significant expenditures incurred but unpaid by the Board as of June 30, 2007.

Criteria:

In accordance with accounting principles generally accepted in the United States of America, accounts payable reported in the financial statements should include all expenditures incurred and unpaid by the government as of the balance sheet date.

Effect:

The unaudited financial statements did not include all significant expenditures incurred by the Authority as of June 30, 2007.

Cause:

Management does not have procedures established to ensure that a complete and accurate cut-off of accounts payable is achieved.

Recommendation:

Management should establish procedures to ensure that all material expenditures that have been incurred but not paid as of the balance sheet date are recorded in the Board's financial statements as a liability in accordance with accounting principles generally accepted in the United States of America.

Management's Response:

CPRB is in agreement that because of delays in billing by some vendors for goods and services received by CPRB, a complete and accurate cut-off of accounts payable was not achieved. The new procedures instituted by CPRB's CFO include (1) sending letters to all active vendors in late June each year noting that all invoices for goods and services received by CPRB on or before year end must be billed to CPRB by July 31st, (2) establishing an accounting system to track billing for outstanding medical disability examinations for each retirement system to estimate year-end liability, and (3) working more closely with the CPRB purchasing personnel to identify goods and services received but not yet billed at the end of the year.

WEST VIRGINIA CONSOLIDATED PUBLIC RETIREMENT BOARD

SCHEDULE OF FINDINGS AND RESPONSES
(Continued)

2007-3 SEGREGATION OF DUTIES – BENEFIT PAYMENTS

Condition:

We noted that the individuals responsible for benefit payments (payroll clerks) can make changes in the computer system to the benefit payment amount for a member receiving benefits without supervisory review and approval.

Criteria:

A fundamental concept of effective internal control is segregation of incompatible duties, the basic premise being that no employee should have access to both physical assets and related accounting records or to all phases of a transaction.

Effect:

Errors or fraud could occur and go undetected in the course of the Board's staff performing their assigned duties.

Cause:

The Board has a policy that requires all benefit changes to be approved by the Benefits Manager. However, the computer system does not prevent a payroll clerk from making unauthorized changes.

Recommendation:

We recommend that the Board institute computer system changes that require supervisory authorization in the computer system before benefit payment changes can be made.

Management's Response:

CPRB concurs with the finding and recommendation. Management will work with the IT programming staff to make the necessary changes. In the interim, a mitigating control has been put in place as follows: a report is produced of all changes on the annuity benefits payroll; the payroll supervisor will select a sample from this report for each monthly annuity benefits payroll and trace the selected benefit changes to the supporting documentation in order to verify the appropriateness of the changes. I expect the IT staff to incorporate the benefit change authorization in the near future.