

FILE COPY

JOINT COMMITTEE ON
GOVERNMENT AND FINANCE

Materials Distributed

December 11, 2007

November 28, 2007

3:00 - 4:00 p.m.

Joint Committee on Government and Finance

Senate

Tomblin, Chair
Chafin
Helmick
Kessler
Sharpe (absent)
Caruth (absent)
Deem

House

Thompson, Chair
Caputo
DeLong
Webster
White
Armstead
Border

President Tomblin, Cochair, presided.

1. Approval of Minutes

Upon motion by Speaker Thompson, properly adopted, the minutes of the October 9, 2007, meeting were approved.

2. Committee Reports/Requests

Select Committee B - Veterans' Issues - Senator Hunter

Upon motion by Speaker Thompson, properly adopted, increasing the amount of the contract with WVU was increased from \$21,558 to, not to exceed \$25,000, for WVU to do a survey of returning veterans, was authorized.

Select Committee B - Veterans' Issues - Senator Hunter

Upon motion by Speaker Thompson, properly adopted, the Select Committee B dealing with Veterans' Issues was authorized to send letters to the Governor regarding two recommendations for the Governor to put in budget: \$25,000 for gurneys for new Veterans' Nursing Homes and \$100,000 for stipends for mental health professionals to practice in rural areas.

3. Lottery, General Revenue Reports and Unemployment Compensation Trust Fund

Distributed to members of the Committee were the following: Lottery Operations report for the month ended September 30, 2007; General Revenue Fund status report as of October 31, 2007 and the Unemployment Compensation Trust Fund status report as of August 31, 2007. Distributed with each of the reports were an analysis and a summary of the reports.

4. Workers' Compensation

Mary Jane Pickens, General Counsel for the Insurance Commissioner, updated the Committee on rules and answered questions. Jane Cline, Insurance Commissioner, gave the latest update on the Office of Judges to the Committee and answered questions. Speaker Thompson requested Commissioner Cline give him the total amount brought in revenues and the total amount spent out by Workers' Compensation for its last year and the same for Brickstreet's first year. President Tomblin requested Commissioner Cline to get the Committee the proposed rules for the next interim meeting.

5. **Division of Highways Audit**

Rob Fuller of Hayflich and Steinberg, asked the Committee if there were any questions or comments regarding the audit on the Division of Highways. Mr. Fuller gave a full presentation of the audit to the Post Audits Subcommittee.

6. **PEIA, BRIM and CHIP Reports**

The following monthly PEIA reports were distributed: Financials for July 2007, Monthly Management Report and the Prescription Drug Report for September 2007. Robert Ferguson, Cabinet Secretary, Department of Administration, said there was a board meeting on Thursday and he was going to ask that the board not vote on any changes to the plan until some options are discussed based on some of the feedback received from the public hearing comment to see if there is anyway to mitigate some of the concerns that the retirees have. Ted Cheatham, Director, said a little over 200 retirees have been put back into the PEIA system.

The following BRIM reports were distributed: An unaudited balance sheet and unaudited income statement for the period ending September 30, 2007. The collections and claims expenses are down and SB 3 has \$5.7 million deficit.

The following reports from CHIP were distributed: A report of enrollment for October 2007 and financial statements for period ending September 30, 2007. No unfunded liabilities overall in the program and Senate Bill 3 continues to improve.

7. **Leasing Report, Department of Administration**

A leasing report for the period of October 1, 2007 through November 14, 2007 was distributed. Secretary Ferguson said there has been 4 new contracts, 3 straight renewals and 3 renewals with rent increases and 1 decrease in square footage.

8. **Department of Health and Human Resources (DHHR) Monthly Reports**

A Medicaid report dated November 2007 was distributed. Secretary Walker reported that Medicaid finished 2007 fiscal year with \$26 million state dollars carryover.

9. **Monthly Report on the Pharmaceutical Cost Management Council**

Shana Phares, Governor's Pharmaceutical Advocate and Chair of the Pharmaceutical Cost Management Council, reported to the Committee and answered questions.

10. **Board of Treasury Report Distribution**

11. **Department of Environmental Protection's Underground Storage Tank Fund Proposal Distribution**

12. **Other Business**

Upon motion by Speaker Thompson, properly adopted, the Rule Making Review Committee was authorized to meet on the Saturday before the December interim meetings.

13. **Scheduled Interim Dates**

December 9 - 11
January 6 - 8, 2008

The meeting was adjourned.

WEST VIRGINIA LEGISLATURE
Office of the Legislative Auditor

Budget Division
Building 1, Room 332-West Wing
1900 Kanawha Blvd. East
Charleston, WV 25305-0590



304-347-4870

December 5, 2007

Executive Summary of Lottery, Unemployment, General Revenue and State Road Fund Reports to Joint Committee

Lottery Commission as of October 31, 2007 :

Appears to be in good condition. Gross profit for the months of July - October of fiscal year 2007-2008, was \$ 213.9 million which was -0.75% below the same months of fiscal year 2006-2007.

General Revenue Fund as of November 30, 2007:

Collections were at 102.94% of the yearly estimate as of November 30, 2007.

State Road Fund as of November 30, 2007:

Fund collections were at 104.94% of the yearly estimate.

Unemployment Compensation Trust as of September 30, 2007:

Overall ending trust fund balance was \$ 7.8 million greater on September 30, 2007 than on September 30, 2006.

Joint Committee on Government and Finance

WEST VIRGINIA LEGISLATURE
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304-347-4870

MEMORANDUM

To: Honorable Senate President Tomblin
Honorable House of Delegates Speaker Thompson
Honorable Members of the Joint Committee on Government and Finance

From: Ellen Clark, CPA *EC*
Director Budget Division
Legislative Auditor's Office

Date: December 5, 2007

Re: Review of West Virginia Lottery Financial Information
As of October 31, 2007 (FY 2008)

We performed an analysis of the Statement of Revenues, Expenses and Retained Earnings for the fiscal year months July - October 31, 2007, for fiscal year ended June 30, 2008, from monthly unaudited financial reports furnished to our office by the West Virginia Lottery Commission. The results are as follows:

Lottery Revenues:

Gross lottery revenues are receipts from on-line games, instant games and video lottery. These gross receipts totaled \$510,405,000.00 for the months of July - October 2007. These gross receipts were \$529,246,000.00 for July - October of the preceding fiscal year, 2006-2007. This number does not include commission and prize deductions. Gross profit (Gross revenues minus commissions and prize costs) for July - October 2007 was \$213,905,000.00; for the previous July - October it was \$215,519,000.00. Expressed as a percentage, gross profit is

Joint Committee on Government and Finance

Lottery continued

-0.75% lower for fiscal year 2008 than for fiscal year 2007.

(Lottery income is expected to decrease this fiscal year and the FY 2008 budget appropriations in the excess lottery revenue surplus section were decreased approximately \$ 60 million dollars from the FY 2007 appropriations in anticipation of this decrease. The decreases will be caused by competition from neighboring states that have just legalized their lotteries or are expanding their lottery business.)

Operating Income:

Operating income was \$ 207,689,000.00 for July - October 2007. For July - October 2006 it was \$ 209,525,000.00. This was a decrease of -0.88%. After additions and subtractions of non-operating income and expenses, distributions to the state were \$207,716,000.00.

Operating Transfers to the State of West Virginia:

A total of \$207,716,000.00 has been accrued to the state of West Virginia for fiscal year 2007-2008. This is on an accrual basis and may not correspond to the actual cash transfers made during the same time period. (Amounts owed to the different accounts according to the Lottery Act are calculated monthly and accrued to the state; actual cash transfers are often made based upon actual cash flow needs of the day-to-day operation of the lottery.)

A schedule of cash transfers follows:

Bureau of Senior Services	\$ 44,772,000.00
Department of Education	\$ 26,575,000.00
Library Commission	\$ 8,023,000.00
Higher Education-Central Office	\$ 14,732,000.00
Tourism	\$ 6,047,000.00
Department of Natural Resources	\$ 2,616,000.00
Division of Culture and History	\$ 4,207,000.00

Lottery continued

Department of Education and Arts	\$ 1,086,000.00
State Building Commission	\$ 4,000,000.00
School Building Authority	\$ 7,200,000.00
<u>SUBTOTAL BUDGETARY TRANSFERS</u>	\$119,258,000.00

Excess Lottery Fund

General Purpose Fund	12,452,000.00
Economic Development Fund	7,600,000.00
Traffic Fund	0
Excess Lottery Surplus	0
Education Improvement Fund	4,000,000.00
WV Infrastructure Council Fund	0
Higher Education Improvement Fund	27,000,000.00
State Park Improvement Fund	0
Refundable Credit	307,000.00
School Building Authority	0.00
TOTAL EXCESS LOTTERY FUND	51,359,000.00

House Bill 2007 2,000,000.00

Veterans Instant Ticket Fund 269,000.00

RACETRACK VIDEO LOTTERY TRANSFERS:	
Tourism Promotion Fund 1.375%	\$3,989,000.00
Development Office Promo Fund	\$1,088,000.00
Research Challenge Fund .5%	\$1,451,000.00

Lottery continued

Capitol Renovation and Improvement Fund .6875%	\$1,994,000.00
Parking Garage Fund .0625%	\$181,000.00
Parking Garage Fund 1%	\$500,000.00
Cultural Facilities and Cap. Resources Fund .5%	\$1,120,000.00
Capitol Dome & Cap. Improvements Fund .5%	\$1,281,000.00
Workers Compensation Debt Reduction Fund 7%	\$11,000,000.00
SUBTOTAL VIDEO LOTTERY TRANSFERS:	\$22,604,000.00
TOTAL TRANSFERS	*\$195,490,000.00

* CASH BASIS

Total Accrued last FY 2007:	180,178,000.00
Total Cash Distributions July-Oct. :	195,490,000.00
Applied to FY 2007:	180,178,000.00
Total Accrued for FY 2008:	207,716,000.00
Total Applied to FY 2008:	15,312,000.00
Accrued for FY 2008 as of Oct 31, 2007:	192,404,000.00



P.O. BOX 2067
CHARLESTON, WV 25327

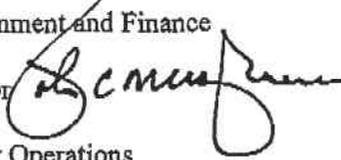
PHONE: 304-558-0500
FAX: 304-558-3321

Joe Manchin III
Governor

John C. Musgrave
Director

MEMORANDUM

TO: Joint Committee on Government and Finance

FROM: John C. Musgrave, Director 

RE: Monthly Report on Lottery Operations
Month Ending October 31, 2007

DATE: November 20, 2007

This report of the Lottery operations is provided pursuant to the State Lottery Act.

Financial statements of the Lottery for the month ending October 31, 2007 are attached. Lottery revenue, which includes on-line, instant, video lottery sales and table games, was \$122,148,177 for the month of October.

Transfers of lottery revenue totaling \$43,350,392 made for the month of October to the designated state agencies per House Bill 2007, Veterans Instant Ticket Fund, Racetrack Video Lottery Act (§29-22A-10), and the Racetrack Table Games Act (§29-22C-27). The amount transferred to each agency is shown in Note 8 on pages 14 and 15 of the attached financial statements.

The number of traditional and limited retailers active as of October 31, 2007 was 1,637 and 1,643 respectively.

A listing of the names and amounts of prize winners has been provided to the Clerk of the Senate, the Clerk of the House and Legislative Services.

If any member of the Committee has questions concerning the Lottery, please call me. Also if any members of the Legislature wish to visit the Lottery offices, I would be pleased to show them our facilities and discuss the Lottery with them.

JCM/rd
Attachment

pc: Honorable Joe Manchin III
Virgil T. Helton, Cabinet Secretary – Dept. of Revenue
John Perdue, Treasurer
Glen B. Gainer III, Auditor
Members of the West Virginia Lottery Commission

www.wvlottery.com

WEST VIRGINIA LOTTERY
BALANCE SHEETS
(In Thousands)
-Unaudited-

	October 31, 2007	June 30, 2007
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 232,945	\$ 204,122
Accounts receivable	23,464	33,095
Inventory	662	433
Current portion of investments held in trust	12	23
Other assets	<u>1,326</u>	<u>1,163</u>
Total Current Assets	<u>258,409</u>	<u>238,836</u>
Noncurrent Assets:		
Restricted cash and cash equivalents	30,812	30,367
Investments held in trust, less current portion	140	281
Capital assets	13,066	13,066
Less accumulated depreciation and amortization	<u>(11,787)</u>	<u>(11,615)</u>
Net Capital Assets	<u>1,279</u>	<u>1,451</u>
Total Noncurrent Assets	<u>32,231</u>	<u>32,099</u>
Total Assets	<u>\$ 290,640</u>	<u>\$ 270,935</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accrued nonoperating distributions to the State of West Virginia	\$ 192,404	\$ 180,178
Estimated prize claims	15,007	13,592
Accounts payable	2,086	1,452
Other accrued liabilities	37,062	31,926
Current portion of deferred jackpot prize obligations	<u>147</u>	<u>159</u>
Total Current Liabilities	<u>246,706</u>	<u>227,307</u>
Deferred jackpot prize obligations, less current portion	<u>-</u>	<u>139</u>
Total Liabilities	<u>246,706</u>	<u>227,446</u>
Net Assets:		
Invested in capital assets	1,279	1,451
Unrestricted assets (deficit)	(779)	(951)
Unrestricted assets- Committed (see note 14)	12,622	12,622
Restricted assets (see note 9)	<u>30,812</u>	<u>30,367</u>
Total Net Assets	<u>43,934</u>	<u>43,489</u>
Total Liabilities and Net Assets	<u>\$ 290,640</u>	<u>\$ 270,935</u>

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

WEST VIRGINIA LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
FOR THE FOUR MONTH PERIOD ENDED OCTOBER 31, 2007

(In Thousands)

-Unaudited-

	CURRENT MONTH		YEAR TO DATE	
	2007	2006	2007	2006
Lottery revenues				
On-line games	\$ 5,939	\$ 6,416	\$ 29,701	\$ 29,970
Instant games	9,358	9,245	37,336	36,800
Racetrack video lottery	72,969	79,572	311,216	335,823
Limited video lottery	33,694	32,154	131,964	126,653
Table games	188	-	188	-
	<u>122,148</u>	<u>127,387</u>	<u>510,405</u>	<u>529,246</u>
Less commissions				
On-line games	416	449	2,079	2,098
Instant games	655	647	2,614	2,576
Racetrack video lottery	42,620	47,704	182,574	199,065
Limited video lottery	17,831	17,016	65,983	67,025
Table games	74	-	74	-
	<u>61,596</u>	<u>65,816</u>	<u>253,324</u>	<u>270,764</u>
Less on-line prizes	3,006	3,208	14,991	15,232
Less instant prizes	6,518	6,319	25,753	25,226
Less ticket costs	123	132	519	526
Less vendor fees and costs	296	325	1,913	1,979
	<u>9,943</u>	<u>9,984</u>	<u>43,176</u>	<u>42,963</u>
Gross profit	<u>50,609</u>	<u>51,587</u>	<u>213,905</u>	<u>215,519</u>
Administrative expenses				
Advertising and promotions	1,257	914	3,403	3,054
Wages and related benefits	555	470	2,122	1,961
Telecommunications	332	113	862	760
Contractual and professional	139	310	1,071	951
Rental	20	42	186	205
Depreciation and amortization	38	23	172	183
Other administrative expenses	199	89	602	378
	<u>2,540</u>	<u>1,961</u>	<u>8,418</u>	<u>7,492</u>
Other Operating Income	<u>304</u>	<u>88</u>	<u>2,202</u>	<u>1,498</u>
Operating Income	<u>48,373</u>	<u>49,714</u>	<u>207,689</u>	<u>209,525</u>
Nonoperating income (expense)				
Investment income	1,019	734	3,984	2,943
Interest expense	(1)	15	(6)	(16)
Distributions to municipalities and counties	(660)	(630)	(2,586)	(2,482)
Distributions to racetracks-capital reinvestment	(920)	(691)	(920)	(691)
Distributions to the State of West Virginia	(47,681)	(49,057)	(207,716)	(209,163)
	<u>(48,243)</u>	<u>(49,629)</u>	<u>(207,244)</u>	<u>(209,409)</u>
Net income	<u>130</u>	<u>85</u>	<u>445</u>	<u>116</u>
Net assets, beginning of period	<u>43,804</u>	<u>20,281</u>	<u>43,489</u>	<u>20,250</u>
Net assets, end of period	<u>\$ 43,934</u>	<u>\$ 20,366</u>	<u>\$ 43,934</u>	<u>\$ 20,366</u>

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

WEST VIRGINIA LOTTERY
STATEMENTS OF CASH FLOWS
FOR THE FOUR MONTH PERIOD ENDED OCTOBER 31, 2007

(In Thousands)
-Unaudited-

	2007	2006
Cash flows from operating activities:		
Cash received from customers and other sources	\$ 522,239	\$ 522,496
Cash payments for:		
Personnel costs	(2,122)	(1,961)
Suppliers	(5,606)	(12,789)
Other operating costs	(290,536)	(301,001)
Cash provided by operating activities	<u>223,975</u>	<u>206,745</u>
Cash flows from noncapital financing activities:		
Nonoperating distributions to the State of West Virginia	(195,490)	(309,895)
Distributions to municipalities and counties	(2,565)	(2,465)
Distributions to racetrack from racetrack cap. reinv. fund	(782)	(7,306)
Deferred jackpot prize obligations and related interest paid	(6)	(16)
Cash used in noncapital financing activities	<u>(198,843)</u>	<u>(319,682)</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	<u>-</u>	<u>-</u>
Cash flows from investing activities:		
Maturities of investments held in trust	157	157
Investment earnings received	3,979	2,932
Cash provided by investing activities	<u>4,136</u>	<u>3,089</u>
Increase (decrease) in cash and cash equivalents	29,268	(109,848)
Cash and cash equivalents - beginning of period	<u>234,489</u>	<u>197,719</u>
Cash and cash equivalents - end of period	<u>\$ 263,757</u>	<u>\$ 87,871</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 207,689	\$ 209,525
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation and amortization	172	182
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	9,631	(8,248)
(Increase) decrease in inventory	(229)	46
(Increase) decrease in other assets	(163)	20
Increase (decrease) in estimated prize claims	1,416	122
Increase (decrease) in accounts payable	635	(1,339)
Increase (decrease) in other accrued liabilities	4,824	6,437
Cash provided by operating activities	<u>\$ 223,975</u>	<u>\$ 206,745</u>

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

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 1 - LEGISLATIVE ENACTMENT

The West Virginia Lottery (Lottery) was established by the State Lottery Act (Act) passed April 13, 1985, which created a special fund in the State Treasury designated as the "State Lottery Fund." The purpose of the Act was to establish and implement a state-operated lottery under the supervision of a state lottery commission (Commission) and a director. The Commission, consisting of seven members, and the Director are appointed by the Governor. Under the Act, the Commission has certain powers and the duty to establish rules for conducting games, to select the type and number of gaming systems or games and to enter into contracts and agreements, and to do all acts necessary or incidental to the performance of its duties and exercise of its power and duty to operate the Lottery in a highly efficient manner. The Act provides that a minimum annual average of 45% of the gross amount received from each lottery shall be allocated for prizes and also provides for certain limitations on expenses necessary for operation and administration of the Lottery. To the extent available, remaining net profits are to be distributed to the State of West Virginia. As the State is able to impose its will over the Lottery, the Lottery is considered a component unit of the State and its financial statements are presented in the comprehensive annual financial report of the State as a blended proprietary fund component unit.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies of the Lottery is presented below.

BASIS OF PRESENTATION – The West Virginia Lottery is a component unit of the State of West Virginia, and is accounted for as a proprietary fund special purpose government engaged in business type activities. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," and with accounting principles generally accepted in the United States of America, the financial statements are prepared on the accrual basis of accounting which requires recognition of revenue when earned and expenses when incurred. As permitted by Governmental Accounting Standards Board (GASB) Statement No. 20, "*Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*," the Lottery has elected not to adopt Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989 unless the GASB specifically adopts such FASB statements or interpretations.

The Lottery is included in the State's basic financial statements as a proprietary fund and business type activity using the accrual basic of accounting. Because of the Lottery's presentation in these financial statements as a special purpose government engaged in business type activities, there may be differences in presentation of amounts reported in these financial statements and the basic financial statements of the State as a result of major fund determination.

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

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WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

LOTTERY GAME OPERATIONS – The West Virginia Lottery derives its revenues from four basic types of lottery games: instant, on-line, video type games, and table games(see Note 15 for table games). The Lottery develops multiple game themes and prize structures to comply with its enabling legislation, including aggregate annual minimum prize provisions. All bonded retailers and agents comprised principally of grocery and convenience stores serve as the primary distribution channel for instant and on-line lottery sales to the general public.

The Lottery has contracted with a private vendor to manufacture, distribute, and provide data processing support for instant and on-line games. Under the terms of the agreements, the Lottery pays a percentage of gross revenues or gross profits for the processing and manufacture of the games.

Revenue from instant games is recognized when game tickets are sold to the retailers, and the related prize expense is recorded based on the specific game prize structure. Instant ticket sales and related prizes do not include the value of free plays issued for the purpose of increasing the odds of winning a prize.

Sales of on-line lottery tickets are made by licensed agents to the public with the use of computerized terminals. On-line games include POWERBALL®, a multi-state “jackpot” game; HOT LOTTO™, a multi-state “lotto” game; Cash25 “lotto” game; Daily 3 and 4 “numbers” games; and Travel, a daily “keno” game. Revenue is recognized when the agent sells the tickets to the public. Prize expense is recognized on the basis of actual drawing results.

Commissions are paid to instant game retailers and on-line agents at the rate of seven percent of gross sales. A portion of the commission not to exceed one and one quarter percent of gross sales may be paid from unclaimed prize moneys. The amount paid from unclaimed prize moneys is credited against prize costs. In addition, retailers and agents are paid limited bonus incentives that include prize shares on winning tickets they sold and a ticket cashing bonus on winning tickets they cash. On a weekly basis, retailers and agents must remit amounts due to the Lottery. Retailers may not be able to order additional instant tickets if payment has not been made for the previous billing period, while an agent’s on-line terminal may be rendered inactive if payment is not received each week. No one retailer or agent accounts for a significant amount of the Lottery’s sales or accounts receivable. Historically credit losses have been nominal and no allowance for doubtful accounts receivable is considered necessary.

Racetrack video lottery is a self-activated video version of lottery games. The board-operated games allow a player to place bets for the chance to be awarded credits which can either be redeemed for cash or be replayed as additional bets. The coin operated games allow a player to use coins, currency, or tokens to place bets for the chance to receive coin or token awards which may be redeemed for cash or used for replay in the coin operated games. The racetrack video lottery games’ prize structures are designed to award prizes, or credits, at a stipulated rate of total bets played, and prize expense is netted against total video credits played. The Lottery recognizes as racetrack video lottery revenue “gross terminal income” equivalent to all wagers, net of related prizes. Amounts required by statute to be paid to the private and local government entities are reported as commissions. Racetrack video lottery legislation has established specific requirements for racetrack video lottery and imposed certain restrictions limiting the licensing for operation of racetrack video lottery games to horse and dog

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

racetracks in West Virginia, subject to local county elections permitting the same. The legislation further stipulates the distribution of revenues from racetrack video lottery games, and requires any licensed racetrack to be responsible for acquiring the necessary equipment and bearing the risk associated with the costs of operating and marketing the games.

Limited video lottery is also a self-activated video version of lottery games, which were first placed in operation in December 2001, located in limited licensed retailer areas restricted for adult amusement. The games allow a player to use currency to place bets for the chance to receive free games or vouchers which may be redeemed for cash. The limited video lottery games' prize structures are designed to award prizes, at a stipulated rate of total bets played, and prize expense is netted against total video credits played. The Lottery recognizes as limited video lottery revenue "gross terminal income" equivalent to all wagers, net of related prizes. Amounts required by statute to be paid to private entities are reported as commissions. Limited video lottery permit holders are statutorily responsible for acquiring equipment and bearing the risk associated with the costs of operating the games.

CASH AND CASH EQUIVALENTS – Cash and cash equivalents primarily consist of interest-earning deposits with the West Virginia Board of Treasury Investments (BTI) and are recorded at fair value.

INVENTORY – Inventory consists of instant game tickets available for sale to approved Lottery retailers and are carried at cost.

OTHER ASSETS – Other assets consist primarily of deposits restricted for payment of certain Multi-State Lottery Association activities.

CAPITAL ASSETS – The Lottery leases, under a cancelable operating lease, its office and warehouse facilities. Portions of these facilities were subleased to the Lottery's game vendor until January 31, 2007 at which time the Lottery took occupancy of the total facility. The Lottery also leases various office equipment under agreements considered to be cancelable operating leases. Rental expense for the four months ended October 31, 2007 and October 31, 2006 approximated \$185,234 and \$205,172, respectively. Sublease rental income for the four months ended October 31, 2007 and October 31, 2006 approximated \$0 and \$34,576, respectively.

The Lottery has adopted a policy of capitalizing assets with individual amounts exceeding \$25,000. These assets include leasehold improvements, contributed and purchased equipment, comprised principally of technology property, office furnishings and equipment necessary to administer lottery games, are carried at cost. Depreciation is computed by the straight-line method using three to ten year lives.

COMPENSATED ABSENCES – The Lottery has accrued \$298,548 and \$281,146 of vacation and \$467,954 and \$468,058 of sick leave at June 30, 2007 and 2006, respectively, for estimated obligations that may arise in connection with compensated absences for vacation and sick leave at the current rate of employee pay. Employees fully vest in all earned but unused vacation. In accordance with State personnel policies, employees hired prior to July 1, 2001, vest in unused sick leave only upon

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

retirement, at which time such unused leave can be converted into employer paid premiums for post-retirement health care coverage or additional periods of credited service for purposes of determining retirement benefits. For employees hired prior to July 1, 1988, the Lottery pays 100% of the post-retirement health care premium. The Lottery pays 50% of the premium for employees hired after June 30, 1988 through July 1, 2001. The estimated obligation for sick leave is based on historical retirement rates and current health care premiums applicable to employee hire dates. Employees hired after June 30, 2001 do not vest in unused sick leave upon retirement.

NET ASSETS – Net assets are presented as restricted, unrestricted and invested in capital assets which represents the net book value of all property and equipment of the Lottery.

OPERATING REVENUES AND EXPENSES – Operating revenues and expenses for proprietary funds such as the Lottery are revenues and expenses that result from providing services and producing and delivering goods and/or services. Operating revenues for the Lottery are derived from providing various types of lottery games. Operating expenses include commissions, prize costs, other direct costs of providing lottery games, and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

NOTE 3 - CASH AND CASH EQUIVALENTS

At October 31, 2007 the carrying amounts of deposits (overdraft) with financial institutions were (\$17) thousand with a bank balance of \$18 thousand. Of this balance \$100 thousand was covered by federal depository insurance with the remaining balance collateralized with securities held by the State of West Virginia's agent in the State's name.

A summary of the amount on deposit with the West Virginia Board of Treasury Investments (BTI) is as follows (in thousands):

	<u>October 31, 2007</u>	<u>June 30, 2007</u>
Amount on deposit with the BTI	<u>\$263,773</u>	<u>\$234,497</u>

The deposits with the BTI are part of the State of West Virginia's consolidated investment cash liquidity pool and are not separately identifiable as to specific types of securities. Investment income is pro-rated to the Lottery at rates specified by the BTI based on the balance of the deposits maintained in relation to the total deposits of all state agencies participating in the pool. Such funds are available to the Lottery with overnight notice.

NOTE 4 - CAPITAL ASSETS

A summary of capital asset activity for the month ended October 31, 2007 is as follows (in thousands):

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
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NOTE 4 – CAPITAL ASSETS (continued)

Capital Assets:

	Historical Cost At June 30, 2007	Additions	Deletions	Historical Cost At October 31, 2007
Construction in Progress	\$ 443	\$ -	\$ -	\$ 443
Improvements	1,119	-	-	1,119
Equipment	11,504	-	-	11,504
	<u>\$ 13,066</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,066</u>

Accumulated Depreciation:

	Historical Cost At June 30, 2007	Additions	Deletions	Historical Cost At October 31, 2007
Improvements	\$ 925	\$ 25	\$ -	\$ 950
Equipment	10,690	147	-	10,837
	<u>\$ 11,615</u>	<u>\$ 172</u>	<u>\$ -</u>	<u>\$ 11,787</u>

NOTE 5 - PARTICIPATION IN THE MULTI-STATE LOTTERY

The Lottery is a member of the Multi-State Lottery (MUSL), which operates the semi-weekly POWERBALL® jackpot lotto game and HOT LOTTO™ game, on behalf of participating state lotteries. Each MUSL member sells game tickets through its agents and makes weekly wire transfers to the MUSL in an amount equivalent to the total prize pool less the amount of prizes won in each state. Lesser prizes are paid directly to the winners by each member lottery. The prize pool for POWERBALL®, and HOT LOTTO™ is 50% of each drawing period's sales, with minimum jackpot levels.

Revenues derived from the Lottery's participation in the MUSL POWERBALL® jackpot game for the month and year-to-date periods ended October 31, 2007 were \$3,127,932 and \$18,742,917 while related prize costs for the same periods were \$1,575,127 and \$9,368,439.

Revenues derived from the Lottery's participation in the HOT LOTTO™ game for the month and year-to-date periods ended October 31, 2007 were \$342,149 and \$1,290,693 while related prize costs for the same periods were \$171,702 and \$644,903.

MUSL places 2% of each POWERBALL® drawing period's sales in separate prize reserve funds that serve as a contingency reserve to protect the respective MUSL Product Groups from unforeseen prize liabilities. Currently, the MUSL Board of Directors has placed a \$75,000,000 limit on the POWERBALL® Prize Reserve Fund and a \$25,000,000 limit on the Set Prize Reserve Fund. These funds can only be used at the discretion of the respective MUSL Product Group. Once the prize reserve funds exceed the designated limit, the excess becomes part of that particular prize pool. Prize reserve fund monies are refundable to MUSL Product Group members if the MUSL disbands or, after one year, if a member leaves the MUSL. At October 31, 2007 the POWERBALL® prize reserve

WEST VIRGINIA LOTTERY
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NOTE 5 - PARTICIPATION IN THE MULTI-STATE LOTTERY (continued)

fund had a balance of \$95,163,439 of which the Lottery's share was \$2,279,750. The Lottery has charged amounts placed into the prize reserve funds to prize costs as the related sales have occurred.

NOTE 6 - RACETRACK VIDEO LOTTERY

The Racetrack Video Lottery legislation stipulates the distribution of racetrack video lottery revenues. This legislation has been amended since inception to restate revenue distribution based on revenue benchmarks. Initially, four percent (4%) of gross terminal revenue is allocated for lottery administrative costs. Sixty-six percent (66%) of net terminal revenue (gross less 4%) is allocated in lieu of commissions to: the racetracks (47%); other private entities associated with the racing industry (17%); and the local county and municipal governments (2%). The remaining revenues (34%) of net terminal revenue is allocated for distribution to State as specified in the Racetrack Video Lottery Act or subsequent State budget, as described in the Note 8 titled "Nonoperating Distributions to the State of West Virginia."

The first benchmark occurs when the current year net terminal revenue meets the fiscal year 1999 net terminal revenue. The counties and incorporated municipalities split 50/50 the two percent (2%) net terminal revenue.

The second benchmark occurs when the current year gross terminal revenue meets the fiscal year 2001 gross terminal revenue. The four percent (4%) is no longer allocated for lottery administrative costs; instead the State receives this for distribution as specified by legislation or the State budget.

The final benchmark occurs when the current year net terminal revenue meets the fiscal year 2001 net terminal revenue. At this point a 10% surcharge is applied to net terminal revenue, with 58% of the surcharge allocated for distribution to the State as specified by legislation or the State budget, and 42% of the surcharge allocated to separate capital reinvestment funds for each licensed racetrack. After deduction of the surcharge, 55% of net terminal revenue is allocated in lieu of commissions to: the racetracks (42%); other private entities associated with the racing industry (11%); and the local county and incorporated municipality governments (2%). The remaining net terminal revenue (45%) is allocated for distribution to the State as specified in the Racetrack Video Lottery Act or subsequent State budget, as described in Note 8.

Amounts from the capital reinvestment fund may be distributed to each racetrack if qualifying expenditures are made within the statutory timeframe; otherwise amounts accumulated in the fund revert to the state excess lottery revenue fund.

The WV Lottery, along with the Rhode Island and Delaware lotteries, participate in Multi-Jurisdictional Wide Area Progressive (MWAP) video games. This allows each of the lotteries to offer a higher progressive jackpot than they could generate alone. MUSL manages the progressive games and charges each participant a MWAP contribution fee of 4% of the amount wagered. A summary of racetrack video lottery revenues for the month ended October 31, 2007 and year-to-date follows (in thousands):

**WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-**

NOTE 6 - RACETRACK VIDEO LOTTERY (continued)

	<u>Current</u> <u>2007</u>	<u>Month</u> <u>2006</u>	<u>Year- to -Date</u> <u>2007</u>	<u>2006</u>
Total credits played	\$765,591	\$843,047	\$3,266,318	\$3,556,829
Credits (prizes) won	(692,343)	(763,145)	(2,953,813)	(3,219,653)
MWAP Contributions	(279)	(330)	(1,289)	(1,353)
Gross terminal income	<u>\$72,969</u>	<u>\$79,572</u>	<u>\$311,216</u>	<u>\$335,823</u>
Administrative costs	(1,839)	(2,331)	(11,369)	(12,582)
Net Terminal Income	<u>\$71,130</u>	<u>\$77,241</u>	<u>\$299,847</u>	<u>\$323,241</u>
Less distribution to agents	(42,620)	(47,704)	(182,574)	(199,065)
Racetrack video lottery revenues	<u>\$28,510</u>	<u>\$29,537</u>	<u>\$117,273</u>	<u>\$124,176</u>

A summary of video lottery revenues paid or accrued for certain state funds to conform with the legislation follows (in thousands):

	<u>October 31, 2007</u>	<u>Year-to Date</u>
State Lottery Fund	\$14,446	\$83,062
State Excess Lottery Revenue Fund	10,430	10,430
Capital Reinvestment Fund	920	920
Tourism Promotion Fund 1.375%	933	4,078
Development Office Promotion Fund .375 %	255	1,113
Research Challenge Fund .5 %	339	1,482
Capitol Renovation & Improvement Fund .6875 %	467	2,039
Parking Garage Fund .0625 %	42	185
Parking Garage Fund 1 %	-	500
Cultural Facilities & Capitol Resources Fund .5 %	339	1,232
Capitol Dome & Capitol Improvements Fund .5 %	339	1,232
Worker's Compensation Debt Reduction Fund 7 %	-	11,000
Total nonoperating distributions	<u>\$28,510</u>	<u>\$117,273</u>

NOTE 7 - LIMITED VIDEO LOTTERY

Limited video lottery legislation passed in 2001 has established specific requirements imposing certain restrictions limiting the licensing for the operation of limited video lottery games to 9,000 terminals placed in licensed retailers. These licensed retailers must hold a qualifying permit for the sale and consumption on premises of alcohol or non-intoxicating beer. The Lottery has been charged with the administration, monitoring and regulation of these machines. The legislation further stipulates the distribution of revenues from the limited video lottery games, and requires any licensees to comply with all related rules and regulations of the Lottery in order to continue its retailer status. The Limited Video Lottery legislation stipulates that 2% of gross terminal income be deposited into the state lottery fund for administrative costs. Then, the state share percentage of gross profit is to be transferred to the State Excess Lottery Revenue Fund. Such percentage is between 30 and 50 percent and is subject to change

WEST VIRGINIA LOTTERY
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 -Unaudited-

NOTE 7 - LIMITED VIDEO LOTTERY (continued)

on a quarterly basis. Two percent is distributed to counties and incorporated municipalities in the manner prescribed by the statute. The remaining amount of gross profit is paid to retailers and/or operators as prescribed in the Act, and is recorded as limited video lottery commissions in the financial statements. Municipal and county distributions are accounted for as nonoperating expenses. A summary of limited video lottery revenues for the month ended October 31, 2007 and year-to-date follows (in thousands):

	<u>Current</u> <u>2007</u>	<u>Month</u> <u>2006</u>	<u>Year- to -Date</u> <u>2007</u>	<u>2006</u>
Total credits played	\$410,063	\$391,606	\$1,605,977	\$1,548,112
Credits (prizes) won	(376,369)	(359,452)	(1,474,013)	(1,421,459)
Gross terminal income	\$33,694	\$32,154	\$131,964	\$126,653
Administrative costs	(674)	(643)	(2,640)	(2,533)
Gross Profit	\$33,020	\$31,511	\$129,324	\$124,120
Commissions	(17,831)	(17,016)	(65,983)	(67,025)
Municipalities and Counties	(660)	(630)	(2,586)	(2,482)
Limited video lottery revenues	<u>\$14,529</u>	<u>\$13,865</u>	<u>\$60,755</u>	<u>\$54,613</u>

NOTE 8 - NONOPERATING DISTRIBUTIONS TO THE STATE OF WEST VIRGINIA

The Lottery periodically distributes surplus funds, exclusive of amounts incurred and derived from limited video lottery and a portion of racetrack video lottery funds, to the State of West Virginia in accordance with the legislation. For the year ending June 30, 2008 the State Legislature budgeted \$169,932,463 of estimated profits of the Lottery for distributions to designated special revenue accounts of the State of West Virginia. With regard to the State Lottery Fund, legislation stipulates that debt service payments be given a priority over all other transfers in instances where estimated profits are not sufficient to provide for payment of all appropriated distributions. Debt service payments of \$1,800,000 and \$1,000,000 per month for the first ten months of each fiscal year currently have such priority. Transfers made pursuant to the State Excess Lottery Revenue Fund have similar requirements; currently payments are \$2,900,000 per month for the first ten months of each fiscal year, with \$1,000,000 of this amount beginning September 2004. In addition, Legislation provides that, if in any month, there is a shortage of funds in the State Excess Lottery Revenue Fund to make debt service payments, the necessary amount shall be transferred from the State Lottery Fund to cover such shortfall, after the State Lottery Fund debt service payments have been made. Repayments to the State Lottery Fund are required to be made in subsequent months as funds become available. During the month ended October 31, 2007 the Lottery made such distributions and accrued additional distributions of \$44,869,185. The Lottery is a non-appropriated state agency and therefore does not have a budget adopted by the Legislature.

WEST VIRGINIA LOTTERY
 NOTES TO FINANCIAL STATEMENTS
 -Unaudited-

NOTE 8 - NONOPERATING DISTRIBUTIONS TO THE STATE OF WEST VIRGINIA
 (continued)

Since the enactment of the Racetrack Video Lottery Act, the Lottery is also statutorily required to distribute income from racetrack video lottery operations as described in Note 6. As of October 31, 2007 the Lottery accrued additional distributions relating to racetrack video lottery operations of \$904,084.

Note 7 describes the Limited Video Lottery Act and the statutory distributions required to be made from limited video lottery operations. Note 15 describes the Table Games Act and the statutory distributions required to be made from table games operations.

A summary of the cash distributions made to certain state agencies to conform to the legislation follows (in thousands):

<u>BUDGETARY DISTRIBUTIONS</u>	<u>October 31, 2007</u>	<u>Year-to-Date</u>
<u>State Lottery Fund:</u>		
Bureau of Senior Services	\$ 9,476	\$ 44,772
Department of Education	5,625	26,575
Library Commission	1,698	8,023
Higher Education-Policy Commission	3,118	14,732
Tourism	1,280	6,047
Natural Resources	554	2,616
Division of Culture & History	890	4,207
Department of Education & Arts	230	1,086
Building Commission	1,000	4,000
School Building Authority	1,800	7,200
Total State Lottery Fund	\$ 25,671	\$ 119,258
<u>State Excess Lottery Revenue Fund:</u>		
Economic Development Fund	\$ 1,900	\$ 7,600
Higher Education Improvement Fund	1,000	4,000
General Purpose Account	11,951	12,452
Higher Education Improvement Fund	-	27,000
State Park Improvement Fund	-	-
School Building Authority	-	-
Refundable Credit	150	307
Excess Lottery Surplus	-	-
West Va. Infrastructure Council	-	-
Total State Excess Lottery Revenue Fund	\$ 15,001	\$ 51,359
House Bill 2007	\$ -	\$ 2,000
Total Budgetary distributions:	\$ 40,672	\$ 172,617
Veterans Instant Ticket Fund	\$ 136	\$ 269

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 8 - NONOPERATING DISTRIBUTIONS TO THE STATE OF WEST VIRGINIA
(continued)

Other Racetrack Video Lottery distributions:

Tourism Promotion Fund 1.375%	\$ 874	\$ 3,989
Development Office Promotion Fund .375%	238	1,088
Research Challenge Fund .5%	318	1,451
Capitol Renovation & Improvement Fund .6875%	437	1,994
Parking Garage Fund .0625 %	39	181
Parking Garage Fund 1 %	-	500
Cultural Facilities & Cap. Resources Fund .5%	318	1,120
Capitol Dome & Cap. Improvements Fund .5%	318	1,281
Workers Compensation Debt Reduction Fund 7%	-	11,000
Total	<u>\$ 2,542</u>	<u>\$ 22,604</u>
Table Games State Debt Reduction Fund	\$ -	-
Total nonoperating distributions to the State of West Virginia (cash basis)	\$ 43,350	\$195,490
Accrued nonoperating distributions, beginning	(188,073)	(180,178)
Accrued nonoperating distributions, end	<u>192,404</u>	<u>192,404</u>
Total nonoperating distributions to the State of West Virginia	<u>\$ 47,681</u>	<u>\$207,716</u>

NOTE 9 - RESTRICTED NET ASSETS

On June 14, 2006, House Bill 106 was enacted by the West Virginia State Legislature to set aside unexpended administrative expenses of the Lottery up to the limits for such expenses established by the enabling legislation of traditional, racetrack video lottery, and limited video lottery games in an amount not to exceed \$20,000,000 beginning in fiscal year 2006 and each year through fiscal year 2012. These assets are to be set aside for the design and construction of a building for the use of the Lottery and certain other State of West Virginia governmental entities. The lottery contributed \$20,000,000 to the fund for fiscal year 2006 plus \$9,539,860 and related interest of \$827,008 for fiscal year 2007.

NOTE 10 - DEFERRED JACKPOT OBLIGATIONS AND INVESTMENTS HELD IN TRUST

Prior to becoming a member of the Multi-State Lottery in 1988, the prize structure of certain games operated solely by the Lottery included jackpot prizes. The Lottery, at its discretion, could choose to award such prizes in the form of either a lump sum payment or in equal installments over a period of 10 or 20 years, through October 31, 2007, the Lottery has awarded twenty-one deferred jackpot prizes totaling approximately \$28,868,786. Deferred prize awards were recognized as prize liabilities

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 10 - DEFERRED JACKPOT OBLIGATIONS AND INVESTMENTS HELD IN TRUST
(continued)

equivalent to the present value of future prize payments discounted at interest rates for government securities in effect on the date prizes were won. The imputed interest portion of the deferred prize is calculated using the effective interest method at rates ranging from 7.11% to 9.13%. A summary of the present value of the remaining obligations for deferred jackpot prize awards follows (in thousands):

	<u>October 31, 2007</u>	<u>June 30, 2007</u>
Present value of deferred prize award obligations:		
Discounted obligations outstanding	\$ 143	\$ 279
Imputed interest accrued	<u>4</u>	<u>19</u>
	147	298
Less current portion of discounted obligations and accrued interest	<u>(147)</u>	<u>(159)</u>
Long-term portion of deferred prize award obligations	<u>\$ -</u>	<u>\$ 139</u>

Future cash payments on deferred prize obligations for each of the remaining two years are as follows (in thousands):

<u>Year Ended</u>	Original Discounted Obligations <u>Outstanding</u>	Imputed <u>Interest</u>	<u>Total</u>
June 30, 2008	23	2	25
June 30, 2009*	<u>120</u>	<u>10</u>	<u>130</u>
	<u>\$ 143</u>	<u>\$ 12</u>	<u>\$ 155</u>

*Due 8/15/2008

The Lottery has purchased long-term investments consisting principally of zero coupon government securities to fund deferred jackpot prize award obligations. Such investments are maintained in a separate trust fund administered by the West Virginia Board Of Treasury Investments on behalf of the Lottery and the jackpot prize winners, with investment maturities approximating deferred prize obligation installment due dates. Investments are carried at fair value determined by quoted market prices for the specific obligation or for similar obligations. Changes in fair value are included as part of investment income. In accordance with Statement No. 3 of the Government Accounting Standards Board, these investments are classified as to level of risk in Category 1, which includes investments that are insured or registered, or for which the securities are held by the State or its agent in the State's name.

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
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NOTE 11 - RETIREMENT BENEFITS

All full-time Lottery employees are eligible to participate in the State of West Virginia Public Employees' Retirement System (PERS), a cost-sharing multiple-employer defined benefit public employee retirement system. The PERS is one of several plans administered by the West Virginia Consolidated Public Retirement (CPRB) under the direction of its Board of Trustees, which consists of the Governor, State Auditor, State Treasurer, Secretary of the Department of Administration, and nine members appointed by the Governor. CPRB prepares separately issued financial statements covering all retirement systems it administers, which can be obtained from Consolidated Public Retirement Board, Building 5, Room 1000, State Capitol Complex, Charleston, West Virginia 25305-0720.

Employees who retire at or after age sixty with five or more years of contributory service or who retire at or after age fifty-five and have completed twenty-five years of credited service with age and credited service equal to eighty or greater 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 average annual salary from the highest 36 consecutive months within the last 10 years of employment, multiplied by the number of years of the employee's credited service at the time of retirement.

Covered employees are required to contribute 4.5% of their salary to the PERS. The Lottery is required to contribute 10.5% of covered employees' salaries to the PERS. The required employee and employer contribution percentages have been established and changed from time to time by action of the State Legislature. The required contributions are not actuarially determined; however, actuarial valuations are performed to assist the Legislature in determining appropriate contributions. The Lottery and employee contributions, for the period ending October 31, 2007 are as follows (in thousands):

	<u>October 31, 2007</u>	<u>Year-to Date</u>
Lottery contributions	\$43	\$161
Employee contributions	18	72
Total contributions	<u>\$61</u>	<u>\$233</u>

NOTE 12 - RISK MANAGEMENT

The Lottery is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Lottery participates in several risk management programs administered by the State of West Virginia. Each of these risk pools have issued separate audited financial reports on their operations. Those reports include the required supplementary information concerning the reconciliation of claims liabilities by type of contract and ten-year claim development information. Complete financial statements of the individual insurance enterprise funds can be obtained directly from their respective administrative offices.

**WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS**

-Unaudited-

NOTE 12 - RISK MANAGEMENT (continued)

WEST VIRGINIA WORKERS' COMPENSATION COMMISSION (WCC)

The State of West Virginia operated an exclusive state-managed workers' compensation insurance program (WCC) prior to December 31, 2005. A framework for the privatization of workers' compensation insurance in West Virginia was established with the passage of Senate Bill 1004 and the WCC trust fund was terminated effective December 31, 2005. A privatized business entity, BrickStreet Administrative Services (BAS), was established and became the administrator of the WCC Old Fund, beginning January 1, 2006, and thereafter for seven years, and will have all administrative and adjudicatory authority previously vested in the WCC trust fund in administering old law liabilities and otherwise processing and deciding old law claims. BAS will be paid a monthly administrative fee and rated premium to provide a prompt and equitable system for compensation for injury sustained in the course of and growing out of employment. The monthly administrative fee for the West Virginia Lottery has been set at a level consistent with prior year payments and the new rate or premium will be established on an experience rated basis. The West Virginia Lottery is required to participate in the new BrickStreet Administrative Services (BAS) experience rated pool, which is expected to be rate adjusted on a quarterly basis.

PUBLIC EMPLOYEES' INSURANCE AGENCY (PEIA)

The Lottery participates in the Public Employees' Insurance Agency which provides an employee benefit insurance program to employees. PEIA was established by the State of West Virginia for State agencies, institutions of higher educations, Boards of Education and component units of the State. In addition, local governmental entities and certain charitable and public service organizations may request to be covered by PEIA. PEIA provides a base employee benefit insurance program which includes hospital, surgical, major medical, prescription drug and basic life and accidental death. Underwriting and rate setting policies are established by PEIA. The cost of all coverage as determined by PEIA shall be paid by the participants. Premiums are established by PEIA and are paid monthly, and are dependent upon, among other things, coverage required, number of dependents, state vs. non state employees and active employees vs. retired employees and level of compensation. Coverage under these programs is limited to \$1 million lifetime for health and \$10,000 of life insurance coverage.

The PEIA risk pool retains all risks for the health and prescription features of its indemnity plan. PEIA has fully transferred the risks of coverage to the Managed Care Organization (MCO) Plan to the plan provider, and has transferred the risks of the life insurance coverage to a third party insurer. PEIA presently charges equivalent premiums for participants in either the indemnity plan or the MCO Plan. Altogether, PEIA insures approximately 205,000 individuals, including participants and dependents.

BOARD OF RISK AND INSURANCE MANAGEMENT (BRIM)

The Lottery participates in the West Virginia Board of Risk and Insurance Management (BRIM), a common risk pool currently operating as a common risk management and insurance program for all State agencies, component units, and other local governmental agencies who wish to participate. The Lottery pays an annual premium to BRIM for its general insurance coverage. Fund underwriting and rate setting policies are established by BRIM. The cost of all coverage as determined by BRIM shall be

WEST VIRGINIA LOTTERY
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NOTE 12 - RISK MANAGEMENT (continued)

paid by the participants. The BRIM risk pool retains the risk of the first \$1 million per property event and purchases excess insurance on losses above that level. Excess coverage, through an outside insurer under this program is limited to \$200 million per event, subject to limits on certain property. BRIM has \$1 million per occurrence coverage maximum on all third-party liability claims.

NOTE 13 - NEW ACCOUNTING PRONOUNCEMENTS

The 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 Pensions" (OPEB). The State nor the Lottery has 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 State will implement financial reporting requirements for OPEB "substantive plans" under GASB Statement No. 43; beginning with 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 Legislature in response to the 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 Lottery 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 healthcare 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 Lottery expects to remit the annual required contribution 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

WEST VIRGINIA LOTTERY
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NOTE 13 - NEW ACCOUNTING PRONOUNCEMENTS (continued)

statements, and significant methods and assumptions used to determine termination benefit liabilities. The requirements of this Statement are effective in two parts. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this Statement should be implemented simultaneously with the requirements of Statement 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 impact of this statement on these financial statements is not expected to have a material effect.

The Governmental Accounting Standards Board (GASB) issued Statement No. 50, Pension Disclosures, an amendment of GASB Statements No. 25 and No. 27, in 2007. This Statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 27, Accounting for Pensions by State and Local Governmental Employers, to conform with requirements of Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. This Statement is effective for periods beginning after June 15, 2007, and management has not yet determined what impact, if any, it will have on the financial statements.

NOTE 14 - COMMITMENTS

The Lottery has set aside funds as Unrestricted net assets for the acquisition of future assets. During FY2007 the lottery set aside \$12.622M for this purpose.

NOTE 15 - TABLE GAMES

Table Games legislation passed in 2007 per House Bill 2718. Table games include blackjack, roulette, craps, and various types of poker. Each racetrack licensee is subject to a privilege tax of thirty five percent (35%) of adjusted gross receipts which will be deposited weekly into the Racetrack Table Games Fund.

From the gross amounts deposited into the Racetrack Table Games Fund, the Commission, on a monthly basis shall:

Retain 3% of the adjusted gross receipts for administrative expenses of which at least \$100,000 and not more than \$500,000 annually will be transferred to the Compulsive Gambling Treatment Fund. Transfer two and one-half percent of adjusted gross receipts from all thoroughbred racetracks with West Virginia Lottery table games to the special funds established by each thoroughbred racetrack table games licensee for the payment of regular racetrack purses to be divided equally among each licensee and transfer two

WEST VIRGINIA LOTTERY
 NOTES TO FINANCIAL STATEMENTS
 -Unaudited-

NOTE 15 – TABLE GAMES (continued)

and one-half percent of adjusted gross receipts from all greyhound racetracks with West Virginia Lottery table games to the special funds established by each greyhound racetrack table games licensee for the payment of regular racetrack purses to be divided equally among each licensee. Transfer two percent of the adjusted gross receipts from all licensed racetracks to the Thoroughbred Development Fund and the Greyhound Breeding Development Fund to be divided pro rata among the development funds. Transfer one percent of the adjusted gross receipts from each licensed racetrack to the county commissions of the counties where racetracks with West Virginia Lottery table games are located to be divided pro rata among the counties. Transfer two percent of the adjusted gross receipts from each licensed racetrack to the governing bodies of municipalities within counties where racetracks with West Virginia Lottery table games are located as prescribed by statute. And transfer one-half of one percent of the adjusted gross receipts to the governing bodies of municipalities in which a racetrack table games licensee is located to be divided equally among the municipalities.

The Commission will distribute the remaining 24%, hereinafter referred to as the net amounts in the Racetrack Table Games Funds as follows:

- 1) Transfer four percent into a special fund to be established by the Racing Commission to be used for payment into the pension plan for all employees of each licensed racing association;
- 2) Transfer ten percent, to be divided and paid in equal shares, to each county commission in the state where table games are not located;
- 3) Transfer ten percent, to be divided and paid in equal shares, to the governing bodies of each municipality in the state where table games are not located; and
- 4) Transfer seventy-six percent to the State Debt Reduction Fund.

The funds transferred to the State Debt Reduction Fund are included in Note 8-Nonoperating Distributions to the State of West Virginia. The table games adjusted gross receipts for the month and year-to-date periods ended October 31, 2007 was \$536 thousand. The following table shows the month and year -to- date totals of the privilege tax and the related distributions (in thousands):

	<u>Month</u>	<u>YTD</u>
Table Games Privilege Tax	\$ 188	\$ 188
Administrative Costs	(16)	(16)
Total Available for Distribution	<u>172</u>	<u>172</u>
<u>Less Distributions:</u>		
Racetrack Purse Funds	13	13
Thoroughbred & Greyhound Development Funds	11	11
Racing Commission Pension Plan	5	5
Municipalities/Counties	<u>45</u>	<u>45</u>
Total Distributions	74	74
State Debt Reduction Fund	<u>\$ 98</u>	<u>\$ 98</u>

WEST VIRGINIA LEGISLATURE
Office of the Legislative Auditor

Budget Division
Building 1, Room 332-West Wing
1900 Kanawha Blvd. East
Charleston, WV 25305-0590



304-347-4870

Memorandum

To: Honorable Senate President Tomblin
Honorable House of Delegates Speaker Thompson
Honorable Members of the Joint Committee on Government and
Finance

From: Ellen Clark, C.P.A. *EC*
Director Budget Division
Legislative Auditor's Office

Date: December 5, 2007

Re: Status of General Revenue Fund November 30, 2007

We have reviewed the cash revenue flows of the West Virginia general revenue fund for the months of July - November of fiscal year 2007-2008. The status of the fund collections are as follows:

The net collections were **102.94%** of the estimate for the fiscal year. **The amount ABOVE estimate was \$ 43.2 million for the year.**

Corporate income/business franchise tax was \$16 million above the estimate.

Severance tax was \$ 9.6 million above the estimate as of November 30, 2007.

Personal Income Tax collections were \$ 28 million above the estimate as if November 30, 2007.

Joint Committee on Government and Finance

State Road Fund

The state road fund was collected at 104.94% of the estimate for the months of July - November 2007. The entire fund was \$ 13.5 million above the estimate for the year.

Rainy Day and Personal Income Tax Reserve

Revenue Shortfall Reserve Fund A(Rainy Day Fund) had a cash balance of \$ \$295,150,118.06 as of November 30, 2007.

Balance July 1, 2007	235,075,887.42
Cash flow loan to General Revenue on July 3, 2007 To be repaid 90 days. This is a normal occurrence in July due to cash flow demands; was repaid in September.	- 56,000,000.00 +56,000,000.00
Revenues July 1, 2006-June 30,2007 (Surplus from FY 2007 to be transferred in August 2007.)	53,363,287.82
Earnings	6,710,942.82
Balance November 30, 2007	295,150,118.06

Revenue Shortfall Reserve Fund B (Tobacco Settlement Monies) had a cash balance of \$ 292,715,238.49 as of November 30, 2007.

Balance July 1, 2007	279,869,087.79
Earnings	12,846,150.70
Balance November 30, 2007	292,715,238.49

The Special Income Tax Reserve Fund had a cash balance of \$45,019,318.96 as of November 30, 2007.

Balance July 1, 2007	45,019,318.96
Revenues July 2007-June 2008	-0-
Balance November 30, 2007	45,019,318.96

GENERAL REVENUE FUND FY 2007-2008

Monthly Revenue Estimates July 2007
as of November 29, 2007, WVFIMS

SOURCE OF REVENUE	MONTH ESTIMATES	NET MONTH COLLECTIONS	FINAL	YTD ESTIMATES	NET YTD COLLECTIONS	YEARLY
			MONTHLY OVER/ UNDER ESTIMATES VS ACTUAL COLLECTIONS			OVER/UNDER ESTIMATES VS ACTUAL YTD COLLECTIONS
Personal Income Tax	85,500,000	82,228,975	-3,271,025	521,900,000	549,977,942	28,077,942
Consumer Sales Tax	87,000,000	75,034,947	-11,965,053	441,300,000	422,706,416	-18,593,584
Severance Tax	29,500,000	26,121,455	-3,378,545	118,200,000	127,897,836	9,697,836
Corp Income /Business Franchise	2,700,000	-10,258,324	-12,958,324	98,700,000	115,322,693	16,622,693
Business and Occupation	12,100,000	11,624,547	-475,453	58,700,000	61,438,323	2,738,323
Use Tax	9,800,000	9,178,998	-621,002	57,300,000	54,456,187	-2,843,813
Insurance Tax	700,000	645,413	-54,587	53,500,000	49,363,029	-4,136,971
Cigarette Tax	9,800,000	9,044,597	-755,403	46,900,000	45,650,027	-1,349,973
HB 102 - Lottery Transfers	24,600,000	22,919,561	-1,680,439	29,600,000	35,521,222	5,921,222
Interest Income	4,000,000	3,257,259	-742,741	19,000,000	23,140,033	4,140,033
Property Transfer Tax	1,090,000	1,067,174	-22,826	5,880,000	5,689,272	-190,728
Liquor Profit Transfers	2,600,000	2,617,000	17,000	5,540,000	5,837,798	297,798
Departmental Collections	800,000	1,387,564	587,564	4,100,000	5,370,360	1,270,360
Beer Tax and Licenses	590,000	590,294	294	3,480,000	3,520,734	40,734
Charter Tax	410,000	372,376	-37,624	3,280,000	3,159,744	-120,256
Property Tax	330,000	353,608	23,608	2,770,000	3,013,464	243,464
Smokeless Tobacco Tax	450,000	612,795	162,795	2,160,000	2,404,366	244,366
Miscellaneous Receipts	90,000	112,594	22,594	610,000	466,478	-143,522
Business Franchise Fees	30,000	24,306	-5,694	530,000	1,015,654	485,654
Miscellaneous Transfers	100,000	0	-100,000	400,000	991,093	591,093
Racing Fees	300,000	0	-300,000	300,000	140,000	-160,000
Senior Citizen Tax Credit Reimb.	0	0	0	230,000	0	-230,000
Telecommunications Tax	0	29,476	0	0	144,648	144,648
Estate and Inheritance Tax	0	0	0	0	29,869	29,869
Refundable Credit Reim LTY	0	149,793	149,793	0	307,158	307,158
Video Lottery Transfers	0	36,187	36,187	0	192,062	192,062
Special Revenue Transfer	0	0	0	0	0	0
Cash Flow Transfer	0	0	0	0	0	0
TOTALS	272,490,000	237,150,596	-35,339,404	1,474,380,000	1,517,656,408	43,276,408
Minus Cash Flow Transfer	0	0	0	0	0	0
Percent of Estimates		87.03%			102.94%	
TOTALS	272,490,000	237,150,596	-35,339,404	1,474,380,000	1,517,656,408	43,276,408
Collections this day		29,233,097				

Prepared by Legislative Auditor's Office, Budget Division

STATE ROAD FUND
STATE ROAD FUND FY 2007-2008
Monthly Estimates July 2007
as of November 30, 2007 WVFIMS

FINAL

SOURCE OF REVENUE	MONTH ESTIMATES	NET MONTH COLLECTIONS	MONTHLY OVER/ UNDER ESTIMATES VS ACTUAL COLLECTIONS	YTD ESTIMATES	NET YTD COLLECTIONS	YEARLY OVER/UNDER ESTIMATES VS ACTUAL YTD COLLECTIONS
Gasoline & Motor Carrier Rd Tax	26,300,000	33,090,993	6,790,993	167,300,000	178,094,576	10,794,576
Privilege Tax	11,088,000	12,334,370	1,246,370	74,071,000	76,227,342	2,156,342
Licenses & Registration	4,704,000	4,715,778	11,778	32,434,000	32,952,221	518,221
Highway Litter Control	89,000	180,026	91,026	614,000	711,265	97,265
TOTALS	42,181,000	50,321,168	8,140,168	274,419,000	287,985,404	13,566,404
Percent of Estimates		119.30%			104.94%	
Collections this day		20,158,586				

REVENUE SHORTFALL RESERVE FUND A as of November 1, 2007: \$290,832,450.57

REVENUE SHORTFALL RESERVE FUND B as of November 1, 2007 : \$286,823,013.27

SPECIAL INCOME TAX REFUND RESERVE FUND as of November 1, 2007: \$45,019,318.96

WEST VIRGINIA LEGISLATURE
Office of the Legislative Auditor

Budget Division
Building 1, Room 332-West Wing
1900 Kanawha Blvd. East
Charleston, WV 25305-0590



304-347-4870

To: Honorable Senate President Tomblin
Honorable House of Delegates Speaker Thompson
Honorable Members of the Joint Committee on Government
and Finance

From: Ellen Clark, C.P.A. *EC*
Director Budget Division
Legislative Auditor's Office

Date: December 5, 2007

Re: West Virginia Unemployment Compensation Trust Fund

We have reviewed the September 2007 monthly report of the Unemployment Compensation Trust Fund we received from WorkForce West Virginia. September is the end of the first quarter of fiscal year 2007-2008.

For the fiscal year 2007-2008, the trust fund cash flow was as follows:

Trust Fund Beginning Cash Balance 7-1-2007	\$257,112,738.68
Receipts July 1, 2007 thru June 30, 2008	\$34,511,262.95
Disbursements July 1, 2007 thru June 30, 2008	\$33,900,901.22
Balance September 30, 2007	\$257,723,100.41

ITEMS OF NOTE:

Regular benefits paid for July - September 2007 were \$2.3 million more than in July - September 2006. Total disbursements were

Joint Committee on Government and Finance

\$ 2.1 million more than in July - September 2006.

Receipts were \$ 2.1 million less than in July - September 2006. Overall ending trust fund balance was \$ 7.8 million more as of September 30, 2007 than on September 30, 2006.

West Virginia's unemployment rate for the month of September 2007 was 4.0 percent. National unadjusted employment rate was 4.5 %.

Seasonally adjusted unemployment rates were 4.8 percent for West Virginia and 4.7 percent nationally.

Since September 2006 employment has risen 2,900 with gains in the following areas: 1,200 in trade, transportation and utilities, 900 in leisure and hospitality, 1,300 in professional and business services, 400 in other services, 800 in natural resources and mining, 1,000 in construction, 200 in educational and health services and 200 in information. Declines included 1,600 in manufacturing, and 1,500 in government.

**MONTHLY STATUS REPORT FOR THE JOINT COMMITTEE ON GOVERNMENT AND FINANCE
FOR THREE MONTHS STARTING JULY 2006 AND JULY 2007**

	<u>JULY 06</u>	<u>AUGUST 06</u>	<u>SEPTEMBER 06</u>	<u>JULY 07</u>	<u>AUGUST 07</u>	<u>SEPTEMBER 07</u>	<u>THREE MONTH TOTAL VARIANCE *</u>
Balance Forward	<u>244,918,539.17</u>	<u>244,792,010.38</u>	<u>254,864,472.92</u>	<u>267,112,738.88</u>	<u>266,952,769.62</u>	<u>262,831,539.34</u>	<u>32,322,015.16</u>
Add Receipts:							
1. Bond Assessment	\$578.30	\$718.40	\$0.00	0.00	0.00	0.00	(1,296.70)
2. Regular Contributions:	\$11,586,993.47	\$20,647,745.20	\$700,277.52	12,672,078.88	18,126,509.57	553,668.83	(1,582,758.91)
3. Extended Benefit Funds	\$0.00	\$0.00	\$0.00	0.00	0.00	0.00	0.00
4. Emergency Unemployment Funds	\$0.00	\$0.00	\$0.00	0.00	0.00	0.00	0.00
5. TEUC Unemployment Funds	\$0.00	\$0.00	\$0.00	0.00	0.00	0.00	0.00
6. UCFE (Federal Agencies)	\$50,000.00	\$100,000.00	\$0.00	0.00	0.00	0.00	(150,000.00)
7. Reduced Tax Credits	\$0.00	\$28,787.01	\$0.00	0.00	0.00	0.00	(28,787.01)
8. Reed Act Funds	\$0.00	\$0.00	\$314,783.48	0.00	0.00	301,800.21	(12,983.27)
9. Treasury Interest Credits	\$0.00	\$0.00	\$2,605,553.58	0.00	0.00	2,857,205.46	251,651.88
10. UCX (Military Agencies)	\$150,000.00	\$500,000.00	\$0.00	0.00	0.00	0.00	(650,000.00)
Total Monthly Receipts	<u>\$11,787,571.77</u>	<u>\$21,276,250.61</u>	<u>\$3,620,614.58</u>	<u>12,672,078.88</u>	<u>18,126,509.57</u>	<u>3,712,674.50</u>	<u>(2,175,174.01)</u>
Less Disbursements:							
Debt Bond Repayment	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	NA
Regular Benefits:	\$11,459,232.88	\$10,879,428.76	\$8,334,741.46	12,515,694.69	11,963,705.41	8,543,195.18	2,349,192.38
Extended Benefits	\$0.00	\$0.00	\$0.00	0.00	0.00	0.00	0.00
Emergency Benefits	\$0.00	(\$1,890.00)	(\$1,145.00)	(5,704.00)	(560.00)	(720.00)	(4,149.00)
UCFE (Federal Workers)Benefits	\$88,675.70	\$68,084.66	\$68,084.66	68,445.47	64,659.04	72,253.25	(19,487.26)
UCX (Military Workers)Benefits	\$366,192.18	\$259,964.65	\$259,964.65	253,621.78	219,925.40	206,385.00	(206,189.30)
Reed Act Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Adjustments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Monthly Disbursements	<u>11,914,100.56</u>	<u>11,205,788.07</u>	<u>8,661,645.77</u>	<u>12,832,057.94</u>	<u>12,247,729.85</u>	<u>8,821,113.43</u>	<u>2,119,366.82</u>
Trust Fund Balance	<u>244,792,010.38</u>	<u>254,864,472.92</u>	<u>249,823,441.73</u>	<u>266,952,769.62</u>	<u>262,831,539.34</u>	<u>267,723,100.41</u>	<u>28,027,474.33</u>



Financials

AUGUST 2007

State of West Virginia
Public Employees Insurance Agency
Balance Sheets

August 31, 2007 and 2006
Accrual Basis
(Unaudited-For Internal Use Only)

DRAFT

	August 2007	August 2006	Increase <Decrease>
Assets			
Cash and cash equivalents	\$ 179,836,098	\$ 105,703,709	\$ 74,132,389
Deposits with third-party administrators	1,275,430	820,472	454,958
Premium accounts receivable-net of allowance for doubtful accounts	18,521,410	33,657,643	(15,136,233)
Other accounts receivable	1,524,397	12,930,773	(11,406,376)
Total current assets	201,157,335	153,112,597	48,044,738
Investments	171,017,395	159,262,610	11,754,785
Furniture and equipment, net of accumulated depreciation	678,374	206,326	472,048
Restricted cash-premium stabilization life insurance	3,942,968	3,942,754	214
Restricted cash-new computer system		3,833,000	(3,833,000)
Total assets	\$ 376,796,072	\$ 320,357,287	\$ 56,438,785
Liabilities and Retained Earnings			
Claims payable	\$ 37,490,000	\$ 49,450,000	\$ (11,960,000)
Current claims payable	8,097,843	3,734,153	4,363,690
Unearned revenue	6,754,194	10,115,080	(3,360,886)
Accounts payable	13,958,921	10,365,619	3,593,302
Other accrued liabilities	1,184,467	1,172,634	11,833
Due to over-reserve fund	130,872,872	20,406,157	110,466,715
Total liabilities	198,358,297	95,243,643	103,114,654
Retained earnings	178,437,775	225,113,644	(46,675,869)
Total liabilities and retained earnings	\$ 376,796,072	\$ 320,357,287	\$ 56,438,785

NOTE: August 2006 includes PEIA and RHBT balances.
For internal use only. See financial comments.
Prepared December 5, 2007

NOTE

State of West Virginia
Public Employees Insurance Agency
Statements of Revenues, Expenses and
Changes in Retained Earnings (continued)
August 31, 2007 and 2006
Accrual Basis
(Unaudited-For Internal Use Only)

DRAFT

	Budgeted Two Month Ended 31-Aug-07	Actual Two Month Ended 31-Aug-07	Budget Variance Percent	Actual Two Month Ended 31-Aug-06	This Year vs Last Year Increase <Decrease>	This Year vs Last Year Variance Percent
Operating Revenue						
Premiums						
Employer Premiums-State	\$ 47,586,684	\$ 47,459,562	-0.27%	\$ 68,275,008	\$ (20,815,446)	-30.49%
Employee Premiums-State	12,592,737	12,470,781	-0.97%	16,084,124	(3,613,343)	-22.47%
Local Premiums	8,340,280	8,555,964	2.59%	12,019,465	(3,463,501)	-28.82%
Retiree Premiums	-	-	N/A	10,621,471	(10,621,471)	-100.00%
Basic Life Insurance	1,071,827	1,033,962	-3.53%	1,018,132	15,830	1.55%
Other Premiums and Adjustments	245,142	179,995	-26.58%	226,151	(46,156)	-20.41%
Medicare Part D	-	-	N/A	3,300,000	-	0.00%
Total Premiums	69,836,670	69,700,264	-0.20%	111,544,351	(41,844,087)	-37.51%
Less:						
Payments to managed care organizations	(9,375,527)	(9,071,964)	-3.24%	(9,465,223)	393,259	-4.15%
Life insurance premiums-basic	(1,071,827)	(1,033,943)	-3.53%	(1,018,124)	(15,819)	1.55%
Net premium revenue	59,389,316	59,594,357	0.35%	101,061,004	(41,466,647)	-41.03%
Administrative fees, net of refunds	720,115	711,820	-1.15%	971,174	(259,354)	-26.71%
Net operating revenue	60,109,431	60,306,177	0.33%	102,032,178	(41,726,001)	-40.89%
Operating Expenses						
Claims expense-medical	40,038,386	44,030,660	9.97%	52,720,613	(8,689,953)	-16.48%
Claims expense-drugs	13,526,203	11,139,859	-17.64%	25,961,241	(14,821,382)	-57.09%
Administrative service fees	2,120,667	2,088,291	-1.53%	2,739,659	(651,368)	-23.78%
Wellness and disease management	316,667	306,906	-3.08%	302,262	4,644	1.54%
Other operating expenses	1,016,750	809,868	-20.35%	1,335,212	(525,344)	-39.35%
Total operating expense	57,018,672	58,375,584	2.38%	83,058,987	(24,683,403)	-29.72%
Operating surplus	3,090,758	1,930,593	-37.54%	18,973,191	(17,042,598)	-89.82%

State of West Virginia
Public Employees Insurance Agency
Statements of Revenues, Expenses and
Changes in Retained Earnings (continued)

August 31, 2007 and 2006

Accrual Basis
(Unaudited-For Internal Use Only)

DRAFT

	Budgeted Two Month Ended 31-Aug-07	Actual Two Month Ended 31-Aug-07	Budget Variance Percent	Actual Two Month Ended 31-Aug-06	This Year vs Last Year Increase <Decrease>	This Year vs Last Year Variance Percent
Nonoperating Revenues and Transfers						
Interest and investment income	2,678,726	2,432,613	-9.19%	5,538,268	(3,105,655)	-56.08%
Transfer in			N/A	1,116,000	(1,116,000)	-100.00%
Total nonoperating revenues and transfers	2,678,726	2,432,613	-9.19%	6,654,268	(4,221,655)	-63.44%
Net Surplus	\$ 5,769,484	4,363,206	-24.37%	25,627,459	(21,264,253)	-82.97%
Retained Earnings, beginning of period		174,074,569		199,486,185	(25,411,616)	
Retained Earnings, end of period		\$ 178,437,775		\$ 225,113,644	\$ (46,675,869)	

NOTE: August 2006 Includes PEIA and RHBT balances.
For internal use only. See financial comments.
Prepared December 5, 2007

NOTE

State of West Virginia
Public Employees Insurance Agency
Financial Comments
Year to Date August 31, 2007 and 2006
Accrual Basis
(Unaudited-For Internal Use Only)

DRAFT

Amounts indicated in the attached financial statements for August 2006 include the accounts of the West Virginia Public Insurance Agency (PEIA) and the West Virginia Retiree Health Benefit Trust Fund (RHBT). Amounts for August 2007 are PEIA only.

Amounts reported in the Budgeted Column in the attached Statements of Revenues, Expenses, and Changes in Retained Earnings represent a one twelfth per month recognition of the annual budget except for claims expenses, which are based on the same month from the prior year.

PEIA's consulting actuaries have prepared an updated Actuarial Baseline Forecast dated June 28, 2007 which indicates a surplus of \$13,531,779 for Plan Year 2008. The Budget Column indicated in these reports has been adjusted to reflect this update.

Medical claims retrospective review of the August 2007 IBNR indicates that the the estimate was overstated by \$2.2 million. Allowing for this overstatement medical claims expense the adjusted year to date expense would have been \$41,830,660 or 4.51% over budget. (Retrospective through October 2007 claims payments)

State of West Virginia
 WV Retiree Health Benefit Trust Fund
 Statement of Plan Net Assets
 August 31, 2007
 Accrual Basis
 (Unaudited-For Internal Use Only)

DRAFT

Assets	August <u>2007</u>
Cash and cash equivalents	\$ 1,707,131
Due from WV PEIA	130,872,872
Premium accounts receivable-net of \$1,300,000 allowance for doubtful accounts:	
Employers	4,497,755
Plan members	2,620,981
Accounts receivable	
Annual required contributions	11,098,657
Transfer due from State	6,612,334
Prescription rebates	674,357
Retiree drug subsidy	1,622,383
Other receivables	<u>12,859</u>
Total assets	159,719,329
Liabilities	
Claims payable	8,790,000
MAPD payable	4,341,920
Accounts payable	25,000
Total liabilities	<u><u>13,156,920</u></u>
Net assets held in trust for postemployment benefits	<u><u>\$ 146,562,410</u></u>

For internal use only. See financial comments.
 Prepared December 5, 2007

State of West Virginia
WV Retiree Health Benefit Trust Fund
Statement of Changes in Plan Net Assets
Year-to-Date August 31, 2007
Accrual Basis
(Unaudited-For Internal Use Only)

DRAFT

	Budgeted	Actual	Budget Variance Dollars	Budget Variance Percent
Additions				
Employer Contributions:				
Health premiums	\$ 3,885,543	\$ 3,923,368	\$ 37,825	0.97%
Pay as you go premiums	18,214,257	17,378,357	(835,900)	-4.59%
Accrued actuarial liability funding	6,460,288	6,457,278	(3,010)	-0.05%
Annual required contributions	11,220,000	11,103,871	(116,129)	-1.04%
PEIA overreserve transfer	110,442,850	108,167,017	(2,275,833)	-2.06%
State of WV transfer	6,612,333	6,612,334	1	0.00%
Total Employer Contributions	156,835,272	153,642,224	(3,193,047)	-2.04%
Member Contributions:				
Health premiums	6,219,901	6,134,980	(84,921)	-1.37%
Pay as you go premiums	3,520,403	4,344,589	824,186	23.41%
Total Employee Contributions	9,740,304	10,479,569	739,265	7.59%
Total contributions	166,575,576	164,121,794	(2,453,782)	-1.47%
Other additions:				
Investment Interest	179,379	51,834	(127,546)	-71.10%
Total additions	166,754,955	164,173,627	(2,581,328)	-1.55%
Deductions				
Payments to managed care organizations	10,202,429	9,577,684	(624,744)	-6.12%
Claims expense-medical	8,118,563	7,667,397	(451,166)	-5.56%
Claims expense-drugs	3,296,228	2,770,167	(526,061)	-15.96%
Administrative service fees	775,258	268,828	(506,430)	-65.32%
Other operating expenses	477,178	494,091	16,913	3.54%
Total deductions	22,869,656	20,778,167	(2,091,489)	-9.15%
Net Increase	143,885,299	143,395,460	(489,839)	-0.34%
Net assets held in trust for post employment benefits				
Beginning of period	3,166,950	3,166,950	-	0.00%
End of period	\$ 147,052,249	\$ 146,562,410	\$ (489,839)	-0.33%

For internal use only. See financial comments.
Prepared December 5, 2007

State of West Virginia
WV Retiree Health Benefit Trust Fund
Financial Comments

DRAFT

Year-to-Date August 31, 2007
Accrual Basis

(Unaudited-For Internal Use Only)

Amounts reported in the Budgeted Column of the attached Statement of Changes in Plan Net Assets represent a one twelfth per month recognition, except for the PEIA over reserve transfer of the annual budget for Plan Year End June 30, 2008. A seasonal claims budget is not yet available. The consulting actuaries have prepared an updated Actuarial Baseline Forecast dated June 25, 2007 which has been used as a basis for the budgeted amounts.

Employer health premiums represent amounts paid for retirees primarily due to the months' credit programs provided by the various Plan Employers.

Employer pay as you go premiums represent the retiree subsidy which is included in the active policyholder premium to the extent that it is paid by the Employer.

Employer accrued actuarial liability fund are funds that are included in the active policyholder premium to the extent that it has been committed to fund the liability.

Employer Annual Required Contribution (ARC) represent amounts that must be contributed in a given year to fully fund the trust as determined by the actuarial valuation. This amount has been billed to the respective Employers year-to-date and is computed as a monthly rate per active employee of \$91.54 for State Employers and \$144.48 for Local Employers.

Employer PEIA over reserve transfer is a transfer of excessive reserves of PEIA which have accumulated through June 30, 2007, as directed by State Code. The full amount due for Plan Year 2008 is reflected in the July 2007 financial statements. These funds were designated to reduce current year ARC.

State of West Virginia transfer are funds that have been set aside in the Fiscal Year 2008 State Budget to help fund the ARC for State Employers.

Member health premiums represent health premiums that have been billed to members who participate in the PEIA PPB, MCO and MAPD Plans. These amounts are net of Employer contributions for those retirees who participate in the months' credit program.

Member pay as you go premiums represent the retiree subsidy which is included in the active policyholder premium to the extent that it is paid by the policyholder.



*Prescription
Drug Report*

OCTOBER 2007

WV PEIA - Monthly Trend

Plan Demographics	Jul-07	Aug-07	Sep-07	Oct-07	2007 - 2008 Fiscal	2006 - 2007 Fiscal	% Change
Total Drug Cost	\$10,962,144	\$12,275,556	\$11,758,085	\$12,970,510	\$47,966,294	\$49,456,038	-3.01%
Amount Paid By Plan Sponsor	\$6,216,161	\$8,940,158	\$8,980,429	\$10,216,145	\$34,352,892	\$36,473,454	-5.81%
Amount Paid By Members	\$4,745,983	\$3,335,398	\$2,777,656	\$2,754,365	\$13,613,402	\$12,982,584	4.86%
Total Claims	173,439	189,265	186,181	203,394	752,279	732,828	2.65%
Average Eligible Member	153,233	153,346	153,830	155,178	153,897	155,486	-1.02%
Average # of Rx's Per Member Per Month	1.13	1.23	1.21	1.31	1.22	1	3.72%
Plan Paid Per Member Per Month (PMPM)	\$40.57	\$58.30	\$58.38	\$65.84	\$55.81	\$58.64	-4.84%
Average Eligible Enrollees	71,040	71,016	71,168	71,701	71,231	72,585	-1.87%
Average # of Rx's Per Enrollee Per Month	2.44	2.67	2.62	2.84	2.64	2.52	4.61%
Plan Paid Per Enrollee Per Month (PEPM)	\$87.50	\$125.89	\$126.19	\$142.48	\$120.57	\$125.62	-4.02%
Rx Cost Share							
Avg. Claim Cost to Plan	\$35.84	\$47.24	\$48.23	\$50.23	\$45.67	\$49.77	-8.25%
Avg. Member Cost/Claim	\$27.36	\$17.62	\$14.92	\$13.54	\$18.10	\$17.72	2.15%
Percent member Cost Share	43.3%	27.2%	23.6%	21.2%	28.4%	26.3%	8.12%
Average Ingredient Costs							
Single Source (no generics available)	\$148.01	\$153.40	\$152.30	\$156.26	\$152.60	\$132.19	15.44%
Multi-Source Brand (generics available)	\$36.90	\$35.77	\$35.98	\$41.98	\$37.73	\$38.90	-3.01%
Generic Drugs	\$19.58	\$20.42	\$20.65	\$20.54	\$20.32	\$24.87	-18.32%
Brand/Generic Dispensing Rates							
Single Source (no generics)	32.47%	32.00%	30.87%	30.4%	31.41%	37.53%	-16.31%
Multi-Source Brand % (generics available)	1.12%	1.06%	1.01%	1.0%	1.05%	1.21%	-13.28%
Generic Drug	66.41%	66.93%	68.12%	68.5%	67.54%	61.26%	10.25%
Generics Dispensed when available	98.35%	98.44%	98.54%	98.5%	98.47%	98.06%	0.42%
Percent of Plan Cost for Single Source	86.12%	82.08%	79.75%	79.2%	81.34%	78.10%	4.14%
Retail Pharmacy Program							
Avg. Day Supply	32.4	33.1	32.4	32.1	32.5	32.20	0.90%
Avg. Plan Cost/Day Supply	\$1.09	\$1.41	\$1.48	\$1.55	\$1.39	\$1.52	-8.68%
Avg. Claim Cost to Plan	\$35.44	\$46.74	\$47.81	\$49.70	\$45.20	\$49.04	-7.84%
Avg. Member Cost / Claim	\$27.21	\$17.47	\$14.82	\$13.45	\$17.97	\$17.92	0.29%
Percent Member Cost Share	43.43%	27.21%	23.67%	21.3%	28.45%	26.79%	6.20%
Special Maint Netwk (% of claims filled)	10.98%	11.87%	11.63%	11.4%	11.49%	11.10%	3.53%
Other Maint (% of claims filled)	0.59%	0.64%	0.56%	0.6%	0.59%	1.27%	-53.64%
Avg. Days Supply for Maint. Netwks	87.6	87.6	87.7	87.6	87.6	87.6	-0.06%
Total # Claims Fills 1-34 Days Supply	150,820	162,807	160,928	176,520	651,075	636,244	2.33%
Total # Claims Fills 35-60 Day Supply	1,150	1,353	1,207	1,397	5,107	5,017	1.79%
Total # Claims Fills 61-90 Day Supply	19,882	23,252	22,417	23,624	89,175	84,793	5.17%
Total # Claims Fills 91+ Day Supply	7	11	6	4	28	133	-78.95%
Mail Service Program							
Avg. Days Supply	71.0	72.0	70.8	72.0	71.5	72	-1.08%
Avg. Plan Cost/Days Supply	\$1.13	\$1.36	\$1.36	\$1.50	\$1.34	\$1.30	3.08%
Avg. Cost to Plan	\$79.94	\$97.90	\$96.21	\$107.88	\$96.01	\$94.13	2.00%
Avg. Member Cost/Claim	\$44.20	\$32.72	\$25.81	\$23.36	\$31.22	\$29.13	7.14%
Percent Member Cost Share	35.60%	25.05%	21.16%	17.8%	24.54%	23.7%	3.66%
Total # Claims Fill 1-34 Days Supply	510	553	524	559	2,146	1,983	8.22%
Total # Claims Fills 35-60 Days Supply	2	5	3	5	15	17	-11.76%
Total # Claims Fills 61-90 Days Supply	1,068	1,284	1,096	1,285	4,733	4,641	1.98%
Total # Claims Fills 91+ Day Supply	0	0	0	0	-	-	-
Formulary Program							
S/S Formulary Drugs (% by claim)	23.70%	23.51%	22.85%	22.7%	23.18%	24.97%	-7.15%
S/S Non-Formulary Drugs (% by claim)	8.77%	8.49%	8.02%	7.7%	8.22%	12.56%	-34.52%
M/S Drugs (% by claim)	1.12%	1.08%	1.01%	1.0%	1.05%	1.21%	-13.28%
Generic Drugs (% by Claim)	66.41%	66.93%	68.12%	68.5%	67.54%	61.26%	10.25%
S/S Formulary Drugs (% by \$)	74.78%	70.13%	68.10%	68.1%	69.85%	60.85%	14.78%
s/s non-Formulary Drugs (% by \$)	11.34%	11.95%	11.64%	11.0%	11.49%	17.25%	-33.41%
M/S Drugs (% by \$)	0.28%	0.21%	0.21%	0.3%	0.26%	0.36%	-28.15%
Generic Drugs (% by \$)	13.61%	17.71%	20.04%	20.5%	18.41%	21.54%	-14.54%
Specialty Drugs							
Total Drug Cost	\$1,085,982	\$1,164,601	\$1,015,053	\$1,246,711	\$4,512,347	\$4,276,715	5.51%
Amount Paid by Plan Sponsor	\$1,030,966	\$1,127,423	\$985,618	\$1,212,112	\$4,356,119	\$4,095,210	6.37%
Amount Paid by Members	\$55,016	\$37,178	\$29,435	\$34,599	\$156,228	\$181,504	-13.93%
Total Claims	622	673	590	685	2,570	\$3,011	-14.65%
Avg # of Rx's per Member per Month	0.00	0.00	0.00	0.00	0.004	0	-13.77%
Plan Paid Per Member Per Month (PMPM)	\$6.73	\$7.35	\$6.41	\$7.81	\$7.08	\$6.58	7.47%
Avg Claim Cost to Plan	\$1,657.50	\$1,675.22	\$1,670.54	\$1,769.51	\$1,694.99	\$1,360.08	24.62%
Avg Claim Cost to Member	\$88.45	\$55.24	\$49.89	\$50.51	\$60.79	\$60.28	0.84%
Percent of Member Cost Share	5.07%	3.19%	2.90%	2.78%	3.46%	4.24%	-18.42%
Percent of Overall Drug Spend	9.91%	9.49%	8.63%	9.61%	9.41%	8.65%	8.79%

Utilization Report by Population Level
 Prescriptions Filled From 10/2007 - 10/2007
 WV Public Employees Ins - w/o AccessWV



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WV PUBLIC EMPLOYEES INSURANCE (WVA)

Reporting Level 1	Avg Mbr Count	Avg Util Mbr/Mnth	Rx Count	Plan Cost	Member Contr/Rx	Plan Cost/Rx	Mail % Rxs	Gen % Rxs	Form % Rxs	Gen Conv %	PMPM Plan Cost
STATE (1000)	134,027	61,147	176,635	\$8,961,586.24	\$13.56	\$50.74	0.9 %	68.1 %	90.5 %	98.5 %	\$66.86
NON STATE (2000)	20,782	9,036	26,409	\$1,209,322.93	\$12.96	\$45.79	0.8 %	71.0 %	91.9 %	99.0 %	\$58.19
COBRA (3000)	369	197	721	\$64,040.73	\$14.40	\$88.82	0.3 %	62.7 %	89.9 %	98.7 %	\$173.55
Grand Total	155,178		203,765	\$10,234,960	\$13.58	\$50.23	0.9 %	68.5 %	90.7 %	98.5 %	\$65.96



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**Utilization Report by Population Level
Prescriptions Filled From 10/2007 - 10/2007
WV Public Employees Ins - w/o AccessWV**

WV PUBLIC EMPLOYEES INSURANCE (WVA)

Reporting Level 2	Avg Mbr Count	Avg Util Mbr/Mnth	Rx Count	Plan Cost	Member Contr/Rx	Plan Cost/Rx	Mail % Rxs	Gen % Rxs	Form % Rxs	Gen Conv %	PMPM Plan Cost
STATE AGENCIES (01)	118,243	52,321	146,388	\$7,308,328.60	\$13.63	\$49.92	0.9 %	68.4 %	90.4 %	98.5 %	\$61.81
STATE RETIREES (07)	12,438	8,007	28,494	\$1,588,819.36	\$13.53	\$55.76	1.1 %	66.7 %	91.0 %	98.2 %	\$127.74
NON STATE AGENCIES (02)	17,703	7,664	22,207	\$1,035,013.21	\$12.81	\$46.61	0.8 %	70.6 %	91.7 %	98.9 %	\$58.47
NON STATE RETIREES (08)	856	556	2,137	\$104,426.93	\$11.61	\$48.87	1.3 %	70.8 %	93.2 %	99.1 %	\$121.99
NON STATE AGENCIES PLAN B (02B)	2,222	816	2,065	\$69,882.79	\$15.95	\$33.84	0.4 %	75.0 %	92.0 %	99.3 %	\$31.45
STATE AGENCIES (01B)	3,342	819	1,753	\$64,448.28	\$19.04	\$36.76	1.3 %	73.1 %	91.0 %	99.3 %	\$19.28
COBRA (COBRA)	369	197	721	\$64,040.73	\$14.40	\$88.82	0.3 %	62.7 %	89.9 %	98.7 %	\$173.55
NON STATE RETIREES 60 (0860)	1	NA	NA	\$0.00	NA	NA	NA	NA	NA	NA	NA
STATE RETIREES ASST 60 (0760)	4	NA	NA	\$0.00	NA	NA	NA	NA	NA	NA	NA
Grand Total	155,178		203,765	\$10,234,960	\$13.58	\$50.23	0.9 %	68.5 %	90.7 %	98.5 %	\$65.96



Key Performance Indicators
 Comprehensive Indicators

WV Public Employees Ins - w/o AccessWV

Current Period: 10/2007 - 10/2007
 Previous Period: 10/2006 - 10/2006

	Current Period	Previous Period	% Change
Overall Performance			
Plan Cost PMPM	\$65.96	\$91.30	-27.8 %
Average Mbrs/Month	155,178	188,420	-17.5 %
Average Subs/Month	71,701	97,008	-26.1 %
% Utilizing Members	45.4 %	51.1 %	-11.3 %
% Retail Utilizing Members	45.1 %	50.8 %	-11.3 %
% Mail Utilizing Members	0.6 %	0.7 %	-19.0 %
Rx Measures			
Rxs PMPM	1.31	1.66	-21.1 %
Retail Rxs PMPM	1.30	1.65	-21.0 %
Mail Rxs PMPM	0.01	0.02	-28.5 %
Average Admin Fee/Rx	\$0.00	\$0.01	-79.5 %
Avg Retail Admin Fee/Rx	\$0.00	\$0.01	-79.5 %
Avg Mail Admin Fee/Rx	\$0.00	\$0.00	0.0 %
Average Plan Cost/Rx	\$50.23	\$54.86	-8.4 %
Avg Retail Plan Cost/Rx	\$49.70	\$54.37	-8.6 %
Avg Mail Plan Cost/Rx	\$107.77	\$103.38	4.2 %
Average Mbr Contrib/Rx	\$13.58	\$12.79	6.2 %
Avg Retail Mbr Contrib/Rx	\$13.49	\$12.71	6.1 %
Avg Mail Mbr Contrib/Rx	\$23.38	\$20.07	16.5 %
Average Ing Cost/Rx	\$62.09	\$65.51	-5.2 %
Avg Retail Ing Cost/Rx	\$61.47	\$64.94	-5.3 %
Avg Mail Ing Cost/Rx	\$129.65	\$121.94	6.3 %
Average AWP/Rx	\$104.72	\$99.56	5.2 %
Avg Retail AWP/Rx	\$103.75	\$98.64	5.2 %
Avg Mail AWP/Rx	\$210.23	\$190.94	10.1 %
Average Days Supply/Rx	32.4	34.4	-5.7 %
Avg Retail Days/Rx	32.0	34.0	-5.7 %
Avg Mail Days/Rx	72.1	74.4	-3.2 %
Average Plan Cost/Day	\$1.55	\$1.60	-2.9 %
Avg Retail Plan Cost/Day	\$1.55	\$1.60	-3.1 %
Avg Mail Plan Cost/Day	\$1.50	\$1.39	7.7 %
% Plan Cost	78.7 %	81.1 %	-2.9 %
% Member Contribution	21.3 %	18.9 %	12.6 %
% Retail Plan Cost	78.7 %	81.0 %	-2.0 %
% Retail Mbr Contrib	21.3 %	19.0 %	12.6 %
% Mail Plan Cost	82.2 %	83.7 %	-1.9 %
% Mail Member Contrib	17.8 %	16.3 %	9.7 %



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Key Performance Indicators

Comprehensive Indicators

WV Public Employees Ins - w/o AccessWV

Current Period: 10/2007 - 10/2007
 Previous Period: 10/2006 - 10/2006

	Current Period	Previous Period	% Change
Rx Sources			
% Mail Rxs	0.9 %	1.0 %	-9.3 %
% Retail Rxs	99.1 %	98.9 %	0.2 %
% Member Submit Rxs	0.0 %	0.1 %	-81.2 %

Rx Types	Current Period	Previous Period	% Change
Avg SSB Plan Cost/Rx	\$130.52	\$111.29	17.3 %
Avg Retail SSB Plan Cost/Rx	\$129.63	\$110.49	17.3 %
Avg Mail SSB Plan Cost/Rx	\$206.61	\$178.85	15.5 %
Avg MSB Plan Cost/Rx	\$16.32	\$11.93	36.7 %
Avg Retail MSB Plan Cost/Rx	\$16.38	\$11.90	37.6 %
Avg Mail MSB Plan Cost/Rx	\$4.44	\$15.86	-72.0 %
Avg GEN Plan Cost/Rx	\$14.98	\$22.57	-33.6 %
Avg Retail GEN Plan Cost/Rx	\$14.74	\$22.34	-34.0 %
Avg Mail GEN Plan Cost/Rx	\$45.02	\$47.70	-5.6 %
% Single-Source Brand Rxs	30.5 %	36.5 %	-16.5 %
% Multi-Source Brand Rxs	1.0 %	1.2 %	-14.8 %
% Generic Rxs	68.5 %	62.3 %	10.0 %
% Retail Single-Source Brand	30.4 %	36.5 %	-16.6 %
% Retail Multi-Source Brand	1.0 %	1.2 %	-14.7 %
% Retail Generic	68.6 %	62.3 %	10.0 %
% Mail Single-Source Brand	39.0 %	42.7 %	-8.7 %
% Mail Multi-Source Brand	0.6 %	0.9 %	-35.6 %
% Mail Generic	60.4 %	56.4 %	7.1 %
% Formulary Rxs	90.7 %	85.9 %	5.5 %
% Retail Formulary Rxs	90.7 %	85.9 %	5.5 %
% Mail Formulary Rxs	90.0 %	85.9 %	4.8 %
% DAW Rxs	0.7 %	0.9 %	-23.5 %
% Retail DAW Rxs	0.7 %	0.9 %	-23.2 %
% Mail DAW Rxs	1.1 %	1.8 %	-37.5 %
% Generic Conversion	98.5 %	98.1 %	0.4 %
% Retail GEN Conversion	98.5 %	98.1 %	0.4 %
% Mail GEN Conversion	99.0 %	98.4 %	0.6 %
Period Totals			
Total Plan Cost	\$10,234,959.90	\$17,202,867.58	-40.5 %
Retail Plan Cost	\$10,035,906.95	\$16,878,773.50	-40.5 %
Mail Plan Cost	\$199,052.95	\$324,094.08	-38.6 %
Total Member Contribution	\$2,766,128.31	\$4,009,899.21	-31.0 %
Retail Member Contrib	\$2,722,940.19	\$3,946,984.63	-31.0 %



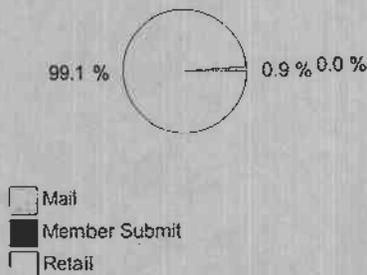
Key Performance Indicators
Comprehensive Indicators
WV Public Employees Ins - w/o AccessWV

Current Period: 10/2007 - 10/2007
Previous Period: 10/2006 - 10/2006

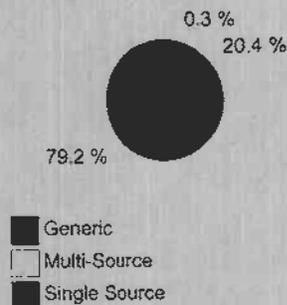
	Current Period	Previous Period	% Change
Mail Member Contrib	\$43,188.12	\$62,914.58	-31.4 %
Total Rx Count	203,765	313,580	-35.0 %
Retail Rx Count	201,889	310,208	-34.9 %
Member Submit Rxs	29	237	-87.8 %
Mail Rx Count	1,847	3,135	-41.1 %
Total Admin Fee	\$255.00	\$1,915.50	-86.7 %
Total UC Savings	\$8,094,176.34	\$10,309,423.23	-21.5 %
Total Lost Savings	\$10,521.00	\$20,060.04	-47.6 %
Demographics			
Average Age	38.7	45.3	-14.7 %
% Male Members	46.5 %	45.2 %	3.0 %
% Female Members	53.5 %	54.8 %	-2.4 %

Graphs based on Current Period: 10/2007 - 10/2007

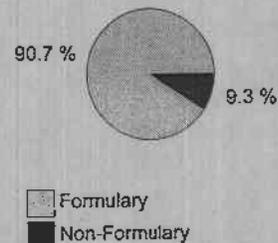
Claim Source by Rx Count



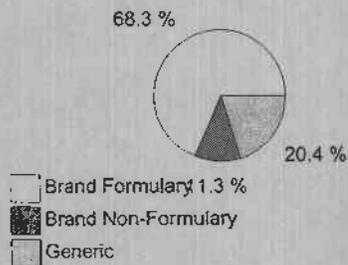
Drug Type by Plan Cost



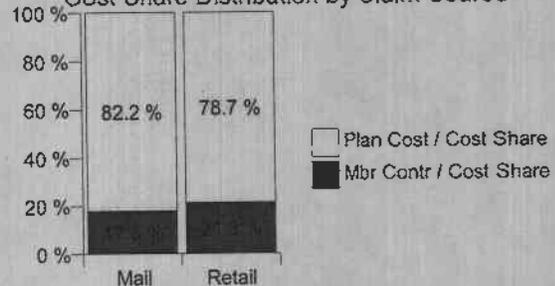
Formulary Status by Rx Count



Drug Formulary Status by Plan Cost



Cost Share Distribution by Claim Source



West Virginia Board of Risk and Insurance Management
UNAUDITED BALANCE SHEET



October 31

	2007	2006
ASSETS		
Short Term Assets		
Cash and Equivalents	\$ 26,504,288	\$ 25,216,370
Advance Deposit with Carrier/Trustee	132,105,345	102,772,516
Receivables - Net	10,672,745	8,202,011
Prepaid Insurance	3,919,436	4,073,257
Total Short Term Assets	<u>173,201,814</u>	<u>140,264,154</u>
Long Term Assets		
Investments	120,635,605	111,693,201
Total Long Term Assets	<u>120,635,605</u>	<u>111,693,201</u>
TOTAL ASSETS	<u><u>293,837,419</u></u>	<u><u>251,957,355</u></u>
LIABILITIES		
Short Term Liabilities		
Accounts payable	6,001,526	762,705
Claims Payable	4,297	102,234
Agents Commissions Payable	661,735	664,869
Unearned Revenue	13,208,291	14,485,491
Current Estimated Claim Reserve	54,853,556	53,003,478
Total Short Term Liabilities	<u>74,729,405</u>	<u>69,018,777</u>
Long Term Liabilities		
Compensated Absences	200,147	163,620
Estimated Noncurrent Claim Reserve	108,657,526	124,834,148
Total Long Term Liabilities	<u>108,857,673</u>	<u>124,997,768</u>
TOTAL LIABILITIES	183,587,078	194,016,545
Prior Year Net Assets	97,546,877	44,843,685
Current Year Earnings	12,703,464	13,097,125
TOTAL NET ASSETS	<u>110,250,341</u>	<u>57,940,810</u>
TOTAL LIABILITIES AND RETAINED EARNINGS	<u><u>\$ 293,837,419</u></u>	<u><u>\$ 251,957,355</u></u>

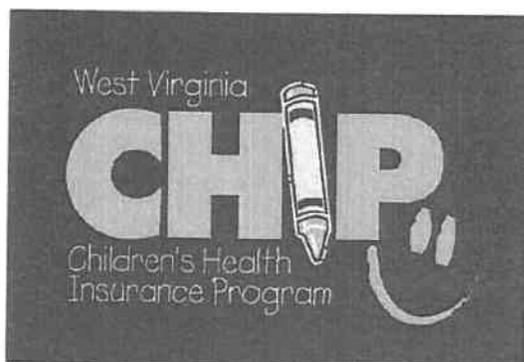
DRAFT - Unaudited - Management Purposes Only

12/06/07

West Virginia Board of Risk and Insurance Management
UNAUDITED INCOME STATEMENT
For the four months ending



	October 31	
	2007	2006
Operating Revenues		
Premium Revenues	\$ 24,887,537	\$ 27,320,431
Less - Excess Insurance	(1,959,718)	(2,036,629)
Total Operating Revenues	22,927,819	25,283,802
Operating Expenses		
Claims Expense	16,235,748	17,823,475
Property & MS Claims Expense	118,024	1,660,451
Personal Services	456,650	428,486
Operating Expenses	1,130,877	1,024,766
Total Operating Expenses	17,941,299	20,937,178
Operating Income	4,986,520	4,346,624
Nonoperating Revenues		
Court Fees	10,915	8,745
Claim Interest Income	-	189,219
Investment Income	7,706,029	8,552,537
Total Nonoperating Revenues	7,716,944	8,750,501
Net Income	12,703,464	13,097,125

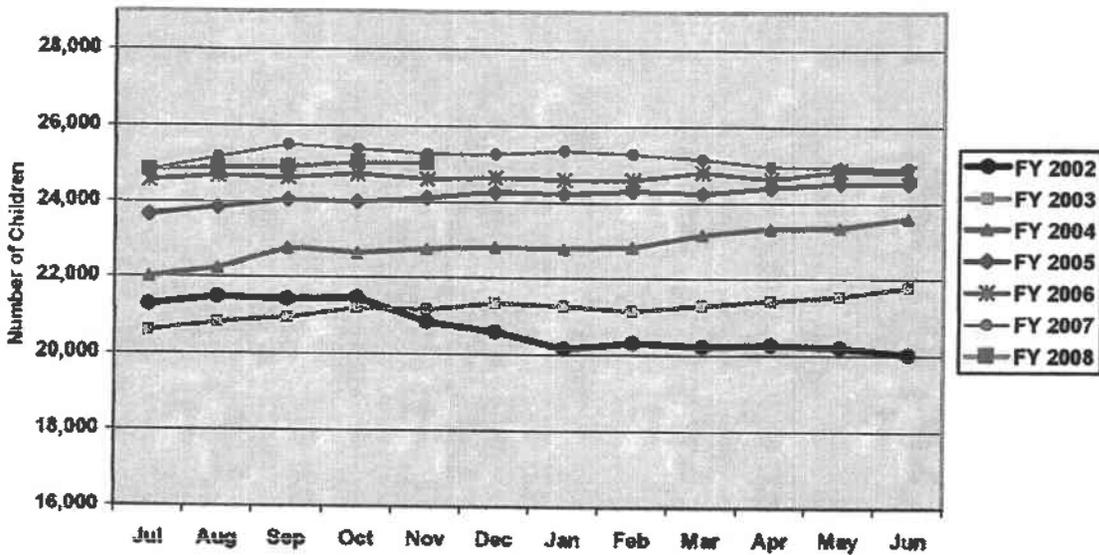


**West Virginia
Children's Health Insurance Program
1018 Kanawha Boulevard East
Suite 209
Charleston, WV 25301
Phone: 304-558-2732
Toll-Free: 1-877-WVA CHIP
Fax: 304-558-2741
www.wvchlp.org**

**Joint Committee on
Government and Finance
Report**

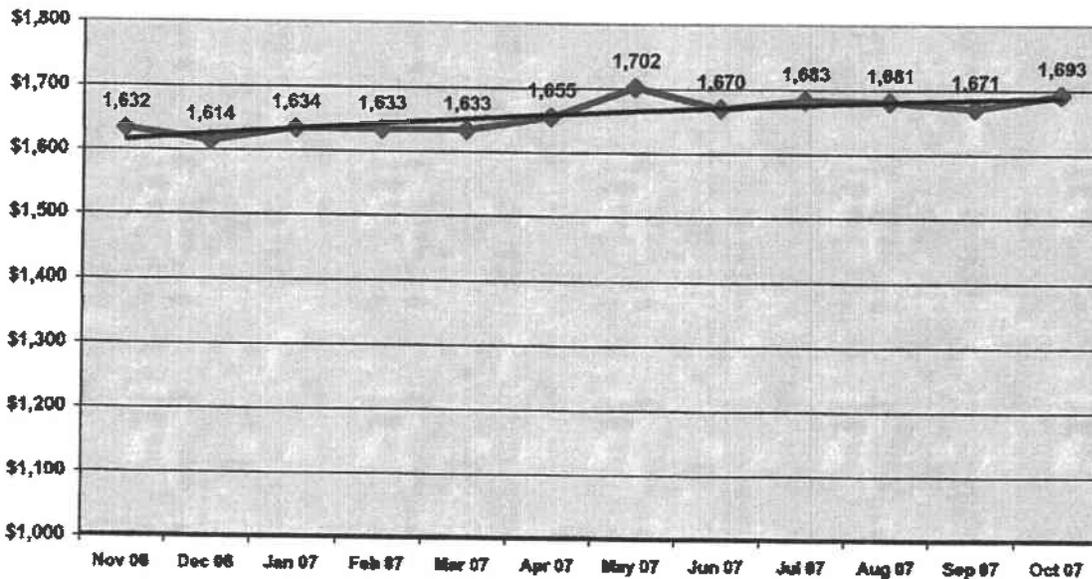
December 2007

WV CHIP Enrollment



November 30, 2007 Enrollment 25,021

Annualized Health Care Expenditures (Cost per Child)



**West Virginia Children's Health Insurance Program
Comparative Balance Sheet
October 31, 2007 and 2006
(Accrual Basis)**

	October 31, 2007	October 31, 2006	Variance	
Assets:				
Cash & Cash Equivalents	\$7,129,863	\$3,655,969	\$3,473,894	95%
Due From Federal Government	\$3,154,024	\$3,301,131	(\$147,107)	-4%
Due From Other Funds	\$693,285	\$612,590	\$80,695	13%
Accrued Interest Receivable	\$20,359	\$11,387	\$8,972	79%
Fixed Assets, at Historical Cost	<u>\$61,147</u>	<u>\$83,071</u>	<u>(\$1,924)</u>	<u>-3%</u>
Total Assets	<u>\$11,058,679</u>	<u>\$7,644,148</u>	<u>\$3,414,531</u>	<u>45%</u>
Liabilities:				
Due to Other Funds	\$157,309	\$249,077	(\$91,768)	-37%
Deferred Revenue	\$992,984	\$1,273,032	(\$280,048)	-22%
Unpaid Insurance Claims Liability	<u>\$3,690,000</u>	<u>\$2,970,000</u>	<u>\$720,000</u>	<u>24%</u>
Total Liabilities	<u>\$4,840,293</u>	<u>\$4,492,109</u>	<u>\$348,184</u>	<u>8%</u>
Fund Equity	<u>\$6,218,385</u>	<u>\$3,152,039</u>	<u>\$3,066,346</u>	<u>97%</u>
Total Liabilities and Fund Equity	<u>\$11,058,679</u>	<u>\$7,644,148</u>	<u>\$3,414,531</u>	<u>45%</u>

PRELIMINARY FINANCIAL STATEMENTS

Unaudited - For Management Purposes Only - Unaudited

West Virginia Children's Health Insurance Program
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances
For the Four Months Ending October 31, 2007 and October 31, 2006
(Modified Accrual Basis)

	October 31, 2007	October 31, 2006	Variance	
Revenues:				
Federal Grants	11,659,184	10,765,469	893,715	8%
State Appropriations	4,806,978	4,806,015	963	0%
Premium Revenues	22,664	-	22,664	
Investment Earnings	<u>85,303</u>	<u>38,181</u>	<u>47,122</u>	123%
Total Operating Revenues	<u>16,374,128</u>	<u>15,409,665</u>	<u>964,463</u>	<u>6%</u>
Operating Expenditures:				
Claims:				
Outpatient Services	3,236,152	2,970,680	265,472	9%
Physicians & Surgical	2,746,979	2,718,206	28,773	1%
Prescribed Drugs	2,551,065	2,434,586	116,479	5%
Dental	1,706,746	1,637,029	69,717	4%
Inpatient Hospital Services	1,364,923	1,310,981	53,942	4%
Vision	417,911	443,722	(25,811)	-6%
Outpatient Mental Health	351,297	411,677	(60,380)	-15%
Therapy	133,006	119,772	13,234	11%
Durable & Disposable Med. Equip.	120,133	148,703	(28,570)	-19%
Inpatient Mental Health	115,824	255,342	(139,518)	-55%
Medical Transportation	93,093	131,305	(38,212)	-29%
Other Services	28,807	51,187	(24,380)	-48%
Less: Collections*	<u>(317,514)</u>	<u>(281,307)</u>	<u>(36,207)</u>	13%
Total Claims	<u>12,548,422</u>	<u>12,351,893</u>	<u>196,529</u>	<u>2%</u>
General and Admin Expenses:				
Salaries and Benefits	169,929	155,825	14,104	9%
Program Administration	739,864	649,333	90,531	14%
Eligibility	111,563	101,344	10,219	10%
Outreach & Health Promotion	27,665	7,293	20,372	282%
Current	<u>45,218</u>	<u>19,325</u>	<u>25,893</u>	134%
Total Administrative	<u>1,094,439</u>	<u>933,120</u>	<u>161,319</u>	<u>17%</u>
Total Expenditures	<u>13,640,861</u>	<u>13,285,003</u>	<u>355,858</u>	<u>3%</u>
Excess of Revenues				
Over (Under) Expenditures	2,733,267	2,124,662	608,605	29%
Fund Equity, Beginning	<u>3,485,118</u>	<u>1,027,377</u>	<u>2,457,741</u>	<u>239%</u>
Fund Equity, Ending	<u>6,218,385</u>	<u>3,152,039</u>	<u>3,066,346</u>	<u>97%</u>

* Collections are primarily drug rebates and subrogation

* State Appropriations restated in prior year to actual draw deposited

PRELIMINARY FINANCIAL STATEMENTS

Unaudited - For Management Purposes Only - Unaudited

West Virginia Children's Health Insurance Program
 Budget to Actual Statement
 State Fiscal Year 2008
 For the Four Months Ended October 31, 2007

	<u>Budgeted for Year</u>	<u>Year to Date Budgeted Amt</u>	<u>Year to Date Actual Amt</u>	<u>Year to Date Variance*</u>		<u>Monthly Budgeted Amt</u>	<u>Oct-07</u>	<u>Sep-07</u>	<u>Aug-07</u>
Projected Cost	\$49,020,492	\$16,340,164	\$12,848,425	\$3,491,739	21%	\$4,085,041	\$3,916,118	\$2,408,572	\$3,885,835
Premiums	136,290	\$45,430	22,884	\$22,766	-50%	11,358	7,585	5,453	5,529
Medical Copays	576,800	\$192,267	0	192,267	-100%	48,067			
Drug Copays	489,250	\$163,083	0	163,083	-100%	40,771			
Subrogation & Rebates	<u>760,000</u>	<u>253,333</u>	<u>271,796</u>	<u>(18,463)</u>	<u>7%</u>	<u>63,333</u>	<u>45,719</u>	<u>55,366</u>	<u>72,324</u>
Net Benefit Cost	47,058,152	\$15,886,051	\$12,561,530	\$3,124,521	20%	3,821,513	3,870,400	2,347,753	3,807,782
Salaries & Benefits	\$519,673	\$173,224	\$169,927	\$3,297	2%	\$43,306	\$40,538	\$40,243	\$41,241
Program Administration	2,166,796	722,265	696,179	26,086	4%	180,566	158,251	189,848	306,071
Eligibility	340,055	113,352	88,022	25,330	22%	28,338	683	80,693	0
Outreach	27,157	9,052	14,654	(5,601)	-62%	2,263	11,602	1,780	811
Current Expense	<u>287,741</u>	<u>95,914</u>	<u>48,293</u>	<u>47,621</u>	<u>50%</u>	<u>23,978</u>	<u>11,038</u>	<u>18,320</u>	<u>7,534</u>
Total Admin Cost	\$3,341,422	\$1,113,807	\$1,017,075	\$96,732	9%	\$278,452	\$222,112	\$330,884	\$355,457
Total Program Cost	<u>\$50,399,574</u>	<u>\$16,799,858</u>	<u>\$13,578,605</u>	<u>\$3,221,253</u>	<u>19%</u>	<u>\$4,199,965</u>	<u>\$4,092,512</u>	<u>\$2,678,637</u>	<u>\$3,983,239</u>
Federal Share 80.97%	40,823,655	\$13,607,885	\$11,010,891	2,596,994	19%	3,401,971	3,318,818	2,172,107	3,213,790
State Share 19.03%	<u>9,575,919</u>	<u>\$3,191,973</u>	<u>\$2,567,714</u>	<u>624,259</u>	<u>20%</u>	<u>797,993</u>	<u>773,894</u>	<u>506,530</u>	<u>749,448</u>
Total Program Cost *	<u>\$50,399,574</u>	<u>\$16,799,858</u>	<u>\$13,578,605</u>	<u>\$3,221,253</u>	<u>19%</u>	<u>\$4,199,965</u>	<u>\$4,092,512</u>	<u>\$2,678,637</u>	<u>\$3,983,239</u>

* Positive percentages indicate favorable variances
 ** Budgeted Year Based on CCRC Actuary 6/30/2007 Report.
 Please note: Medical and Drug Co-pay figures are incomplete.

Unaudited - Cash Basis For Management Purposes Only - Unaudited

WV CHIP Enrollment Report

November 2007

ATTACHMENT 1

County Ranking	County Pop. 2005 Est. (0-18 Yrs)	Total CHIP Enrollment Nov-07	Total Medicaid Enrollment Nov-07	Total CHIP/Medicaid Enrollment	CHIP/Medicaid Enrollment % of Population	Total % Insured 3/2002*	# Children Insured Ranking*	Est. # Uninsured Eligible*
Barbour	3,248	321	1,509	1,830	56.3%	92.5%	34	255
Berkeley	22,882	1,130	5,162	6,292	27.5%	93.9%	21	1,084
Boone	5,706	317	2,437	2,754	48.3%	97.9%	4	133
Braxton	3,044	208	1,534	1,742	57.2%	95.6%	13	155
Brooke	4,658	297	1,407	1,704	36.6%	98.5%	3	0**
Cabell	18,900	992	7,871	8,863	45.8%	91.6%	39	1,218
Calhoun	1,389	129	814	943	67.9%	88.0%	52	207
Clay	2,454	202	1,328	1,530	62.3%	95.1%	15	94
Doddridge	1,807	122	697	819	51.0%	96.4%	6	80
Fayette	9,892	959	4,581	5,540	57.2%	92.1%	36	706
Gilmer	1,154	95	552	647	56.1%	92.8%	32	115
Grant	2,463	144	867	1,011	41.0%	95.8%	11	82
Greenbrier	7,110	594	2,614	3,208	45.1%	94.8%	17	306
Hampshire	5,110	277	1,782	2,039	39.9%	91.3%	40	295
Hancock	6,270	398	2,143	2,541	40.5%	92.9%	31	443
Hardy	2,950	154	942	1,096	37.2%	93.6%	26	200
Harrison	14,973	934	5,654	6,588	44.0%	99.9%	1	0**
Jackson	6,277	387	2,278	2,665	42.5%	93.9%	22	340
Jefferson	11,465	421	1,966	2,387	20.8%	93.9%	23	651
Kanawha	40,647	2,089	15,858	17,945	44.1%	96.4%	7	772
Lewis	3,577	284	1,751	2,035	56.9%	88.0%	53	431
Lincoln	4,945	417	2,419	2,836	57.4%	93.3%	27	327
Logan	7,610	544	3,777	4,321	56.8%	92.1%	37	654
Marion	11,245	783	4,113	4,896	43.5%	95.9%	10	518
Marshall	7,176	417	2,605	3,022	42.1%	97.5%	5	217
Mason	5,461	345	2,297	2,642	48.4%	95.7%	12	249
McDowell	5,170	438	3,290	3,728	72.1%	93.8%	25	373
Mercer	12,887	1,108	6,286	7,392	58.3%	91.0%	41	1,268
Mineral	5,973	303	1,892	2,195	36.7%	90.7%	43	251
Mingo	6,204	428	3,174	3,602	58.1%	88.5%	51	566
Monongalia	14,346	720	3,855	4,575	31.9%	92.6%	33	1,144
Monroe	2,728	270	883	1,153	42.3%	93.1%	29	196
Morgan	3,365	238	960	1,198	35.6%	89.2%	49	285
Nicholas	5,478	465	2,424	2,889	52.7%	94.4%	19	324
Ohio	9,068	505	2,958	3,463	38.2%	95.6%	14	480
Pendleton	1,632	111	378	487	29.8%	99.0%	2	19
Pleasants	1,593	106	470	576	36.2%	93.9%	24	88
Pocahontas	1,717	147	631	778	45.3%	87.7%	54	224
Preston	6,354	535	2,241	2,776	43.7%	90.2%	47	238
Putnam	12,522	613	3,021	3,634	29.0%	93.2%	28	488
Raleigh	15,992	1,300	6,560	7,860	49.2%	91.7%	38	1,395
Randolph	5,971	499	2,306	2,805	47.0%	89.7%	48	653
Ritchie	2,234	156	815	971	43.5%	96.2%	9	81
Roane	3,266	278	1,599	1,877	57.5%	90.5%	44	336
Summers	2,322	234	1,107	1,341	57.8%	88.9%	50	315
Taylor	3,307	229	1,395	1,624	49.1%	90.9%	42	356
Tucker	1,354	173	437	610	45.1%	93.1%	30	103
Tyler	1,887	100	846	946	50.1%	94.9%	16	93

WV CHIP Enrollment Report

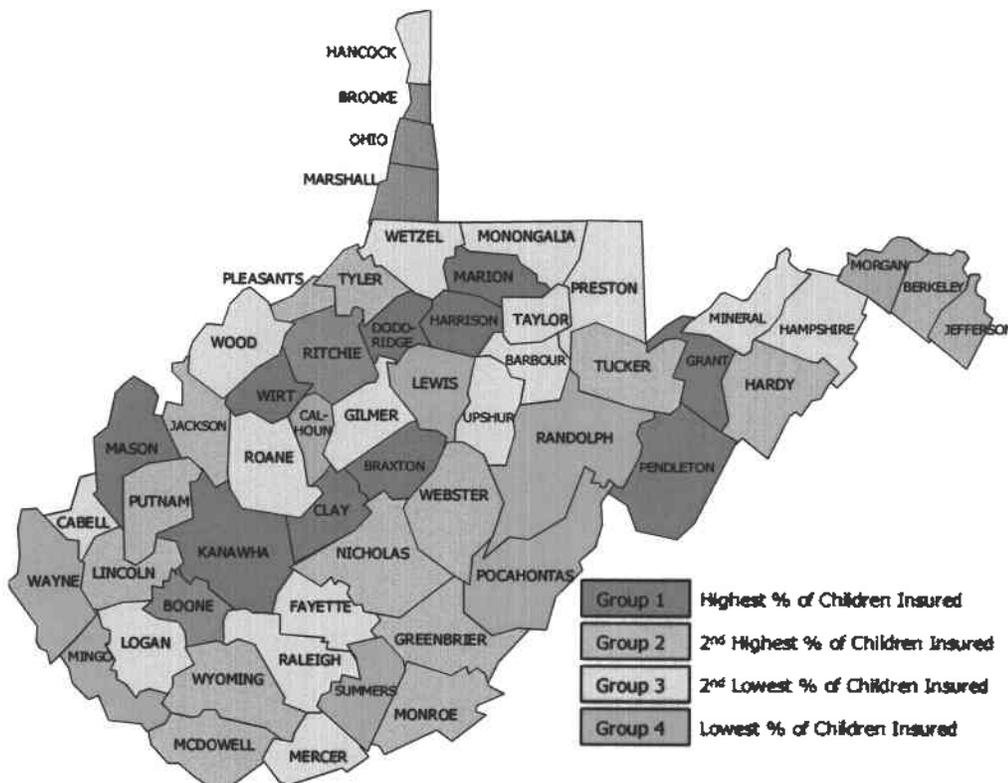
November 2007

ATTACHMENT 1

County Ranking	County Pop. 2005 Est. (0-18 Yrs)	Total CHIP Enrollment Nov-07	Total Medicaid Enrollment Nov-07	Total CHIP/Medicaid Enrollment	CHIP/Medicaid Enrollment % of Population	Total % Insured 3/2002*	# Children Insured Ranking*	Est. # Uninsured Eligible*
Upshur	4,956	410	2,183	2,593	52.3%	90.4%	46	547
Wayne	9,176	580	3,973	4,553	49.6%	87.7%	55	1,034
Webster	2,020	194	1,063	1,257	62.2%	94.7%	18	103
Wetzel	3,732	227	1,595	1,822	48.8%	92.5%	35	334
Wirt	1,268	126	547	673	53.1%	96.3%	8	46
Wood	19,063	1,131	7,492	8,623	45.2%	90.5%	45	1,624
Wyoming	5,092	439	2,711	3,150	61.9%	94.0%	20	231
Totals	382,490	25,021	145,826	170,847	44.7%	93.4%		22,446

**Based on data from "Health Insurance in West Virginia: The Children's Report" -- a survey by The Institute for Health Policy Research at the West Virginia University Robert C. Byrd Science Center*

***There may be some uninsured eligible children in these counties, but according to the results of the survey sampling none were found.*



**Legislative Oversight Commission on
Health and Human Resources Accountability**

December 2007

Department of Administration

**State Children's Health Insurance Program
UPDATE**



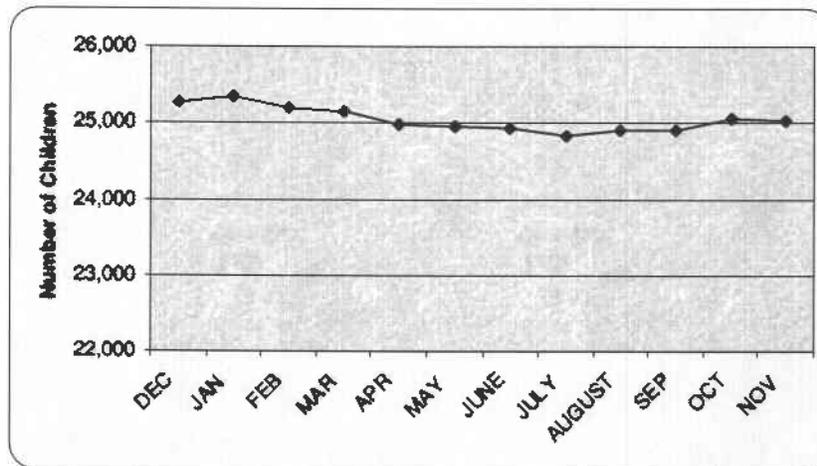
WV CHILDREN'S HEALTH INSURANCE AGENCY

REPORT FOR DECEMBER 2007

I. Enrollment on November 30, 2007: 25,021

See Attachment 1 for enrollment by county.

Current 12-Month Enrollment Period: December 2006 through November 2007



Enrollee Totals: September 2007 to November 2007

Month	Total	1 Year	Total
September	1,778	Average	1,791
October	1,658	High	2,087
November	1,624	Low	1,494

New Enrollee (Never Before on CHIP) Totals: September 2007 to November 2007

Month	Total	1 Year	Total
September	812	Average	768
October	732	High	920
November	616	Low	616

II. Re-enrollment for 3 Month Period: August 2007 to October 2007

Total Forms Mailed		Enrolled within Notice Period		Reopened Cases After Closure		Final Closures	
Month	Total	#	%	#	%	#	%
August	2,150	1,283	60%	252	12%	615	29%
September	1,936	1,093	56%	268	14%	575	30%
October	1,863	1,112	60%	223	12%	528	28%

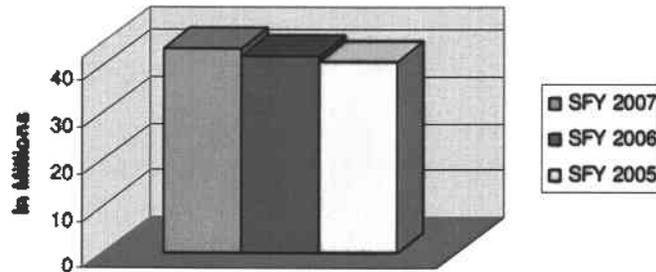
III. Financial Activity

Please see this month's financial statement at Attachment 2.

The average annualized claims cost per child for the month ended October 2007 was \$1,693.

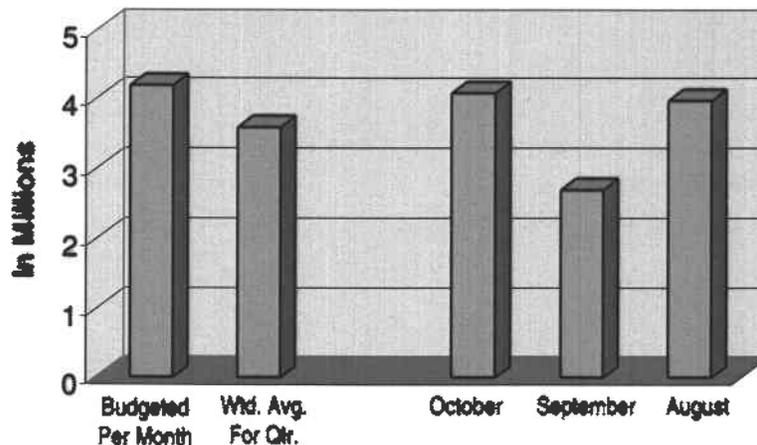
Annual Expenditures for a 3 Year Period: SFY 2005 – SFY 2007

	SFY 2007	FFP% 2007	SFY 2006	FFP% 2006	SFY 2005	FFP% 2005
Federal	35,472,537	80.97	34,247,276	81.09	33,767,136	82.26
State	8,336,944	19.03	7,986,385	18.91	7,235,862	17.74
Total Costs	43,809,481	100.00	42,233,661	100.00	41,002,998	100.00



Monthly Budgeted and Current 3 Month Period: August 2007 – October 2007

	Budgeted Per Month	Wtd. Avg. For Qtr.	Actual		
			October 2007	September 2007	August 2007
Federal	3,401,971	2,901,505	3,318,618	2,172,107	3,213,790
State	797,994	676,624	773,894	506,530	749,449
Total	4,199,965	3,578,129	4,092,512	2,678,637	3,963,239



IV. Other Highlights

FEDERAL FUNDING UPDATE

- The Continuing Resolution (P.L. 110 – 116) for SCHIP funding expires Friday, December 14. House Speaker Pelosi indicates that negotiations on an actual reauthorization bill that would provide for an additional five years funding must conclude no later than Friday, December 7, if one is to move forward.
- If no reauthorization occurs, it is unclear if continued funding will be made through short-term Continuing Resolutions or a longer one of 12 or even 18 months.
- Current 2008 federal funding for all states is now shown to be \$1.6 billion below what all states need to operate without shortfalls in federal funds. Twenty-one states are projected to have shortfalls with nine of them running out of federal funds by March.
- WVCHIP continues to project sufficient federal funding to last through end of the federal fiscal year (September 2008).

WV CHIP Enrollment Report

ATTACHMENT 1

November 2007

County Ranking	County Pop. 2005 Est. (0-18 Yrs)	Total CHIP Enrollment Nov-07	Total Medicaid Enrollment Nov-07	Total CHIP/Medicaid Enrollment	CHIP/Medicaid Enrollment % of Population	Total % Insured 3/2002*	# Children Insured Ranking*	Est. # Uninsured Eligible*
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Berkeley	22,882	1,130	5,162	6,292	27.5%	93.9%	21	1,084
Boone	5,706	317	2,437	2,754	48.3%	97.9%	4	133
Braxton	3,044	208	1,534	1,742	57.2%	95.6%	13	155
Brooke	4,658	297	1,407	1,704	36.6%	98.5%	3	0**
Cabell	18,900	992	7,671	8,663	45.8%	91.6%	39	1,218
Calhoun	1,389	129	814	943	67.9%	88.0%	52	207
Clay	2,454	202	1,328	1,530	62.3%	95.1%	15	94
Doddridge	1,807	122	697	819	51.0%	96.4%	6	60
Fayette	9,692	959	4,581	5,540	57.2%	92.1%	36	706
Gilmer	1,154	95	552	647	56.1%	92.8%	32	115
Grant	2,483	144	867	1,011	41.0%	95.8%	11	82
Greenbrier	7,110	594	2,614	3,208	45.1%	94.8%	17	306
Hampshire	5,110	277	1,762	2,039	39.9%	91.3%	40	295
Hancock	6,270	398	2,143	2,541	40.5%	92.9%	31	443
Hardy	2,950	154	942	1,096	37.2%	93.6%	26	200
Harrison	14,973	934	5,654	6,588	44.0%	99.9%	1	0**
Jackson	6,277	387	2,278	2,665	42.5%	93.9%	22	340
Jefferson	11,465	421	1,966	2,387	20.8%	93.9%	23	651
Kanawha	40,647	2,089	15,856	17,945	44.1%	96.4%	7	772
Lewis	3,577	284	1,751	2,035	56.9%	88.0%	53	431
Lincoln	4,945	417	2,419	2,836	57.4%	93.3%	27	327
Logan	7,610	544	3,777	4,321	56.8%	92.1%	37	654
Marion	11,245	783	4,113	4,896	43.5%	95.9%	10	516
Marshall	7,176	417	2,605	3,022	42.1%	97.5%	5	217
Mason	5,461	345	2,297	2,642	48.4%	95.7%	12	248
McDowell	5,170	438	3,290	3,728	72.1%	93.8%	25	373
Mercer	12,887	1,106	6,286	7,392	58.3%	91.0%	41	1,288
Mineral	5,973	303	1,892	2,195	36.7%	90.7%	43	251
Mingo	6,204	428	3,174	3,602	58.1%	88.5%	51	566
Monongalia	14,346	720	3,855	4,575	31.9%	92.8%	33	1,144
Monroe	2,728	270	883	1,153	42.3%	93.1%	29	196
Morgan	3,365	238	960	1,198	35.6%	89.2%	49	265
Nicholas	5,478	465	2,424	2,889	52.7%	94.4%	19	324
Ohio	9,068	505	2,958	3,463	38.2%	95.6%	14	480
Pendleton	1,832	111	376	487	26.8%	99.0%	2	19
Pleasants	1,593	106	470	576	36.2%	93.9%	24	86
Pocahontas	1,717	147	631	778	45.3%	87.7%	54	224
Preston	6,354	535	2,241	2,776	43.7%	90.2%	47	236
Putnam	12,522	613	3,021	3,634	29.0%	93.2%	28	486
Raleigh	15,992	1,300	6,560	7,860	49.2%	91.7%	38	1,385
Randolph	5,971	499	2,306	2,805	47.0%	89.7%	46	653
Ritchie	2,234	156	815	971	43.5%	96.2%	9	81
Roane	3,266	276	1,599	1,877	57.5%	90.5%	44	336
Summers	2,322	234	1,107	1,341	57.8%	88.9%	50	315
Taylor	3,307	229	1,395	1,624	49.1%	90.8%	42	356
Tucker	1,354	173	437	610	45.1%	93.1%	30	103
Tyler	1,887	100	646	746	50.1%	94.9%	16	93

WV CHIP Enrollment Report

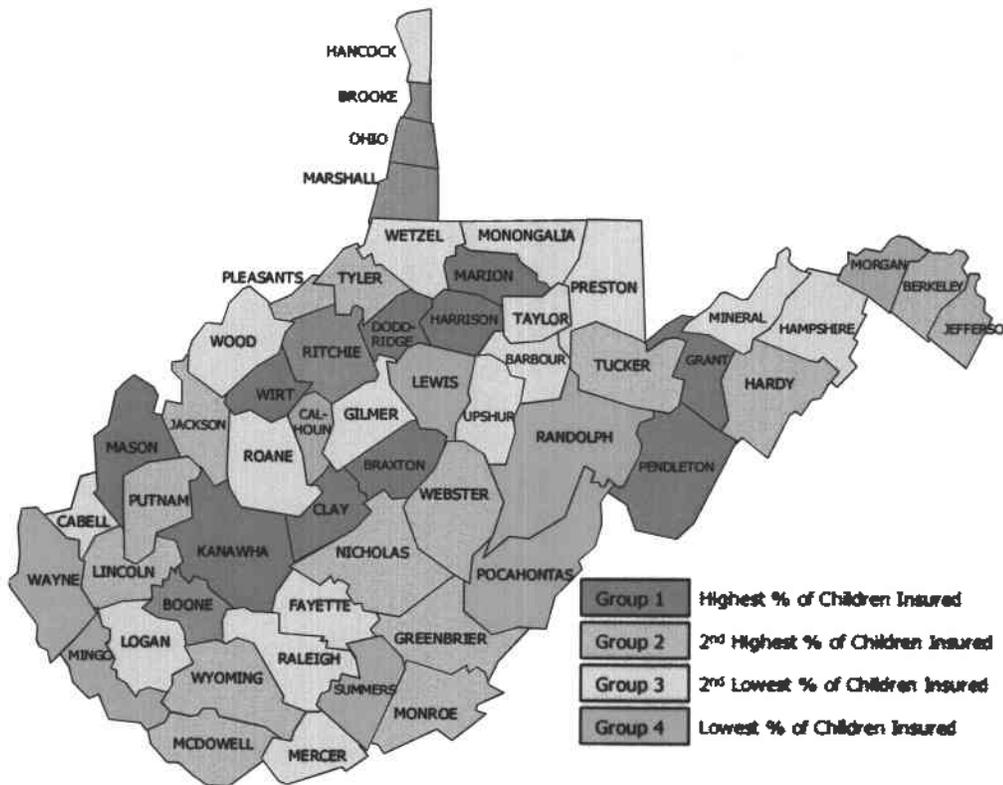
November 2007

ATTACHMENT 1

County Ranking	County Pop. 2005 Est. (0-18 Yrs)	Total CHIP Enrollment Nov-07	Total Medicaid Enrollment Nov-07	Total CHIP/Medicaid Enrollment	CHIP/Medicaid Enrollment % of Population	Total % Insured 3/2002*	# Children Insured Ranking*	Est. # Uninsured Eligible*
Upshur	4,956	410	2,183	2,593	52.3%	90.4%	46	547
Wayne	9,176	580	3,973	4,553	49.8%	87.7%	55	1,034
Webster	2,020	194	1,063	1,257	62.2%	94.7%	18	103
Wetzel	3,732	227	1,595	1,822	48.8%	92.5%	35	334
Wirt	1,268	126	547	673	53.1%	96.3%	8	46
Wood	19,063	1,131	7,492	8,623	45.2%	90.5%	45	1,624
Wyoming	5,092	439	2,711	3,150	61.9%	94.0%	20	231
Totals	382,490	25,021	145,826	170,847	44.7%	93.4%		22,446

**Based on data from "Health Insurance in West Virginia: The Children's Report" – a survey by The Institute for Health Policy Research at the West Virginia University Robert C. Byrd Science Center*

***There may be some uninsured eligible children in these counties, but according to the results of the survey sampling none were found.*



West Virginia Children's Health Insurance Program
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances
For the Three Months Ending October 31, 2007 and October 31, 2006
(Modified Accrual Basis)

	October 31, 2007	October 31, 2006	Variance	
Revenues:				
Federal Grants	11,659,184	10,765,469	893,715	8%
State Appropriations	4,608,978	4,608,015	963	0%
Premium Revenues	22,664	-	22,664	
Investment Earnings	<u>85,303</u>	<u>38,181</u>	<u>47,122</u>	123%
Total Operating Revenues	<u>16,374,128</u>	<u>15,409,665</u>	<u>964,463</u>	<u>6%</u>
Operating Expenditures:				
Claims:				
Outpatient Services	3,236,152	2,970,680	265,472	9%
Physicians & Surgical	2,748,979	2,718,206	28,773	1%
Prescribed Drugs	2,551,085	2,434,586	116,479	5%
Dental	1,708,746	1,637,029	69,717	4%
Inpatient Hospital Services	1,364,923	1,310,981	53,942	4%
Vision	417,911	443,722	(25,811)	-6%
Outpatient Mental Health	351,297	411,677	(60,380)	-15%
Therapy	133,008	119,772	13,234	11%
Durable & Disposable Med. Equip.	120,133	148,703	(28,570)	-19%
Inpatient Mental Health	115,824	255,342	(139,518)	-55%
Medical Transportation	93,093	131,305	(38,212)	-29%
Other Services	26,807	51,187	(24,380)	-48%
Less: Collections*	<u>(317,514)</u>	<u>(281,307)</u>	<u>(36,207)</u>	13%
Total Claims	<u>12,546,422</u>	<u>12,351,883</u>	<u>194,539</u>	<u>2%</u>
General and Admin Expenses:				
Salaries and Benefits	189,929	155,825	14,104	9%
Program Administration	739,884	649,333	90,531	14%
Eligibility	111,583	101,344	10,219	10%
Outreach & Health Promotion	27,865	7,293	20,572	282%
Current	<u>45,218</u>	<u>19,325</u>	<u>25,893</u>	134%
Total Administrative	<u>1,094,499</u>	<u>933,120</u>	<u>161,319</u>	<u>17%</u>
Total Expenditures	<u>13,640,891</u>	<u>13,285,003</u>	<u>355,858</u>	<u>3%</u>
Excess of Revenues				
Over (Under) Expenditures	2,733,267	2,124,662	608,605	29%
Fund Equity, Beginning	<u>3,485,118</u>	<u>1,027,377</u>	<u>2,457,741</u>	<u>239%</u>
Fund Equity, Ending	<u>6,218,385</u>	<u>3,152,039</u>	<u>3,066,346</u>	<u>97%</u>

* Collections are primarily drug rebates and subrogation

* State Appropriations restated in prior year to actual draw deposited

PRELIMINARY FINANCIAL STATEMENTS

Unaudited - For Management Purposes Only - Unaudited

West Virginia Children's Health Insurance Program
 Budget to Actual Statement
 State Fiscal Year 2008
 For the Four Months Ended October 31, 2007

	Budgeted for Year	Year to Date Budgeted Amt	Year to Date Actual Amt	Year to Date Variance*		Monthly Budgeted Amt	Oct-07	Sep-07	Aug-07	Jul-07
Projected Cost	\$49,020,492	\$16,340,164	\$12,848,425	\$3,491,739	21%	\$4,085,041	\$3,916,118	\$2,408,572	\$3,685,635	\$2,838,101
Premiums	136,290	\$45,430	22,664	\$22,766	-50%	11,358	7,565	5,453	5,529	4,117
Medical Copays	576,800	\$192,267	0	192,267	-100%	48,067				
Drug Copays	489,250	\$163,083	0	163,083	-100%	40,771				
Subrogation & Rebates	760,000	253,333	271,796	(18,463)	7%	63,333	45,718	55,366	72,324	98,388
Net Benefit Cost	47,058,152	\$15,686,051	\$12,561,530	\$3,124,521	20%	3,921,513	3,870,400	2,347,753	3,607,782	2,735,596
Salaries & Benefits	\$519,673	\$173,224	\$169,927	\$3,297	2%	\$43,306	\$40,538	\$40,243	\$41,241	\$47,905
Program Administration	2,166,796	722,265	696,179	26,086	4%	180,566	158,251	189,848	306,071	42,009
Eligibility	340,055	113,352	88,022	25,330	22%	28,338	683	80,693	0	6,646
Outreach	27,157	9,052	14,654	(5,601)	-62%	2,263	11,802	1,780	611	661
Current Expense	287,741	95,814	48,283	47,621	50%	23,978	11,038	18,320	7,534	11,401
Total Admin Cost	\$3,341,422	\$1,113,807	\$1,017,075	\$96,732	9%	\$278,452	\$222,112	\$330,884	\$355,457	\$108,622
Total Program Cost	\$50,399,574	\$16,799,858	\$13,578,605	\$3,221,253	19%	\$4,199,965	\$4,092,512	\$2,678,637	\$3,963,239	\$2,844,218
Federal Share 80.97%	40,823,655	\$13,607,885	\$11,010,891	2,596,994	19%	3,401,971	3,318,618	2,172,107	3,213,790	2,306,376
State Share 19.03%	9,575,919	\$3,191,973	\$2,567,714	\$624,259	20%	797,993	773,894	506,530	749,448	537,842
Total Program Cost *	\$50,399,574	\$16,799,858	\$13,578,605	\$3,221,253	19%	\$4,199,965	\$4,092,512	\$2,678,637	\$3,963,239	\$2,844,218

* Positive percentages indicate favorable variances

** Budgeted Year Based on CCRC Actuary 6/30/2007 Report.

Please note: Medical and Drug Co-pay figures are incomplete.

Unaudited - Cash Basis For Management Purposes Only - Unaudited

West Virginia Children's Health Insurance Program
WVFIMS Fund 2154
For the Month Ended October 31, 2007
(Accrual Basis)

Investment Account	
Funds Invested	\$6,223,211
Interest Earned	<u>85,303</u>
Total	<u>\$6,308,514</u>

Unaudited - For Management Purposes Only - Unaudited

**Department of Administration Leasing Report
For The Period of November 15, 2007 through December 4, 2007**

NEW CONTRACT OF LEASE

DEPARTMENT OF HEALTH AND HUMAN RESOURCES

HHR-141 New contract of lease for 1 year consisting of 3,500 square foot group home at \$12.50 psf, in the City of Williamstown, Wood County, with Foundation for the Challenged.

HHR-160 New contract of lease for 10 years consisting of 50,000 square feet of office space at \$8.17 psf (which is a decrease from the previous lease DHS-027 at \$9.95 psf) with a 2007 base year tax escalation, in the City of North Charleston, Kanawha County with Burdette Realty Improvements, Inc.

HHR-158 New contract of lease for 310 square feet of office space at \$14.00 psf, full service in the City of Martinsburg, Berkeley County, with Berkeley Business Park Associates, II, L.C.

STRAIGHT RENEWALS

INSURANCE COMMISSION

INS-019 Renewal for 1 year containing 952 square feet of office space at the same psf rate of \$9.50, full service, in the City of Parkersburg, Wood County, with the Department of Administration Real Estate Division.

VETERANS AFFAIRS

VET-015 Renewal for 1 year containing 500 square feet of office space at the same \$14.75 psf rate, full service in the City of Beckley, Raleigh County, with the Department of Administration Real Estate Division.

COAL HERITAGE HIGHWAY

CHH-001 1 year renewal containing 1,450 square feet of office space at the same \$7.45 psf rate includes all utilities except gas and janitorial service, in the City of Beckley, Raleigh county, with Beckley-Raleigh County Chamber of Commerce.

STRAIGHT RENEWALS CONTINUED

CHH-003 1 year renewal containing 450 square feet of storage space at the same \$3.00 psf rate, full service in the City of Bluefield, Mercer County with Bluefield College and Research Development.

STATE TREASURERS OFFICE

STO-008 1 year renewal containing 492 square feet of office space at the same \$12.20 psf rate, full service in the City of Morgantown, Monongalia County, with Co-Owners, Inc.

FAIRMONT STATE COLLEGE

FSC-016 Renewal for 1 year containing 200 square feet of storage space at the same rate of \$70.00 per month, full service, in the City of Fairmont, Marion County with Climate Control Storage Plus, LLC.

FSC-015 Renewal for 2 years containing 300 square feet of storage space at the same rate of \$91.70 per month, full service, in the City of Fairmont, Marion County with Climate Control Storage Plus, LLC.

DEPARTMENT OF ENVIRONMENTAL PROTECTION

DEP-115 Renewal for 1 year for a monitoring tower site at the same rate of \$1.00 per year in the City of Institute, Kanawha County, with the Division of Rehabilitation Services.

DEP-139 Renewal for 1 year containing 224 square feet of land for a monitoring tower site at the same rental rate \$100.00 per month, in the City of Colliers, Brooke County with Forest Jenkins.

DEPARTMENT OF MILITARY AFFAIRS AND PUBLIC SAFETY

ADG-014 Renewal for 1 year containing 143 square feet of office space at the same rate of \$6.29, full service in the City of Institute, Kanawha County with West Virginia State College

ADG-015 Renewal for 1 year containing 224 square feet of office space at the same rate of \$13.39 full service with the exception of janitorial and trash removal, in the City of Huntington, Cabell County with Marshall University.

STRAIGHT RENEWALS CONTINUED

ATTORNEY GENERALS OFFICE

AGO-014 Renewal for 1 year with a 2 year option to renew containing 10,183 square feet of office space at the same rate of \$11.50, full service in the City of Charleston, Kanawha County with S.A.A. C, LLC

WEST VIRGINIA CONSERVATION AGENCY

SCC-002 Renewal for 1 year containing 590 square feet of office space at the same rate of \$9.60, full service in the City of Moorefield, Hardy County with the Department of Agriculture.

RENEWAL/RENT INCREASES

PUBLIC SAFETY

PSA-008 Renewal for 3 years containing 1,980 square feet of office space with an increase in rent from \$5.36 psf to \$5.45 psf, in the City of Clay, Clay County with Darlene Morris.

DIVISION OF FORESTRY

FOR-059 Renewal on a month-to-month basis for land to park trailers with an increase in rent from \$85.00 per month to \$100.00 per month, in the City of Philippi, Barbour County with Treva Booth.

ADDING SQUARE FOOTAGE

DIVISION OF CORRECTIONS

COR-080 Added 266 square feet for a total of 2,042 square feet at the same rental rate of \$9.85 psf, full service with exception of janitorial in the City of Elkins, Randolph County with CGP Development Co, Inc.

WEST VIRGINIA

BOARD OF TREASURY INVESTMENTS

LEGISLATIVE
NOV 29 2007
MANAGEMENT

CALENDAR NOTES

6 Month CD Auction
January 9, 2008

Board of Treasury Investments

1900 Kanawha
Boulevard East
Suite E-122
Charleston WV
25305
(304) 340-1578
www.wvbt.com

Board of Directors

John D. Perdue,
State Treasurer,
Chairman

Joe Manchin III,
Governor

Glen B. Gainer
III, State Auditor

Martin Glasser,
Esq. Attorney
Appointed by
the Governor

Jack Rossi, CPA
Appointed by
the Governor

Executive Staff

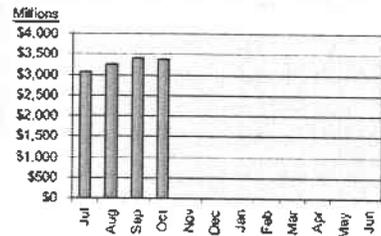
Executive
Director
Glenda Probst,
CPA, CTP

Chief Financial
Officer

Kara K. Brewer,
CPA, MBA

OPERATING REPORT OCTOBER 2007

Total Net Assets Under Management
\$3,364,572,000

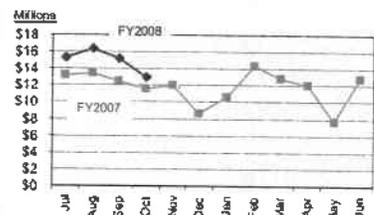


Last Month
\$3,394,064,000

Beginning of Fiscal Year
\$2,923,172,000

15.1% Growth This Fiscal Year

Total Net Income & Gains
This Month \$12,932,000
Fiscal Year \$59,902,000

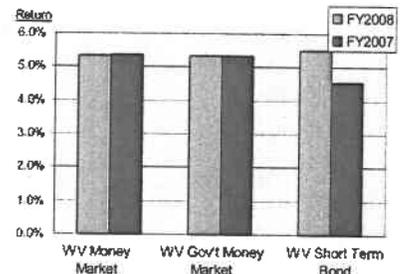


Outpacing Last Year

Effective Rates of Return

Time Weighted, Annualized, Net of All Fees

	Oct. <u>2007</u>	Fiscal Year <u>2008</u>	Fiscal Year <u>2007</u>
WV Money Market	5.2%	5.3%	5.4%
WV Gov't Money Market	5.1%	5.3%	5.3%
	Fiscal Year <u>2008</u> <i>(Past 12 Months)</i>	Fiscal Year <u>2007</u> <i>(Past 12 Months)</i>	
WV Short Term Bond	5.5%	4.5%	



Returns are annualized fiscal year to date for WV Money Mkt & WV Gov't Money Mkt; past 12 months for WV Short Term Bond

Fiscal Year Return Comparisons

WEST VIRGINIA BOARD OF TREASURY INVESTMENTS
THE ECONOMIC STATE
OCTOBER 2007

Job Growth Accelerates;
Economy Boosted by Exports, Consumers & Business

The U.S. unemployment rate remained at 4.7% in October, but job growth accelerated by 166,000, almost twice as many jobs as forecast. September's job growth was revised down to a 96,000 increase. During the third quarter, the U.S. economy grew at a 3.9% annual growth rate, the best showing since early 2006. Growth during the third quarter was boosted by increases in exports, consumer spending, and business investment. Consumer spending grew at a 3.0% pace in the third quarter, following a 1.4% increase in the last quarter, and business investment jumped 7.9%. Home construction remained the largest drag on GDP with a 20.1% plunge in homebuilding, representing the seventh consecutive decline. U.S. consumer prices rose 0.3% in September, more than forecast, as energy and food costs increased. Over the past twelve months, consumer prices rose 2.8%. The core CPI, which excludes food and energy, rose 0.2% in September and 2.1% for the trailing twelve months. The Producer Price Index also rose more than forecast in September, rising 1.1%, as energy costs jumped 4.1%. Excluding food and energy costs, producer prices rose 0.1% in September. Over the last twelve months, the PPI rose 4.4% and the core PPI only rose 2.0%. Oil prices reached another record high in October 31, topping \$94/barrel, more than 85% above this year's low.

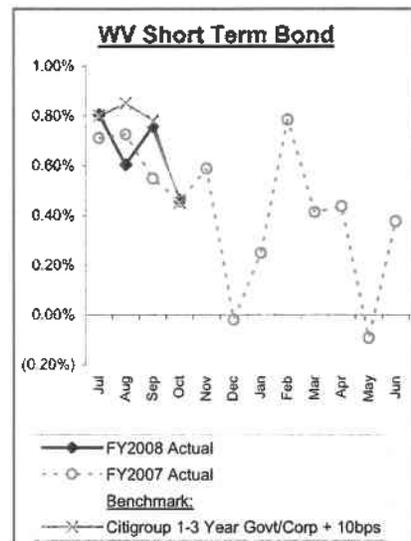
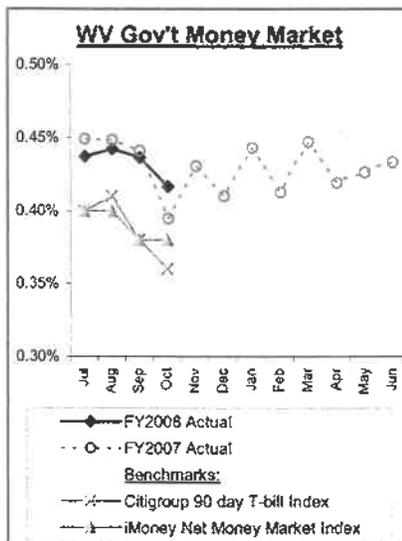
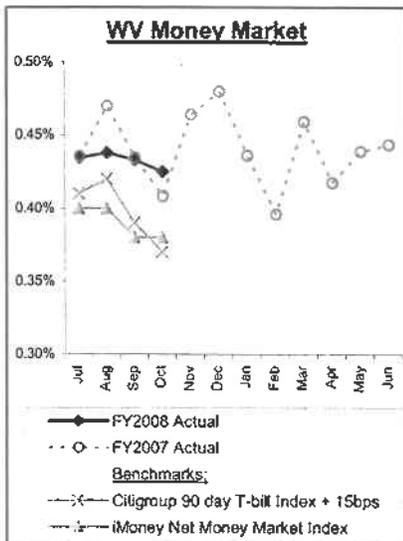
The Fed lowered the overnight lending rate at the October 31st meeting by 25 basis points, dropping it to 4.50%, as slowing growth concerns remained at the forefront. Bernanke has indicated that energy and commodity prices may place upward pressure on inflation, signaling the Fed may be on hold going forward. The Fed will next meet on December 11, 2007. For the month of October, the yield curve flattened as yields shifted lower on the long end of the curve and remained slightly inverted on the short end. The 3-month Treasury rose almost 12 bps to 3.91% as the 6-month Treasury was flat at 4.07%. The 2-year Treasury yield declined 4 bps in October to 3.94%, while the 3-year Treasury dropped 10 bps to 3.92%. The 10-year Treasury yield fell 12 bps to 4.47% as the 30-year Treasury yield dipped 9 bps to 4.75%, narrowing the yield spread between the 30-year and the 2-year Treasury to 80 bps.

Ninety-day T-Bills returned 0.30% in October, underperforming the 0.37% return of 1-3 Year Government Bonds. Year-to-date in 2007, 90-Day T-bills have earned 4.22%, while 1-3 Year Government Bonds have returned 5.24%. For the last 12 months, T-bills underperformed with a 5.13% return as 1-3 Year Government Bonds earned 5.80%.

West Virginia Board of Treasury Investments

Financial Highlights as of October 31, 2007

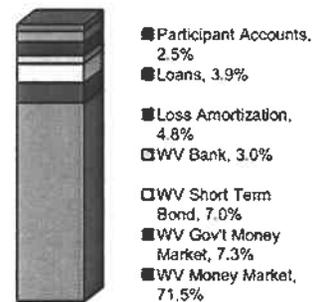
Monthly Rates of Return for Operating Pools *(Net of Fees)*



Summary of Value and Earnings *(In Thousands)*

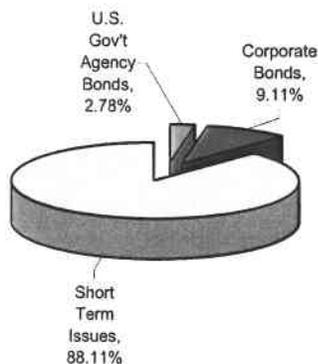
Pool	Asset Value	Oct. Net Income (Loss)	Fiscal YTD Net Income (Loss)
WV Money Market	\$ 2,406,637	\$ 10,173	\$ 39,551
WV Gov't Money Market	243,997	984	4,078
WV Short Term Bond	235,041	1,075	6,108
WV Bank	101,243	393	894
Loss Amortization	161,631	867	7,354
Loans	130,637	(885)	450
Participant Accounts	85,386	325	1,467
	<u>\$ 3,364,572</u>	<u>\$ 12,932</u>	<u>\$ 59,902</u>

Percent of Total Net Asset Value

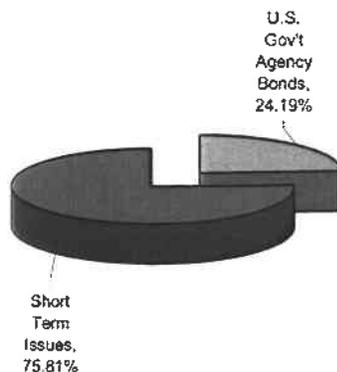


Securities by Type for Operating Pools *(Percentage of Asset Value)*

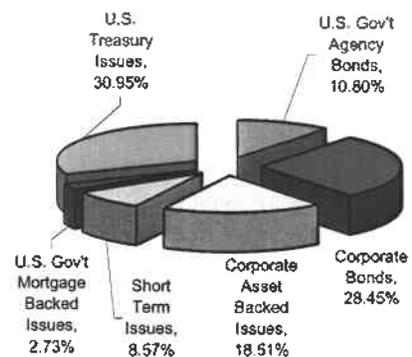
WV Money Market



WV Gov't Money Market



WV Short Term Bond



WEST VIRGINIA BOARD OF TREASURY INVESTMENTS
SCHEDULE OF NET ASSETS, OPERATIONS & CHANGES IN NET ASSETS –
UNAUDITED

OCTOBER 31, 2007

(IN THOUSANDS)

	WV Money Market Pool	WV Government Money Market Pool	WV Short Term Bond Pool	WV Bank Pool	Other Pools	Participant Directed Accounts
Assets						
Investments:						
At amortized cost	\$ 2,429,884	\$ 249,083		\$ 100,000	\$ 130,186	\$ 41,264
At fair value	-	-	\$ 240,516	-	161,631	43,291
Collateral for securities loaned	414,956	23,363	83,528	-	-	-
Other assets	3,812	392	2,055	1,243	456	832
Total assets	<u>2,848,652</u>	<u>272,838</u>	<u>326,099</u>	<u>101,243</u>	<u>292,273</u>	<u>85,387</u>
Liabilities						
Payable for securities loaned	414,956	23,363	83,528	-	-	-
Other liabilities	27,059	5,478	7,530	-	5	1
Total liabilities	<u>442,015</u>	<u>28,841</u>	<u>91,058</u>	<u>-</u>	<u>5</u>	<u>1</u>
Net Assets	<u>\$ 2,406,637</u>	<u>\$ 243,997</u>	<u>\$ 235,041</u>	<u>\$ 101,243</u>	<u>\$ 292,268</u>	<u>\$ 85,386</u>
Investment income						
Interest and dividends	\$ 4,015	\$ 589	\$ 915	\$ 393	\$ 459	\$ 328
Securities lending income	1,942	157	272	-	-	-
Net accretion (amortization)	6,130	396	26	-	544	(20)
Provision for uncollectible loans	-	-	-	-	(1,337)	-
Total investment income	<u>12,087</u>	<u>1,142</u>	<u>1,213</u>	<u>393</u>	<u>(334)</u>	<u>308</u>
Expenses						
Fees	244	23	25	-	4	1
Securities lending borrower rebates	1,670	135	253	-	-	-
Bad debt expense	-	-	-	-	3	-
Total expenses	<u>1,914</u>	<u>158</u>	<u>278</u>	<u>-</u>	<u>7</u>	<u>1</u>
Net investment income	<u>10,173</u>	<u>984</u>	<u>935</u>	<u>393</u>	<u>(341)</u>	<u>307</u>
Net realized gain (loss)						
from investments	-	-	129	-	-	-
Net increase (decrease)						
in fair value of investments	-	-	11	-	323	18
Net gain (loss) from investments	<u>-</u>	<u>-</u>	<u>140</u>	<u>-</u>	<u>323</u>	<u>18</u>
Net increase (decrease) in net assets from operations	<u>10,173</u>	<u>984</u>	<u>1,075</u>	<u>393</u>	<u>(18)</u>	<u>325</u>
Distributions to participants	<u>10,173</u>	<u>984</u>	<u>1,064</u>	<u>393</u>	<u>(1,157)</u>	<u>-</u>
Participant activity						
Purchases, reinvestment of units and contributions	872,533	47,000	961	393	-	333
Redemptions and withdrawals	876,082	63,310	265	-	1,157	11,372
Inter-pool transfers in	-	-	-	25,000	-	-
Inter-pool transfers out	25,000	-	-	-	-	-
Net increase (decrease) in net assets from participant activity	<u>(28,549)</u>	<u>(16,310)</u>	<u>696</u>	<u>25,393</u>	<u>(1,157)</u>	<u>(11,039)</u>
Increase (decrease) in net assets	<u>(28,549)</u>	<u>(16,310)</u>	<u>707</u>	<u>25,393</u>	<u>(18)</u>	<u>(10,714)</u>
Net assets at beginning of period	<u>2,435,186</u>	<u>260,307</u>	<u>234,334</u>	<u>75,850</u>	<u>292,286</u>	<u>96,100</u>
Net assets at end of period	<u>\$ 2,406,637</u>	<u>\$ 243,997</u>	<u>\$ 235,041</u>	<u>\$ 101,243</u>	<u>\$ 292,268</u>	<u>\$ 85,386</u>

West Virginia

Offices of the Insurance Commissioner's Fraud Unit

Year 2007	Case Referrals Received		Victim Cases Identified		Investigations Closed		Field Inv. Assigned		Field Inv. Completed		Defendants Indicted or Arrested		Indictment Count	Convictions	Referred to Comp Unit
	75	3	59	15	14	0	0	0							
January	70	10	42	22	12	6	13	5	2						
February	51	37	30	51	6	2	2	0	2						
March	49	21	15	36	8	1	6	0	0						
April	101	4	64	8	3	1	1	4	0						
May	60	0	16	11	9	0	0	3	5						
June	57	0	44	26	69	3	12	1	2						
July	69	3	29	21	11	1	2	2	2						
August	46	0	19	18	5	7	15	1	2						
September	43	0	21	27	23	4	7	5	4						
October	96	5	26	10	3	11	51	0	4						
November															
December															
Year to Date	717	83	365	245	163	36	109	21	22						
2006															
January	172	N/A	N/A	15	13	3	8	0	n/a						
February	71	N/A	N/A	12	7	6	9	1	n/a						
March	91	N/A	N/A	16	8	2	8	0	n/a						
April	82	N/A	N/A	7	13	1	6	2	n/a						
May	67	N/A	N/A	18	20	2	7	1	n/a						
June	61	N/A	N/A	14	9	0	0	2	n/a						
July	44	N/A	N/A	5	9	1	8	5	n/a						
August	71	N/A	N/A	12	8	0	0	0	n/a						
September	46	N/A	N/A	7	7	6	21	1	2						
October	33	N/A	N/A	16	8	2	5	2	1						
November	42	N/A	N/A	14	6	4	5	2	7						
December	50	N/A	N/A	5	12	0	0	3	0						
Year to Date	830	N/A	N/A	141	120	27	77	19	12						

**West Virginia
Offices of the Insurance Commissioner's Fraud Unit**

	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07
2007							
Open in Support Manager Review	182	198	206	205	221	250	242
Investigations	77	89	88	90	87	105	147
Investigation Manager Review	172	174	172	218	238	210	154
Prosecution	6	7	7	9	9	5	61
Total	665	630	647	699	717	733	746
Current Inventory Status as of December 3, 2007							
Open in Support Manager Review	239	261	272	289	335		
Investigations	135	143	139	117	133		
Investigation Manager Review	155	160	170	176	180		
Prosecution	8	9	12	7	10		
Total	739	778	800	809	879		

OFFICE OF JUDGES' REPORT TO INDUSTRIAL COUNCIL

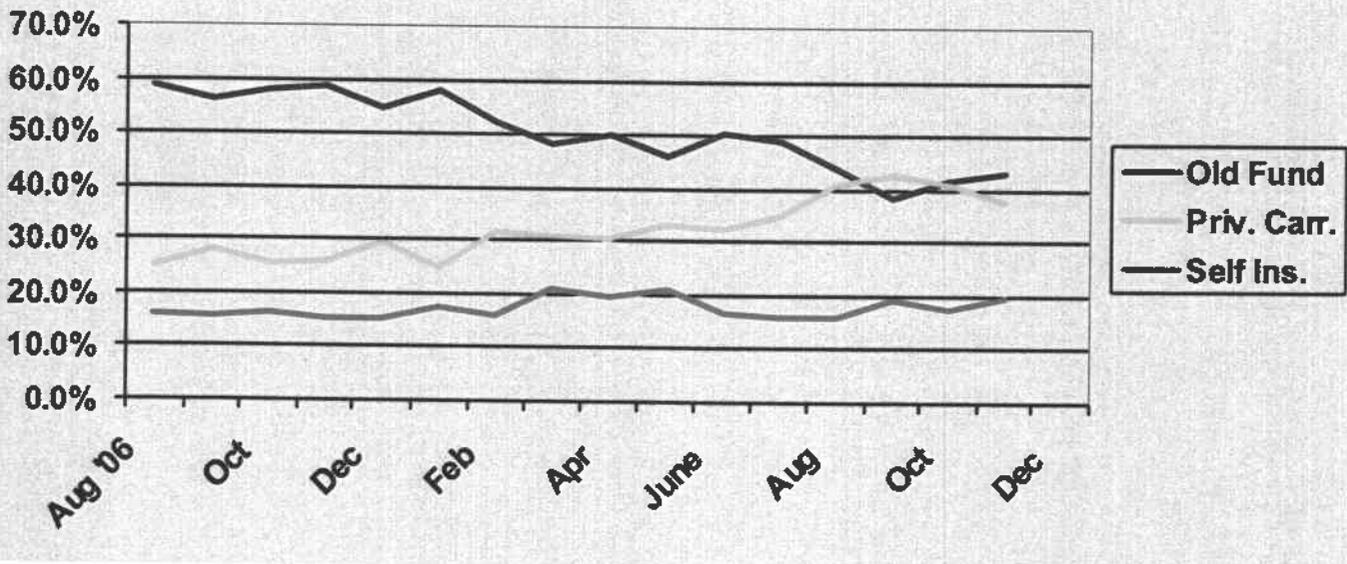
December 2007 (no meeting scheduled)

I. Statistical Analysis

A. Protests Acknowledged: 2006 NOV YTD
 1,229 (avg.) 739 11,049

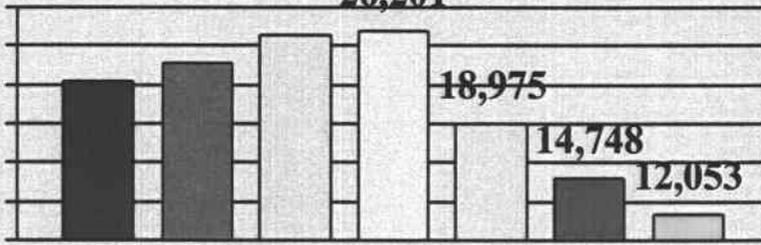
Fund Involved:

FUND	2005	2006	% of protests	NOV 2007	% of protests	2007 YTD	% of protests
Old Fund	n/a	8,148	64.60%	262	42.81%	4,257	47.50%
Private Carrier	n/a	2,207	17.50%	231	37.75%	3,063	34.18%
Others	n/a						
Self-Insured	2,736	2,264	17.90%	119	19.44%	1,642	18.32%
Subtotal		12,617	100%	612	100%	8,962	100%
Temporary		2,131		127		2,087	
Total		14,748		739		11,049	



PROTESTS PER CALENDAR YEAR

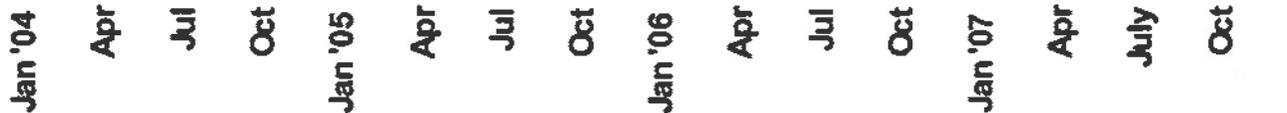
28,000
25,000
19,000
16,000
13,000
10,000



- 2001
- 2002
- 2003
- 2004
- 2005
- 2006
- 2007 (proj)

PROTESTS BY MONTH

3500
3000
2500
2000
1500
1000
500
0



- 2004
- 2005
- 2006
- 2007

B. Issues Resolved: 2006 NOV YTD
 18,335 879 10,815

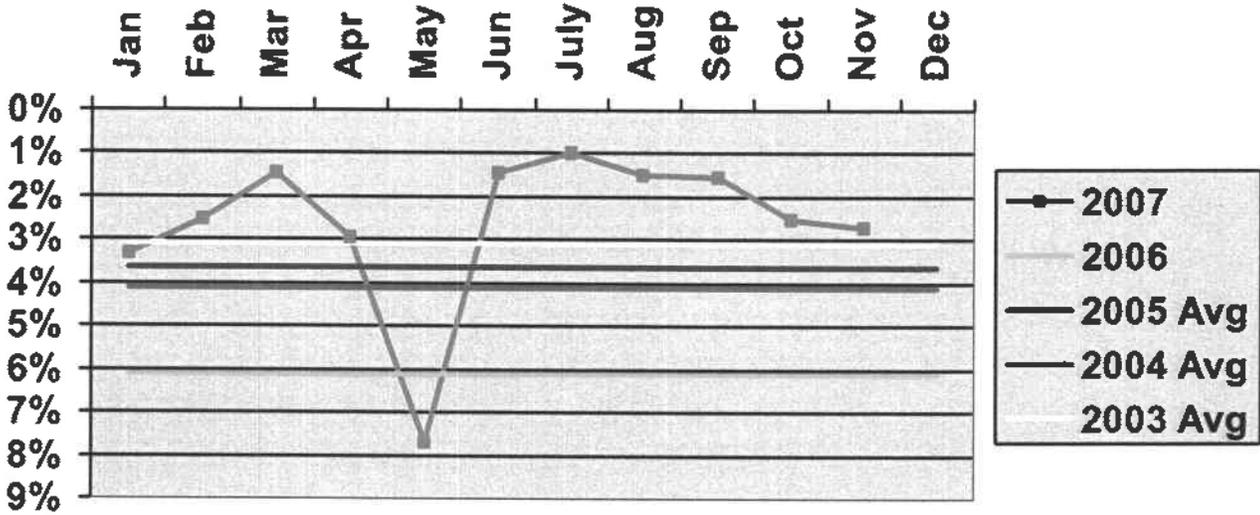
C. Pending Caseload Report

PENDING 1ST OF MONTH	6,677	
NEW PROTESTS	+612	

ISSUES RESOLVED BY DECISION		-567
DISMISSED FOR NO EVIDENCE		-207
WITHDRAWN		-105
MANUALLY CLOSED CLAIMS		
(TOTAL RESOLVED)		(-879)
REMAND FROM SUPREME COURT OR BOARD OF REVIEW	41	
PENDING END OF MONTH	6,451	
PENDING 1 MONTH BEFORE	6,677	
PENDING 2 MONTHS BEFORE	6,853	
PENDING 3 MONTHS BEFORE	7,141	
PENDING 6 MONTHS BEFORE	7,275	
PENDING 12 MONTHS BEFORE	8,842	

D. Acknowledgment Timeliness:	<u>2006</u>	<u>NOV</u>	<u>YTD</u>
1. Protest Ackn. >30 days	6.13%	2.71%	2.68%
2. Protest Ackn. 24-30 days	1.65%	2.17%	1.35%
3. Protest Ackn. 11-23 days	7.14%	21.11%	13.05%
4. Protest Ackn. <11 days	85.08%	74.02%	82.92%

Acknowledged Later than 30 Days from Receipt



B)

B)

B)

C)

B)

C) E. Decisions Mailed:

2006
10,760

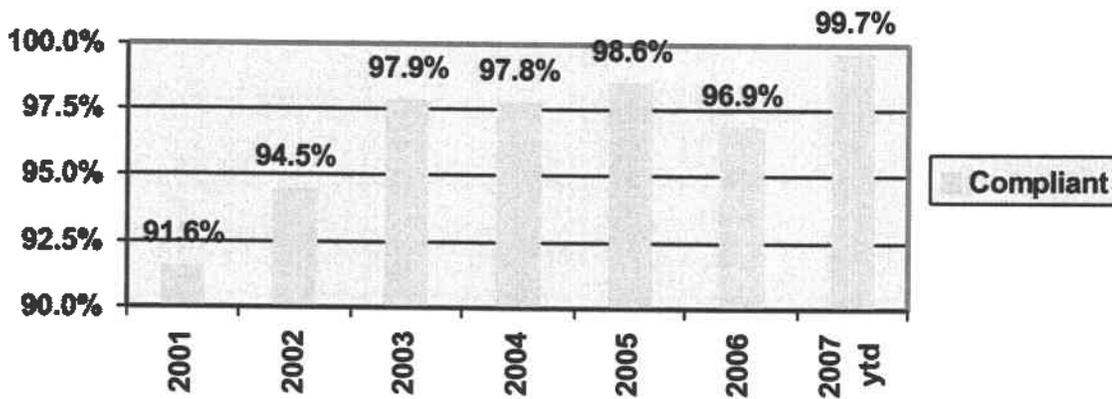
NOV
485

YTD
6,222

1. ALJ Decisions	5,304	322	3,533
2. Non-Attorney Adjudicator:	5,456	163	2,689
3. Withdrawals:	2,152	102	1,290
4. "No Evidence" Dismissals	3,567	207	2,215

F. Final Decision Timeliness	<u>2006</u>	<u>NOV</u>	<u>YTD</u>
1. <30 days:	49.8%	51.6%	62.7%
2. 30-60 days:	27.8%	33.0%	26.1%
3. 60-90 days:	19.4%	15.4%	10.8%
4. +90 days:	3.1%	0.0%	0.3%

Decision Within Rule's Time Limits



G. Time Standard Compliance	<u>2006</u>	<u>NOV</u>	<u>YTD</u>
	85.9%	93.4%	91.9%

II)

Workers Compensation Employer Exemptions Issued

	New Exemptions issued	Renewals Granted in 2007
Jan. 06	15	8
Feb. 06	87	40
Mar. 06	98	39
Apr. 06	110	41
May 06	218	147
June 06	391	239
July 06	202	100
Aug 06	243	126
Sep 06	329	171
Oct 06	265	107
Nov 06	133	55
Dec 06	118	24
	2,209	1,097
Jan 07	146	
Feb 07	123	
Mar 07	143	
Apr 07	141	
May 07	151	
June 07	128	
Jul 07	133	
Aug 07	128	
Sep 07	125	
Oct 07	161	
Nov 07	97	
Dec 07	24	
	1500	

Grand total of Exemptions Issued 2006 = 2,209
 Total No. Denials 2006 = 262
 Total No. of Applications Received 2006 = 2,471

Grand total of Exemptions Issued YTD 2007 = 2,597
 Total No. Denials 2007 = 262
 Total No. of Applications Received 2007 = 2,859

Offices of the Insurance Commissioner
Old Fund
 Claim Payments by Type

	FY07	FY08 - YTD
Claims benefits paid:		
Medical	\$ (65,373,600.02)	\$ (24,390,774.81)
Permanent Total Disability	\$ (157,300,621.60)	\$ (64,210,048.73)
Permanent Partial Disability	\$ (38,928,034.62)	\$ (8,077,265.73)
Temporary Total Disability	\$ (8,673,287.28)	\$ (1,633,521.40)
Temporary Partial Disability	\$ (317,136.14)	\$ (61,454.03)
Settlement Agreements	\$ (7,913,570.84)	\$ (2,825,616.77)
Fatals	\$ (35,144,243.69)	\$ (14,344,538.48)
104 weeks	\$ (5,146,647.49)	\$ (2,379,620.71)
Non-Awarded Partials	\$ (244,116.85)	\$ (54,480.31)
Total	<u>\$ (319,041,258.53)</u>	<u>\$ (117,977,320.97)</u>
Claims credits and overpayments	\$ 4,869,202.09	\$ 1,589,691.79
Total claims paid	<u>\$ (314,172,056.44)</u>	<u>\$ (116,387,629.18)</u>

Offices of the Insurance Commissioner
OLD FUND
Fiscal Year 2008 Year-To-Date through November

Revenue	Y-T-D
Personal Income Tax	21,200,000.00
Video Lottery	11,000,000.00
Premium Surcharges	11,935,715.27
Coal Severance Tax	36,964,699.84
Premium/Repayment Agreement Contributions	816,204.89
SI Bankruptcy Recoveries	42,999.70
Other Collections/Fees/License & Income	499,827.80
Investment Earnings	13,001,789.72
	Total Revenue
	<u>\$ 95,461,237.22</u>
 Expenditures	
Payment of Claims(Net Overpayment Credits)	116,387,629.18
Contractual/Professional/TPA Services	8,889,729.33
Public Employees Insurance	73,296.16
Unemployment Compensation	1,693.69
Administrative Expense	67,651.08
	Total Expenses
	<u>\$ 125,419,999.44</u>

WV Offices of the Insurance Commission
 Worker's Compensation Revenue Recovery

Revenue Recovery Activity		10/1 - 10/31/2007
COLLECTION ACTIVITY		
Receipts - Old Fund	\$	116,398.07
Receipts - U	\$	17,163.57
Receipts - PC & NU	\$	110,956.31
Receipts - Repayment Agreements	\$	96,449.06
Receipts - Collection Agency	\$	8,556.21
# of presumed active accounts uninsured		1,314
\$ of presumed active accounts uninsured	\$	3,508,594.18
Telephone contacts		1,531
Walk-ins		22
LIENS		
Liens prepared		52
Liens reviewed		179
Liens mailed		134
Liens released		88
INJUNCTIONS		
Employers selected for injunction		38
Affidavits		34
Hearings attended		8
EVS**		
Accounts added to EVS		248
\$ value of EVS accounts added	\$	434,770.10
Total accounts on EVS		1,276
# of accounts pending approval		13
Total \$ value of EVS accounts	\$	24,974,814.00
# payments received on EVS accounts		109
\$ value of EVS payments received	\$	141,020.90
REPAYMENT AGREEMENTS		
# of repayment agreements		8
Agreements set up		5
Total # of agreements on system		140
Intent to void letters mailed		19
Agreements voided		8
NSF		
# of NSF Checks		6
\$ value of NSF Checks	\$	3,914.73
BANKRUPTCIES		
# of open bankruptcy cases		733
Bankruptcies filed		0
Bankruptcy audits		0
Bankruptcies closed		0
COLLECTION AGENCY ASSIGNMENTS		
New Collection agency assignments		0
\$ value of new assignments	\$	-
Accounts recalled from collection agency		0
Total # assignments to collection agency		0
Total \$ value assigned to collection agency	\$	-
\$ collection agency collected this mont	\$	8,556.21
MISCELLANEOUS		
FOIAs		1
Returned Mail		46
Field Reuquests		12
In-House Terminations		37
Intent to Lien Letters		0
Rule 11 Letters Mailed		183
Rule 11 hearings		4
Uninsured Policies Presumed * Resolved		468
All Cash Receipts from WC accounts	\$	349,523.22
*Cannot determine actual resolved accounts due to not all policies have new appropriate collection status		
**This is a manual production		
*Rule 11 letters became automated effective October 23, manual process until this date		

Tape: December 11, 2007

Speaker: Call the meeting to order. Senate President moves the approval of the November 28, 2007 minutes. Discussion? All in favor say I.

Committee: I

Speaker: Oppose? The I's have it. The minutes are approved. You have in your folders here, monthly/quarterly reports and I guess the first thing on the agenda is Workers' Compensation, Jane Cline, Insurance Commissioner.

Jane: Thank you Mr. Speaker. We again are providing you some general information and are continuing to refine the type of report we are going to provide you on a regular basis as (?) To some of the changes that occurred in Workers' Compensation. Among the first item we have given you is an update from the Office of Judges report.

Speaker: This is the last page in our book, right?

Jane: It is the last section I understand. We provided you the latest information from the Office of Judges report um that they would provide on a regular basis to the Industrial Council which provides information on the number of protests that have come before them and provides general overview with respect to whether it's an old fund protest, a private carrier or a self insured. And you see the self insured is generally pretty consistent with respect to the percentage of protest and um, generally speaking the old fund is trending down and the private carrier is up though that kind of crossed a little bit in November but overall um during the course of the last couple years the actual protest to the Office of Judges has trended down pretty significantly and we're hopeful that as time goes on with respect to the old fund that will continue. We were also asked the number of, if we had any idea the number of appeals that were currently before the Supreme Court. Our information indicates that there's about 3100 old fund cases before the Supreme Court but we are working, we are going to be working with the Board of Review to refine that report for you because with their new data base we should be able to get you some additional information for the January Interims because interims were so close this time it caused us a little bit of challenge in getting reports. We have also provided you

Speaker: Senator Deem.

Deem: I asked you last month the number of appeals, claims and so forth. Forgot to mention I believe that there is new procedures in making appeals, doesn't it first go through your office now?

Jane: No, actually there is an expedited process for a claimant that believes they have been unjustly denied where they can go directly to the Office of Judges and the Office of Judges is housed in the Office of the Insurance Commissioner's Office. Then if there is further appeal of the Office of Judges it goes to the Board of Review. The Office of Judges has a number of attorney's and the Chief Administrative Law Judge and then the Board of Review is comprised

of three attorney's appointed by the Governor and they are the intermediate appellate process and then the appeal would go to the Supreme Court.

Deem: Is that the new part of the legislation we passed?

Jane: Yes, I mean that was part of the changes that came in '03.

Deem: So you had another appeal process? One more than you had previously.

Helmick: That is the Board of Review.

Jane: That is the Board of Review, the intermediate group.

Deem: Alright.

Speaker: Senator Helmick.

Helmick: Yeah uh Jane, now the, you said 3100 that's in the Supreme Court of Appeals, old cases. Now those are not 3100 cases that have gone through our reforms? In other words, the Board of Review.

Jane: No, some of these could be you know some of them are older than the '03 changes, some of them are post '03.

Helmick: Because in fact before we established the Board of Review and we did the reforms, 63% of the case load in the Supreme Court of Appeals of WV was Workers' Comp cases, 63%. Now 7%, so 7% is not represented in the 3100.

Jane: Right and this we would anticipate will continue to trend down as it works through the system because as you know, the Board of Review had a back log as a result of changes in '03 and they have worked through their back log and so...

Helmick: They're now current, the Board of Review is, they don't have a back log. The Supreme Court has it but that back log did not go through that step of the reform which is the Board of Review.

Jane: Right, and so we are working with our IT staff to see how refined we can get this information for you because you point is relative to where we are with respect to the age of those protests. So we are gonna continue to work on on on modifying and getting you reports and general information on the actual litigation piece. Um, in addition to that we have provided you old fund claim payment types and just for comparison what we have done is provided a breakdown for the payments that were medical, permanent total disability um, settlement agreements, fatals, the various types of payments that we're making and last year through fiscal year 07 we paid out 314 plus million dollars. To date we have paid out 116 and that means through the end of November we have paid out 116 and we've kind of just given you that as a

general comparison. Um, and again as we work through this and we begin to put reports together for you on a regular basis it's helpful for us if we have a feedback as to what it is your actually looking for because we have looked at the old Workers' Comp commission reports and part of that information is no longer relative as we're in this transition period and the responsibilities and areas have changed. Um, we also for the fiscal year 2008 to date through November collected in revenue 95, close to 95 ½ million dollars and we have expended 125 million in payments thus far this year out of the old fund, out of the old Worker Comp funds. Next we have also provided you some general information with respect to our fraud unit and the activities that they have been working on. Again, the fraud unit transitioned to us in January of '05 um I mean in July of '05 and from that time forward we worked with the fraud unit to get them additional training, equipment and um management tools to better be able to perform their duties and so we are working with them to refine their reports. Um, as you recall in July of '04 you also gave us the authority to establish an insurance fraud unit within the Office's of the Insurance Commissioner's office and those have merged and they investigate all types of fraud whether it is on a provider that is inappropriately billing. It's an agent that is taken monies and not bound the coverage and taking care of their consumer. It can be consumer fraud, it can be company fraud so there is all types of insurance fraud that we are actually looking at and investigating. And we can look to refine this information in a report that might be more user friendly to you on an ongoing basis. One of the other activities that transferred to us, I mean I think that it is important to note that our offices now have beyond just the insurance regulation pieces that relates to Workers' Comp. We have the employer compliance piece and we have other responsibilities that most insurance commissioners don't have. In fact, Texas is the only one that I am aware that has the same level of responsibility for Workers' Comp that we do. So, our responsibilities branch far beyond just insurance regulation and basic regulation. Um, we have been working on the employer compliance piece and so we have also provided you some general information with respect to that. One of the things that we have seen an increase on as we have changed and transitioned to the NCCI (?) Class system is the number of employers that are exempting out. In other words they are opting out of Workers' Comp coverage because there are certain provisions in the statute that allow small employers, family owned shops to be able to do that. You know in some instances churches can do that um farm operators are able to do that and as we have seen the transition and we have gotten away from the \$100 minimum premium uh a number of employers have come in and opted out because it was no longer to their benefit to use Workers' Comp as a long term disability um coverage.

President: I just have one but you may get to it Jane but looks like the number of people opting out has shrunk quite a bit in '07 as compared to '06.

Jane: Well I think that what, during the initial phase we had an influx where you had more people coming in. But as we transitioned and other people become more familiar with that or their cost of their insurance is increasing they are choosing to opt out as well. But I can work, I understand what your question is based on the way the numbers look but I will work on getting that charted out for you in a different manner. In fact, what I want to do is a follow up to the conversation I, we had with you and the Speaker as get you specific information on, we're working on additional information on the minimum premium issue so you have a better idea of the number of employers that were at those various levels and where they have gone.

President: Let me just as a follow up so I understand and I still find it kind of complicated whose managing what. Are these people who were paying the \$100, the farmers and others out there are these people opting out from under Brickstreet or is that something that you, the old fund?

Jane: They are opting out of Workers' Compensation coverage in general because it is not a mandatory requirement for certain small businesses.

President: But those premiums would be Brickstreet as opposed to you?

Jane: No, they are not opting to have coverage for Workers' Comp. So in the case like of, you don't have to have Workers' Comp. On a household employee so if the household employee is at your home and they are injured, then your homeowners policy would cover it.

President: I understand if you don't want it anymore but where has these people in the past been paying that premium to?

Jane: Oh in the past they would have been paying that \$100 to the old Workers' Comp Commission and then subsequent to that Brickstreet.

Speaker: And the minimum has raised, what is it now? \$500 maybe?

Jane: I think in some instances it's \$750 and other instances it is \$500 and it will most likely escalate to about \$750.

Speaker: And do you anticipate when the switch over occurs to privatization other companies competing that these individuals may have trouble getting coverage?

Jane: We're hopeful in that through our ability to make some changes in the up coming regular session to further tweak the Workers' Comp legislation that we are gonna be able to take care of a lot of that but one of the pieces that we've been talking with some of you about is the residual market piece which is the insurer's last resort for those that can't get coverage in the private market. The optimism we do have is that um in working with NCCR and some other people that are more familiar and do this in other areas there has been improvement in opportunity for small business and there are actually some carriers that target that we've had some carriers that have come in and talked with us about being specifically interested in like the small auto body shop employers and some of the people I think that your directly concerned about.

Speaker: But the coverage is compulsory. It is required unless you meet an exemption and these exemptions your talking about are set forth in the statute, these are like family operations where they don't have any employees or all the family members are share holders. But for the most part if your in business and have employees you have to have Workers' Comp.

Jane: Yes, I mean it is a very limited number that can exempt out. I mean very specific criteria.

Speaker: So your working on some different things cause you anticipate that some of these

businesses may have trouble getting coverage and may be assigned into like a high risk, well similar what we do with automobile insurance.

Jane: That is correct.

Speaker: Cause we have compulsory automobile insurance, some of these people maybe transferred into this high risk pool so your already starting to look at that issue as to how you can reduce this affect of this occurring. Is that right?

Jane: That is correct. I mean it is one of the areas that we are very concerned about and again another positive note though is depending on how things go and ultimately happens we have licensed several new companies that are Workers' Comp specific. I think to date it is about 17 in addition to the Liberty Mutual's and Travelers, those carriers that already have license here that offer Workers' Comp and other jurisdictions.

Speaker: It's probably not going to be \$100 like it used to be.

Jane: No, it will not be \$100. I mean you can't service an insurance policy for \$100 so.

Speaker: Senator Deem.

Deem: Yeh Jane, for the people who do opt out, do they have any insurance, you mentioned homeowners.

Jane: They wouldn't have Workers' Compensation coverage so then in that case it would depend on what their general liability coverages were and what their other lines of insurance were. For example, if you know if your employing a household employee then your homeowners would cover that.

Deem: I noticed that you have a \$13 million dollar year to date income from investment earnings. Who has that money or how do you determine where it's invested?

Jane: Um, the investment portfolio is with the Board of Investments and Bill Kenny he'.....

Deem: Consolidated Investment Board?

Jane: Yes, through the consolidated. But we have been much more active in following that and so our investment yield last year was higher than we originally planned for in being careful and not getting too out there in equities but looking at opportunities where it's better invested.

Deem: What was your return, do you know?

Jane: Um, it was 11 ½ percent. Bill Kenny, my deputy, is the person that, he comes from that type of background in his private career.

Deem: Good, thank you.

Speaker: Any other questions? Or do you have some more on your report?

Jane: We did have one other general sheet and that is the revenue recovery activity up through October of this year. Um, and that is the area where we're going after the violators of the Workers' Comp system and trying...and we also have the responsibility to recover the old fund debt. So, I mean that is kind of a quick overview of...

President: What is EVS.

Jane: Employer Violator System. The Employer Violator System is where we are required to give notice of employers that are in violation of the Workers' Comp statute and law so that if your gonna sub-contract with somebody you can go on our system and determine that, that person is default for the Workers' Comp. Also, we can track Board of Directors and employ...individuals that are responsible for some of the debt that is coming into.

President: What is the nearly \$25 million dollars? Does that mean employers owe that much or? About ½ way down is where I am talking about.

Jane: Yeah, I see. That's where over time the debt has accumulated and we're not able to write any off. I mean it is one of the things we are trying to look at on what is ultimately going to be collectable and what is not. Um, that is one of the areas we were very weak when we had the transition of the old Workers' Comp Commission but um as a result of the changes where you allowed us to um, have some exempt employees we have been able to get somebody that's experienced in Revenue Recovery and she is working very hard to get us better reporting and information on that and identify those accounts that we really can collect on.

President: So there is \$25 million that you know of that you have no real clue how much the state was owed or the fund was owed?

Jane: No, we are still working, I mean those records were not in the best of shape.

President: It's like your dancing a little bit there.

Jane: Well let me just say, I mean you know there was a lot of challenges you know that um have transferred to our office and you know with that comes opportunity but it takes you a while to get all the systems in place and be able to get all the pieces put together to make the puzzle complete.

Speaker: Well you mentioned that only Texas was dealing with these issues like we are. What are the other states doing?

Jane: The other states you still have a Workers' Comp Commission or an Industrial Council or something that Department of Labor that does the employer compliance piece and those kind of things. But um, you know the so I guess the fortunate thing is we did get transferred budget and

resources to put these systems together and have been working on doing that to make improvements. And the employer in tracking the employers that are in violation and going after the old debt.

Speaker: And the questions I asked month on behalf of one of the delegates, have you been able to find that information?

Jane: Um, we are working on getting that information and we have done a series of calculations. The challenge with that is, is the payroll is not stagnant um, you have payroll shifts and then you know today you might have more surface miners or more underground miners than you did at the original time but then you might have more clerical too and as these classes have all changed I mean it has caused all these fluctuations in the numbers.

Speaker: Is it something that you can get that information?

Jane: I think it is something we can get a number that helps explain to you the differences. And we understand what you are looking for and have been working on that and part of that is going to tie back to our audited financial statements that we are in the process of finalizing as well.

Speaker: Alright, thank you. Any further questions? Delegate Caputo.

Caputo: Thank you Mr. Chairman. Jane, I am still trying to understand how someone can opt out of Workers' Comp. Can you give me like some specific example. Is there businesses out there that have employees, other than family members, who can opt out of Workers' Comp.

Jane: Mary Jane has the code sight so we will let her.....

Mary Jane: Mary Jane Pickens, General Counsel for the Insurance Commissioner. I think the Speaker had it right. The basic premise in the law is that if you're an employer employing one or more people your gonna have Workers' Comp, it is a mandatory coverage. But there are some provisions where certain types of employers can be exempt from the coverage just by statute. For example, employers of employees and domestic services, the Commissioner had mentioned you know somebody that comes in and cleans your house. Employers of five or fewer full time employees and agricultural service is another one. Employers of employees while the employees are employed outside of the state accepting cases of temporary employment outside of the state. Um, casual employers....

Caputo: What is the definition of a casual employer.

Mary Jane: Well an employer is a casual employer when the number of his or her employees does not exceed three and the period of employment is temporary intermittent and sporadic in nature and doesn't exceed 10 calendar days in any calendar quarter. So you have got some parameters right here

Caputo: Well let me ask you this then, lets deal with casual and agriculture employees for a

second. What happens when one of those employees are injured on the job?

Mary Jane: Well I think they can sue their employer or if the employer provides health insurance that would perhaps provide some coverage but it wouldn't be the mandatory statutory Workers' Comp benefits.

Caputo: So basically they are on their own there. They will have to fend for themselves either through litigation or whatever.

Mary Jane: Right, um yeah they would have to look to a different source. Also, just to finish your question. Churches um certain professional sports activities including jockies, certain volunteers um and some other folks. And then of course if you're an employer uh that is a partnership, sole proprietorship etc. you can exclude certain owners of the sole proprietorship officers, those types of things. But, a lot of these employers elect to buy the coverage anyway. I mean they may be allowed to operate legally without it but they see it as a good thing and they...

Caputo: Do we know who the employers are that are exempt. I mean do they apply? We have that on record?

Mary Jane: Yes.

Caputo: Does the employee know when he or she takes a position that those places that their not covered by Workers' Comp?

Mary Jane: Um, I don't know if they would actually know or not. I mean I think if an employer is supposed to post evidence that they have Workers' Comp coverage um you know in their work place um I suppose if that wasn't posted that might be a clue to an employee. Um, now I think if you're a statutory exemption you would not have to come into us and get a piece of paper that says your exempt. I mean I think your you should be safe operating under this statutory authority. Um, I think a lot of the one's that do come into get exemptions are employers that have only independent contractors. So they don't really cleanly fall under one of these but they may feel that they can prove that their just that they just have independent contractors. So therefore they are not employees.

Caputo: I guess my concern would be I just comment I guess is that an employee takes a position I think they assume they are covered by some type of Workers' Comp Insurance especially since we have been doing all the advertising and talking about how all employer's got have Workers' Comp and there is some exemption in this state where an employee could get seriously hurt and find out at that time they absolutely have nothing. So that's pretty accurate statement then isn't it.

Mary Jane: Yes, but I think it's probably very common for state's to exempt out certain types of statutory employees but can assure your concern....

Caputo: Yeah and I am not being critical of that, I am just saying I am trying to figure out a way

where I think the employee should know that they accept employment at a place like that. But one other thing, I am looking at the pending case load report and I really don't understand this chart. I don't know if someone maybe could help me with it. Uh, like you have all the minus numbers and the final number in parenthesis, is that numbers of cases that are protests that are not resolved. Is that what that.....it is like page 4 it begins at the bottom of page 4 in the book....says pending case load report.

Mary Jane: I don't think we are on the same page as you.

Jane: Um, are you talking about the one that starts with C pending case loads reports and it says pending first of the month. What that is telling you at the beginning of November there were 6,677 cases pending at the OOJ.

Caputo: Protests

Jane: Yes, and you had an additional 612 added, 567 were resolved by decision.

Caputo: Were resolved? Even ...

Jane: By decision. 207 were dismissed for failure to provide evidence and that could have been on the claimant or the us Brickstreet whomever. Um, withdrawn there were 105 so there were a total of 879 that well 612 came in there were 879 that were backed out of the system.

Caputo: But total pending beginning of the month was 6,677 and total resolved in that same time frame is only 879?

Jane: Uh huh.

Caputo: So there is still over 5,000 cases out there? And this is for the last year or when was the beginning of this time period.

Jane: This is the beginning of November.

Caputo: Not all these cases....I am saying when these cases are put on this report they could have been injuries that happened last January or November of '06 or whatever. I mean this is just a total run. Is that correct?

Jane: Uh huh.

Caputo: And the total run is that there is 6,677 cases pending. As of the first of the month only 879 of those have been resolved, that's the bottom line. I mean I am just trying to understand the report. I am not being critical here I just don't understand what your trying to tell us. I can't read the report.

Jane: Well part of the problem is once the protest is filed sometimes it takes a very long time for

the entire case to develop and work its way through the system but I think if you look at the bottom, pending 12 months before there were 8,842. Now pending the beginning of December it's 6451. So the numbers are trending down.

Caputo: So in a year you have resolved a couple thousand.

Jane: Yes, more than that have come into the system.

Caputo: 6400 pending.

Jane: Right, right. And then I think if you look um, I mean your looking at some of the other information that they provide you there is that the protest was acknowledged when the number, the amount of time the protest was acknowledged. I mean they have been working on that figure as well.

Caputo: But acknowledged just means basically you received it and it is in the system.

Jane: right, that is correct. But at the same time the number of protests coming into the system are trending down.

Speaker: Delegate Webster. Delegate DeLong.

DeLong: Thank you Mr. Chairman. Uh, Jane last time

Jane: Do you mind if we just back up and let Mary Jane explain the \$24 million...she is

Mary Jane: This is in the revenue recovery chart and what I would really like to do is go back and talk to Tina Clark our director of revenue recovery and make sure this is right but EVS is a system where you put individual people on it. Owners and officers of businesses, employers that owe money to the state of WV for Workers' Comp so my belief is because this the total dollar value of all EVS accounts if there are multiple owners and officers of one entity put on there that may be it maybe I guess high. I mean my concern is that it may have gone in there if there is five owners and officers put in EVS that the debt maybe in there five different times. That is what I want to go back and ask our revenue recovery director. I don't know that, that clarifies anything but I would like to go back and check that number.

Jane: We'll get you further clarification. Again, we're just working to develop reports that we think might be meaningful and work through that so.

White: Mary Jane along the same line, if I may Mr. Speaker um the 733, I know this is a report for one month, but the 733 bankruptcy cases open, is that a total of old cases or new cases?

Mary Jane: It is, that is not for this period of time. That is in the system as of today so that is accumulative figure.

White: I think your chart is a little misleading there.

Mary Jane: I know and that's we again as the Commissioner said we had to do this rather quickly but we...

White: Do you know the value of those 733 bankruptcies?

Mary Jane: I don't but we will fairly soon. I was talking to the paralegal that handles our bankruptcies this morning and we are developing a new data base to track that information which we haven't had the benefit of in the past uh but we are working on that, we are getting close to it and we will be able to run some good reports out of that hopefully shortly.

White: One reason on that report, I assume that is a one month report the way it, cause it says no cases closed, no cases opened.

Jane: Well I think to our point this is just one of the systems that we've had to put together. I mean try to develop to make more meaningful use of. But, our primary focus has been first on part of the claimants trying to get the IT systems in place and the transition of the claims for the claimants because that's where.

White: So does any of that \$25 million fit back into the bankruptcy side of the ledger.

Mary Jane: It could, I suppose.

Jane: It could. But I think your questions are good and they give us guidance on how to better refine this report.

Mary Jane: If we get notice of a bankruptcy it has, we have taken it back off of EVS. I mean we have to be careful not to gage in any collection activity that we would be a violation of a bankruptcy court order. I mean I guess there is a possibility of some overlap but if we should catch those and take them off of EVS and back that out of that \$25 million figure if we are aware of a bankruptcy filing.

White: Thing might be more better information for us if we had the starting date of that, maybe two columns, give us a total and then give us a year or a year to date or month to date.

Mary Jane: Yes, and we can do that we can work on that.

White: Thank you Mr. Speaker.

Speaker: Delegate DeLong.

DeLong: Thank you Mr. Chairman. Gotta be careful relinquishing the floor around here.

White: That is right you won't get it back.

DeLong: That is right. Mary Jane last month or I guess two weeks ago, it hasn't really been a month. We, I had brought up a about the provider in my area who was denied the ability to participate in the Select Street Program. At that time I didn't have all of my points and facts correct, including who his appeal was with. I think I brought up the Office of Judges, it was clearly it was not, it was the medical advisory board through comp net. Um, I am still trying to get to the bottom of though, I guess I just can't think of another instance although, unfortunately I am sure there are some when a person files an appeal and they don't even have the right to attend their own appeals hearing. And I am trying to find out whether this is something that we have created absolute through an action of the legislature or if it is something that the Insurance Commission has authorized and has the ability to do something about.

Mary Jane: We, it has been soon since the last interims but I've had a little bit of time to focus on this. The entities that establish networks are not regulated by the I mean the networks themselves are not regulated by the Insurance Commissioner, we regulate Insurers and HMO's and those types of entities but just a network of physicians we don't regulate, we now approve them for the Workers' Comp process. Um, but the entity that your correct it is at a posture where this particular physician if he would elect to do so could go before a reviewing body but that, the way that process works is when someone applies to go into a network they review medical files and they look at those medical files and the treatment and if they determine that the physician has not followed national standards relating to return to work or treatment guidelines or his provided treatment outside of the guidelines not related to the injury or whatever then they....

DeLong: I really don't want to argue the merits of his case cause I don't know what the merits of his case are quite frankly. My concern here is I don't know how he can argue the merits of his case if he is denied the ability to attend his own appeals hearing.

Mary Jane: He has had that opportunity. Um, what happens is once the review is done if there are any concerns those concerns in the specific medical files are brought to the attention of the physician and the physician can submit in writing any information that the physician thinks needs to be considered. So you need to have that written record. And that is what the decisions are based upon and the reviews are based upon that written record and that particular physician has in fact availed himself of that opportunity.

DeLong: what are the other instances off the top of your head that you can think of that somebody would file an appeal and not be allowed to attend their own hearing.

Mary Jane: Well, I don't know this process as far as I can tell is typical of the network creation process. Um, you know it's they are not prevented from offering any evidence. It just has to be relevant to the medical treatment provided in that file. Um, and it is typically written evidence and typically the physicians would want that to be written evidence. Um, you know they would want to have evidence that their treatment was within guidelines or was appropriate and there needs to be a written record. So I guess my thought is that I don't know that there is anything that the physician could say orally that isn't that there is not already an opportunity provided for in this process.

DeLong: Ok getting back to my original question then, it is your belief then that the Insurance Commission can not regulate this practice and if we chose for it to be regulated it would have to be done through legislative action?

Mary Jane: Um, the actual establishment, the processes that the network goes through to um to approve the physicians is a matter of private contracting. Um, you know it's not something that I think would be appropriate for regulation by us. Um, the networks need to make sure that the physicians and providers that they bring into their network are credentialed, that they understand their background that their qualifications are board certifications, they are you know how they provide treatment and they should be able I think to make that business decision on who they want to do business with.

DeLong: Ok well I guess my concern is I am not sure where that leaves me when I have a provider who has provided these services for 29 years and I have multiple constituents calling me with concerns because they want to seek treatment from this person and as far as I can tell in all other avenues of his medical license he is in good standing in the state of WV. Uh, but when we try to get some answers as to why that he is being denied to participate in Select Street and serve these patients that I think are pretty clearly crying out to me that they need his services um, you know that nobody can get a straight answer on this and we're being told that you know that he can file an appeal but yet his appeal no one can go to the appeal or hear any reasons behind the appeal. I am just trying to figure out where the justification is in that.

Jane: I think part of our problem is there is certain information that we can know but we can't share because it's private, it's HIPPA, it's privacy laws and we're responsible for administering

DeLong: I understand and I am not asking you to share it with me, what I can't figure out is why I can't seem to get it shared with him.

Jane: I

DeLong: That is the biggest problem I am having.

Mary Jane: It is my understanding that he should be aware. I certainly, you know I have talked to before and can talk again to the director of Comp Net and if he needs to be, have anything else explained to him, you know I am sure people will be happy to explain it to him.

DeLong: I would appreciate that very much, I mean it doesn't have to be explained to me but if I could at least get some letter or something stating that on such and such a date a packet of information was mailed to him breaking down the reasons why he's being denied to participate in Select Street. Because I my biggest concern here beyond anything else and I understand what your telling me is that I just can not think of another instance when a person files an appeal and their not allowed to attend their own appeals hearing. I mean that to me is almost, and I am sure it is not unprecedented, but certainly to me it seems unprecedented that, that would happen. And, we have a case here where this person was denied as far as I know in January. I mean it was in

June when I had to contact the board and although they would not allow me to attend, which I understand, and would not allow him to attend. It took me contacting the board in June to get them to set a hearing date for him after he had filed the information requesting the appeal. So.... thank you.

Speaker: Thank you Commissioner. Next we have monthly/quarterly reports from PEIA, BRIM, CHIP. Secretary Ferguson.

Ferguson: Mr. Speaker, Mr. President, members of the Committee. You should have the reports in front of you. First up is PEIA reports, the August 2007 reports are in your folders and ready to take questions on those. We are approximately trending about 7% in claim costs more this year than last year and we have a board meeting Thursday night to take a look at our plan.

Speaker: On the reports, is there any questions on any of the reports. Delegate Caputo.

Caputo: Mr. Ferguson, I don't see Mr. Cheatham back there. The only question I have, I just like a continuous update every month of how many Advantra Freedom retirees have been put back into PEIA, is that number increased since the last meeting?

Cheatham: I don't know if it has. It very well could have, we're doing debts of daily weekly issue. If you'd like me to start reporting on that number I could do that for you.

Caputo: I would like that, thank you. Thank you Mr. Chairman.

Ferguson: CHIP is the next report.

President: And for what reason, as a follow up would you like to know why they put them back?

Caputo: I would yes.

Ferguson: Just to give you a quick update because I recognize that this is a concern of everybody. We have a board meeting Thursday night we are gonna look at the existing plan, see if there is some flexibility in there to soften some of the issues that have arisen. Uh, just to remind everybody the MAPD plan is a Medicare product. Similar to Medicare there are providers out there just like there were with Medicare they could chose not see a Medicare patient. Uh, traditionally that was rare because Medicare is such a huge book of business. However, with the MAPD, within the confines of the state of WV we know of no providers that are refusing to accept the MAPD. We had at the same time uh some cost controls. We have copays and we had some coinsurance. We are going to revisit maybe the coinsurance on Thursday night. We are working, the Governor has personally called Johns Hopkins and the Mayo clinic where we got some push back and Coventry is in dialog with both of those organizations. Mayo has agreed to see tertiary care and tertiary care is defined as those big ticket items, huge medical problems as opposed to coughs and colds. We have pockets of resistance in other places when we realize that there are people in the MAPD that are not getting the service that they deserve, we bring them back into the program. So there is a delicate balance here, we are listening. We finished with the

public hearings. We are going back to the drawing board on Thursday night to see if there are some things we can fine tune.

Caputo: There was a doc in Morgantown

Ferguson: There were two.

Caputo: Who said they were going to quit as of like June or something so there is some still some resistance out there I guess and I don't know if they are going to follow through with their comments but they was very clear at that meeting that they would not accept...

Ferguson: Yes, sir and we are in dialogue as we speak.

Caputo: Thank you Mr. Chairman.

Ferguson: On the Childrens' Health Insurance....

Speaker: Delegate Webster.

Webster: Yeah, Mr. Secretary, I just have one question. We were aware from the Select Committee that there was going to be some things taken you know before the board and we ran out of time and my question to you is I believe that the administration and PEIA are at this point trying to do what it can when you use the example of tertiary, Cleveland Clinic and etc. My question is we never really delved into how the contract was, and this isn't the time to do that I think, but how if Advantra or Coventry got it but why is it that your all, the state, having at this point to go and seek other providers instead of the entity that has the contract. Wouldn't that be something that we would have thought they would do is to make sure there is you know many providers.

Ferguson: And they are, maybe I mis-spoke or we just wasn't clear. We are working with them. I mean there, at the end of the day there are constituents and we owe them the health care that we promise them. We are working with Coventry to address those things. When the federal government came out with the MAPD program, the original intent was there was not an understanding that there would be any kind of push back and the reason for that was that the providers are being paid the exact same thing that they are being paid from Medicare. There is not one dime difference. It was a private fee for service. At that time, I don't think anybody could predict that there would be a provider that said ok I will take Medicare but I won't take this Medicare product, even though I am going to get paid the same. Some of that we believe is some push back well I don't want to train my clerks to do another insurance form or I had a bad experience in a particular region with another MAPD program. Uh, again for the, we are balancing as best we can the needs of our retirees and then our financial responsibility. Under no circumstance are we taking any of our Medicare eligible retirees and saying, there is no room for you at the end. If they have a medical problem and they don't have a provider, the Advantra/Coventry program, we are taking them back in PEIA. Which I think was the question of how many are we taking back.

Webster: Have you all been surprised in given that it is my understanding that when you all entered this contract (?) No less coverage that PEIA provided for um these retirees. Have you all been surprised, I mean that you have these number of problems with coverage in other states, the lack of you know....

Ferguson: We were surprised, now again with the private fee for service in this program it's like Medicare there is not a network for Medicare either. It's, we have never really experienced the push back from Medicare because it was such a huge book of business for providers that almost everybody universally took it. Although there are providers that say I am no longer taking Medicare patients. There was an assumption and I think it was a logical assumption at the time that since this is in fact a federal medicare product that we would realize the same thing. Uh, the push back that we are getting and we are addressing that on a case by case basis. Again, within the confines of the state we know of no provider that's refusing the MAPD, not one. But we are working with it, again, it is important I think it is important obviously for you since they are your constituents and we are the service provider for that, that we are providing the health care that we promised. Now we recognized that this has changed and everytime there is change you know people don't like moving outside of their comfort zone. Hand in glove with that, we also had increase in copays which we had to do and we would do anyway. Uh and coinsurance, now we are addressing the coinsurance things Thursday night and we hope to soften that. On the Childrens Health Insurance, we are currently a little over 25,000. Enrollment is down (TAPE CHANGED SIDES) Insurance Management uh you've got the reports in front of you. Overall again, BRIM has no unfunded liability, the Senate Bill 3 program has a deficit in excess of 3 million but we are continuing to draw down on that through aggressive loss control. But overall we are in great shape. Under leasing uh, you have the leasing report and we can provide detail if you like. We have had 3 new contracts to lease, 3 new ones, 13 renewals, 2 renewals with rent increases and 1 adding some square footage and we can answer detailed questions if you like.

Speaker: Questions? Delegate DeLong.

DeLong: Thank you Mr. Chairman, backing up for a moment with PEIA. The question I got is when Coventry was awarded the bid how many providers uh submitted to that process?

Ferguson: How many competitors bid? I'll ask Ted to come up. Six. Come on up Ted.

DeLong: Six. I am assuming that although they bid on specific criteria they all have some variances to the plan that they offer? Is that correct?

Cheatham: True, that is true.

DeLong: What prohibits us or is it just completely unfeasible just this question just kind of came off top of my head, to allow multiple providers to participate, maybe not six but perhaps 2 plans or 3 plans and allow you know the people participating to chose a plan?

Cheatham: We absolutely could do that.

Ferguson: Let me jump in, we are actually in discussions on that. There is a down side to that. Let's say for example you know MAPD provider number two whoever that is, offers a program. The question then would become could the retiree carry both cards and the answer is no. So if they opt to go with provider number two, lets say major carrier, and then all of a sudden they got access to a primary care person they didn't have before but now the specialty care doesn't take that MAPD so we are not sure that there is some great value to that although we are looking at that very carefully.

DeLong: Ok

Cheatham: And if I may follow up, if they also provide on a private fee for service product the access will probably be the same. Uh, if we were to do something we need to look at a network model and then you'd probably be seeing a rather small narrow network as well.

DeLong: Ok as we move forward in these meetings could you provide us with an update as to the decisions that are being made along that process?

Ferguson: Yes sir.

DeLong: I'd appreciate that, thank you very much.

Ferguson: Mr. Chairman, that is all I have.

Speaker: Thank you Mr. Secretary. Uh, next we have there is no medicaid report this month. We have monthly report from Pharmaceutical Cost Management Council, Shana.

Shana: I am Shana Phares, I am the Governor's Pharmaceutical Advocate and also the designated Chair to the Pharmaceutical Cost Management Council. I have a very limited update for you since we just met two weeks ago. The Council will meet on Tuesday and they will be addressing the issues I talked with you about last month. Whether or not Pharmacy Benefit Managers should be regulated. Um, the affect of the federal requirement that all medicaid prescriptions be issued on tamper resistant drug pads and whether or not that should be a state-wide requirement. And also, we are adding another item to the agenda which would be looking at the FDA regulation of drugs that are manufactured in foreign countries. I have received several calls over the past week and especially since an article appeared in the Sunday Gazette about drugs being and drug ingredients being manufactured in foreign countries. So we will be discussing that and discussing whether or not we need to make an inquiry uh to the FDA for some further clarification on how that process works. Uh, in the New Year we are going to be looking at using our purchasing exemption to help existing Government programs to enter into to buying co-ops so we will be doing that in January. So I am happy to answer any questions.

Speaker: Questions? If not thank you. The Board of Treasury Investments Report Distribution also is in your file. The next interim dates are January 6 - January 8. Is there any other business to come before the Committee? If not, Delegate Caputo moves we adjourn. All in favor say I.

Joint Committee on Government and Finance Meeting Checklist

Items for Booklet:

- Minutes (MAKE SURE THEY ARE APPROVED BY HOMBURG & AARON)
- Reports Summary
- Lottery
- General Revenue
- Unemployment Compensation
- PEIA
- BRIM
- CHIP
- Lease Report
- No Medicaid Report
- No Pharmaceutical Cost Management Council
- Board of Treasury Investments Report
- workus' comp*
- Detailed Agenda for President, Speaker, Aaron, Homburg and File Copy
- Shortened Agenda for Members 12 Copies
- Shortened Agenda for Public 30 Copies
- Requests from other committees (make sure motion is in detailed agenda and a copy of the request on colored paper is in all booklets)
- Call committee staff to check on reports or requests
- Call offices that distribute monthly reports to determine who will be presenting the report.
- After meeting give Brenda, Donna, Judy Schultz (Senate) and Carolyn Epling (House) a copy of the approved minutes.

(Speaker Thompson presides)

AGENDA
JOINT COMMITTEE ON GOVERNMENT AND FINANCE
December 11, 2007

3:00 - 4:00 p.m.

Senate Finance Room

1. Approval of November 28, 2007, minutes
2. Committee Reports/Requests:
3. Monthly/Quarterly Reports Distribution:
Status Reports on the Lottery Commission, General Revenue Fund and Unemployment Compensation Trust Fund
4. Workers' Compensation: *Jane Cline, Insurance Commissioner*
5. Monthly/Quarterly Reports Distribution:
PEIA, BRIM, CHIP and Lease Report - *Robert Ferguson, Jr., Secretary, Dept. of Administration*
6. Monthly/Quarterly Report Distribution from Department of Health and Human Resources:
No MEDICAID Report This Month
7. Monthly Report on the Pharmaceutical Cost Management Council: *Shana Phares, Chair*
8. Board of Treasury Investments Report Distribution
9. Other Business
10. Scheduled Interim Dates: January 6 - 8, 2008
11. Adjournment

3:00 pm - 4:00 pm

Joint Committee on Government and Finance

(Code §4-3)

Senate Finance Room

Senate

✓ Tomblin, Chair
✓ Chafin
✓ Helmick
✓ Kessler
Sharpe
Caruth
✓ Deem

House

✓ Thompson, Chair
✓ Caputo
✓ DeLong
✓ Webster
White
✓ Armstead
✓ Border

- Speaker Thompson presided.
1. Upon motion of Mr. Tomblin, the November minutes were approved.
 - 2.
 - 3.
 4. Workers' Comp - Jone Cline
3100 old fund cases pending before Supreme Court presently
 5. Dept Ferguson PETA - pending \$10 more in claim costs from last year
Caputo requests information on number of retirees who have been added back into PETA each month & why
CHSP - 25,000 enrollment
BRIM - no unfunded liability
DeLong asks for updates changes in MPAD program for retirees

Adjourn

