

The Honorable Mitch Carmichael, Chair

**JOINT COMMITTEE ON  
GOVERNMENT AND FINANCE**

**Materials Distributed**

**September 19, 2017**

President Carmichael Presides

**AGENDA**  
**JOINT COMMITTEE ON GOVERNMENT AND FINANCE**  
**September 19, 2017**

11:00 am – 12:00 pm

Senate Finance Room

1. Approval of August 22, 2017 minutes
2. Committee Reports/Requests:
3. Monthly/Quarterly Reports Received:

Status Reports on Lottery, Unemployment Compensation Fund, General Revenue Fund & State Road Fund (**William Spencer**, *Director of Legislative Budget Division –will answer any questions if needed.*)

Workforce WV Unemployment Compensation Trust Fund Distribution  
(**Connie Kirk**, *UI Director for Workforce West Virginia*)

Monthly/Quarterly Reports from PEIA & BRIM Report  
(**John Myers**, *Secretary, Department of Administration*)

Monthly/Quarterly Reports from Real Estate Division  
(**Jon Amores**, *Executive Director*)  
**Building 3 Representatives**

Department of Health & Human Resources, Medicaid Report & Medicaid Waiver Report  
(**Cindy Beane**, *Commissioner*)

Childrens Health Insurance Program Report  
(**Stacey L. Shamblin**, *Acting Director, WVCHIP*)

Investment Management Board Distribution  
(**Craig Slaughter**, *Executive Director*)

Workers' Compensation  
(**Allan McVey**, *Insurance Commissioner*)

Board of Treasury Report Distribution

4. Other Business
5. Adjournment

**JOINT COMMITTEE ON GOVERNMENT AND FINANCE  
(Speaker Armstead Presided)**

August 22, 2017

11:00 – 12:00

<b>Senate</b>	<b>House</b>
Carmichael, Chair	Armstead, Chair
Blair	Cowles
Ferns	Miller, C.
Hall (Absent)	Nelson, E.
Plymale	Shott
Prezioso	Boggs
Trump	Miley (Absent)

**Speaker Armstead:** “The Committee will come to order. The first item on the agenda is the approval of the June 26th, 2017 minutes. President Carmichael is recognized.”

**President Carmichael:** “Thank you Mr. Speaker, I move the minutes of the June 26, 2017 meeting of the Joint Committee on Government and Finance as contained in the members packets be approved.”

**Speaker Armstead:** “President Carmichael moves the minutes be approved. Is there discussion? If not, all of those in favor of the motion say aye, those opposed no. The ayes appear to have it, the ayes do have it. I declare the minutes approved.”

**Speaker Armstead:** “I recognize the President for a motion.”

**President Carmichael:** “Mr. Speaker, I move that the Joint Committee on Government and Finance create the Joint Committee on Volunteer Fire Departments and Emergency Medical Services and create the Joint Committee on Natural Gas and Development Committee. That the Joint Committee on Volunteer Fire Departments and Emergency Medical Services and the Joint Committee on Natural Gas and Development Committee be allowed to meet during Interims and at times at the discretion of the Chairs, unless otherwise directed by the Joint Committee on Government and Finance, and that all members of the committee are entitled to compensation and reimbursement of expenses as authorized for members of the Legislature in accordance with the performance of their interim duties.

**Speaker Armstead:** “Heard the President’s motion, is there discussion? If not, all in favor of the motion say aye. Those opposed no. The ayes appear to have it, the ayes do have it, I declare the motion adopted.”

**Speaker Armstead:** “I recognize the President for an additional motion.”

**President Carmichael:** “Thank you Mr. Speaker. I move that the Joint Committee on Government and Finance create the Joint Legislative Committee on Flooding pursuant to Section 4-15-1. That the Joint Legislative Committee on Flooding be allowed to meet during Interims and at times at the discretion of the Chairs, under the supervision of the Joint Committee on Government and Finance, and all members of the committee are entitled to compensation and reimbursement of expenses as authorized for members of the Legislature in accordance with the performance of their interim duties.”

**Speaker Armstead:** “Heard the President’s motion, is there discussion? If not, all in favor of the motion say aye. Those opposed no. The ayes appear to have it, the ayes do have it, I declare the motion adopted.”

**Speaker Armstead:** “I recognize the President for an additional motion.”

**President Carmichael:** “I so move that the President and Speaker of the House be authorized to jointly establish any interim committees and subcommittees as deemed appropriate and to appoint as many members as desired to any committee or subcommittee other than statutory and standing committees.”

**Speaker Armstead:** “Heard the President’s motion, is there discussion? If not, all in favor say aye. Those opposed no. The ayes appear to have it, the ayes do have it, I declare the motion adopted.”

**Speaker Armstead:** “I recognize the President for an additional motion.”

**President Carmichael:** “Thank you Mr. Speaker, I move that the Parks, Recreation and Natural Resources Subcommittee be authorized to conduct site visitations to Cacapon Resort State Park, Berkeley Springs State Park and Ridge State Fish Hatchery on September 10, September 11, and September 12, 2017 and for the members and staff to be reimbursed for their expenses.”

**Speaker Armstead:** “Heard the President’s motion. Is there discussion? If not, all in favor say aye. Those opposed no. The ayes appear to have it, the ayes do have it, I declare the motion adopted.”

**Speaker Armstead:** “The next order of business before the Committee are the Monthly and Quarterly Reports. Members will find in their packets the reports from each of the agencies.”

There are status reports on Lottery, Unemployment Compensation Fund, General Revenue Fund & State Road Fund. Are there any questions with regard to those reports? If Mr. Spencer is here, could he please come to the podium?"

**William Spencer:** "Thank you Mr. President and Mr. Speaker. My name is William Spencer and I am here to answer any questions. I am the Legislative Budget Director."

**Mr. Speaker:** "Okay, are there any questions? Delegate Boggs."

**Delegate Boggs:** "I have one for DHHR."

**Mr. Speaker:** "Alright. Delegate Shott."

**Delegate Shott:** "Thank you Mr. Speaker. Regarding the severance tax collections for last month, it shows a negative collection balance, about a 3½ as opposed to... I have read that to be not 3½ million dollars less in estimate, but 3½ million dollars negative in collections. And if we have refunded severance taxes, can you explain that increase?"

**William Spencer:** "I am going to have the Department of Revenue to explain that for you. Mark Muchow?"

**Mark Muchow:** "Mark Muchow with Department of Revenue. I think I heard the question was why was the severance tax number negative in July? July is always the lowest month of the year for severance tax for general revenue... pieces were left twenty some years ago. Back in 1996, we issued infrastructure bonds, to a tune of \$1M dollars worth, backed by payments of severance tax each year and additionally, at one time, it was the first \$24M in severance tax from the infrastructure bond fund. More recently, this current year, it's... I think... about \$19.4M dollars. In addition, on a quarterly basis, there are local coal severance taxes. Distributions go out, and the level of distributions went out in July... The amount was somewhere around 50% higher than last year... about 9.6 million dollar neighborhood. So, that counts against the negative... counts against the revenues. The negative \$3 ½ M was actually an improvement. Last year, it was about a \$-6.7M. It also depends upon the timing of collections. This July was actually a pretty favorable July in that the last day of the month ended on a... I believe... on Friday or something like that. But, not all of July 31<sup>st</sup> ends on that date. The due date for severance tax is the last day of each month. So, we got a little bit less than expected in July, a little more toward the first day of August. The reason why it is negative, is because all of those monies are coming off the top and going in other directions. Particularly, the local coal severance. The local coal severance in the state... the company... years ago, decided to pass legislation to share more money with local governments and it was phased in. Last year, the sharing amount was about 4%, and this year it is about 5%. So, that extra share amount also weighed in a little bit negatively."

**Delegate Shott:** “I’m wondering...as you show the monthly estimate of 4.4M... and then we’ve got these various disbursements, and you show a collection over estimates that have been made in a negative 7.8. When you make those estimates do you anticipate the payment of those bonds and the local shares as well?”

**Mark Muchow:** “Yes we do. We were anticipating more severance tax which actually came in during July. One thing is that the severance tax may be... It’s going to be better than last year for the next couple of months, but it may be weaker than we estimate because we really didn’t see a divergence again in natural gas prices between the national average and the local averages. That’s an infrastructure problem in West Virginia and in the summer months it becomes mostly acute. Fortunately, so far this year it’s not as bad as last year. Last year, late summer we got down, well below a dollar per mcf and this year it’s down around a \$1.40-\$1.50. But, nationally you are much closer to \$2.50. Just a couple months ago, we were pretty close to the national average. So, that is going to weigh in a bit negatively on the severance tax collections over the summer months related to natural gas. The coal industry has had a good spurt, particularly with foreign exports up about 50%. So, those numbers are pretty good...about a 15-20% increase in production. This showed up in the local tax distribution which was up over 50% percent from last year. Coal numbers are up and the gas numbers are probably struggling a little bit right now.”

**Delegate Shott:** “Now, when you say that’s an infrastructure problem, are you talking about the absence of the pipeline?”

**Mark Muchow:** “The absence of the pipeline getting the product to market probably causes the prices to be depressed.”

**Delegate Shott:** “The other issue is the special revenue transfer. Apparently, you have estimated that we have received \$5.4M. Is that just a timing issue?”

**Mark Muchow:** “That is also a timing issue. That is basically a divergence of workers comp over to general revenue, 75% of the monies go to workers comp. That transfer actually occurred in early August and if you look at it today we are over 5.5 million in special revenue transfers basically on that estimate.”

**Delegate Shott:** “Ok. So the negative figure in your reflection are over estimates, it’s particularly impacted by timing issues as well, is that your opinion?”

**Mark Muchow:** “Timing issues and we probably run a small surplus in July. Sometimes timing goes both ways. We had a couple taxes that were held up by timing, particularly personal income tax, and the withholding tax numbers surged in July. That will come at the expense of August collections and also numbers were higher than estimates in July because of a timing issue with regard to some license fees.”

**Delegate Shott:** “Based on the two months that we have seen, that part of August, that has occurred so far, we anticipate in the budget that was just passed, some additional revenues around \$130M, or something like that. Are we on track with that number?”

**Mark Muchow:** “Well, we are in the neighborhood. We are probably a little on the soft side but we are in the neighborhood. But, actually on a daily basis, we’re running ahead of estimate but I am still a little concerned about the performance of the income taxes and the sales tax. The severance tax, on a daily basis, on general revenue we were up to \$11.7M. That doesn’t sound like a whole lot, but last year at the same time it was 1.2 million in general revenue. So, we are up significantly on the severance tax.”

**Delegate Shott:** “Ok. Thank you.”

**Speaker Armstead:** “Further questions? Senator Trump.”

**Senator Trump:** “Thank you Mr. Speaker. Mr. Muchow, just following up on Chairman Shott’s excellent questions. Overall, this report shows July a little bit less than \$3M under estimate?”

**Mark Muchow:** “That’s correct, more like \$5.4M is a bit of an over estimate.”

**Senator Trump:** “And that’s really a function of government moving money from one pocket to another. Right, especially with that revenue transfer? If that had been done in July as anticipated, we’d be over budget. Our revenues would be over budget by \$3M bucks for the first month of the fiscal year.”

**Mark Muchow:** “For the first month. It’s always a good feeling for the first month to be over estimate. But, I caution folks that July and August are always a little bit fickle. My first big test month is September, in terms of determining where we stand. But, the numbers so far are encouraging and I also caution that the main thing is that they are a little on the soft side, some of the underlying economic numbers could be a little better than they currently are. But, we are in the neighborhood.”

**Senator Trump:** “Well, I understand all of the disclaimers notwithstanding in one month does not a year make. But, where were we a year ago? It’s not on here.”

**Mark Muchow:** “Well, a year ago, July was an atrocious month.”

**Senator Trump:** “How far under estimate were we a year ago?”

**Mark Muchow:** “I don’t have July’s, but the first quarter we were \$81M under estimate for the first quarter, but a good part of that actually occurred in July. Our sales tax performance last July was probably the worst in about ten or twelve years or so. It was a very bad month for sales tax, but I don’t have that, but I can get that to you...what July

was. A substantial portion of the \$81M shortfall that we saw in the first quarter occurred in July.”

**Senator Trump:** “It was evident right off the bat. And, you know... knock on wood.”

**Mark Muchow:** “Knock on wood, but that is encouraging...”

**Senator Trump:** “Just stating that you guys were right on the dot as to the collections.”

**Mark Muchow:** “We’re encouraged. And some of the economic numbers are hopefully encouraging. We would like to see the employment numbers pick up more than they have so far. But, we would like to be more encouraged there. Every time we think there is movement afloat, it’s like a step forward and a step back and that’s the area that I’m watching, employment and wages.”

**Senator Trump:** “Thank you very much.”

**Speaker Armstead:** “Further questions? Delegate Nelson.”

**Delegate Nelson:** “Thank you Mr. Speaker. Thanks Mark. So, yesterday you talked in front of the Joint Finance Committee and you talked about severance, particularly how volumes changed with coal recently and European sales. You also talked about prices of natural gas. What is the price that you estimated for natural gas for this year? Because we have had the benefit of the first quarter being quite high but as you just mentioned earlier, our trend is going the other way.”

**Mark Muchow:** “It appears we are going to have to start building more seasonal trends in there for the surplus for the year, depending on how that works out, in that we are seeing a lot of false negatives. But we have a hold this year of about \$2.20.”

**Delegate Nelson:** “\$2.20?”

**Mark Muchow:** “Yes, \$2.20. Now, the production numbers are a little bit on the conservative side, so doesn’t necessarily have to reach \$2.20 to be good, but it’s got to be over \$2.00, let’s just put it that way.”

**Delegate Nelson:** “I saw that most recently, you called it a negative basis adjustment is down to...did you just mention \$1.40, is that...?”

**Mark Muchow:** “\$1.40. Clearly, it could be \$1.50 but in the summer months it is common for our area of the country.”

**Delegate Nelson:** “And, as it relates to the contribution of severance tax how is the split between coal and gas currently?”



**Mark Muchow:** “Currently, somewhere between 30 and 40 percent is natural gas.”

**Delegate Nelson:** “Ok. Thank you. Thank you, Mr. Speaker.”

**Speaker Armstead:** “Further questions? President Carmichael.”

**President Carmichael:** “Thank you Mr. Speaker. Thank you, Mark. As we build the budget this fiscal year, if we assume some surpluses, and I just want you to know that that process kind of troubles me a little bit, assuming surpluses and so forth. Can you elaborate on whether or not we met those surplus projections that we built into the budget?”

**Mark Muchow:** “I’m assuming that you were talking about last fiscal year, 2017, the outcome of 2017? Because, tell me if I’m wrong, part of the 2017 revenues, to the extent we had a so called budget surplus, were used to balance the 2018 budget. Is that what we are talking about?”

**President Carmichael:** “I’m talking about the budget we just adopted.”

**Mark Muchow:** “The budget we just adopted, I’m not aware we had any forecast of surpluses for fiscal year 2018. Assuming lottery revenues...we may have a little bit of a surplus at the end of the year. It was also built on... in 2017...we were projected a better outcome for 2017. We originally forecasted about \$192M shortfall at around October last year and as a worse case, and then after that, we had a pick up in energy. So, we ended up at about \$121M down and that allowed the Legislature to use some of that money to help balance the fiscal year 2018 budget. I myself, have not forecast any surpluses in 2018. Now, whether we get there or not, it’s going to depend upon energy and other variables. Hopefully, we do. In any given year, because of the way we operate in West Virginia we almost need to have a surplus of at least a dollar or so, because if we end up with a deficit at the end of the year, that has implications for re-appropriations and various other aspects of the budget.”

**President Carmichael:** “But, if we go through this budget process and we assume a surplus in budgeting for that fiscal year, for instance, we assume in lottery areas, excess lottery, and then just general budget surplus... and we utilize those revenue projections in building a budget.”

**Mark Muchow:** “Yeah, the budget book is based on the revenue projections originally.”

**President Carmichael:** “But, then for us to assume... for the legislative branch...to assume a surplus, it seems to me almost setting like a revenue estimate or having control over a revenue estimate.”

**Mark Muchow:** “Right now, I don’t think it is constitutional to pass a budget that relies on a surplus above an official estimate in West Virginia. And, there are some states out there that actually, when there are expenditures, they will spend less than the official revenue estimate. They will spend 99% or 98%, and they do that for obvious reasons because there is always going to be some error in those numbers. It is very highly unusual for those to hit exactly. If it ever goes one way, you are in good shape, but if it ever goes in the opposite direction, it becomes a problem.”

**President Carmichael:** “Alright, well thank you.”

**Speaker Armstead:** “Any further questions? Just one thing, I’m kind of following up on President Carmichael’s comments. It is my understanding is what was done in some degree was in the current fiscal year budget there was some language that related to what would have occurred if surpluses remained from the previous fiscal year budget, and that those monies would have been held back in some of the cuts in Medicaid and some other areas.”

**Mark Muchow:** “Right. It’s basically a 2017 surplus based upon the forces of the energy sector in the second half of the year which we were looking at had better numbers...and your surplus appropriations...most of those set... the majority of Medicaid did get funded and there was a small reduction there. The only two things that did not get funded at all were... at the end there was some sort of appropriation for the Tax Department...that did not get funded. And, then, there was an amount set aside for the volunteer fire departments, that did not get funded. But, the majority of Medicaid did get funded.”

**Speaker Armstead:** “So, really, we weren’t really relying on surpluses in the fiscal year that that budget applied to. We were simply saying that there were surpluses from the previous year dating back to some of the cuts in that budget.”

**Mark Muchow:** “Those were contingent appropriations, to the extent there were surpluses there, in those appropriations.”

**Speaker Armstead:** “And, that didn’t change the revenue estimates at all?”

**Mark Muchow:** “Right. It didn’t change the revenue estimates...just the expectation that if you were going to be running over for the amount that was necessary for that point and time. Two years ago, we ran into a situation where the revenues were going this way, and we made a mid-year projection shortfall... then we had to up the projections. So, we started out this year with a worst case scenario and it got better. And coincidentally, it surprised a lot of folks with the growth, particularly the exports. The exports to steam coal to Europe, were forecasted to include that increase.”

**Speaker Armstead:** “Do you know how much we were able to put back on Medicaid, once all of the surpluses remained? Do you have that number?”

**Mark Muchow:** “I personally do not have it but I know someone who does have it and Mike McKowen would give you that number. It was over 90%. It was very close to being fully funded.”

**Speaker Armstead:** “Ok. Alright, thank you very much. Delegate Nelson?”

**Delegate Nelson:** “Yes, Mr. Speaker thank you. So, yesterday in Joint Finance we heard from Mike and Mark and just quickly, may be the answer to some of the questions recently raised. This past year, in the budget we had \$41M that was put in the back of the budget, to be filled in with surpluses. The surplus of \$78M, so half of that goes to rainy day. So, \$39M went into filling in some of the surplus line items of the \$41M that we had in the back of the budget. Medicaid was fully funded, the dome was fully funded. There was \$2M for volunteer fire departments that was not, and as Mark said, there was another three quarters of a million for the Tax Department to help with some personnel that was not funded. So, if that helps, that was all reported to Joint Finance yesterday.”

**Speaker Armstead:** “Alright, any further questions for Mr. Muchow? Ok, thank you very much. Oh, I’m sorry Delegate Shott?”

**Delegate Shott:** “I have a question on the Road Fund and I’m not sure if Mark can answer that question.”

**Speaker Armstead:** “You can go ahead and ask and if he needs to refer to someone else.”

**Delegate Shott:** “On the Road Fund, is that a question you are comfortable responding to?”

**Mark Muchow:** “It depends on what the nature of the question is. I will tell you if I can, and if I can’t I will tell you as well.”

**Delegate Shott:** “The first is kind of a general question. There was over 126% of estimate, but I wondered if the estimate built in a tax increase that we passed?”

**Mark Muchow:** “The big surplus in July in the Road Fund was attributable to motor fuel taxes. That had absolutely nothing to do with the tax increase that was imposed in July because the change in the revenues for the month of July are paid over at the end of August. What happened is that even though we had a favorable June 30, end date, it ended on the weekday as opposed to a weekend. The motor fuel tax is due on the last calendar day of each month. And, so we would normally, when that last calendar day ends, if it ends on a weekday, then we will say, most of that revenue is going to occur on the month it’s due. But, if it ends on a weekend, we say it gets carried over. So, you get these unusual fluctuations of the motor fuel tax... an unexpectedly large amount of tax

due on June 30<sup>th</sup>, carried over to the month of July. That's why you have that big surge."

**Delegate Shott:** "And, what about the miscellaneous collection of about \$15M? What is that from?"

**Mark Muchow:** "That's probably a statutory required transfer of sales tax from the State General Revenue Fund. It occurs in July to the Road Fund. It's six percent of the value of highway contracts... most of that... a big part of that. That amount is part of 11M dollars of sales tax originally."

**Delegate Shott:** "I noticed that there is no monthly estimate for that collection. So, was that a timing issue also?"

**Mark Muchow:** "On a miscellaneous side, historically, the budget office and folks have never provided an estimate on those. We would like to provide an estimate, but we have to defer to Department of Transportation, as part of our normal knowledge of miscellaneous monies that we would... but certainly...that is something that we can do in the future. But, there is no estimates for miscellaneous. The estimates are only for taxes and fees."

**Delegate Shott:** "So, if we don't estimate for miscellaneous but we know we are getting parts of miscellaneous expenses or transfers, but we just don't know what that is. So, basically we are getting the estimates overall."

**Mark Muchow:** "Could be. I mean the General Road Fund, we have to stick to those estimates in a particular year. But, the State Road Fund is a little bit different but that balance carries over and it plays accordingly. But, they don't have to give an estimate for any given period of time during that time period like other folks do."

**Delegate Shott:** "My final question. Do you know whether future estimates that we see on these reports will anticipate the changes that we made tax wise on the fuel tax, and the privilege tax and so forth?"

**Mark Muchow:** "Yes. The estimates were adjusted, they are on the State Budget web page. They are adjusted higher. But, the tax changes...motor fuel is about \$34M higher than the Department of Motor Vehicles adjusted the pro lease tax and the licensing fees. Now, some of those license fees and revenues could be attributable to the changes that occurred July 1<sup>st</sup>. That's one of the areas that we see changes."

**Delegate Shott:** "Thank you, Mark Muchow."

**Speaker Armstead:** "Any further questions? Delegate Boggs."

**Delegate Boggs:** "Thank you Mr. Speaker. Mark, going back to the volunteer fire

department funding that has yet to be taken care of...that was \$2M?”

**Mark Muchow:** “I think that was about \$2M.”

**Delegate Boggs:** “And, what was that earmarked for?”

**Mark Muchow:** “I think that was for the Worker’s Comp subsidy program that was enacted several years ago as a temporary program when there was a transition away from Brookstreet to alternative insurance coverage. And there is a fund set aside in the State Auditor’s office to provide ... there is a certain formula...and statutory provisions to fund that. That fund in the State Auditor’s office still has funds in it. I believe that is what is added to those funds.”

**Delegate Boggs:** “So, for those volunteer fire departments that were relying on some continued assistance on workers’ compensation premiums, the only available avenue at this point would be the funding out of the Auditor’s office?”

**Mark Muchow:** “That’s our view. I believe that extra \$2M would have gone into that fund, but I’m not their speaker on this... But, those folks would know more about that than I do. But, I do know that we could have gone into that State Auditor’s fund to enhance it.”

**Delegate Boggs:** “Do we know about how long that balance on that fund in the Auditor’s office will last?”

**Mark Muchow:** “My recollection from budget hearings last year is that there was enough funding available to get us through this current fiscal year.”

**Delegate Boggs:** “Through this fiscal year. Ok.”

**Mark Muchow:** “That was my recollection.”

**Delegate Boggs:** “Ok, thank you.”

**Speaker Armstead:** “Any further questions? If not, thank you very much. Next on the Agenda is Workforce WV Unemployment Compensation Trust Fund Account. Connie Kirk. Ms. Kirk, will you come to the podium?”

**Connie Kirk:** “Good Afternoon Mr. Speaker, Mr. President, and members of the committee. I’m Connie Kirk, UI Director at Workforce West Virginia and I’m here to give you the projections for the month of August 2017. It’s \$93,597,689.00 at this point.”

**Speaker Armstead:** “Any questions for Ms. Kirk? If not, thank you very much.”

**Connie Kirk:** “Thank you.”

**Speaker Armstead:** “Next, we have monthly and quarterly reports from PEIA, BRIM, & Real Estate Reports. Mr. Myers, if you could come to the podium? Secretary Myers.”

**John Myers:** “I am John Myers, Cabinet Secretary for Department of Administration. President Carmichael, Speaker Armstead and members of the Committee included in your packets today are reports from PEIA, BRIM and the Real Estate Division. If you have any questions, myself and my staff, are here to answer any of your questions at this time.”

**Speaker Armstead:** “Thank you Mr. Secretary. Are there any questions? Delegate Nelson.”

**Delegate Nelson:** “Thank you Mr. Speaker. I have a question as it relates to Real Estate. It’s towards the back. It lists the monthly summary of lease activity and then the cancellations. In particular, the rental rate... it’s the fourth page from the back for everybody...and at the top the Division of Energy, Division of Labor, and the Development Office... a rental rate of \$19.00 a square foot. And, those three same entities, had leases that were cancelled and the square foot basis was \$11.00, and this one is \$12.34. Will you talk about that?”

**John Myers:** “I believe those Agencies are here to be briefed but it has to do with the rate of the bond payment.”(Inaudible)

**Delegate Nelson:** “So, we take these agencies... what were the prior rates? Were these from the private market?”

**John Myers:** “It depends on the Agencies. Most were...” (Inaudible)

**Delegate Nelson:** “So, do we know how that rental rate was determined at \$19.00 which is significantly above most any other private market rate?”

**John Myers:** “Yes, I am going to call Jon Amores up to the podium to address this question as to the motivation of this issue.”

**Jon Amores:** “Jon Amores, Executive Director of the West Virginia Real Estate Division. To answer your question, Mr. Chairman, Secretary Myers is correct that the new rate of \$19.00 represents primarily compensating building six into the new building, understanding that the rate is higher and also understanding that the space in building three is a little more custom designed to the needs. The agencies have also worked with real estate and the realities of their budget to very typically to reduce their footprint. So, the rate is higher, but in many cases they have managed by budget to accommodate that by shrinking the space because of the design. As to your point, \$19.00, that is in fact, toward the middle, I wouldn’t say above, toward the middle of class A space in the

Charleston market. You have spaces going into the early 20's and to some degree, the high 18's, or early 20's and there are still net leases which would require the tenant, depending on the terms of the lease, pay insurance and maintenance, etc. So, this is a \$19.00 whole service lease which is entirely within market rate and that is our statutory charge. Our statutory charge is to charge market rates. Obviously, you would know the particulars even better than I, but we both know that the revenue from that rate as well goes into general services. And, we are trying to work both ends, trying to make sure that the market rate would accommodate the needs, the budgetary needs of the Agency. Obviously, not to overcharge but at the same time, being called into account by the Legislative Auditor, etc., because we haven't charged enough money over time to commit to the maintenance of the buildings. So, the last couple years we have tried to number one, establish a market rate which is a general understanding of \$11.00 which was just too low. And, by doing that we also assist general services with their responsibility which they have been called on the carpet for, just lack of funds to do the necessary maintenance. We were hoping to avoid that in the future."

**Delegate Nelson:** "So, what is the stance of building 3? When will it be completed?"

**Jon Amores:** "I don't know particularly what is left on the punch list, but the Secretary might know the long and the short of that, and they are in the process of finalizing that, and pleased to do so."

**Delegate Nelson:** "So, looking back at the estimate of completion, completing the redoing that building and the actual final costs... can you tell us what those numbers were?"

**Jon Amores:** "I will refer to the Secretary on that. I know it's had a history and it's been dependent a little bit upon the contractors that work on that process but I believe the final costs and how they are managed over time in regard to the original estimates. GSD is responsible for managing the construction contract."

**Delegate Nelson:** "So, the bond issue that funded that building is how large? One of our budgetary issues here is seeing an \$8.00 increase per square foot rental and the agencies coming to the Finance Committees were larger and larger with their requests."

**Jon Amores:** "Yes, it is an increase that you don't have to look real hard to notice. And, on the other hand, we are besieged, I shouldn't say we, but general services is besieged with the fact that building 6 and building 5 have unmet needs in terms of carrying physical...the physical parts of the building being renovated haven't been able to do so. The point at least from our end, understanding that the AG'S have to manage the higher rate with the budget... but the point from our end is that we have to maintain and leasing the buildings so that in the future...for future legislatures and executive folks that are dealing with this... that building 3 does not fall in disrepair beyond the normal reach of financially being able to maintain them... the fate that has happened to building 6 and

building 5.”

**Delegate Nelson:** “Thank you. Mr. Speaker, I think that one of the topics that have been put in front of you and hopefully, the President, is that during these Interims, at least the Joint Finance Committee looking at the property owned by the State, leases, and that we are receiving a full report on the buildings but also on the land, and potentially where best to utilize or dispose of... That needs to be front and center of the topic for the Joint Finance Committee.”

**Speaker Armstead:** “Thank you.”

**Secretary Myers:** “And, I would like to add that it is the goal for us to bring back some of the properties owned by the State and utilize the space of Building 5 & 6 as well as the space in Building 4 so that that space is actually utilized accordingly.”

**Delegate Nelson:** “We, in Kanawha County, are basically taking properties off of the private market which creates additional concerns here for the city. Thank you.”

**Speaker Armstead:** “Any further questions? Delegate Shott. For Mr. Secretary or Mr. Amores?”

**Delegate Shott:** “Mr. Amores.”

**Speaker Armstead:** “Delegate Shott.”

**Delegate Shott:** “I just want to follow up on your discussion with the Chairman of Finance. As I understand it, with the Division of Labor, we went from 15,000 square feet which would cancel the 21-22,000 square feet. Did we combine any other eight offices with the move into building 3 or is that basically the same employees they were using?”

**Jon Amores:** “Mr. Chairman, I’m not going to be able to tell you with specificity which ones they are, but I would be happy to give that to you. Part of what the Agencies have in building three is not just labor, but it is also workforce. They had over time, in their 8, 10, 11 dollar square foot world...workforce in building 4 and labor in building 6. They just expanded. For better or worse, it worked for them. The rate is right. As to class 4 for now is \$19.00 a square foot was imposed upon those agencies and I think the 2M went to our labor... as for Workforce West Virginia, they tried to make lemonade out of lemons. So, let’s figure out a way to bring some people to the field, into the office, and reduce the number of people in the field and have them work out of...lower our costs on that end...maybe put back into a more expensive rate, in building 3. It’s a long way to answer your question which is yes and I would be happy to give you more detail on how that consolidation occurred.”

**Delegate Shott:** “More simply put, there are more people in the 21,000 square feet than



there were, I am assuming in the 15,000 square feet?”

**Jon Amores:** “That’s correct.”

**Delegate Shott:** “You haven’t added to employees, you have grown that department.”

**Jon Amores:** “No. Correct. It didn’t necessitate an actual net growth. It’s more people coming into the field offices, and I leave it up to the discretion of those reps that said, “we are bringing some folks in.” From here, whatever the reason is, they worked it out within their agencies. One of the ways that they accommodated it was the fact that the rate was higher.”

**Delegate Shott:** “The same question regarding the Development Office. I guess, went from 35,000 thousand to 51,000 thousand square feet. We have more people in the 51,000 square feet than we did in the facility we surrendered for 55,000?”

**Jon Amores:** “Yes, again, I would be happy to find out what was brought in. Now, I don’t know, as it relates to the Development Office whether that’s more in an increase in space or not, since some things have changed since Secretary Crouch has arrived. But, if there is an increase in density, more people coming into building 3, I can certainly let you know. I am not sure as to that whether or not there are more people or whether or not there is just a desire for the new Secretary to have a little more space. It is my understanding that there is a new desire. Having been in commerce a few years back, I certainly can’t quote for a fact whether there was a desire on the Secretary’s part to have a larger conference and meeting area that would meet the expectations primarily of those who are coming. And, we are negotiating potential economic development from other states and from other countries. So, I think there was a renewed desire for an upgrade and to have more size available for that conference room or that type of showplace. So, I don’t know if some of the increased size was related to that or whether it is more people just on deck. I would just have to find out and let you know.”

**Delegate Shott:** “Thank you.”

**Speaker Armstead:** “Okay, are there any further questions for Mr. Amores? Senator Blair.”

**Senator Blair:** “I have a question for Mr. Amores but I can direct it to you. Can you come in next month and give us a full report of what is going on so that we have a full understanding. There was some hesitation, or at least I perceived some hesitation on whether the accuracy of the information that is coming across. A month from now, can they come back and answer that fully so we fully understand what is going on. That’s not a problem is it?”

**Jon Amores:** “No, within a month I think we will be ready to find out who is... it is not all

clear as to who is moving in... and we will have more detail from the agencies, and hopefully if there are any other issues and some of the questions that have been raised, the folks in the building will represent either an increase or a decrease. At least those types of questions can be answered in a month.”

**Senator Blair:** “I look forward to seeing it.”

**Jon Amores:** “Ok.”

**Speaker Armstead:** “Thank you. Any further questions? If not, thank you, Mr. Amores. Next, we have the DHHR Medicaid/Medicaid Waiver Report. Commissioner Beane.”

**Jeremiah Samples:** “Hello Mr. Speaker, Mr. President, my name is Jeremiah Samples, Secretary of DHHR, I have Commissioner Beane here for Medicaid, and I also have the CHIP Director which is also from DHHR if you have any questions about anything.”

**Speaker Armstead:** “Are there any questions? Delegate Cowles?”

**Delegate Cowles:** “Thank you Mr. Speaker. I was reading about the Long Care’s Health Insurance Act and it seemed to me that the hit tax which is on managed care and on Medicaid private plans...it seemed to me that that tax was 3%, was going to hit West Virginia harder than other places and I wondered if you could explain to me what we can do to prepare for that and the announcement I saw was like a \$360.00 cost to retirees and Medicare so, I think that it is substantial that it would be a 3% in the private market. But, what do we do to prepare for that? That is coming soon, right?”

**Jeremiah Samples:** “There was... Mr. Majority Leader, a one year hiatus from that tax that had actually been in place prior to the past year. As I understand it, the current administration is considering whether or not to extend or refrain that tax for another year. From a state prospective, the way Medicaid calculates that tax, we build it into the managed care organization rates and depending on whether or not they are assigned non-profit or not, they will have a different threshold for the tax that we have for MCO’s. The tax also applies to the commercial market. I am less familiar with how it applies to the Medicare population but certainly within our six year plan, it represents a sizeable chunk, I believe \$40M...I have Commissioner Beane who has the specific numbers for that tax. I know that there is an effort by some stakeholders reaching out to the administration to request that they extend that delay and extend that refrain from the tax.”

**Delegate Cowles:** “You are saying that that is a \$40M cost to the State?”

**Jeremiah Samples:** “I have Commissioner Beane who has the specific numbers at the discretion of the Chair of the Committee.”

**Cindy Beane:** “So, as Deputy Secretary Samples said the tax that has been in place

since the onset of the ACA of 2014 and in state shares... \$47M is the total share. In state share we have paid a little over \$13M. So, for example in 2016, our hit payment was about \$5.7M.”

**Delegate Cowles:** “And so there is not a new cliff of money in that tax that we have to deal with that tax. I thought this was something that had been waived.”

**Commissioner Beane:** “So, there was a waiver for... we had a one year reprieve and we, of course, would love to have an additional reprieve because as Deputy Secretary Samples said, basically this tax has to be built into our MCO rates, the fee...the health insurance fee...so basically, our rates have to be actuarially sound. So, if they have an additional fee that the MCO’s have to pay if it is 500.00 we have to make sure that we build that into that rate. So, in essence, it is the State paying the federal government to help fund the ACA.”

**Delegate Cowles:** “So, you estimate that to be \$47M?”

**Cindy Beane:** “That was total, not just the state share. The state share that we have paid since the concept of Medicaid agency is \$13.3M.”

**Delegate Cowles:** “So, if we get a reprieve does that also mean that we will have to meet the PEIA retirees market plans or will they get a 3% increase? When you talk about a reprieve, the reprieve is for Medicaid or?”

**Cindy Beane:** “The reprieve... the hit fee would go across all markets. The reprieve that I am talking about is for Medicaid. I would let PEIA speak for PEIA, in regard to this, in that I am not sure how that works for PEIA.”

**Delegate Cowles:** “Are you working at all with Senator Manchin and Senator Capito’s office to try to get the hit tax in total delayed for another time or just for shielding for Medicaid?”

**Jeremiah Samples:** “We have been in touch with Senator Manchin and Senator Capito in recent meetings, in addition to other struggles we have had.”

**Delegate Cowles:** “Thank you. Thank you, Mr. Speaker.”

**Speaker Armstead:** “Senator Ferns.”

**Senator Ferns:** “Jeremiah, this is unrelated to your reports or anything but since Donald Trump has been elected President, I have heard discussions about the possibility of the federal government considering block funding for Medicaid for states. I actually learned recently that the State of Rhode Island applied for a waiver a few years back and received that and had been operating that way now for a number of years. Are you familiar with

Rhode Island?”

**Jeremiah Samples:** “Not Rhode Island, in particular, but other states.”

**Senator Ferns:** “Ok. My understanding is that since receiving block funding related to Medicaid, Rhode Island has been able to have more flexibility in how they allocate their dollars and have calculated about a 25% savings, which obviously in that area would be pretty significant. Is that something that you all have considered applying, obviously, with the new administration? Is this something you are interested in? My suggestion might be that we would actually be proactive in that in potentially applying for that waiver and not wait on the federal government. To me, it seems like it would be beneficial to have it and have increased flexibility, because I know that over the last couple years, every time we talk about trying to increase efficiencies there is always the issue of the matching funding from the federal government. So, is that something that you all would consider? That you would consider?”

**Jeremiah Samples:** “Yes, Mr. Majority Leader. We have actually submitted an 1115 waiver that focuses on substance abuse. In particular, we think it is going to save the state in the course of five years significant funding. Beyond that, during the Tomblin administration, we had sent a request to the Obama administration to allow for additional co-pays and to curtail some of the benefits of the expanding population, much like Indiana. But, at the time we received basically no answer. We have since talked to, since then, in particular, Senator Capito, about various discussions in Washington and the bills that are before Congress...about the flexibility and we are looking at options in particular the alternative benefit plan and package for expansion. What can we do there? What can we do with the co-pays? And then, just having general flexibility on how to handle that program. We have received positive feedback from both the administration and our congressional representatives on those questions. A lot of folks are just waiting to see what is going to happen. We are hearing that there may be another vote in September and so, we are sort of waiting for that. But, we are putting together numbers regardless in the next few months. And we can keep the committee up to date.”

**Senator Ferns:** “Yeah, I would appreciate that. You know, obviously considering our Governor’s relationship with the new administration. You know it would be nice if we were proactive in that and the new administration responding to our requests as they have been in the past. Thank you.”

**Speaker Armstead:** “Delegate Boggs.”

**Delegate Boggs:** “Thank you Mr. Speaker. I had a question about the AD waiver.”

**Cindy Beane:** “Hello. Good morning.”

**Delegate Boggs:** “How are you? I wanted to ask a couple questions about an issue I

just learned about the other day regarding the meeting with the West Virginia Medicaid ACA Quality Improvement Advisement Council. Can you tell us what that is?”

**Cindy Beane:** “Ok. In the 1915C waivers, we have three of those. If the table waivers are what you are talking about. We often have the ID waiver and TDL waiver. We are required to have quality councils for each of those waiver programs. So, it is an advisement council that has providers, advocates, and state staff are also on those councils as well.”

**Delegate Boggs:** “Ok, what I have are minutes of a meeting of May 23, 2017 and it says at the end that they would meet again on July 25, 2017, so I’m assuming that if they met on the 25<sup>th</sup> of July that they probably approved or changed or whatever these minutes do reflect any accuracy. On the second page, under the third item, and I know you have that in front of you. LouAnn Summers? Who is that?”

**Cindy Beane:** “LouAnn Summers works for the Bureau of Medical Services.”

**Delegate Boggs:** “Bureau of Medical Services. Ok. She gave an update on the enrollments in Medicaid and the program and it goes on to give some figures. And, it talks about the enrollment list which is the waiting list and MNER (acronym) here...MNER?”

**Cindy Beane:** “So, they mention the enrollment list...”

**Delegate Boggs:** “Based on the data MNER to be received by KEPRO.”

**Cindy Beane:** “Ok, KEPRO is the utilization maintenance for that agency which is on that list.”

**Delegate Boggs:** “Is that who determines eligibility?”

**Cindy Beane:** “The accounting office determines eligibility. They determine medical eligibility. KEPRO does medical eligibility. There are two phases of eligibility for entrance of a single waiver. First, are you medically eligible?”

**Delegate Boggs:** “Right.”

**Cindy Beane:** “Do you have deficits? And then, are you financially eligible? So, we have a lot of senior citizens out there who...”

**Delegate Boggs:** “And that is part of the problem over the years.”

**Cindy Beane:** “Absolutely.”

**Delegate Boggs:** “On the waiting list, we have a lot of senior citizens who are medically

eligible but not financially eligible.”

**Cindy Beane:** “Absolutely.”

**Delegate Boggs:** “Correct. Ok. Now, we will drop down to the end of the this, after she gives the update and it says, “Going forward, the number of available spots of the AD program will decrease each year, FY18, down to 5752, FY19 to 5499, FY20 to 5180. Is that correct?”

**Cindy Beane:** “That is correct.”

**Delegate Boggs:** “And, why would we be producing those numbers?”

**Cindy Beane:** “So, we started in FY16 reducing the spots because that is a line items program under the state budget. We have medical inflation that goes up every year in that program. So, unless I have an increase for that line item for that program each year, to sustain the five year plan I have to submit your budget for five years to the federal government... This is how much money I have, this is how many slots I can afford each year.”

**Delegate Boggs:** “Ok, so, we have already determined if FY18, FY19, and FY20, that’s what we are going to request, but if for FY 19 and FY 20, no budget request has been made yet to the Legislature?”

**Cindy Beane:** “So, we have to put in every five years to see if at any time, if we have additional monies, I can go to CMS and say, “we have additional money and we want to increase our numbers from 6151 to 7000.” So, it doesn’t prevent us from doing that, but, you have to say what your five year projection is.”

**Delegate Boggs:** “Well, my concern is from the 21 years I have been here, we always hear about Medicaid is fully funded today, and that is regardless of any administration. Medicaid Waiver Programs are fully funded. Well, fully funded is... always...we were able to fund what the administration had requested. But, that is not necessarily fully budgeted in FY18, is that correct?”

**Cindy Beane:** “The fact that we would have waivers for those programs means that not all those needs are met.”

**Delegate Boggs:** “Ok. I just wanted to... It concerns me because I don’t think this is anything that is necessarily out publicly, but it is something that we around this table and all 134 members of the Legislature... trust me are going to be hit with...as soon as that starts to trickle down and those number of slots decrease even more and more over the year. So, I can’t ask you to predict what future administrations are going to request any more than I could predict what this or future leadership will inject into the budget. But, if

this is submitted, is it going to have to go back to some federal or higher authority on a federal level even if we put more money into it? Is the argument going to be, well yes, but in FY20, we only have 5180 spots and we will have to get a waiver in order to add more.”

**Cindy Beane:** “So, it is already a waiver, so it is an amendment and we have to...”

**Delegate Boggs:** “Ok, I’m sorry. You’re right...”

**Cindy Beane:** “We’ve done those amendments periodically through the years for all our waiver programs. There was a year where there was an influx of money given to the IUD Waiver Program and then we added a number of slots. There were years during the Manchin administration where there was money because of the program we had and we added slots. It’s not a problem to do that amendment. It’s a paperwork function and it is easy to do.”

**Delegate Boggs:** “How long does that take?”

**Cindy Beane:** “You can add slots and the amendment is usually approved within 90 days. But, the state can always do as we have in the past. They have never declined an amendment. CMS has always funded it as long as the state is willing to cut their share.”

**Delegate Boggs:** “I appreciate the explanation and I appreciate everything that you all have done on this program, but, when I got this, it concerned me because this is the first that I had heard of this. I don’t know, maybe I’m the only one sitting around this table that was unaware of this. But, that is a concern because we still have an aging population, we still haven’t hit that peak before it levels off and then it starts down the other way. And, it sounds like we are looking at a situation in the not too distant future where we are going to be once again...that waiting list is going to grow and grow even when you take out the ones that are not financially eligible. It’s the medically eligible people that are also financially eligible... we’re going to go back up to a huge waiting list... is my concern.”

**Cindy Beane:** “And, I will say that the five year plan for all of our waivers...those are out there publicly and all of the waivers do less than a funding increase do go down in number. But, because of that we have always had.”

**Delegate Boggs:** “Is the same going to be true for the IDD waivers? Are the number of slots going to go down for that as well? Because, I know that has been under a lot of scrutiny.”

**Cindy Beane:** “The IDD Waivers stay stagnant. Exact same number.”

**Delegate Boggs:** “The same number for IDD? Are those the only two Waivers?”

**Cindy Beane:** “TBI.”

**Delegate Boggs:** “What about that? It goes down?”

**Cindy Beane:** “It goes down.”

**Delegate Boggs:** “Ok. Thank you. Mr. Speaker, is there any way we can kind of get a comprehensive, kind of an overview of this provided to us in a chart form or something so that the members will have this. You know perhaps at the next meeting?”

**Speaker Armstead:** “That would be helpful. Is there something that you can give us?”

**Cindy Beane:** “You just want the three waivers and the five year projections?”

**Delegate Boggs:** “Absolutely. Because I think it will give us something to be thinking about... and be somewhat preparing for... how we are going to handle it and what we are going to do going forward...as opposed to... the budget is on the table and we’re trying to decide what’s going to go where.”

**Cindy Beane:** “Sure.”

**Delegate Boggs:** “Ok. Thank you.”

**Speaker Armstead:** “If that’s something that would be possible to have during September Interims, it would be helpful.”

**Cindy Beane:** “Not a problem.”

**Delegate Boggs:** “I appreciate all of your help.”

**Speaker Armstead:** “We have another meeting that is scheduled to be here in this room so we are going to try to go through the remaining agenda as quick as possible. If you have questions, if you could keep them as distinct as possible, that would be helpful. Next, we have the CHIP’s program, Stacey Shamblin, Director. Can you come to the podium?”

**Stacey Shamblin:** “Good afternoon Mr. Speaker, Mr. President and members of the Committee. I believe you have had a chance to review the report in your packets.”

**Speaker Armstead:** “Do you have any questions for CHIP? If not, thank you very much. Next, we have the Investment Management Board Distribution.”

**Tom Sauvageot:** “Good afternoon. Tom Sauvageot, Fixed Income and Real Estate Officer. I believe you have our preliminary numbers. I don’t really expect them to change



much, but if you have any questions, I will be happy to answer them.”

**Speaker Armstead:** “Are there any questions regarding Investment Management? If not, thank you very much. Next, we have Workers’ Compensation Report, Mr. Allan McVey, Insurance Commissioner is with us.”

**Allan McVey:** “Yes Sir. Good Afternoon Mr. Speaker, Mr. President, and members of the Committee. Glad to be here. You have our monthly and quarterly report for August for Workers Compensation Funds that we manage. I will be happy to entertain any questions that you may have. There weren’t too many changes from the July report, by the way.”

**Speaker Armstead:** “Are there any questions relating to workers compensation? If not, thank you.”

**Allan McVey:** “Thank you. Anytime you need anything please let me know.”

**Speaker Armstead:** “Thank you very much. The Board of Treasury Report is in the packet. Is there any further business to come before the Committee? If not, I recognize the President for a motion.”

**President Carmichael:** “Mr. Speaker, I move that we adjourn.”

**Speaker Armstead:** “President Carmichael moves that we adjourn. All those in favor say aye, those opposed no. The ayes appear to have it, the ayes do have it, I declare the meeting adjourned.”

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## INTERIM COMMITTEE ATTENDANCE - RESULTS

TUESDAY, SEPTEMBER 19, 2017 - 11:00 AM

### JOINT COMMITTEE ON GOVERNMENT AND FINANCE

**Attended:**

- Delegate Shott
- Delegate Nelson
- Delegate Miller, C.
- Delegate Miley
- Delegate Cowles
- Delegate Boggs
- Speaker Armstead
- Senator Trump IV
- Senator Plymale
- Senator Karnes
- Senator Ferns
- Senator Blair
- President Carmichael

**Submitter:**

Terri Stowers

**Phone:**

304 347-4813

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# WEST VIRGINIA LEGISLATURE

*Office of the Legislative Auditor*



*Budget Division*

*Building 1, Room 314-West Wing  
1900 Kanawha Blvd. East  
Charleston, WV 25305-0590*

*304-347-4870*

September 12, 2017

## Executive Summary WV Lottery, Unemployment Trust, General Revenue and State Road Fund

- West Virginia Lottery as of July 31, 2017:  
Gross profit for July 2017 was \$41.2 million.
- West Virginia Unemployment Compensation Fund as of August 31, 2017:  
Total disbursements were \$9 million lower than last fiscal year. Overall ending trust fund balance was \$32.5 million higher on August 31, 2017, than on August 31, 2016.
- General Revenue Fund as of August 31, 2017:  
The general revenue collections ended the second month of fiscal year 2017-2018 at 96.8% of the estimate for the year.
- State Road Fund as of August 31, 2017:  
The state road fund collections ended the second month of fiscal year 2017-2018 at 114.7 % of the estimate for the year.

WEST VIRGINIA LEGISLATURE  
*Office of the Legislative Auditor*



*Budget Division  
Building 1, Room 314-West Wing  
1900 Kanawha Blvd. East  
Charleston, WV 25305-0590*

MEMORANDUM

To: Honorable Chairmen and Members of the Joint Committee on  
Government and Finance

From: William Spencer, CPA  
Director Budget Division  
Legislative Auditor's Office

Date: September 11, 2017

Re: Review of West Virginia Lottery Financial Information  
As of July 31, 2017

We performed an analysis of the Statement of Revenues, Expenses and Changes in Fund Net Position for July 31, 2017, 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, table games and video lottery. These gross receipts totaled \$92 million for July 2017. Table games accounted for \$3 million of this total. Historic Resort Hotel video lottery and table games accounted for \$527 thousand of total gross receipts. Gross lottery revenue has decreased by 6.8% when compared with July of fiscal year 2016-2017. This number does not include commission and prize deductions. Gross profit (gross revenues minus commissions and prize costs) for July was \$41.2 million; for July of last fiscal year it was \$44.7 million. Expressed as a percentage, gross profit is 7.7% lower for fiscal year 2018 than for fiscal year 2017.

Lottery continued

**Operating Transfers to the State of West Virginia:**

A total of \$39,245,000.00 has been accrued to the state of West Virginia for fiscal year 2017-2018. This is on an accrual basis and may not correspond to the actual cash transfers made during the same time period. Amount 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:

**State Lottery Fund:**

Bureau of Senior Services	\$17,727,000.00
Community and Technical College	\$500,000.00
Department of Education	\$6,749,000.00
Library Commission	\$4,282,000.00
Higher Education-Policy Commission	\$2,614,000.00
Tourism	\$2,195,000.00
Department of Natural Resources	\$1,155,000.00
Division of Culture and History	\$1,624,000.00
Department of Education and Arts	\$355,000.00
General Revenue Fund	\$0.00
Economic Development Authority	\$999,000.00
School Building Authority	\$1,800,000.00
<b><u>SUBTOTAL BUDGETARY TRANSFERS</u></b>	<b>\$40,000,000.00</b>

Lottery continued

**Excess Lottery Fund**

Economic Development Fund	\$1,899,000.00
Higher Education Improvement Fund	\$1,500,000.00
General Purpose Fund	\$0.00
Higher Education Improvement Fund	\$0.00
State Park Improvement Fund	\$0.00
School Building Authority	\$1,899,000.00
Refundable Credit	\$0.00
WV Racing Commission	\$0.00
WV DHHR	\$0.00
Teacher's Retirement Savings	\$0.00
Division of Human Services	\$0.00
WV Lottery Statutory Transfers	\$0.00
General Revenue	\$0.00
Excess Lottery Surplus	\$0.00
WV Infrastructure Council Fund	\$600,000.00
<b>Total State Excess Lottery Revenue Fund</b>	<b>\$5,898,000.00</b>

Total Budgetary Distributions:	\$45,898,000.00
Veterans Instant Ticket Fund	\$80,000.00
<b>TOTAL TRANSFERS</b>	<b>*\$45,978,000.00</b>

\* CASH BASIS

Lottery continued

Total Accrued last FY 2017:	\$132,693,000.00
Total Cash Distributions FY 2018:	\$45,978,000.00
Applied to FY 2017:	\$45,978,000.00
Applied to FY 2018:	\$0.00
Accrued for FY 2017 as of July 31:	\$86,715,000.00
Accrued for FY 2018 as of July 31:	\$39,245,000.00



P.O. BOX 2067  
CHARLESTON, WV 25327

PHONE: 304-558-0500  
1-800-WVA-CASH

Earl Ray Tomblin  
Governor

John A. Myers  
Acting Director

**MEMORANDUM**

TO: Joint Committee on Government and Finance  
FROM: John Myers, Acting Director *John A. Myers*  
RE: Monthly Report on Lottery Operations  
Month Ending July 31, 2016

DATE: August 16, 2016

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

Financial statements of the Lottery for the month ending July 31, 2016 are attached. Lottery revenue, which includes on-line, instant, video lottery sales, table games, and historic resort, was \$98,804,067 for the month of July.

Transfers of lottery revenue totaling \$45,970,361 made for the month of July to the designated state agencies per Senate Bill 160, 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 10 on pages 18 and 19 of the attached financial statements.

The number of traditional and limited retailers active as of July 31, 2016 was 1,498 and 1,338 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.

JM  
Attachment

pc: Honorable Earl Ray Tomblin, Governor  
Robert S. Kiss, Cabinet Secretary – Dept. of Revenue  
John Perdue, Treasurer  
Lisa A. Hopkins, Acting Auditor  
Members of the West Virginia Lottery Commission



## MEMORANDUM

TO: Joint Committee on Government and Finance  
FROM: John Myers, Acting Director

RE: Monthly Report on Lottery Operations  
Month Ending July 31, 2016

DATE: August 16, 2016

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

Financial statements of the Lottery for the month ending July 31, 2016 are attached. Lottery revenue, which includes on-line, instant, video lottery sales, table games, and historic resort, was \$98,804,067.35 for the month of July.

Transfers of lottery revenue totaling \$45,970,361 made for the month of July to the designated state agencies per Senate Bill 160, 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 10 on pages 18 and 19 of the attached financial statements.

The number of traditional and limited retailers active as of July 31, 2016 was 1,498 and 1,338 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.

JM  
Attachment

pc: Honorable Earl Ray Tomblin, Governor  
Robert S. Kiss, Cabinet Secretary – Dept. of Revenue  
John Perdue, Treasurer  
Lisa A. Hopkins, Acting Auditor  
Members of the West Virginia Lottery Commission



**WEST VIRGINIA LOTTERY**

**STATE OF WEST VIRGINIA**

**FINANCIAL STATEMENTS  
-UNAUDITED-**

**July 31, 2016**

**WEST VIRGINIA LOTTERY**

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**WEST VIRGINIA LOTTERY**  
**STATEMENT OF NET POSITION**  
(In Thousands)  
- Unaudited -

ASSETS	July 31, 2016	June 30, 2016
Current Assets:		
Cash and cash equivalents	\$ 152,855	\$ 166,621
Accounts receivable	34,236	26,643
Inventory	376	380
Other assets	1,794	1,788
Total Current Assets	<u>189,261</u>	<u>195,432</u>
Noncurrent Assets:		
Restricted cash and cash equivalents	-	-
Capital assets	55,960	55,960
Less accumulated depreciation and amortization	<u>(11,195)</u>	<u>(11,086)</u>
Net Capital Assets	<u>44,765</u>	<u>44,874</u>
Total Noncurrent Assets	<u>44,765</u>	<u>44,874</u>
Total Assets	<u>\$ 234,026</u>	<u>\$ 240,306</u>
Deferred outflows of resources	<u>\$ 1,099</u>	<u>\$ 1,099</u>
Total assets and deferred outflows	<u>\$ 235,125</u>	<u>\$ 241,405</u>
Current Liabilities:		
Accrued nonoperating distributions to the State of West Virginia	\$ 131,725	\$ 135,265
Estimated prize claims	15,790	15,981
Accounts payable	1,392	1,961
Other accrued liabilities	<u>30,277</u>	<u>32,257</u>
Total Current Liabilities	<u>179,184</u>	<u>185,464</u>
Noncurrent Liabilities		
Net pension liability	<u>2,035</u>	<u>2,035</u>
Total liabilities	<u>\$ 181,219</u>	<u>\$ 187,499</u>
Deferred inflows	<u>\$ 2,153</u>	<u>2,153</u>
Net Position:		
Restricted by enabling legislation	-	-
Net Investment in capital assets	44,765	44,874
Unrestricted	<u>6,988</u>	<u>6,879</u>
Total Net Position	<u>51,753</u>	<u>51,753</u>
Total net position, liabilities, and deferred inflows	<u>\$ 235,125</u>	<u>\$ 241,405</u>

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

**WEST VIRGINIA LOTTERY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**FOR THE ONE MONTH PERIOD ENDED JULY 31, 2016**

(In Thousands)

-Unaudited-

	CURRENT MONTH		YEAR TO DATE	
	2017	2016	2017	2016
Lottery revenues				
On-line games	\$ 9,186	\$ 5,494	\$ 9,186	\$ 5,494
Instant games	7,871	7,978	7,871	7,978
Racetrack video lottery	48,948	48,996	48,948	48,996
Limited video lottery	28,650	30,862	28,650	30,862
Table games	3,868	3,964	3,868	3,964
Historic resort	281	502	281	502
	<u>98,804</u>	<u>97,796</u>	<u>98,804</u>	<u>97,796</u>
Less commissions				
On-line games	634	384	634	384
Instant games	551	558	551	558
Racetrack video lottery	26,855	26,881	26,855	26,881
Limited video lottery	14,039	15,122	14,039	15,122
Table games	1,639	1,680	1,639	1,680
Historic resort	151	283	151	283
	<u>43,869</u>	<u>44,908</u>	<u>43,869</u>	<u>44,908</u>
Less on-line prizes	4,491	2,743	4,491	2,743
Less instant prizes	5,169	5,270	5,169	5,270
Less ticket costs	161	125	161	125
Less vendor fees and costs	428	607	428	607
	<u>10,249</u>	<u>8,745</u>	<u>10,249</u>	<u>8,745</u>
Gross profit	<u>44,686</u>	<u>44,143</u>	<u>44,686</u>	<u>44,143</u>
Administrative expenses				
Advertising and promotions	652	584	652	584
Wages and related benefits	619	582	619	582
Telecommunications	78	108	78	108
Contractual and professional	226	296	226	296
Rental	38	40	38	40
Depreciation and amortization	109	89	109	89
Other administrative expenses	216	110	216	110
	<u>1,938</u>	<u>1,809</u>	<u>1,938</u>	<u>1,809</u>
Other Operating Income	<u>154</u>	<u>224</u>	<u>154</u>	<u>224</u>
Operating Income	<u>42,902</u>	<u>42,558</u>	<u>42,902</u>	<u>42,558</u>
Nonoperating income (expense)				
Investment income	100	57	100	57
Distributions to municipalities and counties	(561)	(605)	(561)	(605)
Distributions -capital reinvestment	(10)	(19)	(10)	(19)
Distributions to the State of West Virginia	(42,431)	(41,991)	(42,431)	(41,991)
	<u>(42,902)</u>	<u>(42,558)</u>	<u>(42,902)</u>	<u>(42,558)</u>
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position, beginning of period	<u>54,096</u>	<u>54,096</u>	<u>54,096</u>	<u>54,096</u>
Net position, end of period	<u>\$ 54,096</u>	<u>\$ 54,096</u>	<u>\$ 54,096</u>	<u>\$ 54,096</u>

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

**WEST VIRGINIA LOTTERY**

**STATEMENTS OF CASH FLOWS  
FOR THE ONE MONTH PERIOD ENDED JULY 31, 2016**

(In Thousands)  
-Unaudited-

	2017	2016
Cash flows from operating activities:		
Cash received from customers and other sources	\$ 91,365	\$ 103,188
Cash payments for:		
Personnel costs	(606)	(552)
Suppliers	(1,772)	(1,546)
Other operating costs	(54,853)	(56,566)
Cash provided by operating activities	<u>34,134</u>	<u>44,524</u>
Cash flows from noncapital financing activities:		
Nonoperating distributions to the State of West Virginia	(45,971)	(45,979)
Distributions to municipalities and counties	(543)	(588)
Distributions to racetrack from racetrack cap. reinv. fund	(1,472)	(723)
Cash used in noncapital financing activities	<u>(47,986)</u>	<u>(47,290)</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	<u>-</u>	<u>(155)</u>
Cash flows from investing activities:		
Investment earnings received	<u>86</u>	<u>49</u>
Cash provided by investing activities	<u>86</u>	<u>49</u>
Increase (decrease) in cash and cash equivalents	(13,766)	(2,872)
Cash and cash equivalents - beginning of period	<u>166,621</u>	<u>164,722</u>
Cash and cash equivalents - end of period	<u>\$ 152,855</u>	<u>\$ 161,850</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 42,902	\$ 42,558
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation and amortization	109	89
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(7,593)	5,168
(Increase) decrease in inventory	4	(24)
(Increase) decrease in other assets	8	10
Increase (decrease) in deferred outflows	-	-
Increase (decrease) in estimated prize claims	(191)	(255)
Increase (decrease) in accounts payable	(569)	(412)
Increase (decrease) in other accrued liabilities	(536)	(2,610)
Cash provided by operating activities	<u>\$ 34,134</u>	<u>\$ 44,524</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 basis 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.

**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. 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; Mega Millions®, a multi-state “jackpot” 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.

Video lottery is a self-activated video version of lottery games which is operated by an authorized licensee. 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 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 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. WV Lottery statutes have established specific requirements for video lottery and imposed certain restrictions limiting the licensing for operation of video lottery games to horse and dog racetracks in West Virginia (subject to local county elections permitting the same), limited licensed retailer areas restricted for adult amusement, and licensed historic resort hotels as defined by WV Code.



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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The legislation further stipulates the distribution of revenues from video lottery games, and requires any video lottery licensee to be responsible for acquiring the necessary equipment and bearing the risk associated with the costs of operating and marketing the games.

Table games are lotteries as each game involves consideration, the possibility of a prize, and their outcome is determined predominantly by chance, which the common law of West Virginia has long held are the three essential elements of a lottery. Table games are the exclusive intangible intellectual property of the state of West Virginia. Table games legislation has established specific requirements for table games and imposed certain restrictions limiting the licensing for operation of table games to horse and dog racetracks in West Virginia (subject to local county elections permitting the same), and licensed historic resort hotels as defined by WV Code. Each licensee as an agent of the Lottery Commission to operate West Virginia table games shall have written rules of play for each table game it operates which must be approved by the Commission. All wagers and pay-offs of winning wagers shall be made according to those rules of play. For the privilege of holding a table games license, there is levied a privilege tax of thirty-five percent of each licensee's adjusted gross receipts for the operation of West Virginia Lottery table games. Amounts required by statute to be paid to private and local government entities are reported as commissions. The legislation further stipulates the distribution of revenues from West Virginia table games, and requires any licensee to be responsible for acquiring the necessary equipment and bearing the risk associated with the costs of operating and marketing the games.

**CASH AND CASH EQUIVALENTS** – Cash and cash equivalents primarily consist of interest-earning deposits in an external investment pool maintained by the West Virginia Board of Treasury Investments (BTI). The BTI pool is a 2a-7 like pool carried at amortized cost which approximates fair value of the underlying securities.

**INVENTORY** – Inventory consists of instant game tickets available for sale to approved Lottery retailers and is carried at cost as determined by the specific identification method.

**OTHER ASSETS** – Other assets consist of deposits restricted for payment of certain Multi-State Lottery Association activities and prepaid expenses.

**CAPITAL ASSETS** – The Lottery has adopted a policy of capitalizing assets with individual amounts exceeding \$25,000. These assets include leasehold improvements 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.

**ADVERTISING AND PROMOTIONS** – The Lottery expenses the costs of advertising and promotions as they are incurred.

**COMPENSATED ABSENCES** – The Lottery has accrued \$569,988 and \$563,913 of at June 30, 2016 and 2015, respectively, for estimated obligations that may arise in connection with compensated absences for vacation at the current rate of employee pay. Employees fully vest in all earned but unused vacation. To the extent that accumulated sick leave is expected to be converted to benefits on termination or retirement, the Lottery participates in another postemployment benefits plan (see Note 16).

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**NET POSITION** – Net position is presented as restricted, unrestricted and net investment in capital assets which represent the net book value of all property and equipment of the Lottery. When an expense is incurred for purposes for which both restricted and unrestricted net position are available, restricted resources are applied first.

**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 July 31, 2016 the carrying amounts of deposits (overdraft) with financial institutions were \$475 thousand with a bank balance (overdraft) of \$561 thousand. Of this balance \$250 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):

	July 31, 2016	June 30, 2016
Deposits with financial institutions	\$ 475	\$ 1,430
Cash on hand at the Treasurer's Office	3,104	7,386
Investments with BTI reported as cash equivalents	149,276	157,805
	\$ 152,855	\$ 166,621

The deposits with the BTI are part of the State of West Virginia’s consolidated investment cash liquidity pool. 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.

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

**NOTE 4 – CAPITAL ASSETS**

A summary of capital asset activity for the month ended July 31, 2016 is as follows (in thousands):

Capital Assets:

	Historical Cost At June 30, 2015	Additions	Deletions	Historical Cost At July 31, 2016
Construction in Progress	\$ 1,164	\$ -	\$ -	\$ 1,164
Buildings	46,207	-	-	46,207
Land	1,434	-	-	1,434
Improvements	260	-	-	260
Equipment	6,895	-	-	6,895
	<u>\$ 55,960</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,960</u>

Accumulated Depreciation:

	Historical Cost At June 30, 2015	Additions	Deletions	Historical Cost At July 31, 2016
Buildings	\$ 4,064	\$ 99	\$ -	\$ 4,163
Improvements	260	-	-	260
Equipment	6,762	10	-	6,772
	<u>\$ 11,086</u>	<u>\$ 109</u>	<u>\$ -</u>	<u>\$ 11,195</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, the HOT LOTTO® game, and the MEGA MILLIONS® jackpot game on behalf of participating state lotteries. MUSL is currently comprised of 33 member state lotteries, including the District of Columbia and the United States Virgin Islands. MUSL is managed by a Board of Directors, which is comprised of the lottery directors or their designee from each of the party states. The Board of Directors' responsibilities to administer the Multi-State Lottery Powerball, Hot Lotto, and Mega Millions games are performed by advisory committees or panels staffed by officers and independent contractors appointed by the board. These officers and consultants serve at the pleasure of the board and the board prescribes their powers, duties and qualifications. The Executive Committee carries out the budgeting and financing of MUSL, while the board contracts the annual independent audit. A copy of the audit may be obtained by writing to the Multi-State Lottery Association, 1701-48th Street, Suite 210, West Des Moines, Iowa 50266-6723.

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®, HOT LOTTO® and MEGA MILLIONS® is 50% of each drawing period's sales, with minimum jackpot levels. The Lottery's revenues and expenses from MUSL games participation for the month ended July 31, 2016 and fiscal year-to-date is as follows:

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

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

<u>Revenues</u>	<u>Month</u>	<u>Y-T-D</u>
Powerball	\$ 4,794,202	\$ 4,794,202
Hot Lotto	443,927	443,927
Mega Millions	2,189,382	2,189,382
Total	\$ 7,427,511	\$ 7,427,511
<u>Expenses (Prizes)</u>	<u>Month</u>	<u>Y-T-D</u>
Powerball	\$ 2,397,444	\$ 2,397,444
Hot Lotto	221,969	221,969
Mega Millions	1,099,903	1,099,903
Total	\$ 3,719,316	\$ 3,719,316

MUSL places a percentage of game sales from each game in separate prize reserve funds that serve as a contingency reserve to protect the respective MUSL Product Groups from unforeseen prize liabilities. 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. The applicable sales percentage contribution as well as the reserve fund limit for the MUSL games is as follows:

	<u>PowerBall</u>	<u>Hot Lotto</u>	<u>Mega Millions</u>
Required Contribution (% of sales)	2%	3%	1%
Reserve Fund Cap	\$125,000,000	\$9,000,000	\$45,000,000

At July 31, 2016, the Lotteries share of the prize reserve fund balances were as follows:

Game	<u>Total Prize Reserve</u>	<u>Lottery Share</u>
Powerball	\$ 113,620,337	\$ 1,625,725
Hot Lotto	7,170,477	497,214
Mega Millions	35,410,519	508,846
Total	<u>\$ 156,201,333</u>	<u>\$ 2,631,785</u>

Lottery prize reserves held by the MUSL are invested according to a Trust agreement the Lottery has with MUSL outlining investment policies. The policies restrict investments to direct obligations of the United States Government, perfected repurchase agreements, and obligations issued or guaranteed as to payment of principal and interest by agencies or instrumentalities of the United States Government, and mutual funds of approved investments. The average portfolio maturity is never more than one year, except that up to one third

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

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

of the portfolio may have an average maturity of up to two years. The maximum maturity for any one security does not exceed five years.

The interest earned on prize reserve fund monies is used to pay MUSL operating expenses and any amounts over and above that are credited to an unreserved fund. The Lottery records this as interest when earned. This fund had a balance of \$16,259,687 at July 31, 2016, of which the Lottery's share was \$1,565,451.

**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 and has been amended again by HB 101 as passed during the first extraordinary session of 2014. For a complete summary of the impacts of HB 101, see Note 11 titled "Summary Impact of Recent Legislation." Initially, four percent (4%) of gross terminal revenue is allocated for lottery administrative costs. Sixty-six percent (57%) of net terminal revenue (gross less 4%) is allocated in lieu of commissions to: the racetracks (46.5%); other private entities associated with the racing industry (8.7%); and the local county and municipal governments (2%). The remaining revenues (42.8%) 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 10 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, 49% of net terminal revenue is allocated in lieu of commissions to: the racetracks (42%); other private entities associated with the racing industry (5%); and the local county and incorporated municipality governments (2%).

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

**NOTE 6 - RACETRACK VIDEO LOTTERY (continued)**

The remaining net terminal revenue (51%) is allocated for distribution to the State as specified in the Racetrack Video Lottery Act or subsequent State budget, as described in Note 10.

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 Ohio, Rhode Island, Maryland, 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 .74% of the amount wagered. A summary of racetrack video lottery revenues for the month ended July 31, 2016 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2017	2016	2017	2016
Total credits played	\$ 547,285	\$ 539,492	\$ 547,285	\$ 539,492
Credits (prizes) won	(491,485)	(483,786)	(491,485)	(483,786)
Promotional credits played	(6,843)	(6,685)	(6,843)	(6,685)
MWAP Contributions	(9)	(25)	(9)	(25)
Gross terminal income	48,948	48,996	48,948	48,996
Administrative costs	(1,958)	(1,960)	(1,958)	(1,960)
Net Terminal Income	46,990	47,036	46,990	47,036
Less distribution to agents	(26,855)	(26,881)	(26,855)	(26,881)
Racetrack video lottery revenues	<u>\$ 20,135</u>	<u>\$ 20,155</u>	<u>\$ 20,135</u>	<u>\$ 20,155</u>

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

	July 31, 2016	Year-to-Date
State Lottery Fund	\$ 14,097	\$ 14,097
State Excess Lottery Revenue Fund	6,038	6,038
Capital Reinvestment Fund	-	-
Total nonoperating distributions	<u>\$ 20,135</u>	<u>\$ 20,135</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

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

**NOTE 7 - LIMITED VIDEO LOTTERY (continued)**

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 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 July 31, 2016 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2017	2016	2017	2016
Total credits played	\$ 345,336	\$ 365,177	\$ 345,336	\$ 365,177
Credits (prizes) won	(316,686)	(334,315)	(316,686)	(334,315)
Gross terminal income	\$ 28,650	\$ 30,862	\$ 28,650	\$ 30,862
Administrative costs	(573)	(617)	(573)	(617)
Gross Profit	28,077	30,245	28,077	30,245
Commissions	(14,039)	(15,122)	(14,039)	(15,122)
Municipalities and Counties	(561)	(605)	(561)	(605)
Limited video lottery revenues	<u>\$ 13,477</u>	<u>\$ 14,518</u>	<u>\$ 13,477</u>	<u>\$ 14,518</u>

**NOTE 8 – 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 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. Transfer three 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 amounts, hereinafter referred to as the net amounts in the Racetrack Table Games Funds as follows:

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

**NOTE 8 – TABLE GAMES (continued)**

- 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 Excess Lottery Revenue Fund.

The cash transferred to the State Excess Lottery Revenue Fund in the current month is included in Note 10- Nonoperating Distributions to the State of West Virginia. The table games adjusted gross receipts for the month and year ended July 31, 2016 were \$11,051,115 and \$11,051,115, respectively. The following table shows the month and year totals of the privilege tax and the accrued distributions (in thousands) to be transferred in the subsequent month:

	Current Month		Year-to-Date	
	2017	2016	2017	2016
Table Games Privilege Tax	\$ 3,868	\$ 3,964	\$ 3,868	\$ 3,964
Interest on Table Games Fund	2	-	2	-
Administrative costs	(332)	(340)	(332)	(340)
Total Available for Distribution	<u>3,538</u>	<u>3,624</u>	<u>3,538</u>	<u>3,624</u>
<u>Less Distributions:</u>				
Racetrack Purse Funds	249	255	249	255
Thoroughbred & Greyhound Development Funds	199	204	199	204
Racing Association Pension Plan	97	100	97	100
Municipalities/ Counties	<u>1,094</u>	<u>1,121</u>	<u>1,094</u>	<u>1,121</u>
Total Distributions	<u>1,639</u>	<u>1,680</u>	<u>1,639</u>	<u>1,680</u>
Excess Lottery Fund	<u>\$ 1,899</u>	<u>\$ 1,944</u>	<u>\$ 1,899</u>	<u>\$ 1,944</u>



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

**NOTE 9 – HISTORIC RESORT HOTEL**

In 2009, the Legislature passed Senate Bill 575 which permits video lottery and table games at a licensed historic resort hotel which is defined as “a resort hotel registered with the United States Department of the Interior as a national historic landmark in its National Registry of Historic Places having not fewer than five hundred guest rooms under common ownership and having substantial recreational guest amenities in addition to the gaming facility.”

Historic Resort Video Lottery

According to Senate Bill 575, thirty six percent (36%) of gross terminal income is allocated to Historic Resort Hotel Fund and seventeen percent (17%) of gross terminal income is allocated to the Human Resource Benefit Fund. The remaining forty-seven percent (47%) of gross terminal income is then subject to a ten percent (10%) surcharge which is allocated to separate capital reinvestment funds for each licensed historic resort hotel. The remaining forty-two and three-tenths percent (42.3%) of gross terminal income is retained by the historic resort hotel.

A summary of historic resort hotel video lottery revenues for the month ended July 31, 2016 and fiscal year-to-date follows (in thousands):

	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Total credits played	\$ 3,403	\$ 5,481	\$ 3,403	\$ 5,481
Credits (prizes) won	(3,162)	(5,013)	(3,162)	(5,013)
Promotional credits played	(28)	(61)	(28)	(61)
MWAP Contributions	-	-	-	-
Gross terminal income	<u>213</u>	<u>407</u>	<u>213</u>	<u>407</u>
Capital reinvestment	(10)	(19)	(10)	(19)
Excess Lottery Fund	(2)	(4)	(2)	(4)
Administrative costs	(12)	(22)	(12)	(22)
Hotel commissions	<u>(90)</u>	<u>(173)</u>	<u>(90)</u>	<u>(173)</u>
Net terminal income	99	189	99	189
Historic Resort Hotel Fund	64	120	64	120
Human Resource Benefit Fund	35	69	35	69

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

**NOTE 9 – HISTORIC RESORT HOTEL (continued)**

Historic Resort Table Games

Each historic resort hotel licensee is subject to a privilege tax of thirty five percent (35%) of adjusted gross receipts, of which thirty percent (30%) is deposited directly into the Historic Resort Hotel Fund and five percent (5%) is deposited directly into the Human Resource Benefit Fund. The historic resort hotel table games adjusted gross receipts for the month and year ended July 31, 2016 were \$193,276 and \$193,276, respectively.

The following table shows the month and fiscal year -to- date totals of the privilege tax and the accrued distributions (in thousands) to be transferred in the subsequent month:

	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Table games privilege tax	\$ 68	\$ 95	\$ 68	\$ 95
Administrative Costs	(9)	(12)	(9)	(12)
Total Available for Distribution	59	83	59	83
Historic Resort Hotel Fund	49	68	49	68
Human Resource Benefit Fund	10	15	10	15

Historic Resort Hotel Fund

Of the monies deposited into the Historic Resort Hotel Fund, fifteen percent (15%) is allocated for lottery administrative costs. The remaining Historic Resort Hotel Fund net income (gross deposits less 15%) is distributed as follows:

- 1) Eighty-six percent (86%) is paid to the State Excess Lottery Revenue Fund;
- 2) Four percent (4%) is paid to the county where the gaming facility is located;
- 3) Two and one-half percent (2.5%) is paid to the municipality where the gaming facility is located as prescribed by statute;
- 4) Two and one-half percent (2.5%) is divided and paid in equal shares to the remaining municipalities in the county where the gaming facility is located;
- 5) Two and one-half percent (2.5%) is divided and paid in equal shares, to each county commission in the state where the gaming facility is not located;
- 6) Two and one-half percent (2.5%) is divided and paid in equal shares, to each municipality in the state not already receiving a distribution as described in item five (5) or item six (6) above.

A summary of Historic Resort Hotel Fund revenues and related distributions is as follows (in thousands):

	<u>Current Month</u>	<u>Year-to-Date</u>
Historic Resort Hotel Video Lottery	\$ 64	\$ 64
Historic Resort Table Games	49	49
Interest on Historic Resort Hotel Fund	-	-
Historic Resort Hotel Fund Net Income	113	113
Municipalities/ Counties	16	16
Excess Lottery Fund	97	97
Total Distributions	<u>\$ 113</u>	<u>\$ 113</u>

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

**NOTE 10- 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, 2017 the State Legislature budgeted \$135,557,444 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, \$1,000,000, and \$500,000 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 \$5,300,000 per month for the first ten months of each fiscal year. 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. For the month ended July 31, 2016 the Lottery has accrued additional distributions of \$131,725,448. The Lottery is a non-appropriated state agency and therefore does not have a budget adopted by the Legislature.

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

<u>BUDGETARY DISTRIBUTIONS</u>	<u>July 31, 2016</u>	<u>Year-to-Date</u>
<u>State Lottery Fund:</u>		
Community and Technical College	\$ 500	\$ 500
Bureau of Senior Services	18,300	18,300
Department of Education	6,443	6,443
Library Commission	4,090	4,090
Higher Education-Policy Commission	2,560	2,560
Tourism	2,224	2,224
Natural Resources	1,108	1,108
Division of Culture & History	1,550	1,550
Department of Education & Arts	425	425
Economic Development Authority	1,000	1,000
School Building Authority	1,800	1,800
Total State Lottery Fund	<u>\$ 40,000</u>	<u>\$ 40,000</u>

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

State Excess Lottery Revenue Fund:

Economic Development Fund	\$ 1,899	\$ 1,899
Higher Education Improvement Fund	1,500	1,500
General Purpose Account		
Higher Education Improvement Fund		
State Park Improvement Fund		
School Building Authority	1,899	1,899
Refundable Credit		
WV Racing Commission		
WV Department of Health and Human Resources		
Teacher's Retirement Savings		
Division of Human Services		
WV Lottery Statutory Transfers		
Excess Lottery Surplus		
West Va. Infrastructure Council	600	600
Total State Excess Lottery Revenue Fund	\$ 5,898	\$ 5,898
Total Budgetary distributions:	\$ 45,898	\$ 45,898
Veterans Instant Ticket Fund	\$ 73	\$ 73
Total nonoperating distributions to the State of West Virginia (cash basis)	\$ 45,971	\$ 45,971
Accrued nonoperating distributions, beginning	(135,265)	(135,265)
Accrued nonoperating distributions, end	131,725	131,725
	\$ 42,431	\$ 42,431

**NOTE 11 – LEASES**

The Lottery leases, under a cancelable operating lease, its office and warehouse facilities. The Lottery also leases various office equipment under agreements considered to be cancelable operating leases. Rental expense for the fiscal year-to-date ended July 31, 2016 and July 31, 2015 approximated \$37,975 and \$40,344 respectively.

The Lottery leases office space under the terms of a non-cancellable operating lease to various tenants. Rental revenues for the fiscal year-to-date ended July 31, 2016 and July 31, 2015 approximated \$86,157 and \$20,365 respectively.

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

**NOTE 12 – RESTRICTED NET POSITION**

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. Contributions to the fund for fiscal years ending June 30, 2016 and June 30, 2015 were as follows:

	June 30, 2016	June 30, 2015
Beginning balance	\$ 1,130	\$ 1,397
Additions		
Legislative Appropriations		
Deductions		
Asset acquisition	(1,130)	(267)
Surplus of excess funds		
Ending balance	\$ -	\$ 1,130

**NOTE 13 – COMMITMENTS**

For the years ended June 30, 2016 and 2015 the Lottery Commission has not designated any unexpended administrative funds for the acquisition of capital assets. As of June 30, 2016 and 2015, \$9,655,947 and \$8,416,061, respectively, are included in unrestricted net position and net investment in capital assets for this purpose.

**NOTE 14 - 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, 4101 MacCorkle Ave. S.E., Charleston, West Virginia 25304-1636.

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

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

**NOTE 14 - RETIREMENT BENEFITS (continued)**

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 hired prior to July 1, 2015 are required to contribute 4.5% of their salary to the PERS. Covered employees hired on or after July 1, 2015 will contribute 6.0% of their salary to the PERS Tier II. The Lottery is required to contribute 13.5% 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 month ending July 31, 2016 and fiscal year-to-date are as follows (in thousands):

	July 31, 2016	Year-to-Date
Employee contributions	\$ 31	\$ 31
Lottery contributions	85	85
Total contributions	\$ 116	\$ 116

**NOTE 15 - 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 has 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.

**WORKERS' COMPENSATION INSURANCE**

The Lottery carries workers compensation insurance coverage through a commercial insurance carrier. The commercial insurance carrier is paid a monthly rated premium to provide compensation for injuries sustained in the course of employment.

**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 education, 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.

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

**NOTE 15 - RISK MANAGEMENT (continued)**

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 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 16- OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

The Lottery participates in the West Virginia Other Postemployment Benefits Plan (OPEB Plan) of the West Virginia Retiree Health Benefit Trust Fund (Trust), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the West Virginia Public Employee Insurance Agency (WVPEIA). The OPEB Plan provides retiree post-employment health care benefits for participating state and local government employers. The provisions of the Code of West Virginia, 1931, as amended (the Code), assigns the authority to establish and amend benefit provisions to the WVPEIA board of trustees. The WVPEIA issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by writing to Public Employees Insurance Agency, 601 57<sup>th</sup> Street, South East, Suite 2, Charleston, West Virginia, or by calling 1-888-680-7342.

Funding Policy

The Code requires the OPEB Plan bill the participating employers 100% of the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. State of West Virginia plan employers are billed per active health policy per month.

The ARC rate is \$429 and \$389 per employee per month for the years ending June 30, 2016 and 2015 respectively. Through June 30, 2016 and 2015, the Lottery has paid premiums of \$284,421 and \$287,861. As of June 30, 2016 and 2015, the Lottery has recorded a liability of \$4,990,361 and \$4,631,089 on its balance sheet for OPEB.

**SCHEDULE OF REVENUES AND NET REVENUES OF THE  
 LOTTERY FUND AND EXCESS LOTTERY FUND  
 FOR THE ONE MONTH PERIOD ENDED JULY 31, 2016  
 (In Thousands)**

	Current Month		FISCAL YEAR	
	<u>Actual</u>	<u>Projected</u>	<u>Actual</u>	<u>Projected</u>
Gross Revenues				
Instant games	7,871	7,917	7,871	7,917
On-line games	9,186	5,417	9,186	5,417
Racetrack video lottery	48,947	41,091	48,947	41,091
Limited video lottery	28,650	28,630	28,650	28,630
Racetrack table games	3,868	3,509	3,868	3,509
Historic resort	281	594	281	594
Total gross revenues	<u>98,803</u>	<u>87,158</u>	<u>98,803</u>	<u>87,158</u>
Net Revenues - Lottery Fund and Excess Lottery Fund				
Lottery Fund				
Instant games	1,006	1,000	1,006	1,000
On-line games	2,783	1,544	2,783	1,544
Racetrack Video Lottery	14,114	11,835	14,114	11,835
Total Lottery Fund net revenues	<u>17,903</u>	<u>14,379</u>	<u>17,903</u>	<u>14,379</u>
Excess Lottery Fund				
Racetrack Video Lottery	6,045	5,068	6,045	5,068
Limited Video Lottery	13,544	13,468	13,544	13,468
Limited Video Lottery Fees	20	-	20	0
Racetrack table games	1,899	1,722	1,899	1,722
Historic resort	99	226	99	226
Total Excess Lottery Fund Net Revenues	<u>21,607</u>	<u>20,484</u>	<u>21,607</u>	<u>20,484</u>
Total Net Revenues	<u>39,510</u>	<u>34,863</u>	<u>39,510</u>	<u>34,863</u>



WEST VIRGINIA LEGISLATURE  
*Office of the Legislative Auditor*



*Budget Division  
Building 1, Room 314-West Wing  
1900 Kanawha Blvd. East  
Charleston, WV 25305-0590*

304-347-4870

Memorandum

To: Honorable Chairmen and Members of the Joint Committee on  
Government and Finance

From: William Spencer, C.P.A.  
Director, Budget Division  
Legislative Auditor's Office

Date: September 12 2017

Re: Status of General Revenue Fund and State Road Fund as of  
August 31, 2017 (FY 18)

We have reviewed the cash flow of the West Virginia general revenue fund as of August 31, 2017 which is the end of the second month of the fiscal year. The status of the fund collections for the month is as follows:

The net collections were 96.8% of the estimate for the fiscal year. Total collections were \$18.5 million below the estimate for the fiscal year.

Personal Income Tax collections were \$760 thousand below the estimate for the fiscal year.

Consumer sales and use tax collections were \$5.3 million below the estimate for the year.

Severance Tax was \$15.7 million below the estimate for the fiscal year.

Corporate Income and Business Franchise Tax collections were \$1.4 million below the estimate for the fiscal year.

**State Road Fund**

The state road fund collections were 114.7% of the estimate for the fiscal year. Total collections were \$20.4 million above the estimate for the fiscal year.

**Rainy Day and Personal Income Tax Reserve**

Revenue Shortfall Reserve **Fund A** (Rainy Day Fund) had a cash balance of \$207,160,313.94 as of August 31, 2017.

Balance July 1, 2017	228,627,586.89
Earnings	38,532,727.05
Loan to General Revenue Fund *	(60,000,000.00)
Balance August 31, 2017	207,160,313.94

Revenue Shortfall Reserve **Fund B** (Tobacco Settlement Monies) had a cash balance of \$429,978,194.45 as of August 31, 2017.

Balance July 1, 2017	423,784,505.60
Earnings	6,193,688.85
Balance August 31, 2017	429,978,194.45

The **Personal Income Tax Reserve** Fund had a \$5 million cash balance as of August 31, 2017.

Balance July 1, 2017	5,000,000.00
Balance August 31, 2017	5,000,000.00

\*loan made 7/1/2017 to allow for beginning of year cash flow, to be repaid within 90 days.

GENERAL REVENUE FUND FY 2017-2018

By Source and by Month

Monthly Revenue Estimates

as of August 31, 2017 OASIS

	MONTH ESTIMATES	NET MONTH COLLECTIONS	<b>FINAL</b> MONTHLY COLLECTIONS OVER ESTIMATES	YTD ESTIMATES	NET YTD COLLECTIONS	YEARLY COLLECTIONS OVER ESTIMATES
Personal Income Tax	137,700,000	127,197,839	-10,502,161	256,100,000	255,343,436	-756,564
Consumer Sales Tax & Use Tax	105,800,000	105,390,673	-409,327	176,000,000	170,663,085	-5,336,915
Severance Tax	36,500,000	28,625,039	-7,874,961	40,900,000	25,152,328	-15,747,672
Corp Income /Business Franchise	1,500,000	1,217,959	-282,041	6,200,000	4,837,045	-1,362,955
Insurance Tax	3,700,000	818,050	-2,881,950	28,700,000	27,625,929	-1,074,071
Tobacco Products Tax	15,600,000	15,743,308	143,308	28,200,000	32,758,853	4,558,853
Business and Occupation	9,600,000	9,581,031	-18,969	19,150,000	18,541,440	-608,560
Liquor Profit Transfers	1,500,000	1,682,326	182,326	3,000,000	4,254,326	1,254,326
Departmental Collections	1,100,000	1,216,948	116,948	2,100,000	2,249,867	149,867
Property Transfer Tax	850,000	1,058,274	208,274	1,760,000	2,408,506	648,506
Property Tax	380,000	401,391	21,391	480,000	563,867	83,867
Beer Tax and Licenses	650,000	614,036	-35,964	1,370,000	1,235,406	-134,594
Miscellaneous Transfers	225,000	978,476	753,476	235,000	1,074,776	839,776
Interest Income	1,000,000	570,238	-429,762	2,000,000	937,903	-1,062,097
Senior Tax Credit Reimbur Lty	300,000	374,058	74,058	300,000	374,058	74,058
HB 102 - Lottery Transfers	5,434,000	4,720,128	-713,872	5,434,000	4,720,128	-713,872
Miscellaneous Receipts	200,000	855,473	655,473	300,000	1,008,551	708,551
Business Fran Registration Fees	65,000	55,017	-9,983	115,000	112,140	-2,860
Estate & Inheritance Tax	0	0	0	0	0	0
Liquor License Renewal	0	0	0	0	0	0
Special Revenue Transfers	1,000,000	5,589,449	4,589,449	6,400,000	5,589,455	-810,545
Charter Tax	0	470	470	0	1,783	1,783
Video Lottery Transfers	0	1,380	1,380	0	20,124	20,124
July-Dec Retro Rev Adj	0	0	0	0	0	0
Cash Flow Transfer	0	0	0	0	60,000,000	60,000,000
<b>SUBTOTALS</b>	<b>323,104,000</b>	<b>306,691,561</b>	<b>-16,412,439</b>	<b>578,744,000</b>	<b>619,473,004</b>	<b>40,729,004</b>
Less: Cash Flow Transfer	0	0	0	0	60,000,000	60,000,000
Less: Special Revenue Transfer	1,000,000	5,589,449	4,589,449	6,400,000	5,589,455	-810,545
<b>TOTALS</b>	<b>322,104,000</b>	<b>301,102,111</b>	<b>-21,001,889</b>	<b>572,344,000</b>	<b>553,883,550</b>	<b>-18,460,450</b>

Percent of Estimates

93.48%

96.77%

Collections this day

15,579,228

**STATE ROAD FUND FY 2017-2018  
By Source and by Month  
Monthly Revenue Estimates  
as of August 31, 2017 OASIS**

	MONTH ESTIMATES	NET MONTH COLLECTIONS	<b>FINAL</b> MONTHLY COLLECTIONS OVER ESTIMATES	YTD ESTIMATES	NET YTD COLLECTIONS	YEARLY COLLECTIONS OVER ESTIMATES
<b>Gasoline &amp; Motor Carrier Rd Tax</b>	35,100,000	35,608,194	508,194	70,500,000	80,146,823	9,646,823
<b>Privilege Tax</b>	22,708,000	20,016,631	<b>-2,691,369</b>	44,096,000	35,969,935	<b>-8,126,065</b>
<b>Licenses &amp; Registration</b>	10,263,000	13,457,422	3,194,422	23,432,000	26,374,133	2,942,133
<b>Miscellaneous</b>	0	838,084	838,084	0	15,897,088	15,897,088
<b>Highway Litter Control</b>	143,000	164,198	21,198	326,000	342,858	16,858
<b>TOTALS</b>	<b>68,214,000</b>	<b>70,084,528</b>	<b>1,870,528</b>	<b>138,354,000</b>	<b>158,730,836</b>	<b>20,376,836</b>

**Percent of Estimates**

**102.74%**

**114.73%**

**Collections this day**

**18,618,187**

**REVENUE SHORTFALL RESERVE FUND 7005, Part A as of July 31, 2017 : \$ 168,388,199.39**

*\$60 million loaned to General Revenue Fund 7/1/2017 for beginning of year cash flow, to be repaid within 90 days, not reflected.*

**REVENUE SHORTFALL RESERVE FUND 7006, Part B as of July 31, 2017: \$425,111,038.30**

**PERSONAL INCOME TAX REFUND RESERVE FUND as of July 31, 2017: \$5,000,000.00**

**Prepared by the Legislative Auditor's Office, Budget Division**

WEST VIRGINIA LEGISLATURE  
Office of the Legislative Auditor



Budget Division  
Building 1, Room 314-West Wing  
1900 Kanawha Blvd. East  
Charleston, WV 25305-0590  
304-347-4870

To: Honorable Chairmen and Members of the Joint Committee on  
Government and Finance

From: William Spencer, C.P.A.  
Director Budget Division  
Legislative Auditor's Office

Date: September 11, 2017

Re: West Virginia Unemployment Compensation Trust Fund

We have reviewed the August 31, 2017 monthly report of the Unemployment Compensation Trust Fund we received from WorkForce West Virginia.

As of August 31, 2017 of fiscal year 2017-2018, the trust fund cash flow was as follows:

Trust Fund Beginning Cash Balance 7-1-2017	\$ 68,378,244.21
Receipts July 1, 2017 thru June 30, 2018	\$ 46,404,120.32
Disbursements July 1, 2017 thru June 30, 2018	\$ 23,606,999.37
Balance August 31, 2017	\$ 91,175,365.16

ITEMS OF NOTE:

Regular benefits paid for August 2017 were \$ 8.8 million less than August 2016.

Federal emergency benefits totaled \$ -9 thousand for August 2016. For August 2017, federal emergency benefits totaled \$ -6 thousand.

Total disbursements were \$ 9 million less in August 2017 than the preceding August 2016.

Receipts as of August 2017, were \$ 12 million less than in August 2016. Overall ending trust fund balance was \$ 32.5 million higher on August 31, 2017 than on August 31, 2016.

Seasonally adjusted unemployment rates for July 2017 were 4.7 percent for West Virginia and 4.3 percent nationally.

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

September 8, 2017

William Spencer  
Budget Division  
Office of the Legislative Auditor  
Building 1, Room 332-West Wing  
1900 Kanawha Boulevard East  
Charleston, WV 25305-0590

RE: Monthly Status Report

Dear Mr. Spencer:

Please find attached, the Monthly Status Report for the Joint Committee on Government and Finance, Unemployment Compensation Trust Fund for the month of August 2017.

If you have any questions or need any additional information, please feel free to contact Michelle Painter at 304-558-2631 or [Michelle.Painter@wv.gov](mailto:Michelle.Painter@wv.gov).

Sincerely,



Russell L. Fry  
Acting Executive Director

RLF/gew

Enclosure

pc: Jim Justice

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112 California Avenue • Charleston, WV 25305-0004  
304.558.7024 304.558.3512 (fax)

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**MONTHLY STATUS REPORT FOR THE JOINT COMMITTEE ON GOVERNMENT AND FINANCE  
FOR THREE MONTHS STARTING JUNE 2017 AND JUNE 2018**

	JUNE 2016	JULY 2016	AUGUST 2016	JUNE 2017	JULY 2017	AUGUST 2017	THREE MONTH TOTAL VARIANCE *
<b>Balance Forward</b>	<b><u>\$71,104,289.89</u></b>	<b><u>\$53,108,141.09</u></b>	<b><u>\$47,281,988.69</u></b>	<b><u>\$76,524,585.04</u></b>	<b><u>\$68,378,244.21</u></b>	<b><u>\$82,834,919.67</u></b>	<b><u>\$56,243,329.25</u></b>
Add Receipts:							
1. Bond Assessment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2. Regular Contributions:	\$1,457,020.62	\$16,353,671.14	\$30,694,850.46	\$1,149,639.82	\$27,364,632.48	\$18,796,623.49	(\$1,194,646.43)
3. Federal Emergency Benefits (EUC08)	(\$430,000.00)	\$0.00	\$0.00	(\$129,871.00)	\$0.00	\$0.00	\$300,129.00
4. Federal Share Extended Benefits (EB)	(\$2,500.00)	\$0.00	\$0.00	(\$1,000.00)	\$0.00	\$0.00	\$1,500.00
5. Temp Federal Additional Comp (FAC)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
6. UCFE (Federal Agencies)	\$58,251.96	\$54,001.98	\$75,101.15	\$53,325.34	\$70,041.58	\$69,621.24	\$5,633.07
7. Special Administrative Transfer	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
8. Reed Act Funds**	\$0.00	\$0.00	\$0.00	\$549,468.24	\$0.00	\$0.00	\$549,468.24
9. UC Modernization Incentive	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10. Treasury Interest Credits	\$403,149.00	\$0.00	\$0.00	\$383,958.15	\$0.00	\$0.00	(\$19,190.85)
11. UCX (Military Agencies)	\$100,483.48	\$94,350.96	\$116,206.59	\$49,273.43	\$57,012.65	\$46,188.88	(\$158,566.07)
12. WV Senate Bill 558	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
13. CMIA Receipts	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total Monthly Receipts</b>	<b><u>\$1,586,405.06</u></b>	<b><u>\$16,502,024.08</u></b>	<b><u>\$30,886,158.20</u></b>	<b><u>\$2,054,793.98</u></b>	<b><u>\$27,491,686.71</u></b>	<b><u>\$18,912,433.61</u></b>	<b><u>(\$515,673.04)</u></b>
Less Disbursements:							
Debt Bond Repayment	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)
Regular Benefits:	\$19,442,745.40	\$22,171,265.89	\$19,307,308.57	\$10,102,421.00	\$12,912,529.83	\$10,470,565.70	(\$27,435,803.33)
Federal Emergency Benefits (EUC08)	(\$19,143.08)	(\$7,606.28)	(\$9,326.66)	(\$4,925.21)	(\$6,400.88)	(\$5,621.88)	\$19,128.05
Federal Share Extended Benefits (EB)	\$0.00	(\$40.00)	\$0.00	(\$100.00)	(\$15.00)	(\$100.00)	(\$175.00)
Emergency Benefits (TEUC)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Temp Federal Additional Comp (FAC)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
UCFE (Federal Workers) Benefits	\$60,601.45	\$59,400.59	\$67,771.74	\$53,539.89	\$72,860.60	\$63,039.45	\$1,666.16
UCX (Military Workers) Benefits	\$98,350.01	\$105,156.36	\$105,368.64	\$50,199.13	\$56,036.70	\$44,104.85	(\$158,534.33)
Reed Act Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Special Administrative Transfer**	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total Monthly Disbursements</b>	<b><u>\$19,582,553.86</u></b>	<b><u>\$22,328,176.56</u></b>	<b><u>\$19,471,122.29</u></b>	<b><u>\$10,201,134.81</u></b>	<b><u>\$13,035,011.25</u></b>	<b><u>\$10,571,988.12</u></b>	<b><u>(\$27,573,718.45)</u></b>
<b>Trust Fund Balance</b>	<b><u>\$53,108,141.09</u></b>	<b><u>\$47,281,988.69</u></b>	<b><u>\$58,697,024.60</u></b>	<b><u>\$68,378,244.21</u></b>	<b><u>\$82,834,919.67</u></b>	<b><u>\$91,175,366.16</u></b>	<b><u>\$83,301,374.66</u></b>

\* Three month total variance column is the difference between the sum of the previous year's three months data for each category and the current year's three months data. The purpose of the report is to show significant changes in receipts, disbursements, or balances.

\*\*Note: UI Trust Fund Balance Includes Trust Fund Loan from the Revenue Shortfall Reserve Fund per Senate Bill 558 passed March 9, 2016:

Borrowed on 3/11/2016	38,000,000.00
Repaid on 5/17/2016	(38,000,000.00)
Borrowed on 12/5/2016	50,000,000.00
Repaid on 5/4/2017	(50,000,000.00)
Outstanding Loan from Revenue Shortfall Reserve Fund	<u>\$0.00</u>

\*\*Note: Reed Act funds of \$549,468.24 previously drawn down were unexpended and returned to Trust Fund on deposit with the U.S. Treasury.



**UC TRUST FUND BALANCES & PROJECTIONS FOR 2017**

September 7, 2017

Month	Receipts	Disbursements	Trust Fund Balance
<b>2016</b>			
Balance - 1/1/2016			\$ 82,860,688
January	\$ 8,457,305	\$ 30,452,715	\$ 60,865,278
February	\$ 16,233,520	\$ 31,257,255	\$ 45,841,543
March	\$ 1,961,704	\$ 24,325,242	\$ 23,478,005
April	\$ 28,362,516	\$ 23,874,780	\$ 27,965,741
May	\$ 71,241,386	\$ 28,102,837	\$ 71,104,290
June	\$ 1,586,405	\$ 19,582,554	\$ 53,108,141
July	\$ 16,502,024	\$ 22,328,176	\$ 47,281,989
August	\$ 30,886,158	\$ 19,471,122	\$ 58,697,025
September	\$ 1,851,871	\$ 13,874,341	\$ 46,674,555
October	\$ 17,129,992	\$ 16,437,037	\$ 47,367,510
November	\$ 12,095,617	\$ 14,319,014	\$ 45,144,113
December	\$ 1,485,248	\$ 15,074,251	\$ 31,555,110
<b>Totals - 2016</b>	<b>\$ 207,793,746</b>	<b>\$ 259,099,324</b>	<b>\$ 31,555,110</b>

<b>2017</b>			
January	\$ 15,548,229	\$ 22,205,764	\$ 24,897,575
February	\$ 7,902,487	\$ 18,214,907	\$ 14,585,155
March	\$ 1,765,440	\$ 14,720,577	\$ 1,630,018
April	\$ 25,313,026	\$ 14,899,941	\$ 12,043,103
May	\$ 76,641,488	\$ 12,160,006	\$ 76,524,585
June	\$ 2,054,794	\$ 10,201,135	\$ 68,378,244
July	\$ 27,491,687	\$ 13,035,011	\$ 82,834,920
August	\$ 18,912,434	\$ 10,571,989	\$ 91,175,365
September	\$ 1,890,760	\$ 7,217,432	\$ 85,848,693
October	\$ 17,489,722	\$ 8,550,547	\$ 94,787,868
November	\$ 12,349,625	\$ 7,448,751	\$ 99,688,742
December	\$ 1,516,438	\$ 7,841,625	\$ 93,363,555
<b>Totals - 2017</b>	<b>\$ 208,876,130</b>	<b>\$ 147,067,685</b>	<b>\$ 93,363,555</b>

The Trust Fund balances shown here do not include the loan proceeds of \$ 50,000,000 received on November 29, 2016. The loan was repaid in May 2017.



# Talking Points September 2017

*West Virginia Legislative Interims  
September 2017*

# **PEIA**

## **September Interim Talking Points**

- **PEIA and RHBT preliminary financial results for July 2017 are available for your review.**
- **PEIA is currently ahead of plan by \$2 million. This is primarily due to marginally lower than forecast expenses.**
- **RHBT is currently ahead of plan by \$10 million. This is attributable to higher than forecast investment income.**
- **The 2018 year-end reserve for the State Fund and non-State Fund are projected to be \$111 and \$26 million respectively.**
- **These reserve levels represent 14.6% and 17% of the respective funds' expenses. The required reserve for the State Fund is 14% of expenses.**



**Financial Statements**  
**July 2017**

*West Virginia Legislative Interims*  
*September 2017*

West Virginia Public Employees Insurance Agency  
Statement of Changes in Plan Net Position  
For the One Month Ending Monday, July 31, 2017  
(Dollars in Thousands)

(Unaudited-For Internal Use Only)  
**PRELIMINARY DRAFT**

	ACTUAL		BUDGET		PRIOR YR		BUDGET VARIANCE		PRIOR YR VARIANCE	
	\$	%	\$	%	\$	%	\$	%	\$	%
	\$42,365		\$43,588		\$43,631		(\$1,223)	(3%)	(\$1,266)	(3%)
	10,665		10,823		10,845		(158)	(1%)	(180)	(2%)
	10,083		10,039		9,485		44	0%	598	6%
	103		110		104		(7)	(6%)	(1)	(1%)
	833		833					0%	833	0%
	2,040		504		2,759		1,536	305%	(719)	(26%)
	404		139		168		265	191%	236	140%
	366		441		370		(75)	(17%)	(4)	(1%)
	<b>66,859</b>		<b>66,477</b>		<b>67,362</b>		<b>382</b>	<b>1%</b>	<b>(503)</b>	<b>(1%)</b>
<b>PREMIUM REVENUE</b>										
Health Insurance - State Gov. - Employers										
Health Insurance - State Gov. - Employees										
Health Insurance - Local Gov. - All Life Insurance										
Direct Transfer										
Interest and Investment Income										
Litigation Settlement										
Other Premium Revenue										
Administrative Fees, Net of Refunds										
<b>TOTAL REVENUE</b>										
<b>OPERATING EXPENSES</b>										
Claims Expense - Medical	21,018		31,231		39,897		10,213	33%	18,879	47%
Claims Expense - Drugs	16,965		8,732		9,015		(8,233)	(94%)	(7,950)	(88%)
Payments to Managed Care Org.	3610		3,691		3,168		81	100%	(442)	100%
Administrative Service Fees	941		740		574		(201)	(27%)	(367)	(64%)
Life Insurance Expense	104		110		105		6	5%	1	1%
Wellness and Disease Management	19		121		128		102	84%	109	85%
ACA Comparative Effectiveness Fee	27		27		26			0%	(1)	(4%)
ACA Reinsurance Contribution	289		289		150			0%	150	100%
Computer Software Reserve	524		261		353		(263)	(101%)	(289)	0%
Other Operating Expenses	13,060		13,333		14,696		273	2%	1,636	11%
WV RHBT Pay Go Premiums										
<b>TOTAL EXPENSES</b>	<b>56,557</b>		<b>58,535</b>		<b>68,112</b>		<b>1,978</b>	<b>3%</b>	<b>11,555</b>	<b>17%</b>
<b>YTD SURPLUS (DEFICIT)</b>	<b>10,302</b>		<b>7,942</b>		<b>(750)</b>		<b>2,360</b>	<b>30%</b>	<b>11,052</b>	<b>(1,474%)</b>
<b>Total Net Position, Beginning of Period</b>	<b>119,460</b>		<b>119,460</b>		<b>97,258</b>					
<b>TOTAL NET POSITION, END OF PERIOD</b>	<b>\$129,762</b>		<b>\$127,402</b>		<b>\$96,508</b>		<b>\$2,360</b>	<b>2%</b>	<b>\$33,254</b>	<b>34%</b>

West Virginia Retiree Health Benefit Trust  
**STATEMENT OF CHANGES IN PLAN NET POSITION**  
For the One Month Ending Monday, July 31, 2017  
(In Thousands)  
**PRELIMINARY**

ACTUAL	BUDGET	PRIOR YR	BUDGET VARIANCE	PRIOR YR VARIANCE
	\$	\$	%	%
<b>ADDITIONS</b>				
<b>Employer Premiums:</b>				
Health Premiums	\$261	\$276	(\$15)	(5%)
Pay Go Premiums	10,899	11,147	(248)	(2%)
Annual required contributions	(1,467)	0	(1,467)	0%
<b>Total Employer Premiums</b>	<b>9,693</b>	<b>11,423</b>	<b>(1,729)</b>	<b>(15%)</b>
<b>Member Premiums:</b>				
Health Premiums	7,072	7,438	(366)	(5%)
Pay Go Premiums	2,161	2,187	(26)	(1%)
Life Insurance Premiums	1,943	1,993	(50)	(3%)
<b>Total Member Premiums</b>	<b>11,176</b>	<b>11,618</b>	<b>(442)</b>	<b>(4%)</b>
<b>Total Premium Additions</b>	<b>20,869</b>	<b>23,041</b>	<b>(2,171)</b>	<b>(9%)</b>
<b>Other Additions:</b>				
Retiree Drug Subsidy	100	100	0	0%
Investment Income	14,706	3,770	10,936	290%
General Revenue Transfers - OPEB Liability	2,500	2,500	0	0%
General Revenue Transfers - Premium	417	417	0	0%
<b>TOTAL ADDITIONS</b>	<b>38,592</b>	<b>29,828</b>	<b>8,764</b>	<b>29%</b>
<b>DEDUCTIONS</b>				
Payments to Managed Care Org.	11,703	12,613	910	7%
Life Insurance Expense	2,084	1,964	(120)	(6%)
Medical Claims Expense	3,629	5,442	1,813	33%
Pharmacy Claims Expense	3,454	2,319	(1,135)	(49%)
Comparative Effectiveness Research Fee	3	3	0	0%
ACA Reinsurance Contribution	0	17	17	100%
Reserve for Computer Software	103	103	0	0%
Administrative Service Fees (External)	101	88	(13)	(15%)
Other Operating Expenses	227	252	(25)	10%
<b>TOTAL DEDUCTIONS</b>	<b>21,304</b>	<b>22,784</b>	<b>1,480</b>	<b>6%</b>
<b>NET POSITION INCREASE</b>	<b>17,288</b>	<b>7,044</b>	<b>10,243</b>	<b>145%</b>
<b>Net Position Restricted for Post Employment Benefits</b>				
Beginning of Period Total Net Position	816,663	816,663	0	0%
<b>End of Period Total Net Position</b>	<b>\$833,951</b>	<b>\$823,707</b>	<b>\$10,244</b>	<b>1%</b>

Accrual Basis / Unaudited / Internal Use Only  
9/4/2017 8:58 AM



# **Legislative Financial Update September 2017**

*West Virginia Legislative Interims  
September 2017*

Jim Justice  
Governor



Ted Cheatham  
Director

WV Toll-free: 1-888-680-7342 • Phone: 1-304-558-7850 • Fax: 1-304-558-2470 • Internet: [www.wvpeia.com](http://www.wvpeia.com)

September 13, 2017

Joint Committee on Government and Finance  
Senate Finance – 451M  
State Capitol Complex  
Charleston, WV 25305

1. The June 2017 Quarterly Report page A-1 indicates the June 30, 2018 fund balances will be as follows:

	PEIA		RHBT
	State Fund	Non-State Fund	OPEB Fund
June 30, 2018	\$110,638,266	\$25,744,763	\$136,383,029

2. Per §5-16-25 the statutorily required reserve for the purposes of offsetting unanticipated claims losses (current FY costs) is the actuarial recommended reserve.

The current recommendation is 14% of the fiscal year expenses for PEIA and RHBT. Per the Quarterly Report, the percentage will be as follows at year end:

June 30, 2018	State Fund Reserve	Non-State Fund Reserve	Total
Reserve Balance	\$110,638,266	\$25,744,763	\$136,383,029
Percentage	14.6%	17%	15%
	reserve/current FY costs		

3. The objective of the OPEB Reserve is to reach a fully funded status of the actuarially accrued liability (AAL). Therefore, the target is 100%. The reserve balance represents 24% of the actuarially required balance:

	RHBT
June 30, 2018	OPEB Reserve
Reserve Balance	\$854,783,400
Percentage	24%
	OPEB Reserve/Actuarial Accrued Liability

4. Anticipated events that may significantly reduce or increase the amount of funds:

The primary anticipated reduction events are the ongoing forecast increases in the cost of healthcare. The below chart indicates the actuarial projected increases in costs for the medical and prescription drugs of the plan. These increased costs represent a total increase of \$296 million over the next four years, requiring an average of \$74 million a year in either increased premiums or benefit reductions.



	FY 2018	FY 2019	FY 2020	FY 2021
Medical Trend	7.5%	8.0%	8.5%	9.0%
Rx Trend	11.5%	12.0%	12.5%	13.0%

5. Total amount of benefit payments paid for the month:

	PEIA	RHBT	Total
July 2017	\$41,566,000	\$18,786,000	\$60,352,000

Sincerely,



Jason A. Haight, CPA  
Chief Financial Officer

**West Virginia Board of Risk and Insurance Management**  
**UNAUDITED BALANCE SHEET AND INCOME STATEMENT**  
**For the Month Ending July 31, 2017**

**Talking Points**

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1. **Premium Revenue** reflects the premiums earned for the first month of the fiscal year.
2. **Claims Expense** reflects claims payments made thru July. The total claims payments made for the first month of this year are considerably lower when compared to the same month a year ago. Actual claims payments can vary considerably from month to month.
3. **Investment Income** for fiscal year 2017 reflects positive returns in both the fixed income and equity markets vs. the same month last year.
4. BRIM has no un-funded liability and continues to pursue pro-active loss control initiatives.

West Virginia Board of Risk and Insurance Management

Statements of Revenues, Expenses, and Changes in Net Position

For the One Month Ended July 31st

	<u>2017</u>	<u>2016</u>
	<i>(In Thousands)</i>	
<b>Operating revenues</b>		
Premiums	\$ 6,671	\$ 5,663
Less coverage/reinsurance programs	(219)	(556)
Net operating revenues	<u>6,452</u>	<u>5,106</u>
<b>Operating expenses</b>		
Claims and claims adjustment expense	3,276	4,794
General and administrative	343	273
Total operating expenses	<u>3,619</u>	<u>5,067</u>
Operating income (loss)	2,833	40
<b>Nonoperating revenues</b>		
Investment income	3,102	2,909
Appropriation Transfer SB602	-	(2,810)
Net nonoperating revenues	<u>3,102</u>	<u>99</u>
Changes in net position	5,935	138
Total net position, beginning of year	199,328	190,960
Total net position, end of period	<u>\$ 205,263</u>	<u>\$ 191,098</u>

*Unaudited*

West Virginia Board of Risk and Insurance Management

Statements of Net Position

For the One Month Ended July 31st

	<b>2017</b>	<b>2016</b>
	<i>(In Thousands)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	31,506	21,200
Advance deposits with insurance company and trustee	190,645	206,306
Receivables	8,552	5,021
Prepaid insurance	1,349	4,402
Restricted cash and cash equivalents	10,286	7,384
Premiums due from other entities	643	620
Total current assets	<u>242,980</u>	<u>244,933</u>
Noncurrent assets:		
Equity position in internal investments pools	92,800	85,619
Restricted investments	53,592	49,445
Total noncurrent assets	<u>146,391</u>	<u>135,063</u>
Total assets	<u>389,371</u>	<u>379,997</u>
Deferred Outflows of Resources	828	387
<b>Liabilities</b>		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	47,713	50,819
Unearned premiums	14,624	13,073
Agent commissions payable	1,369	1,190
Claims Payable	0	15
Accrued expenses and other liabilities	2,443	5,411
Total current liabilities	<u>66,149</u>	<u>70,508</u>
Estimated unpaid claims and claims adjustment expense net of current portion	117,506	117,916
Compensated absences	107	91
Net pension liability	766	467
Total noncurrent liabilities	<u>118,379</u>	<u>118,475</u>
Total liabilities	<u>184,528</u>	<u>188,982</u>
Deferred Inflows of Resources	407	304
Net position:		
Restricted by State code for House Bill 601 Program and mine subsidence coverage	57,123	57,123
Unrestricted	142,205	133,837
Net Assets (Deficiency)	5,935	138
Net position	<u>\$ 205,263</u>	<u>\$ 191,098</u>

Department of Administration Real Estate Division Leasing Report  
For the period of August 1 - 31, 2017

There were a total of 8 leasing changes for this period and they are as follows:

- 1 – New Contract of Lease – DOA Owned
- 1 – New Contract of Lease
- 4 – Straight Renewal – DOA Owned
- 1 – Renewal with Increase in Rent
- 1 – Decrease in Square Feet

**Department of Administration Real Estate Division Leasing Report**  
For the period of August 1, 2017 through August 31, 2017

**NEW CONTRACT OF LEASE – DOA OWNED**

**WEST VIRGINIA TAX DEPARTMENT**

**TAX-061** New Contract of Lease for 5 years consisting of 205 square feet of storage space at the annual per square foot rate of \$6.00, annual cost \$1,230.00, full service, Building #86, 1124 Smith Street, in the City of Charleston, Kanawha County, West Virginia.

**NEW CONTRACT OF LEASE**

**DIVISION OF JUVENILE SERVICES**

**DJS-037** New Contract of Lease for 2 years consisting of 7,525 square feet of office/classroom/storage space at the annual per square foot rate of \$2.55, annual cost \$19,188.75, full service, 450 South 1<sup>st</sup> Avenue, in the City of Paden City, Wetzel County, West Virginia.

**STRAIGHT RENEWAL**

**DIVISION OF CORRECTIONS**

**COR-030** Renewal for 1 year consisting of 1,532 square feet of office space at the current annual per square foot rate of \$10.94, annual cost \$16,760.16, full service, 1025 Main Street, in the City of Wheeling, Ohio County, West Virginia.

**COR-082** Renewal for 1 year consisting of 2,100 square feet of office space at the current annual per square foot rate of \$6.50, annual cost \$13,650.00, full service, 102 North Main Street, in the City of Keyser, Mineral County, West Virginia.

**DEPARTMENT OF ENVIRONMENTAL PROTECTION**

**DEP-158** Renewal for 5 years consisting of 7,200 square feet of office and storage space at the current annual per square foot rate of \$10.00, annual cost \$72,000.00, full service, Elk Valley Business Park, Elk River Road, in the City of Elkview, Kanawha County, West Virginia.

**OFFICES OF THE INSURANCE COMMISSIONER**

**INS-022** Renewal for 6 months consisting of 700 square feet of storage space at the current annual per square foot rate of \$7.50, annual cost \$5,250.00, 4510 Pennsylvania Avenue, in the City of Big Chimney, Kanawha County, West Virginia.

**RENEWAL WITH INCREASE IN RENT**

**DIVISION OF NATURAL RESOURCES**

**NAT-085** Renewal for 3 year consisting of 8,980 square feet of office/storage space with an increase in the annual per square foot rate from \$7.50 to \$8.15, annual cost \$73,187.00, 2311 Ohio Avenue, in the City of Parkersburg, Wood County, West Virginia.

## **DECREASE IN SQUARE FEET**

### **WEST VIRGINIA BOARD OF MEDICINE**

**BOM-001** Decrease of square feet from 14,190 square feet to 13,479 square feet of office space at the current annual per square foot rate of \$13.70, annual cost \$184,662.30, full service, 101 Dee Drive, in the City of Charleston, Kanawha County, West Virginia.

Real Estate Division  
 Monthly Summary of Lease Activity  
 August 1 - 31, 2017

# of Transactions	Agency	Lease #	County	Square Feet	Rental Rate	Annual Rent	Term in years	Total Aggregate
1	West Virginia Tax Department	TAX-061	Kanawha	205	6.00	1,230	5	6,150
2	Division of Juvenile Services	DJS-037	Wetzel	7,525	2.55	19,189	2	38,378
3	Division of Corrections	COR-030	Ohio	1,532	10.94	16,760	1	16,760
4	Division of Corrections	COR-082	Mineral	2,100	6.50	13,650	1	13,650
5	Department of Environmental Protection	DEP-158	Kanawha	7,200	10.00	72,000	5	360,000
6	Offices of the Insurance Commissioner	INS-022	Kanawha	700	7.50	5,250	0.5	2,625
7	Division of Natural Resources	NAT-085	Wood	8,980	8.15	73,187	3	219,561
8	West Virginia Board of Medicine	BOM-001	Kanawha	13,479	13.70	184,662	4	738,649

		65.34
<b>Total Rentable Square Feet</b>	<u>41,721</u>	
<b>Average Annual Rental Rate</b>		<u>8.17</u>
<b>Total Annual Rent</b>		<u>385,928</u>





LEGISLATIVE MANAGER

SEP 13 2017

STATE OF WEST VIRGINIA  
DEPARTMENT OF ADMINISTRATION  
REAL ESTATE DIVISION  
1124 Smith Street, Suite B100  
Charleston, West Virginia 25311

RECEIVED

Jim Justice  
Governor

John Myers  
Cabinet Secretary

Jon Amores  
Executive Director

September 12, 2017

Aaron Allred, Legislative Manager  
West Virginia Legislature,  
Joint Committee on Government and Finance  
Building 1, Room E-132  
1900 Kanawha Boulevard, East  
Charleston WV 25305-0610

Re: Request for information from Joint Committee

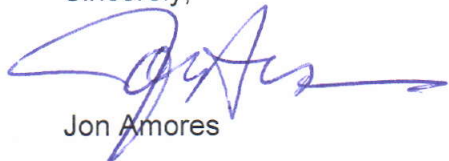
Dear Mr. Allred,

In response to the inquiry from committee members during the meeting on Tuesday, August 22<sup>nd</sup>, attached please find information detailing the agencies that have moved into the newly-renovated Building 3, and a comparison with their previously occupied space.

As requested, the data sets forth the comparative rates per square foot, the square footage occupied, and the annual rental expenses.

Should you have any additional questions, please do not hesitate to contact me.

Sincerely,



Jon Amores

cc: Secretary John Myers

## **Building 3 Tenant Overview:**

**Tourism, 1<sup>st</sup> Floor** -- Tourism gained a needed presence on campus for business prospects visiting the Development Office as well as tourists visiting the Capitol.

Space leased in Building 3: 21,358 SF, consisting of 14,926 SF @ \$19.00 PSF (total \$283,594.00), and 6,432 SF of basement storage @ \$14.00 PSF (\$90,048.00); total Annual Rent: \$373,642

Prior lease: Cambridge Building in South Charleston, 27,769 SF @ \$12.34 PSF; annual rent \$342,669.46

**Labor, 2<sup>nd</sup> Floor** – Was on 7<sup>th</sup> Floor of Building 6; had outgrown space which was preventing them from hiring needed staff. The agency also needed to improve the customer interview/processing area.

Space leased in Building 3: 21,758 SF @ \$19.00 PSF; total Annual Rent: \$413,402.00

Prior lease in Building 6: 15,334 SF @ \$11.00 PSF; total Annual Rent: \$168,674.00

**WorkForce WV, 3<sup>rd</sup> and 4<sup>th</sup> Floors** – The old space in Building 4 needed major repairs and upgrades, including elevator work. Space was very dated and inefficient.

Space leased in Building 3: 47,666 SF, consisting of 46,246 SF @ \$19.00 PSF (total \$882,094.00), and 1,420 SF of basement storage @ \$14.00 PSF \$19,880.00; total Annual Rent: \$901,974.00

Prior lease in Building 4: 70,952 SF @ \$11.00 PSF; total Annual Rent: \$780,472.00

**Personnel, 5<sup>th</sup> Floor** – Agency was selected to move to Building 3 rather than do an extensive remodel of their space in Building 6. They had the funds to help occupy Building 3 and were willing to move.

Space leased in Building 3: 23,213 SF @ \$19.00 PSF; total Annual Rent: \$441,047.00

Prior lease in Building 6: 22,421 SF @ \$11.00 PSF; total Annual Rent: \$246,631.00

**Development Office, 6<sup>th</sup> 7<sup>th</sup> and 8<sup>th</sup> floors** – Secretary's office, Business and Industrial Development, International Division, and Marketing and Communications are on the 6<sup>th</sup> Floor; Community Development and Small Business Division are on the 7<sup>th</sup> Floor, and newly consolidated HR and Accounting are on the 8<sup>th</sup> Floor, along with planned meeting / hoteling space. The agency had been in mostly antiquated space on the 5<sup>th</sup> Floor and 6<sup>th</sup> Floor in Building 6. The space did not present well to potential domestic and international business prospects. Additionally, the Marketing Division was formerly located at Northgate Business Park, and needed to rejoin the other Commerce agencies.

Space leased in Building 3: 51,800 SF @ \$19.00 PSF; total Annual Rent: \$984,200

Prior space in Building 6: 35,093 SF @ \$11.00 PSF; total Annual Rent: \$386,023.00



LEGISLATIVE MANAGER

SEP 13 2017

STATE OF WEST VIRGINIA  
DEPARTMENT OF ADMINISTRATION  
REAL ESTATE DIVISION  
1124 Smith Street, Suite B100  
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RECEIVED

Jim Justice  
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September 12, 2017

Aaron Allred, Legislative Manager  
West Virginia Legislature,  
Joint Committee on Government and Finance  
Building 1, Room E-132  
1900 Kanawha Boulevard, East  
Charleston WV 25305-0610

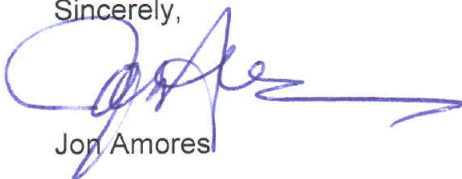
Re: Request for information from Joint Committee

Dear Mr. Allred,

In response to your letter request dated 5 September 2017, attached please find information received from Capitol Business Interiors indicating the furniture purchases made for Building 3.

Please note that while the Real Estate Division assisted in space planning for Building 3, and in that capacity is pleased to forward this information to you, the actual selection and purchase of furniture was done by the agencies themselves. Accordingly, the tenant agencies in Building 3 would be the ones to contact regarding the accuracy of any indicated purchases, or provide any additional details regarding same.

Sincerely,



Jon Amores

cc: Secretary John Myers

Furniture Purchases for Building 3  
Competitive bid - CRFQ 0506 HHR1500000002  
Information from Capitol Business Interiors  
September, 2017

### **Floor 1: Tourism**

- 25 Workstations- and components, 25 storage units, 25 monitor arms, 25 keyboards, 32 side chairs
- 6 Private Offices- u-shaped desks, hutch, lights, 12 side chairs, 6 storage units, 1 meeting area/4 chairs, 1 sofa and 2 chairs
- 1 Conference Room- table with data and power, 1 credenza, 10 chairs
- File Banks- 47 Lateral Files and storage cabinets
- Open Area Meetings- 2 tables, 18 stools, 4 chairs, 3 end tables, 1 meeting table/4 chairs
- Total cost: \$270,421

### **Floor 2: Labor**

- 47 Workstations- workstations and components, 47 storage units, 47 keyboards, 47 monitor arms
- 5 Private Offices- u-shaped desks/hutch/light, 18 side chairs, 5 lateral files
- 4 Conference Rooms- 6 tables with data and power, 40 chairs, 2 credenzas
- 4 Storage Rooms w/ Doors-
- Reception- 7 Chairs
- File Banks- 21 Lateral Files and storage cabinets
- 1 Break Area- 3 tables and 12 chairs
- Total cost: \$446,212

### **Floor 3: Workforce WV**

- 80 Workstations- and components, 7 doors, 80 monitor arms, 80 keyboards
- 11 Private Offices- 11 u-shaped desks, hutch, lights, 11 storage cabinets, 22 side chairs, 11 monitor arms, 11 keyboards, 4 conference tables, 20 conference chairs
- 2 Conference Rooms- 2 tables with data and power, 32 chairs
- Break Area- 18 chairs
- File Banks- 22 lateral files/storage cabinets
- Total cost: \$422,317

### **Floor 4: Workforce WV**

- 87 Workstations- and components, 9 workstation doors, 87 monitor arms, 87 keyboards, 87 storage cabinets

- 11 Private Offices- u-shaped desks, 11 monitor arms, 11 keyboards, 11 storage cabinets, 24 side chairs
- 3 Conference Rooms- 4 Tables with data and power, 44 chairs, 2 tablet arm chairs
- File Banks- 37 lateral files/storage cabinets
- 1 break area – 18 chairs
- Total cost: \$483,953

#### **Floor 5: Personnel**

- 64 Workstations- workstations and components, 64 keyboards, 64 storage cabinets
- 13 Private Offices- U-Shaped desks, 13 storage cabinets, 20 lateral files/bookcases, 8 side chairs, 5 small conferences tables/19 conference chairs
- 1 Break Area- 3 tables/12 chairs
- 1 Conference Room- 1 table with data and power, credenza, 16 chairs
- 1 Huddle Room- 3 tables, 14 chairs, 1 credenza
- Files Banks- 53 lateral /storage cabinets
- 9 Reception chairs, 4 end tables
- Small Conference room- 1 table, 6 chairs
- Total cost: \$554,635

#### **Floor 6: Development Office**

- 45 Workstations and components with 21 U-Shaped desks, 21 Doors, 21 Storage Cabinets
- 12 Private Offices- 12 U-Shaped desks/Hutch/Desk Lights, 12 Storage units, 11 lateral files
- 1 Conference Room- table and chairs for 12 with data and power
- 1 Break Area- 3 tables/12 chairs, 10 lounge chairs/, 2 sofas
- Files/ Storage- 27 lateral files/bookcases/storage
- 1 Small Meeting Room- Credenza, table, 4 chairs
- 3 Offices- 3 conference tables, 10 conference chairs, 2 credenzas
- Total cost: \$536,920

#### **Floor 7: Development Office**

- 20 Workstations- with 20 U shape desks 20 Storage Cabinets,
- 13 Private Offices- U-Shaped desks/hutch, lights, 13 storage cabinets, 13 files, 26 guest chairs
- 1 Break area- 4 tables/ 16 chairs
- 1 Conference Room- 1 table with data and power /no chairs
- 1 Small conference room table and 4 chairs
- File Banks- 33 Files with tops
- 4 Lounge Seating-
- Total cost: \$241,801

### **Floor 8: Development Office**

- 13 Workstations and components
- 7 Private Offices- U-shape desks, overhead hutch/storage cabinet, lateral files
- 37 lateral files and storage units
- 1 Break Room- Credenza, 2 Tables, 8 Chairs
- 1 Conference Area- Table, 4 chairs
- Total cost: \$133,602

### **General Services:**

- Floor 1- Training Room Large, conference room small, 130 stack chairs, 42 folding tables: Total cost: \$77,875
- Demountable walls competitive bid - CRFQ 0211 GSD1700000007; signage on all offices, glass walls floors 1-8, whiteboards, all electric & data in those walls: Total cost: \$1,359,000

**Joint Committee on Government and Finance**

**September 2017**

**Department of Health and Human Resources**

**MEDICAID REPORT  
July 2017 Data**

WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES  
 BUREAU FOR MEDICAL SERVICES  
 EXPENDITURES BY PROVIDER TYPE  
 SFY2018

	MONTH OF JULY 2017		ACTUALS	TOTAL	ACTUALS	ESTIMATE	ACTUALS	PROJECTED
	SFY2017	SFY2018	Current Month Ended 07/31/17	Current Month Ended 07/31/17	Year To-Date Thru 07/31/17	08/01/17 Thru 06/30/18		
<b>EXPENDITURES:</b>								
Inpatient Hospital - Reg. Payments	141,892,118	192,712,470	9,114,944	14,825,865	9,114,944	183,597,526		
Inpatient Hospital - DSH	54,140,231	53,803,200	-	-	-	53,803,200		
Inpatient Hospital - Supplemental Payments	109,348,510	79,878,429	6,200,798	8,821,248	6,200,798	73,677,631		
Inpatient Hospital - GME Payments	8,211,278	8,027,900	2,068,098	-	2,068,098	5,959,802		
Mental Health Facilities	57,563,254	77,932,875	3,848,217	5,997,653	3,848,217	74,084,658		
Mental Health Facilities - DSH Adjustment Payments	18,878,878	18,886,800	-	-	-	18,886,800		
Nursing Facility Services - Regular Payments <sup>(2)</sup>	642,716,564	674,329,954	50,101,262	56,215,050	50,101,262	624,228,692		
Nursing Facility Services - Supplemental Payments	-	-	-	-	-	-		
Intermediate Care Facilities - Public Providers	-	-	-	-	-	-		
Intermediate Care Facilities - Private Providers	68,638,994	70,555,300	6,231,420	5,879,609	6,231,420	64,323,880		
Intermediate Care Facilities - Supplemental Payments	-	-	-	-	-	-		
Physicians Services - Regular Payments	72,513,494	105,386,709	4,265,315	8,109,176	4,265,315	101,121,394		
Physicians Services - Supplemental Payments	22,615,437	22,488,300	5,053,381	-	5,053,381	17,434,919		
Physician and Surgical Services - Evaluation and Management	3,028	-	(21)	-	(21)	21		
Physician and Surgical Services - Vaccine Codes	-	-	-	-	-	-		
Outpatient Hospital Services - Regular Payments	72,863,760	99,302,864	4,712,348	7,641,598	4,712,348	94,590,516		
Outpatient Hospital Services - Supplemental Payments	217,795,914	22,033,978	20,705,566	-	20,705,566	1,328,412		
Prescribed Drugs	208,527,799	312,581,335	16,053,565	24,331,881	16,053,565	296,527,770		
Drug Rebate Offset - National Agreement	(183,668,526)	(238,221,600)	(11,177,111)	(6,717,850)	(11,177,111)	(227,044,489)		
Drug Rebate Offset - State Sidebar Agreement	(7,530,775)	(13,890,000)	(552,304)	(391,698)	(552,304)	(13,337,696)		
Drug Rebate Offset - MCO National	(236,294,808)	(46,188,000)	(29,597,307)	(1,302,502)	(29,597,307)	(16,590,693)		
Drug Rebate Offset - MCO State Sidebar Agreement	(10,567,359)	(4,285,200)	(2,692,479)	(120,843)	(2,692,479)	(1,592,721)		
Dental Services	13,832,447	18,821,864	1,153,842	1,450,442	1,153,842	17,668,022		
Other Practitioners Services - Regular Payments	6,492,548	12,163,072	493,877	941,094	493,877	11,669,195		
Other Practitioners Services - Supplemental Payments	-	-	-	-	-	-		
Clinic Services	2,024,001	4,466,307	184,751	346,083	184,751	4,281,556		
Lab & Radiological Services	14,824,783	22,606,968	900,657	1,739,780	900,657	21,706,311		
Home Health Services	34,416,617	47,456,951	2,246,803	3,705,241	2,246,803	45,210,148		
Hysterectomies/Sterilizations	61,552	218,020	9,329	16,771	9,329	208,691		
Pregnancy Terminations <sup>(4)</sup>	-	278,074	43,164	21,390	43,164	234,910		
EPSDT Services	1,552,044	1,947,873	141,558	149,961	141,558	1,806,315		
Rural Health Clinic Services	5,544,926	12,452,978	923,542	958,037	923,542	11,529,436		
Medicare Health Insurance Payments - Part A Premiums	18,956,782	18,042,000	1,740,594	1,503,500	1,740,594	16,301,406		
Medicare Health Insurance Payments - Part B Premiums	110,218,602	135,968,200	9,661,842	11,330,684	9,661,842	126,306,358		
120% - 134% Of Poverty	8,849,389	7,149,100	732,444	549,931	732,444	6,416,656		
135% - 175% Of Poverty	-	-	-	-	-	-		
Coinsurance And Deductibles	11,080,319	10,949,600	1,379,233	842,277	1,379,233	9,570,367		



WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES  
 BUREAU FOR MEDICAL SERVICES  
 EXPENDITURES BY PROVIDER TYPE  
 SFY2018

	MONTH OF JULY 2017		ACTUALS	TOTAL	ACTUALS	ESTIMATE	ACTUALS	PROJECTED
	SFY2017	SFY2018	Current Month Ended 07/31/17	SFY2018	Current Month Ended 07/31/17	Current Month Ended 07/31/17	Year To-Date Thru 07/31/17	08/01/17 Thru 06/30/18
Medicaid Health Insurance Payments: Managed Care Organizations (MCO)	1,776,593,830	1,583,346,998	119,296,613		131,945,583	119,296,613	1,464,050,385	
Medicaid MCO - Evaluation and Management	-	-	-	-	-	-	-	
Medicaid MCO - Vaccine Codes	-	-	-	-	-	-	-	
Medicaid Health Insurance Payments: Prepaid Ambulatory Health Plan	-	-	-	-	-	-	-	
Medicaid Health Insurance Payments: Prepaid Inpatient Health Plan	-	-	-	-	-	-	-	
Medicaid Health Insurance Payments: Group Health Plan Payments	657,626	667,100	-		51,315	-	667,100	
Medicaid Health Insurance Payments: Coinsurance	-	-	-	-	-	-	-	
Medicaid Health Insurance Payments: Other	-	-	-	-	-	-	-	
Home & Community-Based Services (MR/DD)	310,492,734	382,486,200	27,349,040		29,422,014	27,349,040	355,137,160	
Home & Community-Based Services (Aged/Disabled)	103,840,769	112,861,436	9,154,140		8,732,561	9,154,140	103,707,296	
Home & Community-Based Services (Traumatic Brain Injury)	1,488,193	1,382,143	148,817		106,295	148,817	1,233,326	
Home & Community-Based Services (State Plan 1915(i) Only)	-	-	-	-	-	-	-	
Home & Community-Based Services (State Plan 1915(j) Only)	-	-	-	-	-	-	-	
Community Supported Living Services	-	-	-	-	-	-	-	
Programs Of All-Inclusive Care Elderly	-	-	-	-	-	-	-	
Personal Care Services - Regular Payments	73,980,196	81,990,003	6,208,386		6,316,278	6,208,386	75,781,617	
Personal Care Services - SDS 1915(j)	-	-	-	-	-	-	-	
Targeted Case Management Services - Com. Case Management	-	-	-	-	-	-	-	
Targeted Case Management Services - State Wide	2,360,158	3,177,310	506,310		244,441	506,310	2,671,000	
Primary Care Case Management Services	36	-	-	-	-	-	-	
Hospice Benefits <sup>(3)</sup>	26,276,477	29,152,129	2,722,384		2,242,472	2,722,384	26,429,745	
Emergency Services Undocumented Aliens	496,071	575,381	92,105		44,260	92,105	483,276	
Federally Qualified Health Center	18,358,792	35,957,601	1,047,501		2,766,421	1,047,501	34,910,100	
Non-Emergency Medical Transportation	35,431,782	32,990,315	2,894,884		2,540,832	2,894,884	30,095,431	
Physical Therapy	1,905,207	2,463,113	121,627		189,568	121,627	2,341,486	
Occupational Therapy	680,426	764,587	54,489		58,814	54,489	710,098	
Services for Speech, Hearing & Language	478,404	593,781	32,144		45,680	32,144	561,637	
Prosthetic Devices, Dentures, Eyeglasses	1,463,138	1,865,471	88,698		143,696	88,698	1,776,773	
Diagnostic Screening & Preventive Services	437,675	708,713	22,884		54,516	22,884	685,829	
Nurse Mid-Wife	136,524	424,175	10,370		32,628	10,370	413,805	
Emergency Hospital Services	(77)	-	-	-	-	-	-	
Critical Access Hospitals	34,698,879	41,917,144	5,077,770		3,225,564	5,077,770	36,839,374	
Nurse Practitioner Services	3,220,367	4,328,354	195,742		333,016	195,742	4,132,612	
School Based Services	12,819,369	27,483,498	1,223,632		2,114,122	1,223,632	26,259,866	
Rehabilitative Services (Non-School Based)	64,792,629	82,206,085	7,809,302		6,329,075	7,809,302	74,396,783	
Private Duty Nursing	7,552,577	8,238,800	667,493		634,688	667,493	7,571,307	
Freestanding Birth Centers	-	53,477	-		4,114	-	53,477	
Health Home for Enrollees w Chronic Conditions	263,932	315,162	38,020		24,243	38,020	277,142	
Other Care Services	19,658,448	25,243,351	1,970,830		1,959,425	1,970,830	23,272,521	
Less: Recoupments	-	-	(4,851,364)		-	(4,851,364)	4,851,364	
<b>NET MEDICAID EXPENDITURES:</b>	<b>3,983,585,961</b>	<b>4,189,048,649</b>	<b>285,829,145</b>		<b>346,406,000</b>	<b>285,829,145</b>	<b>3,903,219,504</b>	

WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES  
 BUREAU FOR MEDICAL SERVICES  
 EXPENDITURES BY PROVIDER TYPE  
 SFY2018

MONTH OF JULY 2017

	ACTUALS	TOTAL	ACTUALS	ESTIMATE	ACTUALS	PROJECTED
	SFY2017	SFY2018	Current Month Ended 07/31/17	Current Month Ended 07/31/17	Year To-Date Thru 07/31/17	08/01/17 Thru 06/30/18
Collections: Third Party Liability (line 9A on CMS-64)	(8,663,735)	-	-	-	-	-
Collections: Probate (line 9B on CMS-64)	(513,508)	-	-	-	-	-
Collections: Identified through Fraud & Abuse Effort (line 9C on CMS-64)	(338,612)	-	-	-	-	-
Collections: Other (line 9D on CMS-64)	(21,817,774)	-	-	-	-	-
<b>NET EXPENDITURES and CMS-64 ADJUSTMENTS:</b>	<b>3,952,252,332</b>	<b>4,189,048,649</b>	<b>285,829,145</b>	<b>346,406,000</b>	<b>285,829,145</b>	<b>3,903,219,504</b>
Plus: Medicaid Part D Expenditures	42,112,339	47,285,981	3,707,912	3,940,498	3,707,912	43,578,069
Plus: State Only Medicaid Expenditures	537,596	696,968	70,721	67,016	70,721	626,247
Plus: Money Follow the Person Expenditures	1,896,869	1,634,023	189,441	156,515	189,441	1,444,582
<b>TOTAL MEDICAID EXPENDITURES</b>	<b>\$ 3,996,799,136</b>	<b>\$ 4,238,665,621</b>	<b>\$ 289,797,219</b>	<b>\$ 350,570,029</b>	<b>\$ 289,797,219</b>	<b>\$ 3,948,868,402</b>
Plus: Reimbursables <sup>(1)</sup>	3,888,247	5,119,845	512,463	492,293	512,463	4,607,382
Plus: NATCEP/PASARR/Eligibility Exams	265,071	288,422	2,945	27,733	2,945	285,477
Plus: HIT Incentive Payments	3,894,001	20,000,000	93,500	1,538,462	93,500	19,906,500
<b>TOTAL EXPENDITURES</b>	<b>\$ 4,004,846,454</b>	<b>\$ 4,264,073,888</b>	<b>\$ 290,406,128</b>	<b>\$ 352,628,517</b>	<b>\$ 290,406,128</b>	<b>\$ 3,973,667,760</b>

(1) This amount will revert to State Only if not reimbursed.

(2) Of the amount in the "Nursing Facility Services-Regular Payments" line, \$1,341,946 is the amount paid to State Facilities year to date.

(3) Of the amount in the "Hospice Benefits" line, \$2,722,384 is the amount paid to Nursing Facilities for Hospice Benefits year to date.

(4) Pregnancy Terminations are State Only expenditures and are not currently claimed.

WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES  
 BUREAU FOR MEDICAL SERVICES  
 MEDICAID CASH REPORT  
 SFY2018

MONTH OF JULY 2017	ACTUALS	ACTUALS	ACTUALS	PROJECTED	TOTAL
	SFY2017	Current Month Ended 07/31/17	Year-To-Date Thru 07/31/17	08/01/17 Thru 6/30/18	SFY2018
<b>REVENUE SOURCES</b>					
Beg. Bal. 7/01/17 (5084/1020 prior mth)	22,715,798	86,992,634	86,992,634	-	86,992,634
<b>MATCHING FUNDS</b>					
General Revenue (0403/189)	394,899,115	-	-	564,619,660	564,619,660
MRDD Waiver (0403/466)	88,753,483	-	-	88,753,483	88,753,483
Rural Hospitals Under 150 Beds (0403/940)	2,596,000	-	-	2,596,000	2,596,000
Tertiary Funding (0403/547)	6,356,000	-	-	6,356,000	6,356,000
Traumatic Brain Injury (0403/835)	800,000	-	-	800,000	800,000
Title XIX Waiver for Seniors (0403-533)	13,593,620	-	-	13,593,620	13,593,620
Medical Services Surplus (0403/633)	5,500,000	-	-	-	-
Waiver for Senior Citizens Surplus (0403/526)	-	-	-	-	-
Lottery Waiver (Less 550,000) (5405/539)	21,824,274	-	-	21,824,274	21,824,274
Lottery Waiver (0420/539)	12,142,184	-	-	12,142,184	12,142,184
Lottery Transfer (5405/871)	8,670,000	-	-	8,670,000	8,670,000
Excess Lottery (5365/189)	31,377,985	-	-	-	-
Lottery Surplus (5405/68199)	8,000,000	-	-	-	-
Lottery Surplus (5365/68100)	30,000,000	-	-	-	-
Trust Fund Appropriation (5185/189)	131,250,000	8,914,540	-	32,266,277	32,266,277
Provider Tax (5090/189)	196,831,229	21,304,483	21,304,483	167,976,524	189,281,007
NSGO UPL (5084/6717)	1,210,392	-	-	-	-
Certified Match	9,870,547	872,210	872,210	14,543,608	15,415,818
Reimbursables - Amount Reimbursed	4,460,819	-	-	5,119,845	5,119,845
Other Revenue (MWIN, Escheated Warrants, etc.) 5084/4010 & 4015	627,152	334,144	334,144	565,856	900,000
CHIP State Share	-	-	-	-	-
CMS - 64 Adjustments	(973,293)	-	-	-	-
<b>TOTAL MATCHING FUNDS</b>	<b>\$ 990,505,306</b>	<b>\$ 118,418,011</b>	<b>\$ 109,503,471</b>	<b>\$ 939,827,331</b>	<b>\$ 1,049,330,802</b>
<b>FEDERAL FUNDS</b>	<b>\$ 3,098,950,199</b>	<b>\$ 200,099,635</b>	<b>\$ 200,099,635</b>	<b>\$ 3,082,505,808</b>	<b>\$ 3,282,605,443</b>
<b>TOTAL REVENUE SOURCES</b>	<b>\$ 4,089,455,505</b>	<b>\$ 318,517,645</b>	<b>\$ 309,603,106</b>	<b>\$ 4,022,333,139</b>	<b>\$ 4,331,936,245</b>
<b>TOTAL EXPENDITURES:</b>					
Provider Payments	\$ 4,004,846,454	\$ 290,406,128	\$ 290,406,128	\$ 3,973,667,760	\$ 4,264,073,888
<b>TOTAL</b>	<b>\$ 84,609,050</b>	<b>\$ 28,111,518</b>	<b>\$ 19,196,978</b>		<b>\$ 67,862,357</b>

Note: FMAP (71.80% applicable Jul. - Sep. 2017) (73.24% applicable Oct. 2017 - Jun. 2018)

**Joint Committee on Government and Finance**

**September 2017**

**Department of Health and Human Resources**

**MEDICAID WAIVER REPORT  
July 2017 Data**

**WV Department of Health and Human Resources  
Bureau for Medical Services AD Waiver Program Report**

Aged & Disabled Waiver Reported July 31, 2017		FY 2017 YTD	Jul 17	Aug 17	Sep 17	Oct 17	Nov 17	Dec 17	Jan 18	Feb 18	Mar 18	Apr 18	May 18	Jun 18	FY2018 YTD
<b>Slots Approved By CMS (1)</b>		6,151	5,752												6,151
-Slots Available for Traditional (non TMH-WV) enrollees		6,078	5,662												6,078
-Slots reserved for Take Me Home-WV (TMH-WV) enrollees		73	90												73
Total number of members served YTD (unduplicated slots used) (2) YTD Column reflects most recent month's count		6,151	5,324												5,324
Applicants determined eligible this month and added to MEL (3)		1,440	98												98
Applicants determined ineligible		98	12												12
<b>ACTIVE MEMBERS</b>															
Active members at the end of the month (unduplicated slots active) YTD Column reflects most recent month's count		5,349	5,302												5,302
<b>Active members enrolled during the calendar month</b>		877	28												28
-Total Active Traditional members enrolled during the calendar month		805	22												22
-Total Active TMH-WV members enrolled during the calendar month		72	6												6
Members discharged during the calendar month		1,099	75												75
ADW Members whose case was closed by reason	Member is deceased	600	40												40
	Other (4)	499	35												35
<b>MANAGED ENROLLMENT LIST (MEL)</b>															
# Eligible applicants closed during the calendar month (removed from MEL)		951	341												341
ADW Applicants removed from the MEL	Applicant offered a slot	626	325												325
	Applicant became deceased	114	14												14
	Other (5)	211	2												2
Applicants on the MEL who are in a nursing facility YTD Column reflects average # members in setting		32	28												28
Applicants on the MEL receiving Personal Care YTD Column reflects average # members in setting		36	52												52
Applicants on the MEL at the end of the month		763	520												520
Days -Longest time spent on the MEL to date (6) YTD Column reflects average # of days		242	272												272

(1) Of the 5,752 slots approved by CMS, 90 are reserved for the Money Follows the Person and Rebalancing Demonstration Grant. When it is identified that slots cannot be used for MFP transitions, these slots are made available for traditional (non-MFP) enrollees.

(2) Unduplicated slots used refers to the total number of members who accessed services during the fiscal year.

(3) Monthly number added to MEL is being reported in the month an applicant is determined medically eligible; however, the individual's placement date on the managed enrollment list will be based on their initial application date.

(4) Other reason for closing a case may include, but is not limited to: No services for 180 days, unsafe environment, member non-compliance with program, member no longer desires services, member no longer a WV resident, member no longer medically or financially eligible.

(5) "Other" includes those who are no longer a WV resident, voluntarily decline the program, etc.

(6) Reported in actual number of days on the MEL.

**NOTE:** All data reported by Utilization Management Contractor is effective as of the transpire date in the web-based system. Data is point-in-time.

**WV Department of Health and Human Resources  
Bureau for Medical Services I/DD Waiver Program Report**

Intellectual/Developmental Disabilities Waiver Reported July 31, 2017		FY 2016	July-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	YTD2018
Slots approved by CMS		4,634	4,634												4,634
Total number of members served YTD (unduplicated slots used) (1)		4,634	4,568												4,568
Applicants determined eligible (2)		207	12												12
Applicants determined ineligible (3)		202	18												18
<b>ACTIVE MEMBERS</b>															
# of active members at the end of the month (unduplicated slots active) (1)		4,503	4,565												4,565
Discharged members at the end of the calendar month		147	5												5
Discharged members who were discharged by reason	Deceased	72	3												3
	Left program to enter a facility	21	2												2
	a. Hospital	0	0												0
	b. ICF/IID	2	1												2
	c. Nursing Facility	11	0												-
	d. Psychiatric Facility	0	0												-
	e. Rehabilitation Facility	0	0												-
	f. Other Facility	1	0												-
Other (6)		53	1												1
<b>MANAGED ENROLLMENT LIST (MEL)</b>															
Total number of applicants on the MEL at the end of the month		1,317	1,256												1,256
Number of applicants added to the MEL (4)		207	12												12
Applicants enrolled (removed from the MEL)		116	67												67
Applicants removed from the MEL due to Death (5)		7	0												-
Applicants removed from the MEL due to Other (6)		27	6												6
Applicants on the MEL who are in a Nursing Facility		0	0												-
Applicants on the MEL who are in an ICF/IID Group Home		22	95												95
Applicants on the MEL receiving Personal Care Services each month		70	65												65
Longest on the MEL to date (7)		1494 Days	1,470												1,470

(1) Unduplicated slots used refers to the total number of members who accessed services during the fiscal year.

(2 and 3) Numbers determined medically eligible and ineligible reflect the activity for the month reported. Financial eligibility is not determined until after slot release.

(4) Monthly managed enrollment is being reported in the month an applicant is determined medically eligible; however, the individual's placement date on the managed enrollment list will be based on the date the Medical Eligibility Contract Agent (MECA) determines medical eligibility.

(5) Currently there is no way to track other reasons why someone may leave the MEL for reasons such as moved out of state, decided not to participate in program, etc.

(6) Other reason for program discharge may include, but is not limited to, member is no longer financial or medically eligible, moved out of state, no longer wants the service, etc.

(7) Longest number of days an applicant has been on the MEL.

**WV Department of Health and Human Resources  
Bureau for Medical Services TBI Waiver Program Report**

Traumatic Brain Injury Waiver Reported July 31, 2017		FY 2017 YTD	Jul 17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	FY2018 YTD
Slots Approved By CMS (1)		70	66												66
-Slots Available for Traditional (non TMH-WV) enrollees		70	56												56
-Slots reserved for Take Me Home-WV (TMH-WV) enrollees		0	10												10
Total number of members served YTD (unduplicated slots used) (2) YTD Column reflects most recent month's count		69	62												62
Applicants determined eligible this month and added to MEL (3)		27	3												3
Applicants determined ineligible		2	1												1
<b>ACTIVE MEMBERS</b>															
Active members at the end of the month (unduplicated slots active) YTD Column reflects most recent month's count		61	62												62
Active members enrolled during the calendar month		9	2												2
-Total Active Traditional members enrolled during the calendar month		8	1												1
-Total Active TMH-WV members enrolled during the calendar month		1	1												1
Members discharged during the calendar month		11	1												1
TBIW Members whose case was closed by reason	Member is deceased	1	0												0
	Other (4)	10	1												1
<b>MANAGED ENROLLMENT LIST (MEL)</b>															
# Eligible applicants closed during the calendar month (removed from MEL)		15	0												0
TBIW Applicants removed from the MEL	Applicant offered a slot	14	0												0
	Applicant became deceased	0	0												0
	Other (5)	1	0												0
Applicants on the MEL who are in a nursing facility		1	0												0
Applicants on the MEL receiving Personal Care		0	1												1
Applicants on the MEL at the end of the month		12	13												13
Days -Longest time spent on the MEL to date (6) YTD Column reflects average # of days		170	368												368

(1) Of the 66 slots approved by CMS, 10 are reserved for the Money Follows the Person and Rebalancing Demonstration Grant. Beginning SFY 2017-2018, the program was over the number of slots available for Traditional enrollees. There are no available Traditional slots beginning SFY 2017-2018, therefore medically eligible applicants that are Traditional will be placed on the MEL.

(2) Unduplicated slots used refers to the total number of members who accessed services during the fiscal year.

(3) Monthly number added to MEL is being reported in the month an applicant is determined medically eligible; however, the individual's placement date on the managed enrollment list will be based on their initial application date.

(4) Other reason for closing a case may include, but is not limited to: No services for 180 days, unsafe environment, member non-compliance with program, member no longer desires services, member no longer a WV resident, member no longer medically or financially eligible.

(5) "Other" includes those who are no longer a WV resident, voluntarily decline the program, etc.

(6) Reported in actual number of days on the MEL.

**NOTE: All data as reported by the Utilization Management Contractor is point-in-time**

WV Medicaid Home and Community-Based Services

Approved Waiver Slots for Years 1-5			
	ADW	IDDW	TBIW
FY16	6385	4634	74
FY17	6151	4634	70
FY18	5752	4634	66
FY19	5499	4634	62
FY20	5180	4634	59

Note: IDDW does not change due to a federal lawsuit settlement provision.



Joint Committee on  
Government and Finance  
Report

*SEPTEMBER 2017*

Department of Health and Human Resources

State Children's Health Insurance Program  
UPDATE



**West Virginia Children's Health Insurance Program  
Budget to Actual Statement  
State Fiscal Year 2018  
For the Two Months Ending August 31, 2017**

	Budgeted for Year	Year to Date		Year to Date Variance*	Monthly Budgeted Amt	Actual Amt	
		Budgeted Amt	Actual Amt			Aug-17	Jul-17
Projected Cost	\$50,205,506	\$8,367,584	\$8,254,812	\$112,772	\$4,183,792	\$4,723,717	\$3,531,095
Premiums	2,403,240	\$400,540	\$236,887	(\$163,653)	200,270	125,313	111,574
Subrogation & Rebates	<u>1,398,828</u>	<u>\$233,138</u>	<u>\$0</u>	<u>(233,138)</u>	<u>116,569</u>	<u>0</u>	<u>0</u>
Net Benefit Cost	\$46,403,438	\$7,733,906	\$8,017,925	(\$284,019)	3,973,808	4,598,404	3,419,521
Salaries & Benefits	\$602,625	\$100,438	\$94,711	\$5,726	\$50,219	\$42,209	\$52,503
Program Administration	\$2,726,570	\$454,428	\$180,310	274,119	227,214	180,055	255
Eligibility	\$326,676	\$54,446	\$0	54,446	27,223		
Outreach & Health Prom.	\$392,012	\$65,335	\$27,569	37,766	32,668	27,569	
Current Expense	<u>\$326,676</u>	<u>\$54,446</u>	<u>\$12,648</u>	<u>41,798</u>	<u>27,223</u>	<u>4,227</u>	<u>8,421</u>
Total Admin Cost	\$4,374,559	\$729,093	\$315,238	\$413,856	\$364,547	\$254,059	\$61,178
Total Program Cost	<u>\$50,777,997</u>	<u>\$8,463,000</u>	<u>\$8,333,163</u>	<u>\$129,837</u>	<u>\$4,338,355</u>	<u>\$4,852,463</u>	<u>\$3,480,699</u>
Federal Share 100%	50,777,997	8,463,000	\$8,333,163	129,837	\$4,338,355	4,852,463	3,480,699
State Share 0%	<u>0</u>	<u>0</u>	<u>\$0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Program Cost	** <u>\$50,777,997</u>	<u>\$8,463,000</u>	<u>\$8,333,163</u>	<u>\$129,837</u>	<u>\$4,338,355</u>	<u>\$4,852,463</u>	<u>\$3,480,699</u>

\* Positive percentages indicate favorable variances

\*\* Budgeted Year Based on CCRC Actuary 6/30/2017 Report.

Unaudited - Cash Basis For Management Purposes Only - Unaudited

# WVCHIP Enrollment Report

ATTACHMENT 1

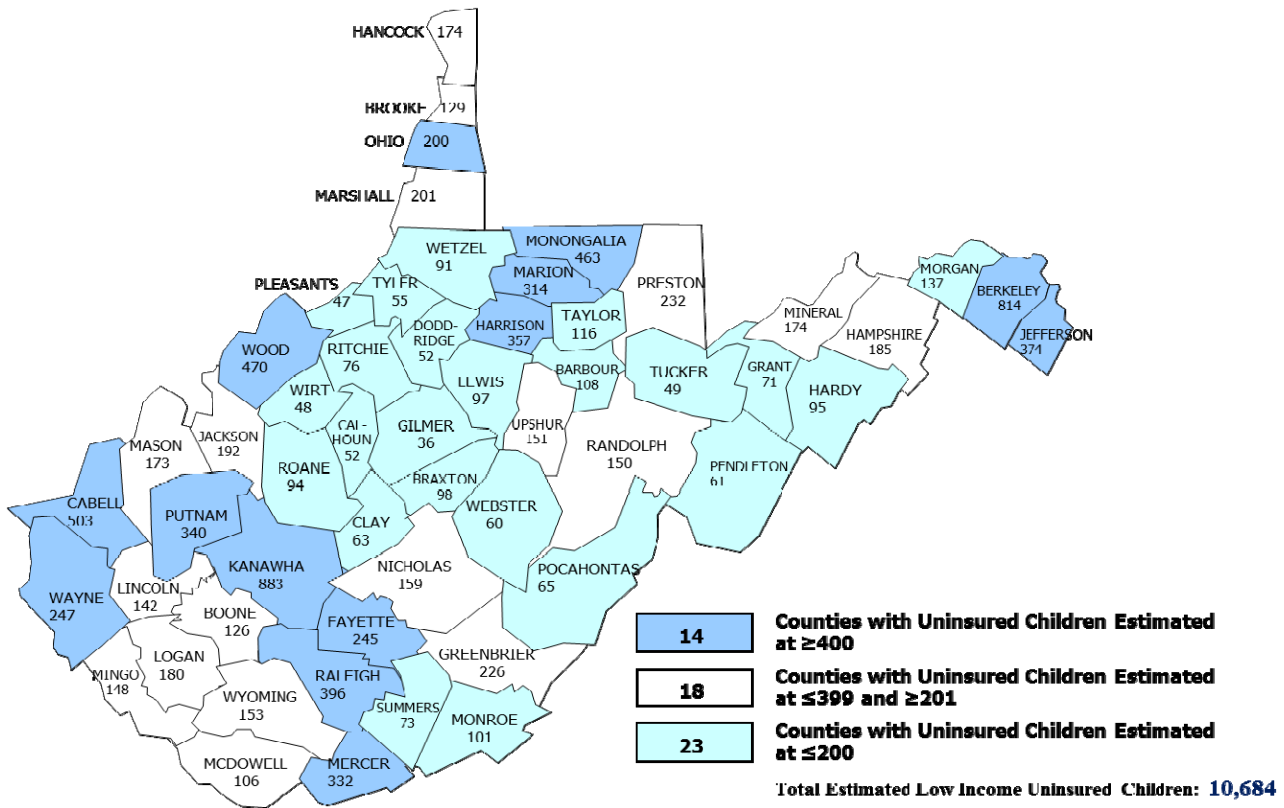
August 2017

County	County Pop.	Total CHIP	Total Medicaid	Total	CHIP/Medicaid	2010	2010
	2010 Est. (0-18 Yrs)	Enrollment Aug-17	Enrollment Aug-17	CHIP/Medicaid Enrollment	Enrollment % of Population	Est. Uninsured 3%	# Children Uninsured Ranking*
Barbour	3,600	226	1,700	1,926	53.5%	108	33
Berkeley	26,251	1,548	11,671	13,219	50.4%	788	2
Boone	5,615	246	3,262	3,508	62.5%	168	25
Braxton	3,006	162	1,717	1,879	62.5%	90	40
Brooke	4,573	10	1,315	1,325	29.0%	137	31
Cabell	18,879	951	9,231	10,182	53.9%	566	4
Calhoun	1,518	82	879	961	63.3%	46	51
Clay	2,215	142	1,411	1,553	70.1%	66	44
Doddridge	1,673	94	744	838	50.1%	50	48
Fayette	9,438	650	5,338	5,988	63.4%	283	13
Gilmer	1,260	73	604	677	53.7%	38	54
Grant	2,555	124	1,075	1,199	46.9%	77	42
Greenbrier	7,131	565	3,663	4,228	59.3%	214	16
Hampshire	5,392	228	2,405	2,633	48.8%	162	27
Hancock	6,166	520	3,153	3,673	59.6%	185	20
Hardy	3,015	233	1,567	1,800	59.7%	90	39
Harrison	15,202	882	6,504	7,386	48.6%	456	7
Jackson	6,602	329	3,030	3,359	50.9%	198	18
Jefferson	12,679	608	3,899	4,507	35.5%	380	10
Kanawha	39,771	2,096	19,396	21,492	54.0%	1,193	1
Lewis	3,389	239	1,939	2,178	64.3%	102	37
Lincoln	4,930	239	3,167	3,406	69.1%	148	30
Logan	7,496	357	4,533	4,890	65.2%	225	15
Marion	11,227	621	5,326	5,947	53.0%	337	11
Marshall	6,886	249	2,999	3,248	47.2%	207	17
Mason	5,929	250	2,908	3,158	53.3%	178	21
McDowell	4,423	197	3,207	3,404	77.0%	133	32
Mercer	12,764	779	7,837	8,616	67.5%	383	9
Mineral	5,868	291	2,399	2,690	45.8%	176	23
Mingo	5,905	249	3,972	4,221	71.5%	177	22
Monongalia	15,294	838	5,493	6,331	41.4%	459	6
Monroe	2,835	249	1,205	1,454	51.3%	85	41
Morgan	3,596	247	1,467	1,714	47.7%	108	34
Nicholas	5,561	335	3,024	3,359	60.4%	167	26
Ohio	8,444	409	3,519	3,928	46.5%	253	14
Pendleton	1,462	77	599	676	46.2%	44	52
Pleasants	1,551	69	673	742	47.8%	47	50
Pocahontas	1,561	152	837	989	63.4%	47	49
Preston	6,536	405	3,130	3,535	54.1%	196	19
Putnam	13,150	653	4,350	5,003	38.0%	395	8
Raleigh	16,403	964	9,411	10,375	63.3%	492	5
Randolph	5,705	480	2,983	3,463	60.7%	171	24
Ritchie	2,205	111	1,104	1,215	55.1%	66	45
Roane	3,239	252	1,786	2,038	62.9%	97	38
Summers	2,521	160	1,433	1,593	63.2%	76	43
Taylor	3,514	184	1,626	1,810	51.5%	105	35
Tucker	1,371	96	582	678	49.5%	41	53
Tyler	1,924	91	809	900	46.8%	58	47

# WVCHIP Enrollment Report

August 2017

County	County Pop. 2010 Est. (0-18 Yrs)	Total CHIP Enrollment Aug-17	Total Medicaid Enrollment Aug-17	Total CHIP/Medicaid Enrollment	CHIP/Medicaid % of Population	2010 Est. Uninsured 3%	2010 # Children Uninsured Ranking*
Upshur	4,996	307	2,890	3,197	64.0%	150	29
Wayne	9,516	369	4,919	5,288	55.6%	285	12
Webster	1,977	110	1,337	1,447	73.2%	59	46
Wetzel	3,466	163	1,848	2,011	58.0%	104	36
Wirt	1,201	64	728	792	66.0%	36	55
Wood	18,956	904	9,389	10,293	54.3%	569	3
Wyoming	5,116	270	2,813	3,083	60.3%	153	28
<b>Totals</b>	<b>387,459</b>	<b>21,199</b>	<b>188,806</b>	<b>210,005</b>	<b>54.2%</b>	<b>11,624</b>	



The above map shows the most recent 2013 county level data provided by the U.S. Census Bureau Small Area Health Insurance Estimates (SAHIE) for children under 19 years. While the statewide average for children under 19 is now about 3%, the SAHIE data reflects more accurately the variation from county to county depending on the availability of employer sponsored insurance and should be a more accurate way to target outreach than in previous years.

# WEST VIRGINIA INVESTMENT MANAGEMENT BOARD

Participant Plan Performance Report

July 31, 2017



Participant Plans Allocation & Performance Net of Fees - Preliminary

Period Ending: July 31, 2017

	6/30/2017		7/31/2017		Performance %						
	Asset (\$000)	%	Asset (\$000)	%	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
<b>WVIMB Fund Assets</b>	<b>18,283,189</b>	<b>100.0</b>	<b>18,560,156</b>	<b>100.0</b>							
<b>Pension Assets</b>	<b>14,791,142</b>	<b>80.9</b>	<b>15,025,998</b>	<b>81.0</b>							
Public Employees' Retirement System	6,288,320	34.4	6,400,077	34.5	2.0	4.4	2.0	14.4	7.3	10.0	6.4
Teachers' Retirement System	7,232,585	39.6	7,334,496	39.6	1.9	4.4	1.9	14.3	7.2	10.0	6.0
EMS Retirement System	70,196	0.4	71,485	0.4	2.0	4.4	2.0	14.4	7.3	10.0	
Public Safety Retirement System	639,380	3.5	648,094	3.5	1.9	4.4	1.9	14.3	7.2	10.0	6.4
Judges' Retirement System	189,254	1.0	192,646	1.0	2.0	4.4	2.0	14.4	7.3	10.0	6.4
State Police Retirement System	165,873	0.9	169,566	0.9	2.0	4.4	2.0	14.4	7.3	10.0	6.4
Deputy Sheriffs' Retirement System	198,732	1.1	202,561	1.1	2.0	4.4	2.0	14.4	7.3	10.0	6.4
Municipal Police & Firefighter Retirement System	5,356	0.0	5,610	0.0	1.9	4.3	1.9	14.0	7.1	9.5	
Municipal Model A	1,446	0.0	1,463	0.0	2.0	4.4	2.0	14.4	7.2		
<b>Insurance Assets</b>	<b>2,641,811</b>	<b>14.4</b>	<b>2,676,674</b>	<b>14.4</b>							
Workers' Compensation Old Fund	1,260,911	6.8	1,271,334	6.8	1.4	2.7	1.4	7.8	4.2	5.0	4.2
Workers' Comp. Self-Insured Guaranty Risk Pool	33,211	0.2	34,188	0.2	1.4	2.6	1.4	8.4	4.2	5.4	4.2
Workers' Comp. Self-Insured Security Risk Pool	53,908	0.3	54,914	0.3	1.4	2.6	1.4	8.4	4.2		
Workers' Comp. Uninsured Employers' Fund	11,797	0.1	11,962	0.1	1.4	2.6	1.4	8.2	3.9	5.3	3.9
Pneumoconiosis	250,631	1.4	254,252	1.4	1.4	2.6	1.4	8.4	4.1	5.4	4.8
Board of Risk & Insurance Management	144,341	0.8	146,391	0.8	1.4	2.6	1.4	8.4	4.1	5.4	5.3
Public Employees' Insurance Agency	153,908	0.8	155,916	0.8	1.3	2.4	1.3	8.1	4.1	5.3	5.0
WV Retiree Health Benefit Trust Fund	733,104	4.0	747,717	4.0	2.0	4.4	2.0	14.4	7.3	9.7	
<b>Endowment Assets</b>	<b>850,236</b>	<b>4.7</b>	<b>857,484</b>	<b>4.6</b>							
Berkeley County Development Authority	7,031	0.0	7,171	0.0	2.0	4.4	2.0	14.4			
Wildlife Fund	63,648	0.4	63,223	0.3	2.0	4.4	2.0	14.4	7.3	10.0	6.4
Prepaid Tuition Trust	49,025	0.3	46,750	0.3	1.6	3.5	1.6	10.8	6.4	8.0	5.8
Revenue Shortfall Reserve Fund	145,150	0.8	145,877	0.8	0.5	0.7	0.5	1.4	1.8	1.5	1.7
Revenue Shortfall Reserve Fund - Part B	425,111	2.4	429,978	2.4	1.1	2.6	1.1	7.7	4.2	5.0	3.3
WV DEP Trust	9,044	0.0	9,124	0.0	2.4	4.4	2.4	14.7	6.3	9.4	
WV DEP Agency	151,227	0.8	155,361	0.8	1.7	3.4	1.7	10.7	5.0		

## Composite Asset Allocation &amp; Performance Net of Fees - Preliminary

Period Ending: July 31, 2017

	Asset (\$000)	%	Performance %							
			1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year	
Investment Pools Composite	18,571,511	100.00								
Total Equity Composite	9,290,909	50.03	3.31	6.17	3.31	20.39	7.85	12.96	6.20	
+/- Total Equity Base Index (b)			0.52	0.51	0.52	2.53	0.97	1.32	1.30	
Domestic Equity Composite	4,350,830	23.43	2.10	4.05	2.10	16.39	10.44	14.89	7.99	
+/- Russell 3000 Index			0.21	0.19	0.21	0.26	(0.08)	0.10	0.16	
International Equity Composite	4,940,079	26.60	4.39	8.09	4.39	24.03	4.97	10.79	4.08	
+/- MSCI AC World ex US IMI Index (c)			0.70	0.62	0.70	4.63	1.77	2.37	1.98	
Fixed Income Composite	3,380,052	18.20	0.56	1.94	0.56	3.98	3.39	3.42	4.77	
+/- Bloomberg Barclays Capital Universal (d)			0.06	0.75	0.06	3.39	0.35	0.89	(0.03)	
Core Fixed Income Composite	1,013,806	5.46	0.44	1.13	0.44	(0.09)	3.15	2.60		
+/- Bloomberg Barclays Capital Aggregate			0.01	0.03	0.01	0.42	0.44	0.58		
Total Return Fixed Income Composite (k)	2,366,246	12.74	0.62	2.29	0.62	5.80	3.46	3.81	5.09	
+/- Bloomberg Barclays Capital Universal			0.12	1.10	0.12	5.21	0.42	1.28	0.37	
TIPS Composite	364,893	1.96	0.46	(0.53)	0.46	(1.03)	0.77	(0.03)		
+/- Bloomberg Barclays Capital U.S. TIPS			0.02	0.02	0.02	0.01	0.00	(0.01)		
Cash Composite	218,898	1.18	0.09	0.22	0.09	0.56	0.30	0.24	0.63	
+/- Citigroup 90 Day T-Bill (e)			0.01	0.01	0.01	0.05	0.07	0.04	0.00	
Private Equity Composite	1,563,513	8.42	0.42	4.91	0.42	16.41	13.00	13.02		
+/- Russell 3000 + 3% (f, g)								(4.92)		
Real Estate Composite	1,626,877	8.76	0.18	2.60	0.18	7.05	9.57	9.88		
+/- NCREIF + 1% (f)								(1.74)		
Hedge Fund Composite	1,841,817	9.92	0.87	0.69	0.87	5.62	2.51	5.08		
+/- HFRI FOF + 1% (h)			(0.24)	(0.88)	(0.24)	(1.36)	(0.51)	1.60		
Opportunistic Income Composite	284,552	1.53	0.01	2.27	0.01	4.86				
+/- CS Leveraged Loan + 2.5%			(0.98)	0.55	(0.98)	(4.47)				

# Participant Plans Allocation vs. Strategy - Preliminary

Period Ending: July 31, 2017

	Domestic Equity		Int'l Equity		Fixed Income		Private Equity		Real Estate		Hedge Funds		Opportunistic Income		Cash	
	Actual %	Strategy %	Actual %	Strategy %	Actual %	Strategy %	Actual %	Strategy %	Actual %	Strategy %	Actual %	Strategy %	Actual %	Strategy %	Actual %	Strategy %

## Pension Assets

Public Employees' Retirement System	25.4	27.5	28.7	27.5	14.2	15.0	9.9	10.0	10.3	10.0	9.4	10.0	1.8	0.0	0.3	0.0
Teachers' Retirement System	24.8	27.5	28.4	27.5	14.0	15.0	9.9	10.0	10.4	10.0	9.4	10.0	1.8	0.0	1.3	0.0
EMS Retirement System	25.4	27.5	28.6	27.5	14.6	15.0	9.7	10.0	10.1	10.0	9.4	10.0	1.7	0.0	0.5	0.0
Public Safety Retirement System	24.9	27.5	28.1	27.5	13.2	15.0	9.8	10.0	10.3	10.0	9.3	10.0	1.7	0.0	2.7	0.0
Judges' Retirement System	25.5	27.5	28.8	27.5	14.4	15.0	9.7	10.0	10.2	10.0	9.5	10.0	1.7	0.0	0.2	0.0
State Police Retirement System	25.4	27.5	28.6	27.5	14.7	15.0	9.7	10.0	10.1	10.0	9.4	10.0	1.7	0.0	0.4	0.0
Deputy Sheriffs' Retirement System	25.4	27.5	28.6	27.5	14.5	15.0	9.7	10.0	10.1	10.0	9.5	10.0	1.7	0.0	0.5	0.0
Municipal Police & Firefighter Retirement System	24.1	27.5	26.9	27.5	13.9	15.0	9.2	10.0	9.6	10.0	8.9	10.0	1.6	0.0	5.8	0.0
Municipal Model A	25.8	27.5	29.1	27.5	13.3	15.0	9.8	10.0	10.2	10.0	9.7	10.0	1.7	0.0	0.4	0.0

## Insurance Assets

Workers' Compensation Old Fund	14.7	15.0	16.6	15.0	50.0	50.0	0.0	0.0	0.0	0.0	14.7	15.0	0.0	0.0	4.0	5.0
Workers' Comp. Self-Insured Guaranty Risk Pool	14.6	15.0	16.2	15.0	44.7	45.0	0.0	0.0	0.0	0.0	19.7	20.0	0.0	0.0	4.8	5.0
Workers' Comp. Self-Insured Security Risk Pool	14.7	15.0	16.5	15.0	44.9	45.0	0.0	0.0	0.0	0.0	19.7	20.0	0.0	0.0	4.2	5.0
Workers' Comp. Uninsured Employers Fund	15.0	15.0	16.5	15.0	39.5	40.0	0.0	0.0	0.0	0.0	19.2	20.0	0.0	0.0	9.8	10.0
Pneumoconiosis	14.5	15.0	16.4	15.0	44.7	45.0	0.0	0.0	0.0	0.0	19.8	20.0	0.0	0.0	4.6	5.0
Board of Risk & Insurance Mgmt.	14.9	15.0	16.4	15.0	44.6	45.0	0.0	0.0	0.0	0.0	19.1	20.0	0.0	0.0	5.0	5.0
Public Employees' Insurance Agency	12.5	12.5	13.8	12.5	54.5	55.0	0.0	0.0	0.0	0.0	19.2	20.0	0.0	0.0	0.0	0.0
WV Retiree Health Benefit Trust Fund	25.6	27.5	28.7	27.5	14.7	15.0	9.7	10.0	10.1	10.0	9.5	10.0	1.7	0.0	0.0	0.0

## Endowment Assets

Berkeley County Development Authority	25.7	27.5	28.6	27.5	14.7	15.0	9.7	10.0	10.1	10.0	9.5	10.0	1.7	0.0	0.0	0.0
Wildlife Fund	25.2	27.5	28.8	27.5	14.7	15.0	9.8	10.0	10.2	10.0	9.4	10.0	1.7	0.0	0.2	0.0
Prepaid Tuition Trust	22.6	22.0	18.9	18.0	56.3	60.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.2	0.0
Revenue Shortfall Reserve Fund	0.0	0.0	0.0	0.0	100.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue Shortfall Reserve Fund - Part B	11.0	11.3	12.1	11.3	76.9	77.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
WV DEP Trust	31.2	32.5	35.0	32.5	14.7	15.0	0.0	0.0	0.0	0.0	19.1	20.0	0.0	0.0	0.0	0.0
WV DEP Agency	19.4	20.0	21.6	20.0	39.2	40.0	0.0	0.0	0.0	0.0	18.9	20.0	0.0	0.0	0.9	0.0



- (a) As of January 2014, the PERS Base is 30% Russell 3000, 30% MSCI ACW ex USA (IMI), and 40% Bloomberg Barclays Capital Universal. From April 2008 to December 2013, the PERS Base was 30% Russell 3000, 30% MSCI ACW ex USA (Standard), and 40% Bloomberg Barclays Capital Universal. Prior periods were 42% Russell 3000, 18% MSCI ACW ex USA, and 40% Bloomberg Barclays Capital Aggregate.
- (b) As of January 2014, the Total Equity Base Index is 50% Russell 3000 and 50% MSCI ACW ex USA (IMI). From April 2008 to December 2013, the Total Equity Base Index was 50% Russell 3000 and 50% MSCI ACW ex USA (Standard). Prior periods were 40% S&P 500, 30% Russell 2500, and 30% MSCI ACW ex USA.
- (c) Prior to January 2014, the index was the MSCI ACW ex USA (Standard).
- (d) Prior to April 2008, the index was Bloomberg Barclays Capital Aggregate.
- (e) Prior to January 2014, the index was Citigroup 90 Day T-Bill plus 15 basis points.
- (f) The Private Equity Composite and Real Estate Composite are long-term programs whose benchmarks are only reported for 5 years and beyond.
- (g) Prior to January 2014, the index was S&P 500 plus 500 basis points.
- (h) Prior to January 2014, the index was Libor plus 400 basis points.
- (i) Franklin Benchmark is 50% JPM EMBI Global Diversified and 50% JPM GBI EM Diversified.
- (j) Prior to April 2008, the index was a custom index.
- (k) From October 2015, to March 2017, performance returns from the Opportunistic Income Pool are included in the Total Return Fixed Income Composite.

Note: Participant returns are net of fees. Portfolio returns are net of management fees. Returns shorter than one year are unannualized.

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**Status Report:**  
**Workers' Compensation**

Joint Committee on Government & Finance

September 2017

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*Provided by the West Virginia Offices of the Insurance Commissioner*



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## **Introduction**

With the passage of S.B. 1004 in January 2005, significant changes were made to workers' compensation insurance in West Virginia. The State administered monopolistic fund effectively ended when a new domestic mutual insurance company, "BrickStreet", was formed to issue workers' compensation insurance on a going forward basis. BrickStreet began writing new workers' compensation insurance liabilities effective January 2006. (They also retained the workers' compensation insurance premium and incurred liability starting in July 2005.) The West Virginia workers' compensation insurance market was later opened to competition beginning in July 2008.

At the time when the domestic mutual insurance company was formed in order to begin to privatize the workers' compensation insurance market in West Virginia, a large legacy liability existed stemming from the historical operation of the State administered monopolistic fund. Subsequent to privatization, this legacy liability was retained by the State of West Virginia in what is now known as the "Old Fund." The Old Fund consists of all historical claims with dates of injuries or last exposure through June 30, 2005. Apart from those sections which specifically reference other "funds," the "private market," or the "self-insured" community (which began in July 2004), this report concerns the workers' compensation legacy liability of the State of West Virginia, i.e. the Old Fund.

At January 2008, there were 47,961 active Old Fund workers' compensation insurance claims. The first Workers' Compensation Status Report to the Joint Committee on Government and Finance was issued in June 2008. The following pages update the status of the various workers' compensation funds and the activities associated with the administration of the workers' compensation responsibilities transitioned to the Offices of the Insurance Commissioner.

## Definitions:

**Appeal (BOR):** A formal procedure conducted by the Board of Review at which a decision of an administrative law judge (OOJ) having presided over a matter of workers' compensation (Old Fund or Privately Insured) is to be afforded additional consideration. An appeal may be filed by any aggrieved party, such as a claimant, employer, dependent of a claimant, private insurance carrier, etc.

**Board of Review:** (BOR) A three judge panel that serves as an intermediate appellate tribunal in workers' compensation litigation. Specifically, the Board of Review reviews all appeals taken from any final decision of the Office of Judges. The BOR may reverse, vacate, modify or remand a decision of the Office of Judges. Any appeal taken from a Board of Review final order must be filed with the West Virginia Supreme Court of Appeals.

**Claim Reserve:** individual claim level cost estimate that is projected on the ultimate probable exposure; must be the best projection based on the facts and findings of the claim. This function is to capture the key components that impact the range of any impending cost in workers' compensation claims. No discounting is applied. The Indemnity Reserve is adjusted to cover the cost of loss or exposure both on a temporary and permanent basis. The reserve should also be adjusted to include the projected cost of any death and/or dependent benefits when appropriate. The Medical Reserve covers medical cost, hospital stays, specialized treatment, rehabilitation, durable medical equipment, and medications, etc. The Expense Reserve is placed for the cost of legal defense and investigations, etc. The reserves may be reduced based on the findings of early mortality factors.

**Coal Workers' Pneumoconiosis Fund (CWP):** State managed fund into which FBL premiums previously received are held, and out of which FBL benefits are paid. This fund was closed to future liabilities as of 12/31/2005. Because of the latency period between the date of last exposure and the onset of disease, new FBL claims will occur.

**Fatal:** claim under which the worker died as a result of injury or illness.

**FBL:** claim for Occupational Pneumoconiosis (Black Lung) benefits under Title IV of the federal Coal Mine Health and Safety Act of 1969, i.e. Federal Black lung, or FBL.

**FBL Awarded Claim:** an FBL claim that has been awarded but has not yet been accepted by the responsible operator/insurer

**FBL Claim Notice:** an FBL claim for which not initial decision has yet been made, but evidence in the claims indicates the potential for an award

**FBL Non-active Claim:** an FBL claim for which an award had been sought, but was not afforded. Federal statutes permit an appeal process which lasts for 1 year, so the claim would be reopened for consideration upon appeal. Denied FBL claims are closed administratively after 6 months, as the TPA's bill for claims management services monthly on an open claims basis.

**FBL Paying Claim:** an FBL claim for which an award has been made and the responsible operator/insurer has accepted liability. Payments are being made to the claimant or dependents.

**Indemnity:** statutory wage replacement benefits awarded as a result of a worker's occupational illness or injury.

**Med Only:** claim under which only the payment of medical benefits were sought or awarded, i.e. no payment of wage replacement benefits (indemnity) is being made.

**Office of Judges:** (OOJ) An office comprised of administrative law judges who are charged with resolving protests or appeals to workers' compensation claims management decisions. The Office of Judges conducts hearings, receives and weighs evidence and arguments, and issues written decisions on protests or appeals from initial claim management decisions. Any final decision of the Office of Judges may be appealed to the workers' compensation Board of Review. The OOJ hears protests involving Old Fund claims as well as those arising from the private market (private carrier or privately insured.)

**Old Fund:** The residual assets and liabilities of the former Worker's Compensation Fund are now reported in a fund known as the Workers' Compensation Old Fund. Disbursements from the Old Fund are related to the liabilities and appropriate administrative expenses necessary for the administration of all claims, actual and incurred but not reported, for any claims with a date of injury on or before June 30, 2005.

**OP/OD:** claim of Occupational Pneumoconiosis or Occupational Disease. An OP claim could be considered the State level equivalent of an FBL claim; however, State OP claims provide for varying percentages of impairment where the FBL applicant must prove total impairment to be eligible. (State OP claims are awarded more frequently than FBL, but afford lesser benefits.) An example of an OD claim would be occupational hearing loss.

**Protest (OOJ):** An objection to a ruling of a workers' compensation claim administrator (Old Fund or Private Market) which prompts the initiation of the adjudication process at the Office of Judges.

**PPD:** (Permanent Partial Disability) paid to compensate an injured worker for permanent impairment that results from an occupational injury or disease. The American Medical Association defines permanent impairment as impairment that has become static or well stabilized with or without medical treatment and is not likely to remit despite medical treatment. It should be noted, some injuries that are total loss by severance have statutory impairment ratings that are defined per WV Code §23-4-6(f). Payment for PPD is based upon 4 weeks of compensation for each one percent of disability.

**PTD:** (Permanent Total Disability) A disability which renders a claimant unable to engage in gainful employment requiring skills or abilities which can be acquired or which are comparable to those of any gainful employment in which the claimant previously engaged with some regularity. While the comparison of pre-injury income and post-disability income is not a factor to be considered in determining whether or not a claimant is permanently and totally disabled, the geographic availability of gainful employment should be considered. Specifically, the geographic availability of gainful employment within a 75 mile driving distance of the claimant's home, or within the distance from the claimant's home to his or her pre-injury employment, whichever is greater, is a factor to be considered in determining whether or not a claimant is PTD.

**Self-Insured:** an employer who has met certain specific guidelines, and who is then permitted to guarantee their own payment and handling of workers' compensation claims to their employees in accordance with WV statutes.

**Self-Insured Guaranty Fund:** State managed fund consisting of those funds transferred to it from the guaranty pool created pursuant to 85 CSR §19 (2004) and any future funds collected through continued administration of that exempt legislative rule as administered by the WVOIC and out of which workers' compensation benefits may be paid. Covers claims liabilities of bankrupt or defaulted self-insured employers with dates of injury or last exposure after 07/01/2004.

**Self-Insured Security Fund:** State managed fund consisting of those funds paid into it thru the WVOIC's administration of 85 CSR §19 (2004), and out of which workers' compensation benefits may be paid. Covers claims liabilities of bankrupt or defaulted self-insured employers with dates of injury or last exposure before 07/01/2004. This fund is limited to claimants of those self-insured employers who have defaulted on their claims obligations after 12/31/2005.

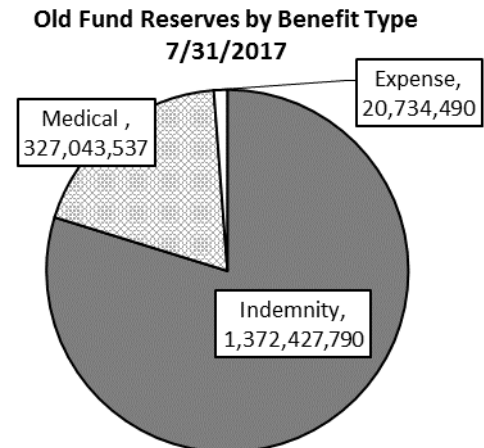
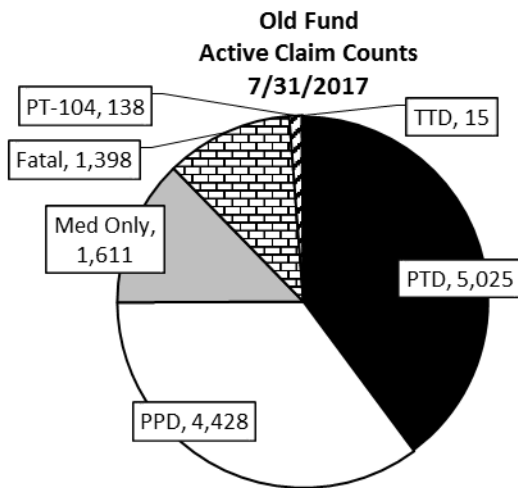
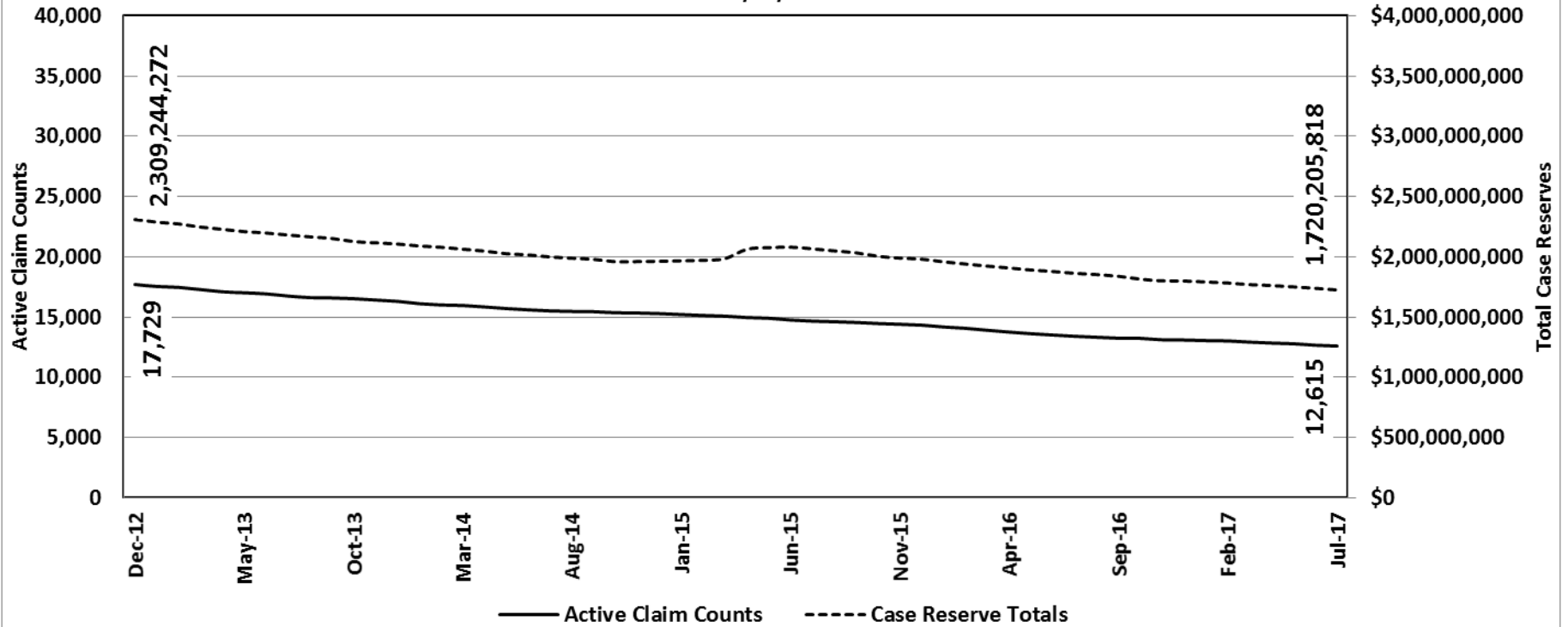
**TPD:** (Temporary Partial Disability) also referred to as TPR, is paid when an injured worker is released to return to work with restrictions or modifications that restrict he/she from obtaining their pre-injury wages. The TPD benefit is paid at seventy percent of the difference between the average weekly wage earnings earned at the time of injury and the average weekly wage earnings earned at the new employment.

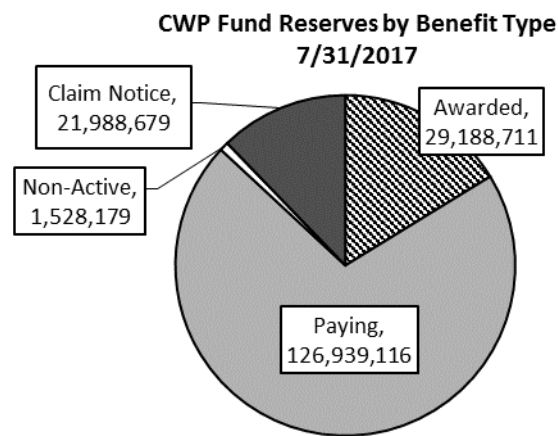
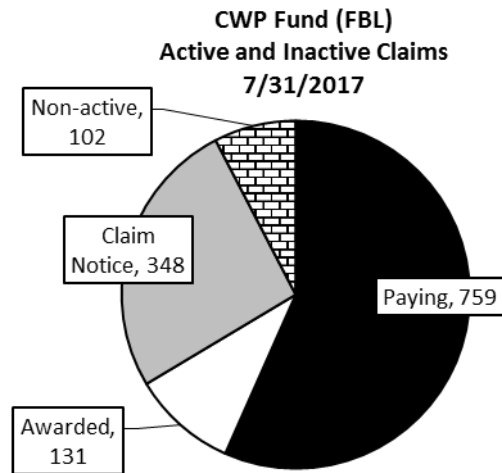
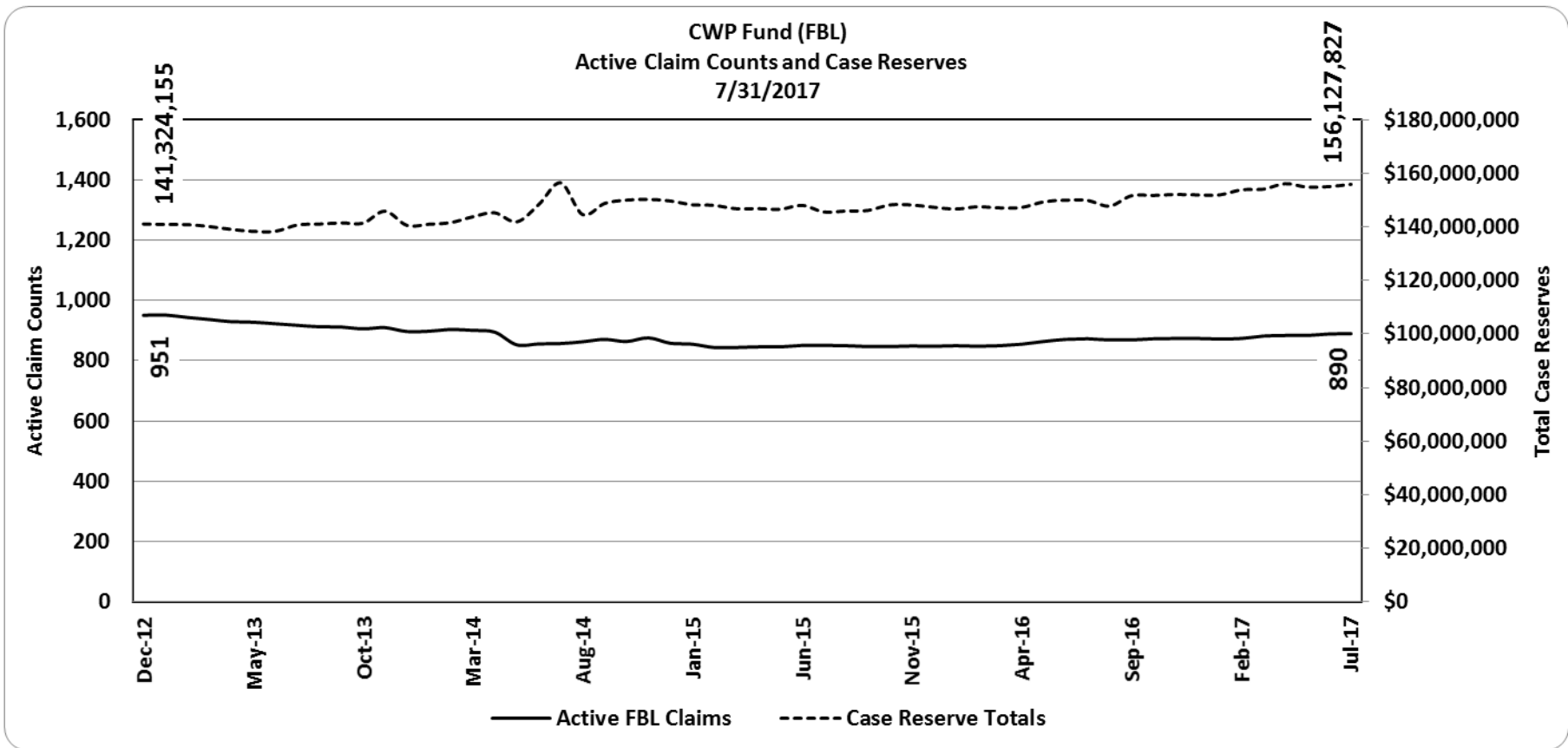
**TTD:** (Temporary Total Disability) an inability to return to substantial gainful employment requiring skills or activities comparable to those of one's previous gainful employment during the healing or recovery period after the injury. In order to receive TTD benefits, the injured worker must be certified disabled due to the compensable injury by his/her treating physician.

**Uninsured Fund:** State managed fund into which assessments to carriers or employers received are held, and out of which workers' compensation benefits may be paid to claimant employees of employers who were uninsured if the date of injury or date of last exposure is January 1, 2006 or later.

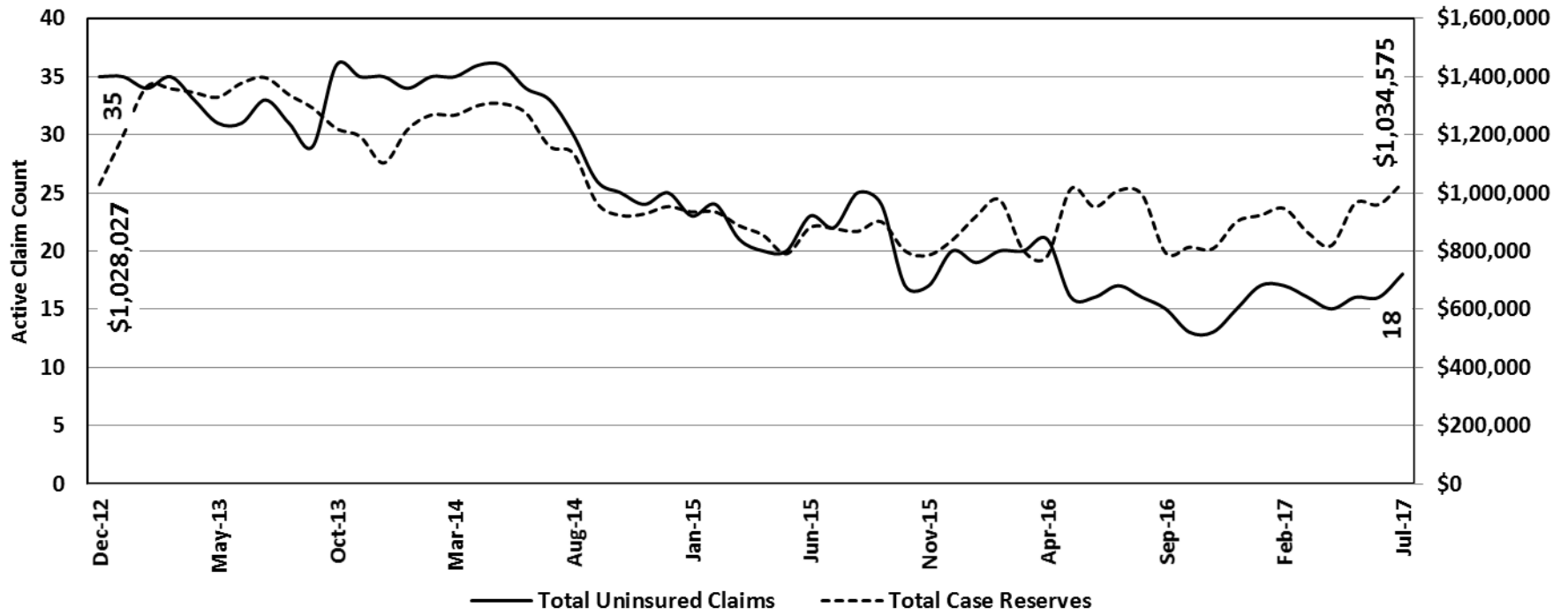


**Old Fund  
Active Claim Counts and Case Reserves  
7/31/2017**

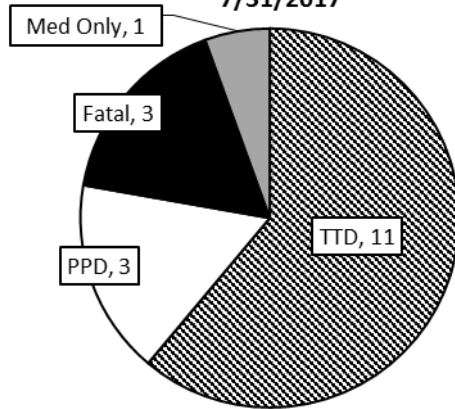




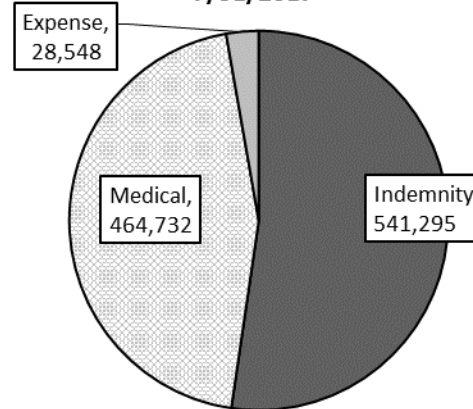
**Uninsured Fund  
Active Claim Counts and Case Reserves  
7/31/2017**



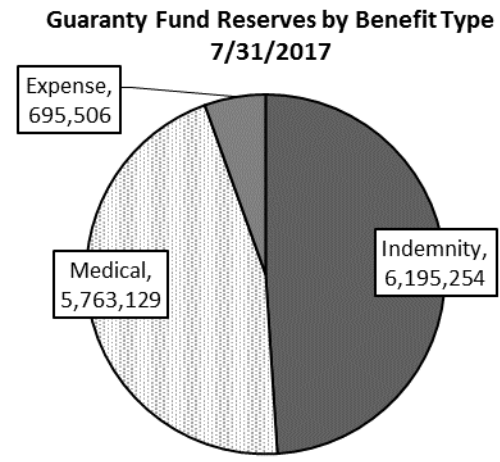
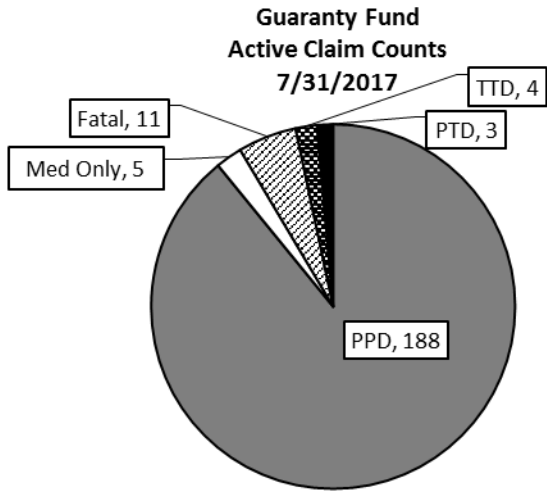
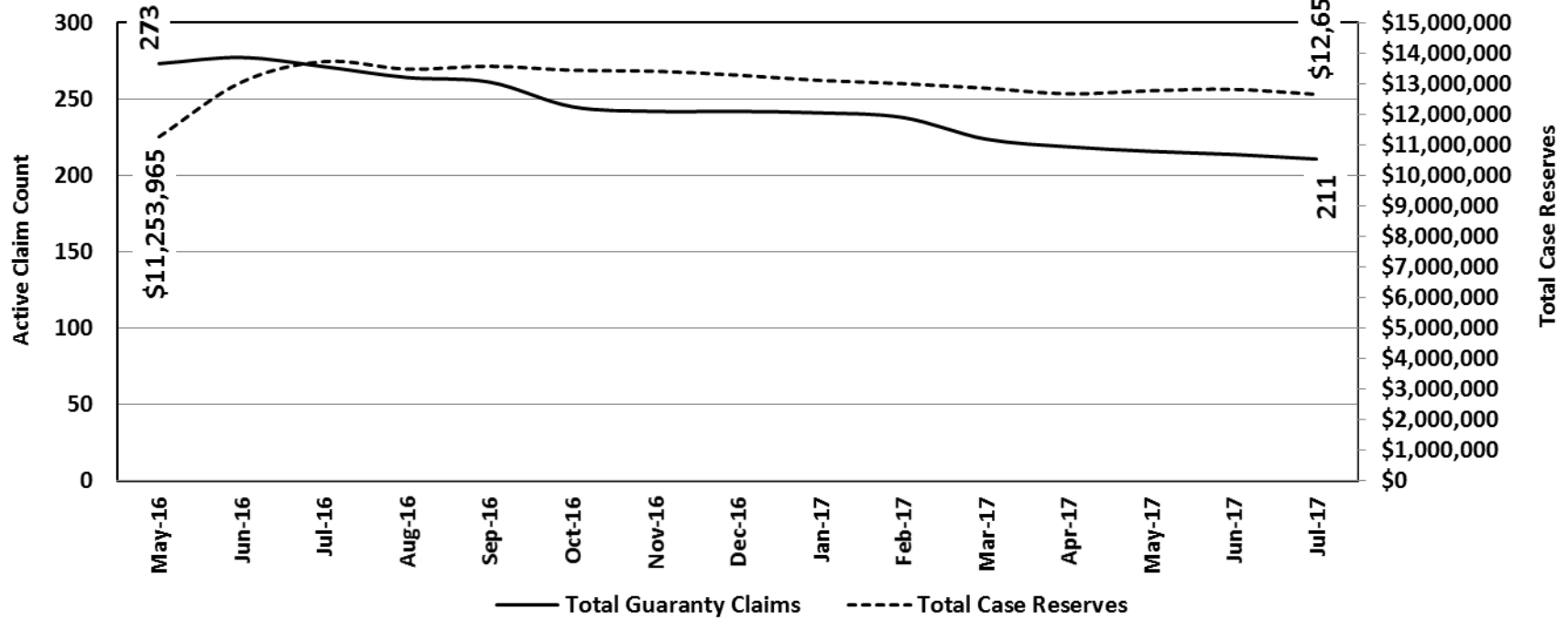
**Uninsured Fund  
Active Claim Counts  
7/31/2017**



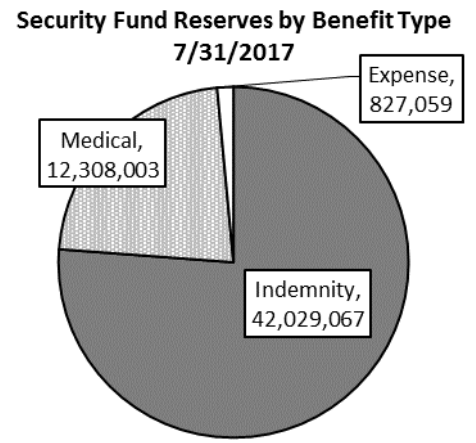
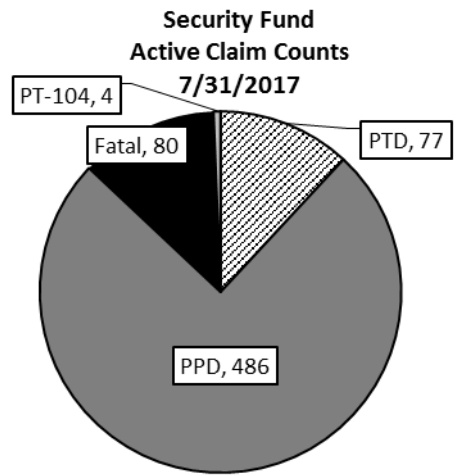
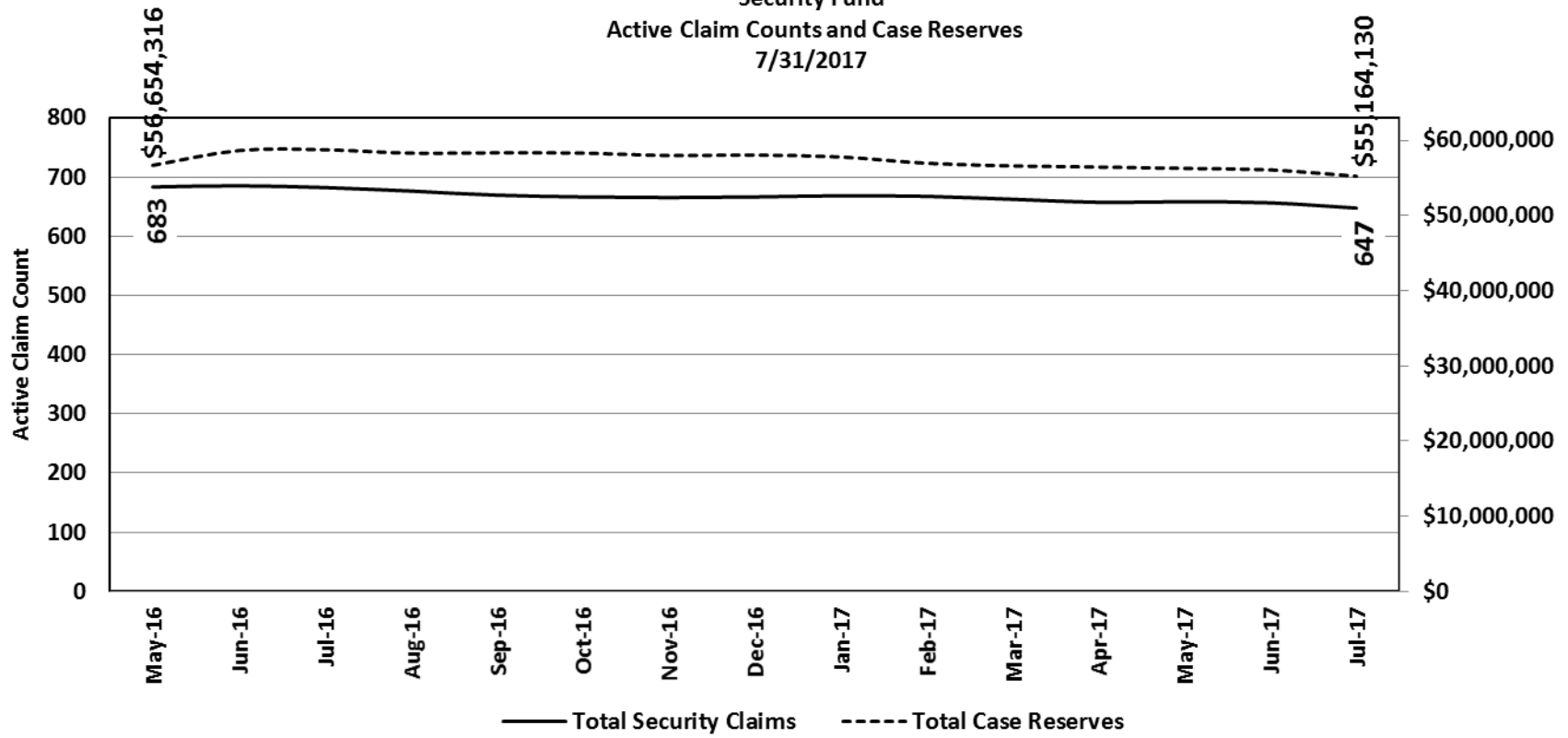
**Uninsured Fund Reserves by Benefit Type  
7/31/2017**



**Guaranty Fund  
Active Claim Counts and Case Reserves  
7/31/2017**



**Security Fund  
Active Claim Counts and Case Reserves  
7/31/2017**



OLD FUND CASH STATEMENT

August 31, 2017

	YTD FY2018	YTD FY2017	Change	Three Year History for years ended:		
				FY2017	FY2016	FY2015
<b>Cash Beginning Balances</b>	<b>1,263,372,448</b>	<b>1,280,647,632</b>	<b>(17,275,184)</b>	<b>1,280,647,632</b>	<b>1,311,653,269</b>	<b>1,190,142,811</b>
<b>Revenues</b>						
Personal Income Tax	-	-	-	-	42,400,000	95,400,000
Severance Tax	-	11,051,529	(11,051,529)	13,887,551	73,068,796	125,703,925
Debt Reduction Surcharge	1,505,356	5,577,956	(4,072,599)	12,336,645	25,211,458	34,106,221
Self-Insured Debt Reduction Surcharge	357,794	1,821,849	(1,464,056)	4,346,111	6,209,330	8,859,759
Video Lottery	-	919,666	(919,666)	5,500,000	6,734,934	11,000,000
Employer Premium	16,816	20,479	(3,663)	62,806	111,955	202,532
Other Income - Return of Unclaimed Property	73,888	-	73,888	354,423	184,888	153,763
<b>Operating Revenues</b>	<b>1,953,854</b>	<b>19,391,479</b>	<b>(17,437,625)</b>	<b>36,487,535</b>	<b>153,921,361</b>	<b>275,426,199</b>
Investment / Interest Earnings (Losses)	20,690,664	37,668,017	(16,977,353)	112,116,554	(5,981,504)	34,715,474
<b>Total Revenues</b>	<b>22,644,518</b>	<b>57,059,496</b>	<b>(34,414,978)</b>	<b>148,604,089</b>	<b>147,939,857</b>	<b>310,141,673</b>
<b>Expenditures</b>						
Claims Benefits Paid:						
Medical	4,048,675	5,334,021	(1,285,346)	27,437,375	26,890,541	29,881,043
Permanent Total Disability	14,815,248	15,777,364	(962,117)	92,140,733	98,784,921	104,948,107
Permanent Partial Disability	44,294	65,888	(21,593)	336,015	232,699	353,749
Temporary Disability	4,939	-	4,939	-	8,554	-
Fatals	3,659,314	3,946,071	(286,756)	22,990,499	24,098,586	25,497,598
104 weeks death benefit	617,179	1,025,158	(407,979)	5,825,439	6,990,581	5,883,387
Settlements	791,296	1,832,763	(1,041,467)	11,716,131	12,718,425	12,206,388
Loss Adjustment Expenses	215,561	215,261	300	1,446,808	1,970,779	2,029,136
Total	24,196,506	28,196,526	(4,000,020)	161,893,000	171,695,087	180,799,408
Less: Claims credits and overpayments	618,855	1,050,059	(431,204)	5,080,389	3,044,395	2,240,415
Total Benefits Paid	23,577,651	27,146,467	(3,568,816)	156,812,611	168,650,692	178,558,993
Administrative Expenses	750,918	1,048,831	(297,913)	9,066,663	10,294,801	10,060,064
<b>Total Expenditures</b>	<b>24,328,569</b>	<b>28,195,298</b>	<b>(3,866,729)</b>	<b>165,879,274</b>	<b>178,945,493</b>	<b>188,619,057</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(1,684,051)</b>	<b>28,864,198</b>	<b>(30,548,249)</b>	<b>(17,275,184)</b>	<b>(31,005,636)</b>	<b>121,522,616</b>
<b>Cash Ending Balances</b>	<b>1,261,688,396</b>	<b>1,309,511,830</b>	<b>(47,823,433)</b>	<b>1,263,372,448</b>	<b>1,280,647,632</b>	<b>1,311,665,427</b>

Note: The purpose of this report is to enhance the user's ability to monitor the cash activities of the Old Fund. The Old Fund assets consist of cash and investments with the WV Investment Management Board. Investment earnings are presented in the month in which the State Treasurer records the earnings in the statewide accounting system, wvOASIS. The liabilities of the Old Fund consist of the worker's compensation claims and related expenses for all claims, actual and incurred but not reported for claims with dates of injury on or before June 30, 2005. This report is intended to provide a summary of the cash based transactions related to the Fund's assets and liabilities and is not an accrual based presentation. The Old Fund Cash Statement is unaudited information.

COAL WORKERS PNEUMOCONIOSIS FUND  
August 31, 2017

	YTD FY2018	YTD FY2017	Change	Three Year History for years ended:		
				FY2017	FY2016	FY2015
<b>Cash Beginning Balances</b>	<b>251,313,328</b>	<b>245,945,240</b>	<b>5,368,089</b>	<b>245,945,240</b>	<b>264,657,327</b>	<b>267,173,190</b>
<b>Revenues</b>						
Investment Earnings (Losses)	4,025,689	6,041,949	(2,016,261)	22,100,417	(5,091,164)	10,347,881
Other Income - Return of Unclaimed Property	-	-	-	8,353	3,797	876
<b>Total Revenues</b>	<b>4,025,689</b>	<b>6,041,949</b>	<b>(2,016,261)</b>	<b>22,108,770</b>	<b>(5,087,367)</b>	<b>10,348,758</b>
<b>Expenditures</b>						
Claims Benefits Paid:						
Medical	627,262	608,601	18,661	4,032,649	2,830,426	2,629,364
PTD and Fatal Indemnity	1,343,025	1,362,896	(19,871)	8,174,289	7,548,752	6,857,612
Loss Adjustment Expenses	554,230	541,661	12,570	3,783,923	2,629,468	2,633,172
Total	2,524,517	2,513,158	11,360	15,990,861	13,008,646	12,120,148
Less: Claims Credits and Overpayments	142,491	38,608	103,883	125,895	130,620	129,338
Total Benefits Paid	2,382,027	2,474,550	(92,523)	15,864,966	12,878,025	11,990,810
Administrative Expenses	141,088	135,697	5,391	875,715	746,696	873,810
<b>Total Expenditures</b>	<b>2,523,115</b>	<b>2,610,247</b>	<b>(87,132)</b>	<b>16,740,681</b>	<b>13,624,721</b>	<b>12,864,620</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>1,502,574</b>	<b>3,431,703</b>	<b>(1,929,128)</b>	<b>5,368,089</b>	<b>(18,712,088)</b>	<b>(2,515,863)</b>
<b>Cash Ending Balances</b>	<b>252,815,902</b>	<b>249,376,942</b>	<b>3,438,961</b>	<b>251,313,328</b>	<b>245,945,240</b>	<b>264,657,327</b>

Note: The Coal Worker's Pneumoconiosis Fund (CWP Fund) ceased operations December 31, 2005 and is in run-off status under the administrative oversight of the Insurance Commissioner. Established in 1973, the CWP Fund existed to provide insurance coverage to companies for liabilities incurred as a result of the Federal Coal Mine Health and Safety Act of 1969. Participation in the CWP Fund was voluntary for employers. The current revenues of the CWP Fund are limited to the earnings from invested assets. Assets of the CWP Fund are invested with the WV Investment Management Board. The investment earnings are presented in the month in which the State Treasurer records the earnings. The liabilities of the CWP Fund consist of the claims for coal miners who are totally disabled or beneficiaries of coal miners who have died as a result of coal worker's pneumoconiosis. To be eligible for benefits from the CWP Fund, the date of last exposure of the coal miner must be on or before December 31, 2005. The Coal Workers Cash Statement is unaudited information.

SELF-INSURED GUARANTY RISK POOL  
August 31, 2017

	YTD FY2018	YTD FY2017	Change	Three Year History for years ended:		
				FY2017	FY2016	FY2015
<b>Cash Beginning Balances</b>	<b>33,836,322</b>	<b>33,462,454</b>	<b>373,868</b>	<b>33,462,454</b>	<b>16,014,340</b>	<b>15,603,319</b>
<b>Revenues</b>						
Guaranty Risk Pool Assessments	-	-	-	-	18,684	89,571
Collateral Proceeds	-	-	-	-	19,422,025	-
Investment Earnings (Losses)	538,713	833,684	(294,970)	3,012,508	(155,883)	612,972
<b>Total Revenues</b>	<b>538,713</b>	<b>833,684</b>	<b>(294,970)</b>	<b>3,012,508</b>	<b>19,284,826</b>	<b>702,542</b>
<b>Expenditures</b>						
Claims Benefits Paid:						
Medical	58,677	69,416	(10,739)	503,912	309,470	51,752
Permanent Total Disability	10,620	10,620	-	63,717	43,638	-
Permanent Partial Disability	110,668	157,463	(46,795)	972,712	612,823	20,788
Temporary Disability	15,892	75,159	(59,267)	375,328	303,724	114,835
Fatales	46,168	46,168	-	277,011	257,806	55,093
104 Weeks Death Benefit	-	-	-	-	-	-
Settlement Agreements	-	-	-	3,800	-	-
Non Awarded Partial Disability	-	-	-	4,407	9,377	-
Loss Adjustment Expenses	19,687	46,229	(26,541)	255,219	163,819	12,414
Total	261,713	405,055	(143,343)	2,456,105	1,700,657	254,882
Less: Claims Credits and Overpayments	-	201	(201)	2,723	17,176	(9,064)
Total Benefits Paid	261,713	404,854	(143,141)	2,453,382	1,683,481	263,947
Administrative Expenses	11,955	36,656	(24,701)	185,258	153,231	27,575
<b>Total Expenditures</b>	<b>273,668</b>	<b>441,510</b>	<b>(167,842)</b>	<b>2,638,640</b>	<b>1,836,711</b>	<b>291,522</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>265,046</b>	<b>392,174</b>	<b>(127,128)</b>	<b>373,868</b>	<b>17,448,114</b>	<b>411,021</b>
<b>Cash Ending Balances</b>	<b>34,101,368</b>	<b>33,854,628</b>	<b>246,740</b>	<b>33,836,322</b>	<b>33,462,454</b>	<b>16,014,340</b>

The Self-Insured Guaranty Risk Pool covers the claims liabilities of bankrupt or defaulted self-insured employers with dates of injury subsequent to July 1, 2004. The revenues of the Self-Insured Guaranty Fund are comprised of the guaranty risk pool assessments levied on all self-insured employers and the earnings on invested assets. The assets of the Self-insured Guaranty Risk Pool are invested with the WV Investment Management Board. Investment earnings are presented in the month in which the



SELF-INSURED SECURITY RISK POOL

August 31, 2017

	YTD FY2018	YTD FY2017	Change	Three Year History for years ended:		
				FY2017	FY2016	FY2015
<b>Cash Beginning Balances</b>	<b>54,448,203</b>	<b>53,859,338</b>	<b>588,865</b>	<b>53,859,338</b>	<b>9,208,803</b>	<b>7,137,316</b>
<b>Revenues</b>						
Security Risk Pool Assessments	-	-	-	-	230,340	1,114,180
Collateral Proceeds	-	-	-	-	47,503,193	1,425,061
Investment Earnings (Losses)	875,939	1,395,787	(519,847)	4,914,238	201,775	310,550
<b>Total Revenues</b>	<b>875,939</b>	<b>1,395,787</b>	<b>(519,847)</b>	<b>4,914,238</b>	<b>47,935,308</b>	<b>2,849,791</b>
<b>Expenditures</b>						
Payment of Claims						
Claims Benefits Paid:						
Medical	237,643	141,069	96,574	778,632	479,295	71,000
Permanent Total Disability	255,191	265,724	(10,533)	1,576,942	1,163,198	208,590
Permanent Partial Disability	-	-	-	-	7,560	38,698
Temporary Disability	-	-	-	-	-	-
Fatales	216,408	223,296	(6,888)	1,333,911	1,183,728	404,642
104 Weeks Death Benefit	12,190	45,455	(33,266)	134,935	92,595	-
Settlement Agreements	2,094	3,694	(1,600)	14,165	21,177	-
Loss Adjustment Expenses	16,300	33,397	(17,098)	151,558	54,047	12,113
<b>Total</b>	<b>739,826</b>	<b>712,637</b>	<b>27,189</b>	<b>3,990,143</b>	<b>3,001,600</b>	<b>735,042</b>
Less: Claims Credits and Overpayments	836	-	836	38,143	4,925	(1,392)
<b>Total Benefits Paid</b>	<b>738,991</b>	<b>712,637</b>	<b>26,353</b>	<b>3,952,000</b>	<b>2,996,676</b>	<b>736,434</b>
Administrative Expenses	26,426	52,866	(26,440)	373,374	288,097	41,870
<b>Total Expenditures</b>	<b>765,417</b>	<b>765,503</b>	<b>(87)</b>	<b>4,325,374</b>	<b>3,284,773</b>	<b>778,304</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>110,523</b>	<b>630,284</b>	<b>(519,761)</b>	<b>588,865</b>	<b>44,650,535</b>	<b>2,071,487</b>
<b>Cash Ending Balances</b>	<b>54,558,726</b>	<b>54,489,622</b>	<b>69,104</b>	<b>54,448,203</b>	<b>53,859,338</b>	<b>9,208,803</b>

The Self-Insured Security Risk Pool is liable for the worker's compensation claims of bankrupt or defaulted self-insured employers with dates of injury prior to July 1, 2004. However, the obligations of this Fund are limited to the exposures of self-insured employers who default subsequent to December 31, 2005. The assets of the Self-insured Security Risk Pool are invested with the WV Investment Management Board. Investment earnings are presented in the month in which the State Treasurer records the earnings in the statewide accounting system, wvOASIS. The Self-Insured Security Cash Statement is unaudited information.

UNINSURED EMPLOYERS FUND

August 31, 2017

	Three Year History for years ended:					
	YTD FY2018	YTD FY2017	Change	FY2017	FY2016	FY2015
<b>Cash Beginning Balances</b>	<b>12,760,544</b>	<b>11,864,792</b>	<b>895,753</b>	<b>11,864,792</b>	<b>12,125,188</b>	<b>11,714,178</b>
<b>Revenues</b>						
Fines and Penalties	61,732	94,883	(33,151)	595,742	625,093	765,082
Investment Earnings (Losses)	185,663	244,387	(58,723)	962,646	(205,615)	408,442
<b>Total Revenues</b>	<b>247,395</b>	<b>339,270</b>	<b>(91,875)</b>	<b>1,558,387</b>	<b>419,478</b>	<b>1,173,523</b>
<b>Expenditures</b>						
Claims Benefits Paid:						
Medical	1,583	7,632	(6,049)	30,783	47,718	22,011
Permanent Total Disability	-	-	-	-	-	-
Permanent Partial Disability	4,056	6,919	(2,863)	51,760	4,738	50,684
Temporary Disability	13,366	8,054	5,312	25,414	113,212	22,997
Fataals	8,338	8,338	-	50,030	52,164	87,881
104 Weeks Death Benefit	-	-	-	-	-	-
Settlement Agreements	-	9,000	(9,000)	255,715	228,577	82,110
Loss Adjustment Expenses	968	628	340	6,969	5,868	3,225
<b>Total</b>	<b>28,311</b>	<b>40,572</b>	<b>(12,260)</b>	<b>420,672</b>	<b>452,276</b>	<b>268,909</b>
Less: Claims Credits and Overpayments	-	-	-	33,341	1,558	(320,872)
<b>Total Benefits Paid</b>	<b>28,311</b>	<b>40,572</b>	<b>(12,260)</b>	<b>387,331</b>	<b>450,719</b>	<b>589,781</b>
Administrative Expenses	1,088	53,831	(52,743)	275,304	229,156	172,732
<b>Total Expenditures</b>	<b>29,399</b>	<b>94,403</b>	<b>(65,003)</b>	<b>662,635</b>	<b>679,875</b>	<b>762,513</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>217,996</b>	<b>244,868</b>	<b>(26,872)</b>	<b>895,753</b>	<b>(260,397)</b>	<b>411,010</b>
<b>Cash Ending Balances</b>	<b>12,978,540</b>	<b>12,109,659</b>	<b>868,881</b>	<b>12,760,544</b>	<b>11,864,792</b>	<b>12,125,188</b>

The Uninsured Employer's Fund (UEF) was established January 1, 2006 to provide worker's compensation benefits to injured workers of uninsured WV employers. The revenues of the UEF consist of fines levied on uninsured employers and the earnings on invested assets. The assets of the UEF are invested with the WV Investment Management Board. Investment earnings are presented in the month in which the State Treasurer records the earnings in the statewide accounting system, wvOASIS. The Insurance Commissioner has the right to levy assessments on employers in order to maintain the solvency of the Fund. The Commissioner may recover all payments made from this fund, including interest, from an uninsured employer who is found liable for benefits paid from the UEF. The Uninsured Cash Statement is unaudited information.

# BOARD OF TREASURY INVESTMENTS

## CALENDAR NOTE

Board Meeting  
October 26, 2017

## OPERATING REPORT

### JULY 2017

#### Board of Treasury Investments

315 70<sup>th</sup> Street, SE  
Charleston WV  
25304  
(304) 340-1564  
www.wvbt.com

#### Board of Directors

John D. Perdue,  
State Treasurer,  
Chairman

James C. Justice II,  
Governor

John B. McCuskey,  
State Auditor

Richard "Chap"  
Donovan, CPA  
Appointed by the  
Governor

Michael L. Glasser,  
Esq. Attorney  
Appointed by the  
Governor

#### Executive Staff

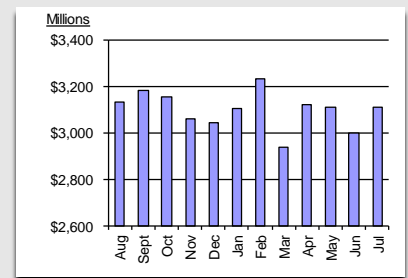
Executive  
Director  
Kara K. Hughes,  
CPA, MBA, CFE  
Chief Financial  
Officer  
Karl Shanholtzer,  
CFA, CPA, CIA

### Total Net Assets Under Management

**\$3,108,829,000**

Last Month  
**\$3,000,350,000**

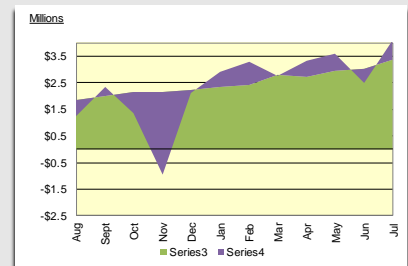
Beginning of Fiscal Year  
**\$3,000,350,000**



Net Assets for the Past 12 Months

### Total Net Income & Changes in Fair Value

Fiscal Year  
**\$4,098,000**



Monthly Net Income & Changes in Fair Value for the Past 12 Months

### Money Market Pools

As of July 31, 2017

Pool	30-Day Avg. Yield *	W.A.M. **	Net Assets
WV Money Market	1.2084%	43 Days	\$1.9 Billion
WV Gov't Money Market	0.8983%	27 Days	\$210.2 Million

\* Yields represent the simple money market yield net of fees.

\*\* W.A.M. is the weighted average maturity.

# WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

## THE ECONOMIC STATE

### JULY 2017

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## Low Volatility and Soaring Equities

### Market Results

Global equities got another solid month under their belt with emerging markets still leading the way in July. The MSCI EM Index gained 6.0% and was bolstered by dovish comments from the Federal Reserve. Non-US developed market stocks were in the black at 2.9%, according to the MSCI EAFE Index, amid a growth recovery in Europe. US equities also fared well as early indications of another robust earnings season propelled gains of 2.1% for the S&P 500 and 0.7% for the Russell 2000 indices. So far this year, the MSCI EM Index has returned 25.5% and the MSCI EAFE 17.1%, soundly beating the S&P 500's 11.6% performance.

US fixed-income returns were mostly modestly positive in July as the Treasury curve oscillated – increasing at the front- and back-ends, and staying flat at the 10-year point. The Barclays US Aggregate Bond Index returned 0.4% with most gains coming from credit and mortgage-backed securities. The Barclays US Long Treasury Index declined 0.6% amid a slight uptick in yields towards the end of the month. US credit continued to rally as spreads compressed further with the Barclays US High Yield Index returning 1.1%.

In commodities, WTI Crude prices touched \$50, a first since May. This, combined with rising copper and iron ore prices, fueled gains of 2.3%, according to the Bloomberg Commodity Index.

### Market Outlook

So far, 2017 has been marked by low volatility and soaring equities. Despite relative outperformance year-to-date we maintain our overweight recommendation in international equities. In fixed income, we continue to see shrinking opportunities in credit market; we believe investors with dedicated high-yield mandates should consider reducing their allocation in favor of other risk assets. Most importantly, we remind clients to remain committed to a risk-balanced approach in this period of low volatility and extended equity rally.

# West Virginia Board of Treasury Investments

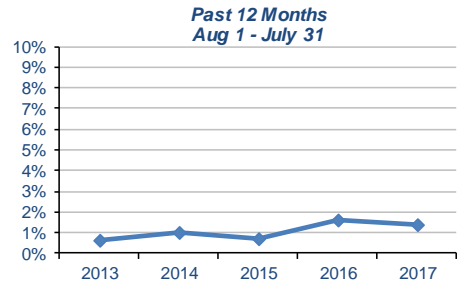
## Financial Highlights as of July 31, 2017

### WV Short Term Bond Pool

#### Rates of Return for the Past 12 Months *Net of All Fees*

<u>Aug 1 - July 31</u>	<u>Return</u>	<u>Net Assets At July 31 (In Millions)</u>
2017	1.4%	\$ 752.3
2016	1.6%	\$ 782.7
2015	0.7%	\$ 803.3
2014	1.1%	\$ 775.7
2013	0.7%	\$ 716.1

#### WV Short Term Bond Pool Rates of Return

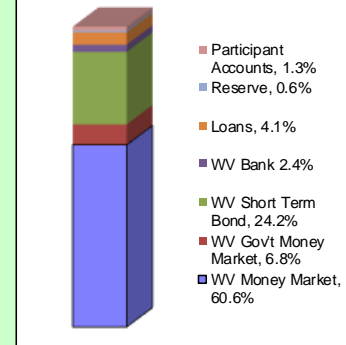


*Prior to July 2007, the WV Short Term Bond Pool was known as the Enhanced Yield Pool*

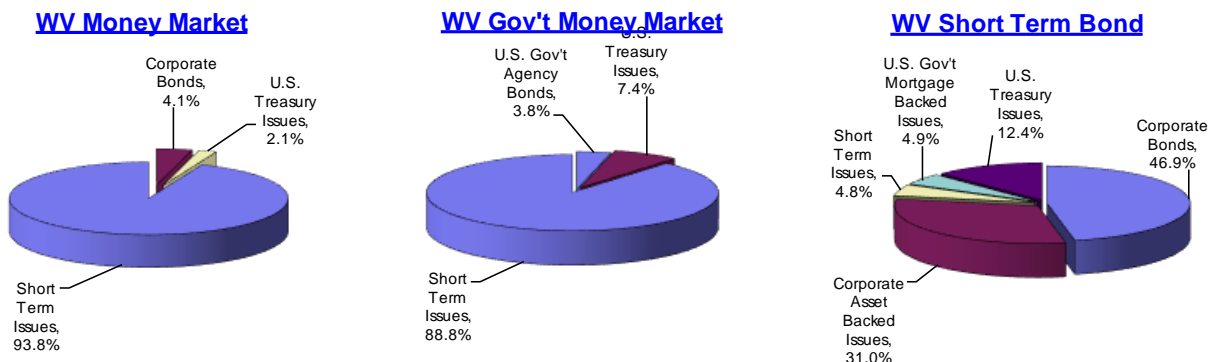
### Summary of Value and Earnings (In Thousands)

<u>Pool</u>	<u>Net Asset Value</u>	<u>July Net Income (Loss)</u>	<u>Fiscal YTD Net Income (Loss)</u>
WV Money Market	\$ 1,885,854	\$ 1,915	\$ 1,915
WV Gov't Money Market	210,211	161	161
WV Short Term Bond	752,255	1,814	1,814
WV Bank	74,742	68	68
Loans	127,255	91	91
Reserve	18,862	8	8
Participant Accounts	39,650	41	41
	<u>\$ 3,108,829</u>	<u>\$ 4,098</u>	<u>\$ 4,098</u>

#### Percent of Total Net Asset Value



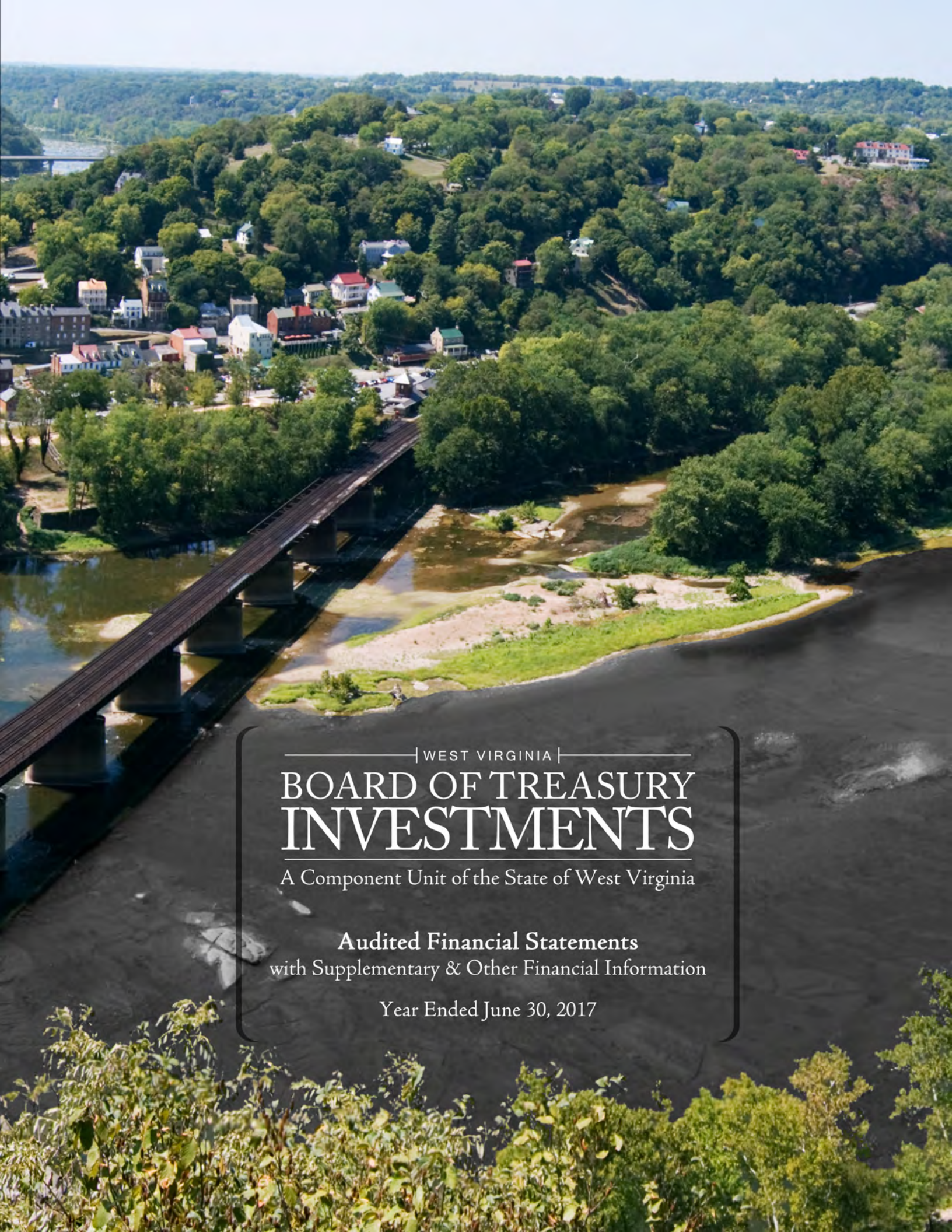
### Securities by Type for Operating Pools (Percentage of Asset Value)



**WEST VIRGINIA BOARD OF TREASURY INVESTMENTS**  
**SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – UNAUDITED**  
**JULY 31, 2017**

(IN THOUSANDS)

	<u>WV Money Market Pool</u>	<u>WV Government Money Market Pool</u>	<u>WV Short Term Bond Pool</u>	<u>WV Bank Pool</u>	<u>Other Pools</u>	<u>Participant Directed Accounts</u>	<u>Total</u>
<b>Assets</b>							
Investments:							
At amortized cost	\$ 1,884,750	\$ 210,202	\$ -	\$ 74,540	\$ 146,024	\$ -	\$ 2,315,516
At fair value	-	-	753,709	-	-	39,525	793,234
Other assets	1,475	66	1,909	209	102	126	3,887
Total assets	<u>1,886,225</u>	<u>210,268</u>	<u>755,618</u>	<u>74,749</u>	<u>146,126</u>	<u>39,651</u>	<u>3,112,637</u>
<b>Liabilities</b>							
Accrued expenses, dividends payable & payables for investments purchased							
	371	57	3,363	7	9	1	3,808
Total liabilities	<u>371</u>	<u>57</u>	<u>3,363</u>	<u>7</u>	<u>9</u>	<u>1</u>	<u>3,808</u>
<b>Net Position</b>							
Held in trust for investment pool participants	1,885,854	210,211	752,255	74,742	146,117	-	3,069,179
Held in trust for individual investment account holders	-	-	-	-	-	39,650	39,650
Total net position	<u>\$ 1,885,854</u>	<u>\$ 210,211</u>	<u>\$ 752,255</u>	<u>\$ 74,742</u>	<u>\$ 146,117</u>	<u>\$ 39,650</u>	<u>\$ 3,108,829</u>
<b>Additions</b>							
Investment income:							
Interest and dividends	\$ 1,112	\$ 74	\$ 1,167	\$ 70	\$ 102	\$ 37	\$ 2,562
Net (amortization) accretion	911	101	3	-	-	(9)	1,006
Provision for uncollectible loans	-	-	-	-	-	-	-
Total investment income	<u>2,023</u>	<u>175</u>	<u>1,170</u>	<u>70</u>	<u>102</u>	<u>28</u>	<u>3,568</u>
Investment expenses:							
Investment advisor, custodian bank & administrative fees	112	15	84	2	3	-	216
Total investment expenses	<u>112</u>	<u>15</u>	<u>84</u>	<u>2</u>	<u>3</u>	<u>-</u>	<u>216</u>
Net investment income	1,911	160	1,086	68	99	28	3,352
Net realized gain (loss) from investments	4	1	(15)	-	-	-	(10)
Net increase (decrease) in fair value of investments	<u>-</u>	<u>-</u>	<u>743</u>	<u>-</u>	<u>-</u>	<u>13</u>	<u>756</u>
Net increase (decrease) in net position from operations	1,915	161	1,814	68	99	41	4,098
Participant transaction additions:							
Purchase of pool units by participants	737,554	13,720	-	69	1,808	-	753,151
Reinvestment of pool distributions	1,913	161	1,060	68	99	-	3,301
Contributions to individual investment accounts	-	-	-	-	-	478	478
Total participant transaction additions	<u>739,467</u>	<u>13,881</u>	<u>1,060</u>	<u>137</u>	<u>1,907</u>	<u>478</u>	<u>756,930</u>
Total additions	741,382	14,042	2,874	205	2,006	519	761,028
<b>Deductions</b>							
Distributions to pool participants:							
Net investment income	1,911	160	1,086	68	99	-	3,324
Net realized gain (loss) from investments	4	1	(15)	-	-	-	(10)
Total distributions to pool participants	<u>1,915</u>	<u>161</u>	<u>1,071</u>	<u>68</u>	<u>99</u>	<u>-</u>	<u>3,314</u>
Participant transaction deductions:							
Redemption of pool units by participants	639,680	5,740	3,279	69	44	-	648,812
Withdrawals from individual investment accounts	-	-	-	-	-	-	-
Total participant transaction deductions	<u>639,680</u>	<u>5,740</u>	<u>3,279</u>	<u>69</u>	<u>44</u>	<u>-</u>	<u>648,812</u>
Total deductions	<u>641,595</u>	<u>5,901</u>	<u>4,350</u>	<u>137</u>	<u>143</u>	<u>-</u>	<u>652,126</u>
Net increase (decrease) in net position from operations	99,787	8,141	(1,476)	68	1,863	519	108,902
Inter-pool transfers in	5,100	-	-	-	-	-	5,100
Inter-pool transfers out	-	-	-	(5,100)	-	-	(5,100)
Net inter-pool transfers in (out)	<u>5,100</u>	<u>-</u>	<u>-</u>	<u>(5,100)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	104,887	8,141	(1,476)	(5,032)	1,863	519	108,902
Net position at beginning of period	1,780,967	202,070	753,731	79,774	144,254	39,131	2,999,927
Net position at end of period	<u>\$ 1,885,854</u>	<u>\$ 210,211</u>	<u>\$ 752,255</u>	<u>\$ 74,742</u>	<u>\$ 146,117</u>	<u>\$ 39,650</u>	<u>\$ 3,108,829</u>



| WEST VIRGINIA |

# BOARD OF TREASURY INVESTMENTS

A Component Unit of the State of West Virginia

**Audited Financial Statements**  
with Supplementary & Other Financial Information

Year Ended June 30, 2017

**Audited Financial Statements  
With Other Financial Information**

**West Virginia Board of Treasury Investments  
Year Ended June 30, 2017**



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West Virginia Board of Treasury Investments  
 Financial Statements with Other Financial Information  
 For the Year Ended June 30, 2017

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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Members of the  
West Virginia Board of Treasury Investments  
Charleston, West Virginia

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the combined fiduciary funds of the West Virginia Board of Treasury Investments (the "BTI"), a component unit of the State of West Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the BTI's basic financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the combined fiduciary funds of the BTI, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the BTI's basic financial statements. The combining and individual fund financial statements, the schedule of investments in securities, and other financial information as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and the schedule of investments in securities are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and the schedule of investments in securities are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2017 on our consideration of the BTI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BTI's internal control over financial reporting and compliance.

*Brown, Edwards & Company, S. L. P.*

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia  
August 29, 2017

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# West Virginia Board of Treasury Investments

## Management's Discussion and Analysis

June 30, 2017

As management of the West Virginia Board of Treasury Investments (the "BTI"), we offer readers of the financial statements of the BTI this discussion and analysis of the BTI's financial performance for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented in this section in conjunction with the BTI's financial statements, including notes to the financial statements, which follow this section.

The BTI serves as an investment vehicle for the operating cash of West Virginia State agencies and authorities, local governments such as cities and counties, and other political subdivisions throughout the State. The various investment pools and individual investment accounts managed by the BTI are collectively known as the Consolidated Fund. The Consolidated Fund's investment pools and accounts contain short-term fixed income instruments that are managed for the sole benefit of the participants.

### **Financial Highlights**

Fiscal year 2017 continued the recent trend of budget woes for the State of West Virginia. In November 2016, the Governor announced a 2% across-the-board budget cut for state agencies. This was the second year in a row where revenue shortfalls resulted in mid-year budget cuts. As with the mid-year cut in fiscal year 2016, no program was spared from cuts, with state aid to public schools cut \$11 million and Medicaid spending reduced by \$25 million. Personal income, consumer sales and business and occupation taxes again fell short of expectations, coming in \$166 million under estimations for the year. However, there were some bright spots in the revenue picture, with severance tax collections ticking up and coming in \$58 million ahead of estimates. Overall for the fiscal year, total revenues fell short of estimates by approximately \$121 million. The shortfall was addressed through mid-year budget cuts, one-time appropriations and borrowings from the state's "rainy day" fund. Although short of fiscal year projections, general revenues were up almost \$64 million over fiscal year 2016 collections. An uptick in revenue collections in the last two months of fiscal year 2017 coupled with an increase in local government investments in the BTI's pools appeared to be the primary sources of the increase in net position over the year.

Rates of return for the Consolidated Fund's WV Money Market, WV Government Money Market, and WV Short Term Bond Pools were 0.85%, 0.48%, and 1.31%, respectively, for the year ended June 30, 2017. Fiscal year 2017 experienced something that had not been experienced in over a decade: multiple rate hikes by the Federal Open Market Committee (the "FOMC"). The FOMC raised the benchmark Fed funds rate range a quarter point at the December 2016, March 2017 and June 2017 meetings, increasing the rate range from 0.25% to 0.50% up to a range of 1.00% to 1.25%. In addition to the Fed actively tightening monetary policy, other key central banks signaled that a shift in policy could be possible in the near future. As expected by the BTI's investment managers, the Fed increases were well telegraphed with no real surprises. Similar to last fiscal year, the overall term structure of the Treasury bill curve was flat, with the average spread between the one month and one year Treasury bill staying in the 34 to 36 basis point range. Overall, the market is not convinced that the Fed will be overly aggressive in its tightening campaign and, as of the end of June 2017, there was uncertainty as to when the next rate hike may occur. October 2016 saw the implementation of a floating net asset value ("NAV") for institutional prime money funds as a result of the reforms to SEC Rule 2a7. This affected the front-end markets as there was a massive shift of assets from prime money market funds to government-only money market funds. The inflows into government-only funds, which were permitted to continue using a stable NAV for processing investors' contributions and



withdrawals, increased demand for front-end Treasuries and Agencies, keeping their yields well anchored. Fixed income credit markets performed well during the year, with economic data during the year continuing to reflect moderate growth.

The WV Money Market Pool is structured as a money market fund with the goal of preservation of principal. The benchmark for the WV Money Market Pool was a blended benchmark composed of fifteen percent of the iMoneyNet Treasury & Repo Institutional Average plus eighty-five percent of the iMoneyNet First Tier Institutional Average. The Pool return over fiscal year 2017 more than doubled the return for fiscal year 2016, coming in at 0.85% for the fiscal year. As with fiscal year 2016, a large component of the increase in performance year-over-year was due to rate hikes by the Fed. In addition to the rate hikes, the Pool was able to benefit from being able to continue to process participant transactions using a stable NAV. As a governmental external investment pool, the Pool is able to continue using amortized cost accounting so long as it meets the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 79, *Certain External Investment Pools and Pool Participants*. Effective October 14, 2016, institutional prime money market funds regulated by the SEC were required to begin processing investor transactions using a floating market-based NAV. Investors responded to the change by shifting over \$1 trillion in funds from prime money funds to government-only money market funds in the months leading up to the implementation date. Prime money market fund managers maintained very short weighted average maturity ("WAM") profiles, with many having WAMs in the single digits, as they built up higher than normal liquidity to accommodate the withdrawals. The resulting drop in demand for longer-dated money market instruments pushed up the yields of such instruments. This provided opportunities for the Pool to invest in these longer-dated instruments at higher yields. Post implementation date, the investment managers of the Pool began shortening the WAM profile of the Pool in anticipation of Fed rate hikes. The Fed rate hikes over the fiscal year were well telegraphed, with Treasury Bill yields re-pricing leading into each rate hike. The investment managers decreased the WAM of the Pool, dropping it from the mid-40 day range to the mid to high 30 day range. The managers have increased investment in floating-rate securities over the fiscal year, increasing the allocation from around 11% of the prior fiscal year end to just over 33% as of the end of fiscal year 2017. Exposure to fixed-rate paper maturing in 90 days or less has also increased over the fiscal year, further contributing to the drop in the WAM. The managers are likely to maintain a similar WAM profile over the next year, making adjustments as necessary for significant changes to the Fed's outlook.

The WV Government Money Market Pool's objective is to preserve capital and maintain sufficient liquidity to meet the daily disbursement requirements of participants, while earning a return above inflation. The benchmark for the WV Government Money Market Pool is a blended benchmark composed of fifteen percent of the iMoneyNet Treasury & Repo Institutional Average plus eighty-five percent of the iMoneyNet Government & Agencies Institutional Average. Fiscal year 2017 returns in the Pool again exceeded prior fiscal year returns, rising from 0.21% to 0.48%. The Pool also benefitted from the Fed rate hikes during the year, but to a lesser extent than the WV Money Market Pool. The \$1+ trillion in assets that have flowed into government only funds has acted as a damper on rates, as demand for short-term Treasury and agency issues has remained elevated. This has only added to the existing demand for high-quality liquid assets that resulted from banking reforms over the past several years. Similar to the WV Money Market Pool, the WV Government Money Market Pool's WAM was shortened up during the year in response to the Fed rate hikes and outlook. The WAM has dropped from the low 50's to the mid to upper 30 day range. Some agency floaters have been added to the holdings in response to rising rates, but overall floating-rate holdings in the pool are not significantly higher than last fiscal year. The manager has maintained a fairly high allocation to overnight repo, as repo yields have generally exceeded the yields available on many shorter dated Treasury and Agency issues. Federal Home Loan Bank ("FHLB") issues made up the bulk of agency debt holdings as a continued oversupply of FHLB discount notes led to more attractive yields as compared to other agency paper. The manager expects to maintain a similar WAM profile over the near term, with adjustments made as necessary for changes to the Fed outlook.

The WV Short Term Bond Pool is structured as a mutual fund with the objective of asset growth rather than current income. The benchmark for the WV Short Term Bond Pool is the BofA Merrill Lynch U.S. Corporate & Government, 1-3 Years, A Rated and Above Index plus 10 basis points. Returns for fiscal year 2017 fell below fiscal year 2016 levels, dropping from 1.52% to 1.31%. The drop in performance year-over-year was not surprising given the longer-term nature of the pool and a rising rate environment. While absolute performance was lower year-over-year, performance relative to the benchmark was more than adequate. The annual return of the Pool soundly beat the benchmark, outperforming the benchmark return of 0.25% by 106 basis points. As in prior years, Federated Investors, manager for the pool, managed the pool with a lower duration and higher allocation to credit spread products versus the benchmark. As of fiscal year-end, the average effective duration of the Pool was 1.2 years versus the benchmark duration of 1.9 years. The duration profiles of both the Pool and the benchmark were little changed over the fiscal year. Maintaining the shorter duration versus the benchmark paid off in fiscal year 2017 as the Fed hiked rates three times during the fiscal year. Also contributing to a rise in yields, was the (somewhat) surprising election of Donald Trump in 2016, with yields rallying on expectations that the new President's agenda of tax cuts, regulatory reform, trade, and infrastructure spending could contribute significantly to U.S. economic growth. Yields on the 2-year Treasury jumped dramatically, ending the calendar year up 37 basis points from the levels just prior to the election. Some of the growth expectations were dampened the last half of the fiscal year, as gridlock in Washington appears to have put the brakes on rapid implementation of the President's agenda. Even with the two additional rate hikes after the December 2016 hike, the 2-year Treasury yield only increased another 18 basis points over the last half of the fiscal year. However, yields across the curve were higher year-over-year, and were notably higher in the one year to ten year range, increasing an average of 83 basis points over the prior fiscal year end. By maintaining the shorter duration versus the benchmark, Federated added approximately 32 basis points of outperformance versus the benchmark. With continued expectations of Fed rate hikes, as well as the uplift in yields that will likely result from the Fed embarking on their balance sheet normalization program, Federated will continue to maintain a short duration versus the benchmark. Credit spread products, including corporates, asset-backed securities and mortgage-backed securities, made up nearly 82% of the Pool versus a benchmark allocation of 16%. Credit allocation within the Pool increased slightly from the prior year, while the benchmark allocation fell around 4%. Credit spreads continued tightening throughout the fiscal year based on actual, and expected increases in earnings growth. In the second quarter of calendar year 2017, earnings news was overwhelmingly positive, with more than 50% of companies in the S&P 500 reporting higher earnings than were forecast by Wall Street. This was the second quarter in a row where actual earnings exceeded forecasts, breaking a string of 10 consecutive quarters of firms failing to beat estimates. By the end of the fiscal year, credit spreads were at or near all-time tights. Allocations by the Pool's manager to spread products, along with sector allocation within spread products, added around 60 basis points of outperformance versus the benchmark. Given the tightness of spreads, the allocation to credit products will likely not provide as significant a contribution to performance in the coming year.

## **Overview of the Financial Statements**

This report presents the operating results and financial position of the BTI, which is composed of a proprietary fund and fiduciary fund. The proprietary fund is an internal service fund, or operating fund, used to account for activities that provide investment and administrative services on behalf of the State and other participants in the Consolidated Fund. The fiduciary fund is used to account for the activities of the Consolidated Fund, which is made up of nine legally separate investment pools and accounts. There are three external investment pools, three special-purpose internal investment pools, and three individual investment accounts, all of which are included in the fiduciary fund. The BTI is the trustee, or fiduciary, for participants in the Consolidated Fund. Financial statements for the proprietary fund and the fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") for governmental entities.

The Statement of Net Position presents information on the proprietary fund's assets and liabilities, with the difference between the two reported as net position. This statement is categorized into current and non-current assets and liabilities. For purposes of the financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity or which are collectible or becoming due within 12 months of the statement's date.

The Statement of Revenues, Expenses and Changes in Fund Net Position reflects the operating and non-operating revenues and expenses of the proprietary fund for the operating year. Operating revenues primarily consist of investment service fees charged to the Consolidated Fund with significant operating expenses composed of salaries and benefits, investment advisor fees, investment management system expenses, professional service fees, and fiduciary bond fees.

The Statement of Cash Flows reflects the proprietary fund's cash flows from operating activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash and cash equivalents for the year.

The Statement of Fiduciary Net Position presents information on the fiduciary fund's assets and liabilities, with the difference between the two reported as net position held in trust for investment pool participants and individual investment account holders.

The Statement of Changes in Fiduciary Net Position reports the additions and deductions to the fiduciary fund for the year. Additions are composed of investment income, such as interest, dividends, and accretion; investment expenses such as investment advisor fees, custodian bank fees, administrative fees; and purchases of pool units, reinvestments of pool distributions, and contributions to individual investment accounts. Deductions represent distributions to pool participants, redemption of units by pool participants, and withdrawals from individual investment accounts.

The State of West Virginia reports the proprietary fund as an internal service fund in its Comprehensive Annual Financial Report ("CAFR"). An internal service fund is used to report any activity that provides goods or services to other funds, departments, or agencies of the State and its component units, or to other governments, on a cost-reimbursement basis. The State reports the portions of the Consolidated Fund pools and accounts held by state agencies and component units as investment holdings of those entities within the appropriate fund reporting categories for those entities. The State reports the portions of the Consolidated Fund held by local governments, municipalities, and other political subdivisions as investment trust funds, a type of fiduciary fund. Fiduciary fund reporting is used to account for resources held for the benefit of parties outside the governmental entity, and those resources are not available to support operations of that entity.

**Financial Analysis of the Operating Fund**

**Net position.** The following is the condensed Statements of Net Position of the proprietary fund, which represents the assets, liabilities, and net position generated by the operating activities of the BTI, as of June 30, 2017 and 2016 (in thousands).

	2017	2016
Current assets	\$ 1,461	\$ 1,323
Noncurrent assets	4	4
Total assets	1,465	1,327
Current liabilities	474	513
Total liabilities	474	513
Net position:		
Investment in capital assets	4	4
Unrestricted	987	810
Total net position	\$ 991	\$ 814

The net position of the Operating Fund increased by \$177,000 during fiscal year 2017. An increase in current assets of \$138,000 was responsible for the majority of the increase year-over-year. Also contributing the increase was a decline in current liabilities of \$39,000. Noncurrent assets did not materially change during fiscal year 2017.

The majority of the proprietary fund's net position consists of current assets. Current assets are composed of cash and accounts receivable that will be used to pay investment advisor, custodian, and administrative costs. The current asset balance of \$1,461,000 comprises \$942,000 in cash and \$519,000 in accounts receivable. The cash balance increased by \$189,000 from 2016, while the accounts receivable balance decreased by \$51,000.

The increase in the cash balance was primarily a result of a net operating income of \$177,000. The remaining \$12,000 increase in cash was a result of the changes in receivables and payables over the fiscal year. These changes are more fully discussed below.

The accounts receivable balance of \$519,000 represents fees that have been accrued but not withdrawn from the investment pools at June 30, 2016 to pay investment advisor, custodian, and administrative costs. In accordance with *WV State Code §12-6C-19*, the Board may charge fees to the pools for reasonable and necessary expenses incurred for rendering services. The fees charged to the pools are categorized into direct expenses (investment advisor and custodian fees) and indirect expenses (administrative costs). As part of the BTI monthly operations, administrative and custodial fees accrued in the prior month are transferred from the pools to the BTI's operating fund in the following month to pay for all necessary and reasonable expenses. Investment advisor fees are accrued daily or monthly and transferred to the operating fund quarterly to coincide with the receipt of advisor invoices. The periodic nature of these transfers results in the accounts receivable balance. Accounts receivable decreased by \$51,000 over the fiscal year end 2016 balance. At the end of fiscal year 2017, there was one month of administrative and three months' custodian fees receivable as compared to the fiscal year 2016 ending balance having two months of each fee type. This change in the number of month's receivables at the end of fiscal year 2017 accounted for \$50,000 of the decrease in receivables. An increase in net assets in the final month of the fiscal year moderated the decline in administrative fees receivable, with June 2017 administrative fees coming in higher than the fees for June 2016. Advisor fees receivable as of the end of fiscal year were approximately \$1,000 less than the

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advisor fees receivable as of the end of fiscal year 2016. Net assets over the final quarter of fiscal year 2017 were comparable to the final quarter of fiscal year 2016 which resulted in advisor fees receivable being little changed from the prior fiscal year.

Capital assets, net of accumulated depreciation, did not substantially change during the year. New computer equipment, totaling \$2,000 was purchased during the fiscal year. This increase in capital assets was offset by annual depreciation of \$2,000. There were no asset retirements during fiscal year 2017.

The balance of \$474,000 in current liabilities represents \$418,000 in accounts payable and \$56,000 of reimbursements due the West Virginia State Treasurer's Office (the "STO") at June 30, 2017. The majority of the accounts payable balance represents amounts due for services received from the BTI's investment advisors for the quarter ending June 30, 2017, custodian fees for April, May and June 2017, investment consultant fees for the quarter ending June 2017, and maintenance costs due for the investment management system for June 2017. The \$56,000 in reimbursements due to the STO was for staffing services provided to the BTI, office space rental expense, employee travel and the BTI's share of statewide technology fees charged to the STO. The decrease in accounts payable was attributable to decreases in the amounts due to the STO for office space rental expenses and fewer outstanding invoices as of fiscal year end. At the end of fiscal year 2016, several invoices were held pending vendors' meeting state vendor registration requirements. There were no such issues with vendors at the end of fiscal year 2017. Reimbursements to the STO for office space rental expenses decreased significantly as there were certain make-ready costs due with the first month's rent in 2016 that were not present in 2017. Remaining accounts payable increased modestly from fiscal year 2016 as there were three months of payables for custodial fees at the end of fiscal year 2017 versus only two months at the end of fiscal year 2016.

Net position of the BTI's proprietary fund is composed of investment in capital assets and unrestricted net position. Capital asset expenditures of \$1,000 or more (\$500 or more for certain computer equipment) are capitalized at cost and reported net of accumulated depreciation. Unrestricted net position represents net position not restricted for use by legal, contractual or enabling legislation constraints.

**Changes in fund net position.** The following is the condensed Statements of Revenues, Expenses and Changes in Fund Net Position of the operating fund for the periods ended June 30, 2017 and 2016 (in thousands).

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Operating revenues:		
Management services	\$ 1,383	\$ 1,290
Advisor and custodian services	<u>1,461</u>	<u>1,492</u>
Total revenues	<u>2,844</u>	<u>2,782</u>
<b>Expenses</b>		
Operating expenses:		
General and administrative	1,201	1,158
Advisor and custodian fees	1,464	1,492
Depreciation	<u>2</u>	<u>1</u>
Total expenses	<u>2,667</u>	<u>2,651</u>
Increase (decrease) in net position	177	131
Net position at beginning of year	<u>814</u>	<u>683</u>
Net position at end of year	<u>\$ 991</u>	<u>\$ 814</u>

Operating revenues at June 30, 2017 consist of investment advisor, custodian, and management fees billed to the pools by the operating fund to cover the cost of providing investment management services. The fees charged to the pools are categorized into direct or indirect expenses. All direct expenses, investment advisor and custodian fees are charged directly to the pools as they are incurred. All indirect expenses, i.e. insurance, staff costs, and rent, are charged to the pools based upon a fixed basis point fee against the net position of the pool. The fees collected are deposited in a special account in the STO created and designated the Board of Treasury Investments Fee Fund in accordance with *West Virginia Code §12-6C-19*.

Operating revenues for fiscal year 2017 increased by \$62,000. The increase in revenue consisted of an increase of \$93,000 in management (administrative) fees charged to the pools, a decrease of \$21,000 in advisor fee revenues, and a decrease of \$10,000 in custodial fees.

Advisor fees are computed based upon market values of the pools. The average market value of assets under management fell again during fiscal year 2017. However, the declines experienced over fiscal year 2017 were not as severe as in prior years. While the WV Money Market and WV Government Money Market Pool balances increased over fiscal year 2016 balances by approximately \$238 million, the average over the fiscal year 2017 was not significantly different than the averages over fiscal year 2016. Advisor fees for these two pools increased by \$7,000 from fiscal year 2016. Advisor fees for the WV Short Term Bond Pool decreased by \$28,000 from fiscal year 2016 as a result of agencies withdrawing approximately \$46 million over the fiscal year. These factors accounted for the net decrease of \$21,000 in advisor fees in fiscal year 2017. Custodian fees declined by a combined \$10,000 as a result of the changes in the assets of these pools. The administrative fee rate was increased slightly for fiscal year 2017 in anticipation of further declines in assets under management. However, the decreases in assets under management were less severe than anticipated resulting in an increase in management fees of \$93,000.

Total operating expenses for the year increased by \$16,000. This includes an increase of \$43,000 in general and administrative expense and a decrease in advisor and custodian fees of \$28,000. Changes in depreciation expense accounted for the remainder of the increase.

General and administrative expenses represent costs associated with operating the BTI that are not considered directly applicable to investment management. Salary reimbursements, investment consulting fees charged by NEPC Investment Consulting and fiduciary bond expenses make up the majority of this expense line item. Salary reimbursements and related expenses decreased by \$5,000 from the prior year. Other general and administrative expenses increased by a net of \$48,000.

A large portion of BTI expenses represent investment advisor fees. The current investment advisors are Federated Investors and UBS Global Asset Management. All investment decisions and trade executions are performed by the investment advisors. The balance of custodian and advisor fees is composed of investment advisor fees of \$1,345,000 and custodian fees of \$119,000. Investment advisor fees decreased by \$21,000 and custodian fees decreased by \$7,000 over fiscal year 2016. The net decrease in investment advisor fees was primarily due to the decline in assets under management. Advisor fees charged to the WV Money Market Pool increased during by \$14,000 fiscal year 2017, despite a lower average balance over the fiscal year. Investment advisors are permitted to utilize their own money funds in the investment pools, subject to a 15% maximum. These money funds are typically used opportunistically in place of repurchase agreements when repo supply is constrained or the manager's funds offer better yields than repo. As a condition of using these funds, the investment advisor must rebate the advisor fee charged to the fund to ensure that the BTI is not double charged for advisor fees and does not pay an advisor fee that is higher than the current contractual rate. The fee rebate is applied to the quarterly invoices from the investment managers and reduces the actual cash fee paid outright by the pool. To be eligible as an investment in the Pool, the money market funds must be rated by Standard & Poor's (to meet Standard & Poor's Pool rating criteria) and must invest in securities in which the Pool may otherwise invest. In June of 2016, UBS dropped Standard & Poor's ratings on their money funds which rendered these funds ineligible as an

investment for the WV Money Market Pool. The reduction in fee rebates for the use of advisor funds is entirely responsible for the apparent increase in advisor fees. When considering gross fees invoiced by the advisors, advisor fees fell by approximately \$11,000, which is in line with the decline in the average assets under management over fiscal year 2017. Advisor fees charged to the WV Government Money Market and WV Short Term Bond Pools fell by \$7,000 and \$28,000, respectively, as compared to fiscal year 2016. The decreases in both of these pools was the result of a decline in the average assets under management over the course of the fiscal year. As a result of the decline in average assets over the fiscal year, custodian fees for the year fell approximately \$7,000 from fiscal year 2016.

### Financial Analysis of the Consolidated Fund

**Net position.** The following is combined, condensed Statements of Fiduciary Net Position of the Consolidated Fund fiduciary funds as of June 30, 2017 and 2016 (in thousands).

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Investments	\$ 3,002,710	\$ 2,837,461
Receivables	4,020	7,543
Total assets	<u>3,006,730</u>	<u>2,845,004</u>
<b>Liabilities</b>		
Accrued expenses	519	570
Dividends and purchases payable	6,284	5,273
Total liabilities	<u>6,803</u>	<u>5,843</u>
<b>Net Position</b>		
Held in trust for investment pool participants	2,960,796	2,810,311
Held in trust for individual investment account holders	39,131	28,850
Net position	<u>\$ 2,999,927</u>	<u>\$ 2,839,161</u>

As of June 30, 2017, the Consolidated Fund's assets totaled approximately \$3.0 billion and was composed almost entirely of investments in securities. Net position as of the end of fiscal year 2017 was \$160 million higher than the fiscal year end 2016 net position. Fiscal year 2017 was the first fiscal year since 2011 where net position ended higher year-over-year. Although net position had increased as of fiscal year end, the average assets under management over the course of fiscal year 2017 was approximately \$50 million lower than the average for fiscal year 2016.

As detailed below, the BTI experienced an increase in invested funds over the course of the fiscal year. Participant activity increased during fiscal year 2017, with both contributions and withdrawals rising by significant amounts over fiscal year 2016 activity. However, unlike the past several fiscal years, participant contributions exceeded withdrawals, resulting in an increase of \$134.3 million in net position. The net increase from participant activity, along with a net increase in assets from operations, resulted in an increase in net position of \$160 million from fiscal year 2016. The WV Money Market and WV Government Money Market Pools both increased year-over-year, with the WV Money Market Pool rising by \$224 million and the WV Government Money Market Pool rising by \$12 million. The WV Short Term Bond Pool experienced a net decrease, falling by \$37 million as state agencies drew against their invested balances. The net position of the WV Bank Pool fell significantly during the fiscal year, dropping by \$50 million

from fiscal year end 2016. The net position of the Municipal Bond Commission Account was up over 2016, rising by \$10.6 million during the fiscal year. The State Loan Pool was up slightly over the fiscal year, rising by \$0.9 million. The School Fund, Reserve Pool and West Virginia Economic Development Authority Account were little changed from the prior fiscal year.

The receivables balance comprises accrued interest and dividends and amounts due as a result of unsettled securities sales transactions. Receivables fell by \$3.5 million from the fiscal year end 2016 balance. The decrease was composed of a decrease in the receivable for securities sold of \$4.0 million and increase in interest and dividends receivable of \$0.5 million. The WV Short Term Bond Pool had an open sales transaction at the end of fiscal year 2016, but there were no open security sales transactions at the end of fiscal year 2017. Interest and dividends receivable on investments were up modestly at the end of fiscal year 2017, even with the increase in investments year-over-year and three Federal Reserve rate hikes between fiscal year ends. Interest and dividends receivable in the WV Money Market Pool were up approximately \$0.4 million from fiscal year 2016. In response to rising rates, the investment advisors for the West Virginia Money Market Pool have shortened up the portfolio, lowering the WAM to 36 days as of fiscal year-end 2017 from 49 days as of fiscal year-end 2016. The lower WAM was due, in large part, to a shift to investment in fixed rate CD's with shorter maturities and floating rate securities with more frequent resets. The shorter time to reset and payment offset the effects of higher rates. Receivables in the WV Government Money Market Pool will little changed from fiscal year end 2016. The investment manager increased investment in short-dated discount agency securities towards fiscal year end, finding more attractive yields in discount agencies versus interest bearing Treasuries and agencies. This left the interest and dividends receivable flat compared to fiscal year 2016 in spite of an increase in yields and an increase of \$12 million in funds invested in the pool. A drop of \$37 million in investment in the West Virginia Short Term Bond Pool offset the increase in short-term rates, resulting in a modest increase in interest and dividends receivable of \$0.1 million. Other pools and accounts experienced minor fluctuations in receivables year over year.

Total liabilities increased by approximately \$1.0 million since June 30, 2016. Total liabilities consist of accrued expenses, representing accrued manager fees, custodian bank fees and administrative fees, and dividends and purchases payable, representing dividends payable to participants in the WV Short Term Bond Pool and amounts payable for securities purchases settling in the following accounting period. Nearly all of the increase in the liabilities resulted from an increase of \$0.8 million in amounts payable for securities purchased by the WV Short Term Bond Pool. Dividends payable in the WV Short Term Bond Pool increased by nearly \$0.2 million as a result of the increases in yields as of fiscal year end. Accrued expenses were down slightly as compared to the end of fiscal year 2016.

Net position is the excess of total assets over total liabilities. As of June 30, 2017, the Consolidated Fund had total net position of approximately \$3.0 billion. The net position consists of funds held in trust for investment pool participants and individual account holders. Investment pool participants are those participants investing in the WV Money Market, WV Government Money Market, WV Short Term Bond, WV Bank, Reserve, and Loan Pools. Net position for investment pool participants increased approximately 5.4% from the prior year due to increases in investments in the WV Money Market, WV Government Money Market and Loan Pools and the Municipal Bond Commission Fee Account. These increases were offset slightly by decreases in the WV Short Term Bond and WV Bank Pools. The remaining pools and accounts did not change significantly during the year.

The WV Money Market Pool increased by approximately \$224.5 million from the prior year. The balance of state agency investments in the pool increased by \$156.3 million over the course of the fiscal year, reversing the prior years' trend of declining state agency investment balances. These increases were spread across multiple agencies, with no one single agency being responsible for a significant portion of the increase. Local government investments also increased from fiscal year 2016, rising by approximately



\$32.6 million. Rounding out the increases was an increase in safekeeping deposits of \$35.6 million. Safekeeping deposits comprise funds that are required to be held in trust by the State for performance, wage guarantee and mining and oil and gas reclamation bonds.

Amounts invested in the WV Government Money Market Pool increased by \$11.9 million from fiscal year end 2016. State agency deposits, which make up more than 97% of the funds invested in the Pool, increased by \$14.3 million over the course of fiscal year 2017. The Municipal Bond Commission (the "MBC"), the single largest investor in the Pool, increased their deposits by \$26.6 million. The MBC maintains pooled investment accounts where local governments may deposit surplus funds for investment. Offsetting the increases in MBC investments were \$12.3 million in decreases in other State agency investments. The decreases in State investments were concentrated in accounts for the WV Economic Development Authority (the "EDA") Loan Guaranty program, funds held in trust for the State Small Business Credit Initiative and funds of the West Virginia Housing Development Fund. Direct local government investments in the Pool, which are predominately funds from county school boards, fell by \$2.4 million over fiscal year 2017.

Investments in the State Loan Pool were up slightly for the fiscal year, increasing by \$0.9 million. The balance of the Revolving Loan program increased by \$1.5 million for the year as the EDA increased their borrowings over the fiscal year to fund new loans. The EDA increased their loans by approximately \$19.8 million over the fiscal year. Offsetting the new borrowings were \$18.3 million in principal repayments on existing loans. The remaining decrease in net position was the result of increases in the provision for loan loss reserve for the Non-Recourse Loan of \$0.6 million.

The net position of the WV Short Term Bond Pool decreased by \$37.4 million from fiscal year end 2016. The decrease was primarily the result of State agencies drawing against invested funds. The Division of Environmental Protection drew against invested funds over the year as the investment time horizon of their funds has shortened. Other state agency investments increased over the fiscal year, primarily due to increases in investment earnings.

The net position of the WV Bank Pool decreased significantly during fiscal year 2017. The decrease was primarily the result of increases in short-term rates, which reduced demand for the funds. During the fiscal year, short-term interest rates increased significantly, more than doubling by fiscal year end. As interest rates increased, participation by banks in the auction decreased. Starting with the September 2016 auction, the amount of funds placed at auction dropped by more than half. In February 2017, the BTI decreased the amount offered at auction from \$25 million to \$15 million, in part due to the decline in demand for funds. This decrease in net position in the WV Bank Pool was partially responsible for the increase in net position in the WV Money Market Pool as amounts that were withdrawn from the WV Bank Pool were transferred to the WV Money Market Pool.

The balance of the Reserve Pool did not change significantly over the fiscal year. There were no contributions or redemptions in the pool during the year. The slight increase in net position was the result of interest earnings that were reinvested in the account.

Net position held in trust for individual account holders represent individual state agency accounts with specific investment needs. Each agency has 100% ownership of the underlying investments in its pool and is solely responsible for the investment decisions in accordance with the legal restrictions applicable to those assets. Net position for individual account holders increased by \$10.3 million from the prior fiscal year. The MBC was responsible for an increase of \$10.6 million in net position for individual account holders. The MBC account holds investments escrowed to defease certain municipal bond issues. Levels of investment in this account are affected by municipal refinancing/refunding activity levels and the availability of, and yield on, eligible assets. Eligible assets for investment of these funds are typically U.S. Treasuries or U.S. Treasury Securities – State and Local Government Series ("SLGS") issues. The increase

in investments in the pool was primarily the result of purchase of new SLGS during the fiscal year. The SLGS window was open during a majority of the fiscal year, closing on March 15, 2017 as a result of the expiration debt ceiling suspension. There were no new investments in the account after the closing of the SLGS window. The net position of the School Fund decreased by \$0.2 million while the West Virginia Economic Development Authority ("EDA-AW") account decreased by \$0.1 million during the year.

**Changes in net position.** The following is a combined, condensed Statements of Changes in Fiduciary Net Position of the Consolidated Fund fiduciary funds for the years ended June 30, 2017 and 2016 (in thousands).

	Year Ended June 30,	
	2017	2016
<b>Additions</b>		
Net investment income	\$ 28,073	\$ 15,327
Net realized gain (loss)	128	(39)
Net increase (decrease) in fair value of investments	(1,917)	2,818
Unit purchases and contributions	11,320,573	9,944,131
Total additions	11,346,857	9,962,237
<b>Deductions</b>		
Distributions	27,837	15,108
Unit redemptions and withdrawals	11,158,254	10,277,489
Total deductions	11,186,091	10,292,597
Change in net position	160,766	(330,360)
Net position at beginning of year	2,839,161	3,169,521
Net position at end of year	\$ 2,999,927	\$ 2,839,161

Fiscal year 2017 net investment income increased substantially from fiscal year 2016, primarily as a result three Fed rate hikes over the fiscal year. Although net position ended fiscal year 2017 \$160.8 million higher than fiscal year end 2016, the average invested over the course of the year was approximately \$50 million lower. All pools and accounts, with the exception of the EDA account, experienced increases in net investment income, with a total increase of \$12.7 million from the prior fiscal year. The WV Money Market Pool's net invest income increased by \$9.3 million, the largest increase of all the pools in dollar terms. The WV Government Money Market Pool experienced an increase of \$0.6 million over fiscal year 2016 net income. Net investment income in the WV Short Term Bond Pool was up \$2.1 million from fiscal year 2016. The WV Bank Pool's net investment income rose \$0.4 million, while the State Loan Pool's rose \$0.1 million. The increase in the State Loan Pool's net investment income was due to an increase in the rate on the Revolving Loan, which almost doubled, rising from 0.20% to 0.38%. Net investment income in the MBC Fee Account was up \$0.2 million from fiscal year 2016. The remaining pools and accounts were up slightly or, in the case of EDA, down slightly in fiscal year 2017.

There was substantial pessimism in the market at the end of fiscal year 2016 over whether the Fed would be able to continue raising rates. As of the end of fiscal year 2016, the Fed funds futures markets were not pricing in any Fed rate hikes until 2018 at the earliest. That pessimism would prove to be unjustified as conditions during the year gave the Fed confidence that rate hikes were warranted. The Fed passed on raising rates at the September 2016 meeting in spite of progress in employment and inflation. However, the minutes of the September meeting leaned hawkish, as the committee noted that near-term risks were

balanced and the case for a rate hike had strengthened. The markets were somewhat skeptical, only pricing in a 60% probability of a rate hike by December 2016. As December rolled around, the markets had priced in a rate hike, which did occur at the December meeting. The summary of economic projections related after the meeting were probably more hawkish than many had expected, appearing to indicate that the Fed was leaning toward a more aggressive stance on rates. Economic data, although a little unsteady, indicated sufficient economic growth and strength in the labor markets to warrant further hikes. The Fed raised rates at the March and June 2017 meetings, bringing the Fed funds target rate to a range of 1.00% to 1.25%. In addition to the June 2017 rate hike, the Fed also released its preliminary plans to begin reducing its enlarged \$4.5 trillion balance sheet.

The Treasury bill curve ended the year significantly higher than where it started the fiscal year, benefitting from three Fed rate hikes during the year. However, the term structure of the bill curve remained flat, as the markets still remained skeptical that the Fed will be overly aggressive in their tightening campaign. The money market reforms that were implemented during the fiscal year also weighed on the bill curve, largely the result of the shift in assets from prime money market funds to government-only funds. Yields further out the curve ended the year substantially higher, with the increase in the 1 to 10 year part of the curve averaging around 83 basis points higher than fiscal year-end 2016. At the end of fiscal year 2017, expectations are that the Fed will start letting their balance sheet run off by not reinvesting a portion of maturities and interest receipts. The expectation is that the balance sheet reduction will begin in September 2017. The markets are more uncertain as to whether there will be any further rate hikes during calendar year 2017. As of the end of the fiscal year, the markets were indicating that the next likely rate hike would be December 2017, with a 60% chance of another 25 basis point rate hike at that meeting.

The Fed's rate hikes during the fiscal year were the major contributors to the BTI's two principal stability pools outperforming fiscal year 2016 results. WV Money Market Pool performance more than doubled last year's results, increasing by 49 basis points to 0.85%. In addition to the Fed rate hikes, the effects of the October 2016 implementation of floating NAV's for institutional prime money market funds also helped provide a small uplift to returns. Overall the Treasury Bill curve was up again, year-over-year, with a slight flattening in the term structure as the market was of the opinion that the Fed will not tighten aggressively in the near term. As of fiscal year end, the expectations were for the next rate hike to occur at the December 2017 meeting. The increase in market rates, and, in part, the Pool's exemption from the floating NAV provisions of Rule 2a7, resulted in an increase of net investment income in fiscal year 2017 of \$9.3 million.

The WV Government Money Market Pool also experienced an increase in performance, with the return increasing to 0.48% for fiscal year 2017 from 0.21% for fiscal year 2016. The Fed rate hikes did not have as large an effect on the return of the Pool, as high demand for short-term high quality assets continued to restrain short-term Treasury and Agency yields. With the expectations for Fed rate hikes during the fiscal year, the pool was managed with a shorter WAM, falling from the low to mid 50's to the mid 30's. Some floating-rate agency issues were added to the agency holdings, and maturities of agencies purchased were shorter in tenor. Overnight repurchase agreement allocations were steady, with 20% to 25% of the pool invested in overnight repurchase agreements to take advantage of moves in overnight rates. Net position increased by approximately \$12 million year-over-year, but on average, were lower over the course of fiscal year 2017. These factors contributed to an increase of \$0.6 million in net investment income from fiscal year 2016.

Net investment income in the WV Short Term Bond Pool was up from fiscal year 2016, increasing by 24%, or \$2.1 million, during fiscal year 2017. The increase was the result of higher yields in 2016, which increased by 31 basis points over 2016 yields to 1.72%. Yield increases in the 1 to 3 year section of the curve benefited the pool as new investments and interest and maturity receipts were re-invested at higher yields.

The WV Bank Pool experienced an increase of \$0.4 million in net investment income during fiscal year 2017 despite a 38% decline in investments in the pool. As rates increased over the course of the fiscal year, demand for funds auctioned by the Pool declined, resulting in a lower amount of funds placed with local banks. Demand for funds peaked in August 2016 and remained flat for the remainder of the fiscal year, with the BTI placing an average of \$13 million per auction as compared to the average of \$22 million over the same period in the prior fiscal year. Average rates, however, were significantly higher over fiscal year 2017, averaging 88 basis points versus the fiscal year 2016 average of 37 basis points.

The increase in the Loan Pool's net investment income resulted from an increase in the rate on the Revolving Loan at the beginning of fiscal year 2016. The rate, which increases on July 1 of each fiscal year, almost doubled, increasing from 20 basis points for fiscal year 2016 to 38 basis points for fiscal year 2017. The average amount on loan under the Revolving Loan was higher over the course of the fiscal year, which also contributed to the increase in interest income. For the year, interest income on the Revolving Loan increased by \$0.2 million. Offsetting the increase in interest income, was an increase in loss reserves for the Non-Recourse Loan. Allowances for loan losses on the program increased by \$0.1 million for the year. The net effect of these two factors was a decrease of approximately \$0.1 million in net investment income for the Pool. See Note 7 to the audited financial statements for more information on the loan programs of the Loan Pool.

Net investment income for the MBC Account was up approximately \$0.2 million over fiscal year 2016. The SLGS window at the U.S. Treasury was open during most of the fiscal year, which resulted in new investments being placed into SLGS rather than into U.S. Treasury Notes or Bonds. While the SLGS purchased over the year had higher interest rates than securities that had matured during the year, the relatively low balance of the fund and low yield of securities purchase did not result in a substantial increase in net investment income.

Net investment income for the remaining pools was comparable to the prior fiscal year.

For the year, the investment pools had a combined net realized gain of \$128,000. This represents an increase of \$0.1 million from fiscal year 2016. The net realized gain was the result of normal trading activity related to generating liquidity, taking advantage of opportunities or repositioning portfolios to stay within policy limits.

The net change in fair value for fiscal year 2017 was negative, falling by \$4.7 million from fiscal year 2016. Fiscal year 2017 was marked by both quiet times and much more volatile periods. The first quarter of the fiscal year represented a quiet period, with Treasury yields rising gradually. The yield on the 2-year Treasury yield was up by 18 basis points from fiscal year-end levels. While performance for Treasuries were negative over the first quarter of the fiscal year, credit spread products outperformed, more than offsetting the negative Treasury returns. The second quarter of the fiscal year was anything but quiet. Markets were shocked by the surprising win of Donald Trump in the U.S. presidential election in November 2016. The Real Clear Politics average of national polls placed Hillary Clinton ahead of Trump by a very narrow margin while the betting markets heavily favored Clinton over Trump. The yield on the 2-year Treasury added 18 basis points in the week following the election, about the same increase experienced over the entire first quarter of the fiscal year. The rationale for the spike in yields across the curve following the election were President-elect Trump's stated policy goals of cutting taxes, renegotiating trade agreements, reforming regulations and increasing infrastructure spending. All of these policies were widely viewed by the market as pro-growth policies that could result in an increase in U.S. economic activity. For November 2016, the yield on the WV Short Term Bond Pool was crushed, dropping nearly 30 basis points from the prior month, with the fair value of the pool falling \$3.0 million. Yields on Treasuries edged up over the final month of the quarter, with the Fed raising their benchmark rate by a quarter point at the December 2016 FOMC meeting. Credit spread products rallied through the remainder of the quarter, moderating the effects of the sudden jump in Treasury yields. The remainder of the fiscal year, while not

entirely quiet, was much calmer than the second quarter. The Fed hiked rates at the March 2017 and June 2017 meetings, raising the Fed funds rate another 50 basis points. The 2-year Treasury only added an additional 18 basis points to its yield over the last half of the fiscal year as longer term Treasury yields were less responsive to the Fed rate hikes. Credit markets continued to perform well over the last half of the fiscal year even as President Trump's agenda appeared to have been slowed down significantly in the gridlock of Washington DC politics. Credit spreads continued tightening over this period, providing a boost to the fair value of the WV Short Term Bond Pool. By fiscal year-end, the Pool had recovered approximately \$2.3 million of the decline in fair value experienced in November and December 2016. This left the Pool with a decline in fair value for the year of approximately \$1.7 million. The changes in fair value in the EDA-AW Account and MBC Fee Account were negative for the fiscal year, falling from fiscal year 2016 levels by approximately \$0.2 and \$0.1 million, respectively. These accounts exclusively hold Treasury issues and the changes in fair value were entirely related to previously discussed factors that influenced shifts in the Treasury yield curve. The total drop \$1.9 million in fair value during the year was \$4.4 million less than the increase of \$2.8 million in the prior fiscal year.

### **Economic Factors**

The Consolidated Fund is designed to address the short-term liquidity needs of the participants which focus on safety of principal, maximization of yield, and conformance with state law and other pertinent legal restrictions. The Board recognizes that risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investments. However, the Investment Policy of the BTI invests assets in a manner that minimize risks with the primary objectives of safety and liquidity.

As previously discussed, Treasury yields were up across the curve in fiscal year 2017. Three Fed rate hikes over the course of the fiscal year helped to push the Treasury curve up from fiscal year 2016 levels. Treasury supply overall increased during the fiscal year, but at a lower rate than in fiscal year 2016. Treasury bill issuances were up significantly during the fiscal year, with supply increasing by \$210 billion during fiscal year 2017. However, a significant increase in the demand for short-dated Treasuries overwhelmed the increased supply and helped to keep short-term Treasury yields depressed. The implementation of floating NAV for prime money market funds in October 2016 led to a sizable shift in assets from prime money funds to government-only money funds. Government-only funds, which were permitted to continue using a stable NAV, experienced inflows of approximately \$705 billion between fiscal year-end 2016 and the end of October 2016. Prime money funds continued to shorten their WAM profiles leading up to the floating NAV implementation date, with prime funds as a whole averaging WAM's in the low to mid-20 day range leading up to October. Prime funds, which had been the natural buyers of short-term financial company debt, curtailed their investment in such instruments and also limited their purchases to shorter-dated paper. This resulted in some stress in the bank funding markets as evidenced by the LIBOR-OIS spread (the difference between LIBOR and the overnight index swap rate), which spiked at 43 basis points in late September 2016. Banks were able to adjust their fund profiles and, as a result, LIBOR-OIS spreads have fallen ever since, ending the fiscal year in the low teens. Yields on short-term financial company debt maturing, which had risen significantly early in the year as a result of the effects of money market reform, fell into more normal ranges as banks adjusted their funding profiles.

Fiscal year 2016 ended with serious concerns over the potential negative economic effects of the United Kingdom (the "U.K.") vote to leave the European Union (the "E.U."). Those concerns soon faded as it became clear that the U.K.'s separation from the E.U. would have little impact on the U.S. in the near term. Once the U.K. invokes Article 50 of the Treaty on European Union, there will be a two year time period before the U.K. is officially out of the E.U. U.S. GDP growth, while uneven during the fiscal year, maintained a growth rate in excess of 1%, ranging from 1.2% to 2.8%. The wave of optimism that swept many business and consumer confidence indicators in the wake of President Trump's victory in November 2016, had faded somewhat by fiscal year-end as the optimism regarding the President's economic agenda

met up with the realities of the office and negotiating with Congress to implement legislative priorities. While confidence indicators still remained elevated, "hard" economic data hasn't quite come into line with expectations. The Citigroup Economic Surprise Index, a diffusion index that measures economic data performance versus expectation, started the year off positive, peaking at 57.9 in March 2017, before reaching a low of -73.60 at the end of the fiscal year. The negative number is more likely an indicator that optimism was running a little too high as opposed to an indication of an economy that is faltering. While there are some drags on economic growth, the economy has performed pretty much as it has since 2010. Economic progress, although unsteady, has given the Fed confidence that the economy is not in need of extraordinary accommodation to sustain growth. The progress on economic growth, coupled with a still improving labor market, gave the Fed the justification to hike rates three times during the fiscal year. However, inflation continues to stubbornly remain below the Fed's target of 2%. The Fed has largely explained away recent inflation trends as being due to temporary factors and is holding firm to their medium term projections that anticipate inflation soon returning to target.

In 2017, General Revenue funds were \$120.7 million below the official estimates and just 2.3% above prior year adjusted receipts. West Virginia balanced its budget through a combination of nearly \$60 million in mid-year budget reductions and \$124.3 million in gap fill revenues, including \$40.4 million from the Revenue Shortfall Reserve Fund. Revenue collections and revenue growth improved during the course of the year from a 1.5% decline during the first quarter to growth of 0.1%, 6.4% and 6.9% during the second, third and fourth quarters of the year, respectively. Natural gas prices troughed at less than \$1.00 per thousand cubic feet in the first half of the fiscal year and then subsequently more than doubled between October and January to current levels generally in excess of \$2.00 per thousand cubic feet. In addition, coal sales also troughed early in the year at an annualized rate of roughly 80 million tons and then subsequently rebounded to an annualized rate of more than 90 million tons. The value of foreign exports improved by nearly 29% from a twelve-month trailing trend trough of \$4.75 billion in October 2016 to a twelve-month trailing amount in excess of \$6.12 billion as of May 2017. Improvement in economic activity during the latter half of the year contributed to a net surplus of revenues over expenditures of more than \$76.0 million. Half of this surplus was appropriated by the Legislature in the Fiscal Year 2018 budget and the remaining half of \$38.0 million was deposited in the Revenue Shortfall Reserve Fund. After subtracting this deposit, the net amount of Revenue Shortfall Reserve Funds used for the Fiscal Year 2017 budget was \$93.7 million.

The Official Fiscal Year 2018 General Revenue estimate of \$4.225 billion is more than \$34 million above actual Fiscal Year 2017 General Revenue funds of nearly \$4.191 billion. Given that final Fiscal Year 2017 general revenue funds relied on more than \$124 million in temporary revenues, the adjusted required revenue growth in the Official Fiscal Year 2018 general revenue estimate is more than \$158 million or 3.1%. The base budget expenditures for Fiscal Year 2018 from General Revenues and lottery revenues are \$4.687 billion, which is \$20.5 million lower than the base budget expenditures included in the Fiscal Year 2017 budget of \$4.707 billion. The Fiscal Year 2018 budget relies on roughly \$140 million in various one-time funding sources, an improvement over \$200 million in one-time funding sources in the original Fiscal Year 2017 budget.

Given such a large reliance on one-time funding sources, the Fiscal Year 2019 budget would require minimum general fund revenue growth of 3.3% over Fiscal Year 2018 estimates just to match the funding level of the Fiscal Year 2018 budget. The economic momentum associated with improving energy markets during the second half of fiscal year 2017 is projected to continue. In particular, natural gas prices are projected to generally remain above \$2.00 per thousand cubic feet. The improvements in the energy sector should also contribute to modest employment and income growth in this fiscal year. In addition, higher road fund fees and taxes enacted in June 2017 should result in additional highway spending during the year with associated economic benefits. Gains associated with possible voter approval of a State Road Bond

Amendment in October 2017 are not reflected in Fiscal Year 2018 revenue estimates, but could be reflected in future year outlooks.

Despite recent economic improvements, the State continues to struggle to balance its ongoing budget with resource limitations reflective of a lack of any net nominal revenue growth over the past five years. Future budget balance may still require some combination of savings associated with significant restructuring of State government service offerings and new revenue sources. Some additional revenue transfers from the Revenue Shortfall Reserve Fund could also occur.

### **Requests for Information**

This financial report is designed to provide a general overview of the BTI's operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Chief Financial Officer, West Virginia Board of Treasury Investments, 1900 Kanawha Boulevard East, Charleston WV 25305.

West Virginia Board of Treasury Investments  
Statement of Net Position  
Proprietary Fund

June 30, 2017

*(In Thousands)*

<b>Assets</b>	
Current assets:	
Cash	\$ 942
Receivables	<u>519</u>
Total current assets	1,461
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>4</u>
Total assets	<u>1,465</u>
 <b>Liabilities</b>	
Current liabilities:	
Accounts payable	<u>474</u>
Total liabilities	<u>474</u>
 <b>Net position</b>	
Investment in capital assets	4
Unrestricted	<u>987</u>
Total net position	<u>\$ 991</u>

*See accompanying notes to financial statements*



West Virginia Board of Treasury Investments  
Statement of Revenues, Expenses and Changes in Fund Net Position  
Proprietary Fund

For the Year Ended June 30, 2017

*(In Thousands)*

<b>Operating revenues</b>	
Management services	\$ 1,383
Advisor services	1,345
Custodian services	<u>116</u>
Total operating revenues	2,844
 <b>Operating expenses</b>	
Advisor fees	1,345
Management fees	637
Professional service fees	265
Fiduciary bond	19
Custodian fees	119
General and administrative	280
Depreciation	<u>2</u>
Total operating expenses	<u>2,667</u>
 <b>Operating income</b>	 <u>177</u>
 Change in net position	 177
Net position at beginning of period	<u>814</u>
Net position at end of period	<u>\$ 991</u>

*See accompanying notes to financial statements*

West Virginia Board of Treasury Investments  
Statement of Cash Flows  
Proprietary Fund

For the Year Ended June 30, 2017

*(In Thousands)*

<b>Cash flows from operating activities</b>	
Cash received for services	\$ 2,895
Payments to vendors	<u>(2,704)</u>
Net cash provided by operating activities	191
 <b>Cash flows from capital and related financing activities</b>	
Purchase of capital equipment	<u>(2)</u>
Net cash used for capital and related financing activities	<u>(2)</u>
 Net increase in cash	 189
Cash at beginning of period	<u>753</u>
Cash at end of period	<u>\$ 942</u>
 <b>Reconciliation of operating income to net cash used in operating activities</b>	
Operating income	\$ 177
Adjustments to reconcile operating gain to net cash provided by operating activities:	
Depreciation	2
Changes in assets and liabilities:	
Receivables	51
Accounts payable	<u>(39)</u>
Net cash provided by operating activities	<u>\$ 191</u>

*See accompanying notes to financial statements*

West Virginia Board of Treasury Investments  
 Combined Statement of Fiduciary Net Position  
 Fiduciary Funds  
 Consolidated Fund

June 30, 2017

*(In Thousands)*

<b>Assets</b>	
Investments:	
At amortized cost	\$2,208,706
At fair value	<u>794,004</u>
Total investments	3,002,710
Receivables:	
Accrued interest	3,917
Dividends	<u>103</u>
Total receivables	<u>4,020</u>
Total assets	3,006,730
 <b>Liabilities</b>	
Accrued expenses	519
Dividends payable	1,060
Investments purchased	<u>5,224</u>
Total liabilities	<u>6,803</u>
 <b>Net Position</b>	
Held in trust for investment pool participants	2,960,796
Held in trust for individual investment account holders	<u>39,131</u>
Total net position	<u><u>\$2,999,927</u></u>

*See accompanying notes to financial statements*

West Virginia Board of Treasury Investments  
 Combined Statement of Changes in Fiduciary Net Position  
 Fiduciary Funds

For the Year Ended June 30, 2017

(In Thousands)

<b>Additions</b>	
Investment income:	
Interest	\$ 23,420
Dividends	666
Net amortization	7,470
Provision for uncollectible loans	<u>(639)</u>
Total investment income	30,917
Investment expenses:	
Investment advisor fees	1,345
Custodian bank fees	116
Administrative fees	<u>1,383</u>
Total investment expenses	<u>2,844</u>
Net investment income	28,073
Net realized gain from investments	128
Net decrease in fair value of investments	<u>(1,917)</u>
Net increase in net position from operations	26,284
Participant transaction additions:	
Purchase of pool units by participants	11,266,082
Reinvestment of pool distributions	27,979
Contributions to individual investment accounts	<u>26,512</u>
Total participant transaction additions	<u>11,320,573</u>
Total additions	<u>11,346,857</u>
<b>Deductions</b>	
Distributions to pool participants:	
Net investment income	27,709
Net realized gain from investments	<u>128</u>
Total distributions to pool participants	27,837
Participant transaction deductions:	
Redemption of pool units by participants	11,141,869
Withdrawals from individual investment accounts	<u>16,385</u>
Total participant transaction deductions	<u>11,158,254</u>
Total deductions	<u>11,186,091</u>
Change in net position	160,766
Net position at beginning of period	<u>2,839,161</u>
Net position at end of period	<u><u>\$ 2,999,927</u></u>

*See accompanying notes to financial statements*

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# West Virginia Board of Treasury Investments

## Notes to Financial Statements

June 30, 2017

### 1. Organization and Operations

The West Virginia Board of Treasury Investments (the “BTI”) is charged with managing the individual investment pools and accounts of the Consolidated Fund under authority of West Virginia State Code Chapter 12, Article 6C, West Virginia Treasury Investments Act. The West Virginia Legislature established the BTI as a public corporation of the State of West Virginia, to make short-term operating funds of the state more accessible to state government and to allow the West Virginia Investment Management Board (the “IMB”), which had managed the Consolidated Fund, to focus on the state’s long-term trust investments. The Consolidated Fund is the statutory title of the fund that collectively refers to the investment pools and accounts that the BTI manages. The BTI operates on a fiscal year that begins July 1 and ends June 30.

The accompanying financial statements include the operations of the BTI as well as investment balances and transactions of the individual investment pools and accounts of the Consolidated Fund under management of the BTI. The BTI provides a business-type activity that charges fees on a cost-reimbursement basis and is shown in the separate proprietary fund financial statements. Investment activities of the Consolidated Fund are shown in the separate fiduciary fund financial statements.

The West Virginia State Treasurer’s Office provides direct administrative and management services to the BTI. The BTI does not directly employ a staff, but reimburses the Treasurer’s Office for all personnel expenses of Treasury employees assigned to administer and manage the BTI. The Treasurer’s Office also provides various supplementary administrative services. A five-member Board of Directors governs the BTI. The State Governor, State Treasurer, and State Auditor serve as ex officio members of the Board. The Governor appoints the two remaining members subject to the advice and consent of the State Senate. Of the two members appointed by the Governor, one shall be a certified public accountant and one shall be an attorney, and both shall have experience in finance, investing and management. The State Treasurer is Chairman of the Board.

The Consolidated Fund provides for the investment of moneys not currently needed to fund state governmental operations, as well as providing the opportunity for local governments to participate in large investment pools, and for those funds statutorily required to be invested in the Consolidated Fund. The following investment pools and accounts make up the Consolidated Fund:

**WV Money Market** – This pool consists of the operating funds of the State, funds held by State agencies, and funds from local governments who desire the opportunity to invest with the State. Its purpose is to provide for the investment of all surplus funds and to supply the daily cash needs of the State. The pool is co-managed by Federated Investors and UBS Global Asset Management.

**WV Government Money Market** – This pool consists of State agency and local government investors who wish to invest in a pool that restricts its investments to U.S. Government Obligations, U.S. Government Agency Obligations, or repurchase agreements. The pool is managed by UBS Global Asset Management.

**WV Short Term Bond** – This pool consists of the operating funds of the State that are not needed immediately to fund the State’s liquidity requirements. The pool is managed by Federated Investors.

**WV Bank** – This pool consists of certificates of deposit purchased by the State through the West Virginia CD Program. The program purchases CDs from state banks and depositories to make state investment funds available for consumer and business loans within the state.

**Loan** – This pool is composed of loans made by the State. Within the Loan Pool is a non-recourse loan made by the West Virginia Economic Development Authority (the “WVEDA”) to the West Virginia Enterprise Advancement Corporation (the “WVEAC”), which in turn invests the funds in the West Virginia Enterprise Capital Fund, LLC (the “WVECF”), which then invests the money in venture capital funds. The WVEAC is a non-profit corporation that has a common board of directors with the WVEDA. The non-recourse loan program was authorized pursuant to WV Code §12-6-9, which requires the BTI to transfer up to \$25,000,000 in State funds to the WVEDA. The funds transferred by the BTI are to be repaid with proceeds received by the WVEDA from the WVEAC, which will make repayment to the WVEDA from the proceeds it receives from the WVECF. The Loan Pool is restricted by statute to receiving 3% earnings on the funds transferred to the WVEDA. Although the non-recourse loan made by the WVEDA may earn an excess of 3%, only 3% will be given to the Loan Pool, and the WVEDA will retain the rest. The BTI is not responsible for exercising any discretion over or making any decisions in regard to the lending, investing and repayment activities of the non-recourse loan program, or for any other loans in the Loan Pool. The WVEDA provides all bookkeeping and accounting records of the non-recourse loan program. The BTI’s role is to transfer the funds to the WVEDA when requested and to maintain an accounting for the loans within the Loan Pool based on information provided by the WVEDA. In the 2017 legislative session, the West Virginia State Legislature established a program to provide loan guarantees for borrowings related to projects for the expansion of broadband services to unserved and underserved areas of West Virginia. Under the program, the BTI, subject to a liquidity determination and cash availability, shall make available to the WVEDA, from the Consolidated Fund, in the form of a nonrecourse revolving loan, \$50 million, for the purpose of insuring the payment or repayment of any debt instrument entered into by an entity for purposes of expanding broadband services to unserved and underserved areas of the state. The nonrecourse revolving loan is payable by the WVEDA solely from moneys received in respect to the insured debt instruments.

**Reserve** – This pool is composed of an interest-bearing depository account with BB&T. The pool was created to provide an added layer of security for the WV Money Market and WV Government Money Market Pools. The objective of this pool is to provide support for the WV Money Market and WV Government Money Market Pools to ensure their unit net position does not fall below \$0.9985. The State is the sole participant in this pool. Other funds are transferred to this pool as management deems necessary.

**Participant Directed Accounts** – The BTI also maintains pools for individual State agencies with specific investment needs. These pools are collectively referred to as Participant Directed Accounts, and include the following: Municipal Bond Commission, School Fund, and Economic Development Authority – American Woodmark (“EDA – AW”). Each agency is the sole owner of the investments in its pool and is responsible for the investment decisions in accordance with the legal restrictions applicable to those assets. The BTI serves as custodian of these pools and has no discretion over investment and financial decisions made for them.

The BTI is authorized by West Virginia Code Chapter 12, Article 6C, Section 9, to invest in United States government and agency obligations, commercial paper, corporate bonds, repurchase agreements, asset-backed securities, and investments in accordance with the Linked Deposit Program, which is a program using financial institutions in the state to reduce loan costs to small businesses by offsetting interest

reductions on the loans with certificates of deposit, loans approved by the Legislature, and any other programs authorized by the Legislature. In addition to the restrictions in investment types, at no time shall more than seventy-five percent of the Consolidated Fund be invested in any bond, note, debenture, commercial paper or other evidence of indebtedness of any private corporation or association and at no time shall more than five percent be invested in securities issued by a single private corporation or association. Further, no less than fifteen percent of the Consolidated Fund shall be invested in any direct obligation of or obligation guaranteed by the United States government.

## **2. Significant Accounting Policies**

### **Basis of Accounting**

The financial statements of the BTI are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under this method of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

An internal service fund, which is a type of proprietary fund, is used to account for investment management services provided by the BTI on a cost-reimbursement basis. An investment trust fund, which is a type of fiduciary fund, is used to account for each of the investment pools and accounts of the Consolidated Fund. The Consolidated Fund is composed of three external investment pools (WV Money Market, WV Government Money Market, and WV Short Term Bond), three internal investment pools (WV Bank, Loan, and Reserve) and three individual investment accounts (Municipal Bond Commission, School Fund, and Economic Development Authority – American Woodmark).

### **Budgetary Information**

The Board's annual operating budget is appropriated by the Legislature from fees collected by the BTI.

### **Cash Equivalents**

Cash equivalents are short-term investments with maturities when acquired of 90 days or less.

### **Capital Assets**

Capital asset expenditures of \$1,000 (\$500 in the case of certain computer equipment) or more with a useful life greater than one year are capitalized at cost and reported net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are three years.

### **Wages, Compensated Absences, Retirement Plan and Other Postemployment Benefits**

The BTI has no employees. The State Treasurer's Office provides administrative and management services to the BTI. As a result, the BTI does not accrue for compensated absences and other postemployment benefits or directly contribute to the state retirement plan. Management services provided are recorded as management fees paid to the State Treasurer's Office.



## **Income Taxes**

The BTI is a public corporation organized under laws of the State of West Virginia and, as such, is exempt from federal and state taxation. Accordingly, the financial statements have been prepared recognizing that the BTI is not subject to federal or state income taxes.

## **Revenues and Expenses – Proprietary Fund**

Operating revenues of the BTI's proprietary fund are generated from services provided to the investment pools and accounts of the Consolidated Fund. Revenues of the proprietary fund also are derived from vendor fees charged directly to the investment pools and accounts and paid by the proprietary fund, such as investment advisor fees and custodian fees. Operating expenses of the proprietary fund represent payments for services provided under contract, such as investment advisors and consultants, fiduciary bond fees, and custodian fees; general and administrative expenses of the BTI, such as administrative and management services, office equipment, office supplies, and office space; and depreciation of capital assets. Revenues and expenses are recorded when earned and incurred in accordance with the economic resources measurement focus and the accrual basis of accounting.

## **Net Position – Proprietary Fund**

The net position of the BTI's proprietary fund is composed of investment in capital assets and unrestricted net position, which represent net position not restricted to use by legal, contractual or enabling legislation constraints.

## **Use of Estimates**

Certain estimates and assumptions are required by management in the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Actual results could differ significantly from those estimates. The significant estimates and assumptions that affect the reporting of amounts of assets and liabilities at the statement of financial position date and revenues and expenses for the year then ended are those required in the determination of the allowance for loan losses and amortization of investments. Actual results in the near term could differ from the estimates used to prepare these financial statements.

## **Investment Accounting**

**Investment Carrying Value** The BTI is an investment vehicle of the State, its component units, and local governments, all of which are government entities. The investments of the WV Money Market, WV Government Money Market, WV Bank, Loan, and Reserve pools or accounts are carried at amortized cost, as permissible under Governmental Accounting Standards Board ("GASB") Statement No. 31, as amended by GASB Statement Nos. 72 and 79. The WV Money Market and WV Government Money Market pools measure all investments at amortized cost for financial reporting purposes in accordance with criteria established in GASB Statement No. 79. The criteria specify that the pools must transact with their participants at a stable net asset value per share and meet requirements for portfolio maturity, portfolio quality, portfolio diversification, portfolio liquidity, and shadow pricing. The BTI does not place any limitations or restrictions on participant withdrawals from the WV Money Market and WV Government Money Market pools, such as redemption notice periods, maximum transaction amounts, and any authority to impose liquidity fees or redemption gates.

The specific exceptions to fair value reporting for the other pools and accounts referred to above are defined in professional standards as follows. The WV Bank Pool contains nonnegotiable certificates of deposit, which are nonparticipating interest-earning investment contracts. The Loan Pool contains loans receivable arising from lending activities of economic development authorities. The Reserve Pool contains a bank depository account that has no market.

The investments of the remaining pools and participant accounts are reported at fair value, which is determined by third party pricing services based on asset portfolio pricing models and other sources. The BTI measures fair value at the end of each month. See Note 5 for a discussion and summary of the measurement of the fair values. Investments in commingled investment pools are valued at the reported unit values of the individual funds. Commissions on the purchases of securities by the BTI are a component of the security price quoted by the seller and are included in the investment cost.

**Repurchase Agreements** The BTI uses only tri-party repurchase agreements. Under the terms of a tri-party repurchase agreement, the seller transfers collateral securities to an account of the BTI's manager/agent at the seller's custodian bank. This arrangement perfects the BTI's lien on the collateral and effectively protects the BTI from a default by the seller. The BTI requires sellers in repurchase transactions to pledge collateral of at least 102% of the cash borrowed from the BTI. If the seller defaults and the fair value of the collateral declines, realization of the collateral by the BTI may be delayed or limited.

**Asset-Backed Securities** Certain pools invest in various asset-backed securities and structured corporate debt. The pools invest in these securities to enhance yields on investments. Changes in market interest rates affect the cash flows of these securities and may result in changes in fair value. The overall return or yield on these securities depends on the changes in the interest and principal payment pattern and market value of the underlying assets.

**Investment Transactions** Investment transactions are accounted for on a trade date basis.

**Investment Gains and Losses** Gains and losses on the sale of investment securities are recognized at the time of sale by the average cost method. The calculation of realized gains and losses is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year.

**Interest Income** Interest income is recognized as earned on the accrual method with one exception. The cost recovery method of income recognition is used for the interest on the WVEDA Non-Recourse Loan held by the Loan Pool. Under this method, interest income will only be recognized once the principal balance of the loan has been recovered.

**Dividend Income** Dividend income is recognized on the ex-dividend date.

**Amortization** Discounts and premiums on securities purchased are amortized over the life of the respective securities using the scientific method of amortization. This method maintains a constant book yield over the life of the security. The amortization of asset-backed securities considers the effect of prepayments on the life of the security. The effect of changing prepayment assumptions is reported in the Combined Statement of Changes in Fiduciary Net Position in the year of the change.

**Allowance for Loan Losses** The allowance for loan losses is available to absorb future loan losses. The allowance is increased by provisions charged against operations and reduced by charge-offs (losses), net of recoveries. The provision is based on several factors including: analytical reviews of loan loss experience in relationship to outstanding loans; a continuing review of problem loans and overall portfolio quality,

including analysis of the quality of the underlying collateral; and management's judgment on the impact of current and expected economic conditions on the portfolio. At June 30, 2017, the Loan Pool had an allowance for uncollectible loans of \$23,464,033.

**Distributions to Participants** The net income of the WV Money Market and WV Government Money Market Pools are declared as dividends and distributed daily to the participants based upon their pro rata participation in the pools. The distributions of net investment income are credited to the participants' accounts in the form of dividend reinvestments in the pool and have been included in distributions to participants and reinvestment of distributions as presented on the Statement of Changes in Fiduciary Net Position.

The monthly net income of the WV Short Term Bond Pool is declared as a dividend on the last day of the month and distributed to the participants in the pool on the first day of the following month. Distributions are paid in the form of reinvestments in the pools and have been included in distributions to participants and reinvestment of distributions as presented on the Statement of Changes in Fiduciary Net Position.

The net income of the WV Bank Pool is determined monthly and reinvested in the pool. The earnings are transferred periodically to the State Participation Account which represents invested cash of the state not specifically allocated to individual agencies.

The net income of the Loan Pool is determined monthly and distributed to the participant on the last day of the month. Distributions are paid in the form of reinvestments in the pool and have been included in distributions to participants and reinvestment of distributions as presented on the Statement of Changes in Fiduciary Net Position.

The net income of the Reserve Pool is declared as a dividend and distributed on the last day of the month. If the pool incurs a loss resulting in negative income, the loss will be distributed on the last day of the month.

**Expenses** Each pool is charged for its direct investment-related cost and for its allocated share of other expenses. The other expenses are allocated to the pools based on asset size. Certain pools are not charged expenses or are charged a reduced expense. The BTI proprietary fund pays all expenses on behalf of the pools and is subsequently reimbursed by the pools.

### **3. Cash and Cash Equivalents**

The internal service fund's cash on deposit with the State Treasurer's Office was approximately \$942,000 at June 30, 2017. The cash is pooled with other deposits from the State's agencies, departments, boards and commissions and is subject to coverage by the Federal Deposit Insurance Corporation ("FDIC") or collateralized by securities held by the State or its agents in the State's name. Cash equivalents are short-term, highly liquid investments having original maturities of 90 days or less. The internal service fund did not hold any cash equivalents at June 30, 2017.

Custodial credit risk of cash deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The BTI does not have a deposit policy for custodial credit risk. BTI management does not believe any of its operating fund's deposits are exposed to custodial credit risk.

#### 4. Investments and Deposits

The BTI has adopted an investment policy in accordance with the “Uniform Prudent Investor Act.” The “prudent investor rule” guides those with responsibility for investing the money for others. Such fiduciaries must act as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The BTI’s investment policy is to invest assets in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity. The BTI recognizes that risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investments. Due to the short-term nature of the Consolidated Fund, the BTI believes that it is imperative to review and adjust the investment policy in reaction to interest rate market fluctuations/trends on a regular basis and has adopted a formal review schedule. Investment policies have been established for each investment pool and account of the Consolidated Fund.

##### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Two of the BTI’s pools, the WV Money Market and WV Government Money Market Pools, have been rated AAAM by Standard & Poor’s. A fund rated “AAAM” has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. “AAAM” is the highest principal stability fund rating assigned by Standard & Poor’s. Neither the BTI itself nor any of the other Consolidated Fund pools or accounts has been rated for credit risk by any organization. Of the Consolidated Fund pools and accounts, six are subject to credit risk: WV Money Market Pool, WV Government Money Market Pool, WV Short Term Bond Pool, WV Bank Pool, Loan Pool, and School Fund Account.

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all corporate bonds to be rated A+ by Standard & Poor’s (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor’s and P-1 by Moody’s. The pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America. The following table provides information on the credit ratings of the WV Money Market Pool’s investments (in thousands):

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets
	Moody’s	S&P		
Commercial paper	P-1	A-1+	\$ 358,377	20.10%
	P-1	A-1	706,150	39.60
Corporate bonds and notes	Aa3	AA-	6,285	0.35
	A1	A	3,200	0.18
U.S. Treasury notes *	Aaa	AA+	97,823	5.49
U.S. Treasury bills *	P-1	A-1+	69,837	3.92
Negotiable certificates of deposit	P-1	A-1+	174,000	9.76
	P-1	A-1	156,476	8.78
Money market funds	Aaa	AAAM	100,005	5.61
Repurchase agreements (underlying securities):				
U.S. Treasury notes *	P-1	A-1	50,000	2.80
U.S. Treasury notes *	NR	A-1	60,800	3.41
			<u>\$ 1,782,953</u>	<u>100.00%</u>

\* U.S. Treasury issues are explicitly guaranteed by the United States government and are not considered to have credit risk.

The BTI limits the exposure to credit risk in the WV Government Money Market Pool by limiting the pool to U.S. Treasury issues, U.S. government agency issues, money market funds investing in U.S. Treasury issues and U.S. government agency issues, and repurchase agreements collateralized by U.S. Treasury issues and U.S. government agency issues. The pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America. The following table provides information on the credit ratings of the WV Government Money Market Pool's investments (in thousands):

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
U.S. agency bonds and notes	Aaa	AA+	\$ 8,000	3.96%
U.S. Treasury notes *	Aaa	AA+	35,972	17.81
U.S. Treasury bills *	P-1	A-1+	6,992	3.46
U.S. agency discount notes	P-1	A-1+	99,921	49.47
Money market funds	Aaa	AAAm	2,109	1.04
Repurchase agreements (underlying securities):				
U.S. Treasury notes *	Aaa	AA+	49,000	24.26
			<u>\$ 201,994</u>	<u>100.00%</u>

\* U.S. Treasury issues are explicitly guaranteed by the United States government and are not considered to have credit risk.

The BTI limits the exposure to credit risk in the WV Short Term Bond Pool by requiring all corporate bonds to be rated BBB- or higher by Standard & Poor's (or its equivalent). Commercial paper must be rated at least A-1 by Standard & Poor's and P-1 by Moody's. Mortgage-backed and asset-backed securities must be rated AAA by Standard & Poor's and Aaa by Moody's. The pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America. The following table provides information on the credit ratings of the WV Short Term Bond Pool's investments (in thousands):

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
Commercial paper	P-1	A-1+	\$ 9,963	1.32%
	P-1	A-1	13,940	1.85
Corporate asset backed securities	Aaa	AAA	68,441	9.06
	Aaa	NR	79,853	10.58
	NR	AAA	67,375	8.92
	NR	AA	2,003	0.26
Corporate bonds and notes	Aaa	AA+	2,935	0.39
	Aaa	AA+	4,019	0.53
	Aa1	AA+	5,027	0.67
	Aa2	AA+	4,036	0.53

(Continued on next page)

West Virginia Board of Treasury Investments  
Notes to Financial Statements (Continued)

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
Corporate bonds and notes (continued)	Aa2	AA	6,989	0.93
	Aa2	AA-	17,124	2.27
	Aa3	AA-	15,106	2.00
	Aa2	A	4,011	0.53
	Aa3	A+	1,104	0.15
	A1	AA-	16,588	2.20
	A1	A+	19,078	2.53
	A1	A	6,355	0.84
	A1	A-	7,276	0.96
	A2	A+	2,616	0.35
	A2	A	25,032	3.32
	A2	A-	10,079	1.33
	A3	A	10,747	1.42
	A3	A-	30,242	4.01
	A3	BBB+	20,183	2.67
	Baa1	A	1,501	0.20
	Baa1	A-	11,991	1.59
	Baa1	BBB+	47,392	6.28
	Baa1	BBB	8,495	1.12
	Baa2	A-	1,018	0.13
	Baa2	BBB	28,770	3.81
	Baa2	BBB-	3,000	0.40
	Baa2	NR	2,000	0.26
	Baa2	BBB+	10,268	1.36
	Baa3	BBB	15,627	2.07
	Baa3	BBB-	7,166	0.95
	Ba1	BBB	2,005	0.27
	Ba1	BBB-	2,304	0.31
	Ba2	BBB-	824	0.11
	NR	BBB+	2,637	0.35
	NR	BBB-	1,990	0.26
U.S. agency mortgage backed securities	Aaa	AA+	37,287	4.94
Corporate mortgage backed securities	Aaa	AAA	4,217	0.56
	Aaa	NR	17,281	2.29
U.S. Treasury notes *	Aaa	AA+	87,588	11.60
Money market funds	Aaa	AAAm	11,479	1.52
			\$ 754,962	100.00%

NR = Not Rated

\* U.S. agency mortgage backed securities are explicitly guaranteed by the United States government and are not considered to have credit risk.

The WV Bank Pool holds an interest in a money market mutual fund valued at approximately \$48,000. The mutual fund is rated AAAm by Standard & Poor's and Aaa by Moody's. The BTI does not have a policy specifically addressing credit risk in the WV Bank Pool.

The Loan Pool is composed of loans made by the State. The pool holds intergovernmental loans and an investment in a money market mutual fund of approximately \$47,000. The mutual fund is rated AAAm by Standard & Poor's and Aaa by Moody's. The loans are not rated; however, because there is the potential for defaults on the loans, the pool is subject to credit risk related to the loans. The BTI addresses this credit risk by establishing and regularly evaluating a reserve for uncollectible loans.

The School Fund Account holds only an interest in a money market mutual fund valued at approximately \$1,417,000. The mutual fund is rated AAAM by Standard & Poor's and Aaa by Moody's. The BTI does not have a policy specifically addressing credit risk in the School Fund Account.

### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. All Consolidated Fund pools and accounts are subject to interest rate risk.

The overall weighted average maturity of the investments of the WV Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool:

Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 110,800	3
U.S. Treasury notes	97,823	44
U.S. Treasury bills	69,837	88
Commercial paper	1,064,527	36
Certificates of deposit	330,476	41
Corporate bonds and notes	9,485	79
Money market funds	100,005	3
	\$ 1,782,953	36

The overall weighted average maturity of the investments of the WV Government Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides information on the weighted average maturities for the various asset types in the WV Government Money Market Pool:

Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 49,000	3
U.S. Treasury notes	35,972	65
U.S. Treasury bills	6,992	45
U.S. agency discount notes	99,921	41
U.S. agency bonds and notes	8,000	27
Money market funds	2,109	3
	\$ 201,994	35

The overall effective duration of the investments of the WV Short Term Bond Pool cannot exceed 731 days. Maximum effective duration of individual securities cannot exceed 1,827 days (five years) from date of purchase. The following table provides information on the effective duration for the various asset types in the WV Short Term Bond Pool:

Security Type	Carrying Value (In Thousands)	Effective Duration (Days)
Corporate bonds and notes	\$ 355,535	412
Corporate asset backed securities	217,672	423
Commercial paper	23,903	113
U.S. Treasury bonds and notes	87,588	766
U.S. agency mortgage backed securities	37,287	148
Corporate mortgage backed securities	21,498	347
Money market funds	11,479	1
	\$ 754,962	426

The West Virginia Bank Pool holds nonnegotiable certificates of deposit totaling \$79,500,000 with maturity dates ranging from July 2017 through December 2017, and an interest in a money market mutual fund valued at approximately \$48,000. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to losses in this pool arising from increasing interest rates.

The Loan Pool holds an interest in a money market mutual fund in the amount of approximately \$47,000 with a weighted average maturity of one day. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to losses in this pool arising from increasing interest rates.

The Reserve Pool maintains funds totaling approximately \$18,845,000 in a bank depository account. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to losses in this pool arising from increasing interest rates.

The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in the Municipal Bond Commission Account arising from increasing interest rates. The following table provides information on the weighted average maturities for the various asset types in the Municipal Bond Commission Account:

Security Type	Carrying Value (In Thousands)	WAM (Days)
U.S. Treasury bonds and notes	\$ 13,083	302
State and local government securities	22,744	610
	\$ 35,827	498

The School Fund Account holds only an interest in a money market mutual fund valued at approximately \$1,417,000 with a weighted average maturity of one day. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in this pool arising from increasing interest rates.

The EDA-AW Account holds only a U.S. Treasury bond valued at approximately \$1,798,000 that matures August 15, 2023. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in this pool arising from increasing interest rates.



### **Other Risks of Investing**

Other risks of investing can include concentration of credit risk, custodial credit risk, and foreign currency risk.

Concentration of credit risk is the risk of loss attributed to the magnitude of a Consolidated Fund pool or account's investment in a single corporate issuer. The BTI investment policy prohibits those pools and accounts permitted to hold corporate securities from investing more than 5% of their assets in any one corporate name or one corporate issue.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. The BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. None of the Consolidated Fund's investment pools or accounts holds interests in foreign currency or interests valued in foreign currency.

### **Deposits**

Custodial credit risk of deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits include nonnegotiable certificates of deposit. The WV Bank Pool contains nonnegotiable certificates of deposit valued at \$79,500,000. The Reserve Pool contains funds totaling approximately \$18,845,000 in a bank depository account. The BTI does not have a deposit policy for custodial credit risk.

## **5. Investments Measured at Fair Value**

The BTI measures the WV Short Term Bond Pool, the Municipal Bond Commission Account, the School Fund Account and the EDA-AW Account at fair value for financial reporting purposes. GASB Statement No. 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. The BTI categorizes fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America in accordance with GASB Statement No. 72.

The fair value hierarchy established under GASB Statement No. 72 categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1 inputs – Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 inputs – Inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs – Unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

The table below summarizes the recurring fair value measurements of the investment securities in the WV Short Term Bond Pool in accordance with GASB Statement No. 72 fair value hierarchy levels as of June 30, 2017 (in thousands).

Investment Type	Level 1	Level 2	Level 3	Total
Corporate bonds and notes	\$ -	\$ 355,535	\$ -	\$ 355,535
Corporate asset backed securities	-	217,672	-	217,672
Commercial paper	-	23,903	-	23,903
U.S. Treasury notes	87,588	-	-	87,588
U.S. agency mortgage backed securities	-	37,287	-	37,287
Corporate mortgage backed securities	-	21,498	-	21,498
Money market funds	11,479	-	-	11,479
	<u>\$ 99,067</u>	<u>\$ 655,895</u>	<u>\$ -</u>	<u>\$ 754,962</u>

The School Fund Account holds a money market fund reported at a fair value of \$1,417,000 using Level 1 inputs.

The Municipal Bond Commission Account holds U.S. Treasury Notes and Bonds reported at a fair value of \$13,083,000 using Level 1 inputs. The Account also holds Treasury Securities – State and Local Government Series (“SLGS”) issues that are reported at historical cost (face value) of \$22,744,000. SLGS are special purpose securities the U.S. Department of the Treasury issues to state and local government entities, upon request by those entities, to assist them in complying with federal tax laws and Internal Revenue Service arbitrage regulations when they have cash proceeds to invest from their issuance of tax exempt bonds. There is no market for these securities as they may only be redeemed at the U.S. Department of Treasury on or before their stated maturity date at face value plus accrued interest.

The EDA-AW Account holds a U.S. Treasury bond reported at a fair value of \$1,798,000 using Level 1 inputs.

## 6. Capital Assets

Capital asset activity in the proprietary fund was as follows (in thousands):

	June 30, 2016	Increases	Decreases	June 30, 2017
Equipment, at cost	\$ 16	\$ 2	\$ -	\$ 18
Accumulated depreciation	(12)	(2)	-	(14)
Equipment, net of accumulated depreciation	<u>\$ 4</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4</u>

## 7. Related Party Transactions

### Intergovernmental Investments

The BTI is required by law to enter into certain investment transactions with other state entities. At June 30, 2017, the BTI's intergovernmental investments, which are assets of the Loan Pool, included the following:

- a. The "WVEDA Revolving Loan" is an obligation of the West Virginia Economic Development Authority (WVEDA). The terms of the loan program require the BTI to make available on a revolving basis up to \$175,000,000 for the WVEDA to use to fund economic development initiatives. The interest rate is reset on July 1 of each year and is based on the twelve month return of the WV Money Market Pool. The rate for the year ending June 30, 2017, was 0.38%. The rate has a 1% annual adjustment cap. The WVEDA makes monthly principal and interest payments calculated on a 120-month amortization of the outstanding balance. At June 30, 2017, the outstanding balance was \$124,322,462.
- b. The "WVEDA Non-recourse Loan" represents an obligation of the WVEDA. The BTI assumed the loan as of July 8, 2005. The loan was originally entered into with the West Virginia Investment Management Board on April 9, 2002. The terms of the loan allow for the WVEDA to borrow up to \$25,000,000 from the BTI through June 29, 2012. As of March 2010, the WVEDA had borrowed the maximum amount. The funds borrowed by the WVEDA are to be loaned, without recourse, to the West Virginia Enterprise Advancement Corporation (WVEAC), for investment in the West Virginia Enterprise Capital Fund, to fund certain venture capital initiatives. The loan earns interest at 3%, which is fixed for the term of the loan. The WVEDA is required to make annual principal payments of \$10,000 plus accrued interest for the first ten years. However, in the event the WVEDA has not received any returns from the investment with the WVEAC, these payments may be deferred through June 30, 2012. Beginning June 30, 2013, the WVEDA was expected to make principal and interest payments sufficient to repay all outstanding principal and accrued interest in full by June 30, 2022. On June 24, 2013, the BTI was notified by the WVEDA that the WVEDA had not received monetary returns from its venture capital investments and therefore would be unable to make the scheduled payment on June 30, 2013. At June 30, 2017, \$24,459,659 of principal was outstanding.

Because of the uncertain collectability of this loan, the BTI has elected to recognize income on a cost recovery basis. Any payments received will be applied to reduce the outstanding principal balances until that balance is fully recovered. Any amounts received after recovery of the principal balance will be recognized as interest income when received. Additionally, a valuation reserve of \$23,464,033 has been accrued at June 30, 2017.

- c. During its 2017 regular legislative session, the West Virginia State Legislature passed House Bill 3093 ("HB 3093"). The purpose of HB 3093 was to provide for the enhancement and expansion of broadband internet services throughout the state. Under provisions of the bill, the BTI is required to make available to the WVEDA, from the Consolidated Fund, up to \$50 million to insure the payment or repayment of any debt entered into by an entity for purposes of expanding broadband services to unserved and underserved areas of the state. The loan will be structured as a non-recourse, revolving loan that is payable by the WVEDA solely from moneys received in respect to the insured debt instruments. The WVEDA may not insure more than \$10 million per entity in one calendar year. The loan shall have a variable rate equal to the 12-month average yield on the WV Money Market Pool. The rate shall reset quarterly, and the maximum annual adjustment may not exceed 1%. The WVEDA shall make quarterly payments to pay all accrued interest on a loan for

the prior quarter. On a quarterly basis, the WVEDA shall determine the outstanding balance of the insured debt covered by the loan and adjust the outstanding balance of the loan to equal the outstanding balance of the insured debt. The program is effective beginning July 7, 2017.

### **Transactions with State Treasurer's Office**

The State Treasurer's Office provides various services to the BTI, some of which are reimbursed by the BTI, and others of which the Treasurer provides at no cost to the BTI. During the year ended June 30, 2017, the BTI reimbursed the Treasurer's Office \$704,000 for services, which includes \$637,000 for management services provided by Treasurer's Office employees. As of June 30, 2017, the BTI had an amount payable to the Treasurer's Office totaling \$56,000, of which \$48,000 was for management services provided by Treasurer's Office employees. Also during the year, the Treasurer's Office provided services valued at approximately \$16,000 at no cost to the BTI.

### **8. Risk Management**

The BTI is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

Board members are covered by a \$5 million blanket bond and general liability and property coverage of \$1 million per occurrence through the West Virginia State Board of Risk and Insurance Management ("BRIM"). The BTI has obtained additional coverage of \$5 million faithful performance bond through an outside underwriter. There have been no claims since the inception of the BTI.

### **9. Effect of New Accounting Pronouncements**

The GASB has issued two statements relating to accounting and financial reporting for pension and postemployment benefit plans: Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; and Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 7*. The provisions of Statement Nos. 75 and 82 are effective for periods beginning after June 15, 2017. Because the BTI has no employees, it does not participate in a pension plan or a postemployment benefit plan and will not be affected by these statements.

West Virginia Board of Treasury Investments  
Combining Statement of Fiduciary Net Position  
Fiduciary Funds  
Consolidated Fund

June 30, 2017

(In Thousands)

	<u>WV Money Market Pool</u>	<u>WV Government Money Market Pool</u>	<u>WV Short Term Bond Pool</u>	<u>WV Bank Pool</u>	<u>Loan Pool</u>
<b>Assets</b>					
Investments:					
At amortized cost	\$ 1,782,953	\$ 201,994	\$ -	\$ 79,548	\$ 125,366
At fair value	-	-	754,962	-	-
Receivables:					
Accrued interest	1,419	118	2,022	230	40
Dividends	79	-	14	-	-
Total receivables	<u>1,498</u>	<u>118</u>	<u>2,036</u>	<u>230</u>	<u>40</u>
Total assets	<u>1,784,451</u>	<u>202,112</u>	<u>756,998</u>	<u>79,778</u>	<u>125,406</u>
<b>Liabilities</b>					
Accrued expenses	259	42	208	4	6
Dividends payable	-	-	1,060	-	-
Investments purchased	3,225	-	1,999	-	-
Total liabilities	<u>3,484</u>	<u>42</u>	<u>3,267</u>	<u>4</u>	<u>6</u>
<b>Net Position</b>					
Held in trust for investment pool participants	1,780,967	202,070	753,731	79,774	125,400
Held in trust for individual investment account holders	-	-	-	-	-
Total net position	<u>\$ 1,780,967</u>	<u>\$ 202,070</u>	<u>\$ 753,731</u>	<u>\$ 79,774</u>	<u>\$ 125,400</u>

(Continued)

<b>Reserve Pool</b>	<b>Municipal Bond Commission Account</b>	<b>School Fund Account</b>	<b>Economic Development Authority - American Woodmark Account</b>	<b>Total</b>
\$ 18,845	\$ -	\$ -	\$ -	\$2,208,706
-	35,827	1,417	1,798	794,004
-	54	-	34	3,917
9	-	1	-	103
<u>9</u>	<u>54</u>	<u>1</u>	<u>34</u>	<u>4,020</u>
18,854	35,881	1,418	1,832	3,006,730
-	-	-	-	519
-	-	-	-	1,060
-	-	-	-	5,224
-	-	-	-	6,803
18,854	-	-	-	2,960,796
-	35,881	1,418	1,832	39,131
<u>\$ 18,854</u>	<u>\$ 35,881</u>	<u>\$ 1,418</u>	<u>\$ 1,832</u>	<u>\$2,999,927</u>

West Virginia Board of Treasury Investments  
Combining Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
Consolidated Fund

For the Year Ended June 30, 2017

(In Thousands)

	WV Money Market Pool	WV Government Money Market Pool	WV Short Term Bond Pool	WV Bank Pool	Loan Pool
<b>Additions</b>					
Investment income:					
Interest	\$ 8,500	\$ 829	\$ 12,327	\$ 748	\$ 461
Dividends	517	-	52	2	2
Net (amortization) accretion	7,492	349	(177)	-	-
Provision for uncollectible loans	-	-	-	-	(639)
Total investment income (loss)	<u>16,509</u>	<u>1,178</u>	<u>12,202</u>	<u>750</u>	<u>(176)</u>
Investment expenses:					
Investment advisor fees	575	78	692	-	-
Custodian bank fees	76	13	27	-	-
Administrative fees	818	106	350	50	56
Total investment expenses	<u>1,469</u>	<u>197</u>	<u>1,069</u>	<u>50</u>	<u>56</u>
Net investment income (loss)	15,040	981	11,133	700	(232)
Net realized gain from investments	56	4	68	-	-
Net decrease in fair value of investments	-	-	(1,707)	-	-
Net increase (decrease) in net position from operations	15,096	985	9,494	700	(232)
Participant transaction additions:					
Purchase of pool units by participants	10,940,299	302,675	11,813	679	10,533
Reinvestment of pool distributions	15,093	984	11,347	700	(232)
Contributions to individual investment accounts	-	-	-	-	-
Total participant transaction additions	<u>10,955,392</u>	<u>303,659</u>	<u>23,160</u>	<u>1,379</u>	<u>10,301</u>
Total additions	10,970,488	304,644	32,654	2,079	10,069
<b>Deductions</b>					
Distributions to pool participants:					
Net investment income (loss)	15,040	981	11,133	700	(232)
Net realized gain from investments	56	4	68	-	-
Total distributions to pool participants	<u>15,096</u>	<u>985</u>	<u>11,201</u>	<u>700</u>	<u>(232)</u>
Participant transaction deductions:					
Redemption of pool units by participants	10,781,148	291,749	58,871	679	9,339
Withdrawals from individual investment accounts	-	-	-	-	-
Total participant transaction deductions	<u>10,781,148</u>	<u>291,749</u>	<u>58,871</u>	<u>679</u>	<u>9,339</u>
Total deductions	<u>10,796,244</u>	<u>292,734</u>	<u>70,072</u>	<u>1,379</u>	<u>9,107</u>
Net increase (decrease) in net position from operations	174,244	11,910	(37,418)	700	962
Inter-pool transfers in	75,220	-	-	25,000	-
Inter-pool transfers out	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>(75,220)</u>	<u>-</u>
Net inter-pool transfers in (out)	<u>50,220</u>	<u>-</u>	<u>-</u>	<u>(50,220)</u>	<u>-</u>
Change in net position	224,464	11,910	(37,418)	(49,520)	962
Net position at beginning of period	<u>1,556,503</u>	<u>190,160</u>	<u>791,149</u>	<u>129,294</u>	<u>124,438</u>
Net position at end of period	<u>\$ 1,780,967</u>	<u>\$ 202,070</u>	<u>\$ 753,731</u>	<u>\$ 79,774</u>	<u>\$ 125,400</u>

(Continued)

<u>Reserve Pool</u>	<u>Municipal Bond Commission Account</u>	<u>School Fund Account</u>	<u>Economic Development Authority - American Woodmark Account</u>	<u>Total</u>
\$ -	\$ 465	\$ -	\$ 90	\$ 23,420
87	-	6	-	666
-	(180)	-	(14)	7,470
-	-	-	-	(639)
<u>87</u>	<u>285</u>	<u>6</u>	<u>76</u>	<u>30,917</u>
-	-	-	-	1,345
-	-	-	-	116
-	<u>1</u>	<u>1</u>	<u>1</u>	<u>1,383</u>
-	<u>1</u>	<u>1</u>	<u>1</u>	<u>2,844</u>
87	284	5	75	28,073
-	-	-	-	128
-	(85)	-	(125)	(1,917)
87	199	5	(50)	26,284
83	-	-	-	11,266,082
87	-	-	-	27,979
-	<u>26,098</u>	<u>414</u>	<u>-</u>	<u>26,512</u>
<u>170</u>	<u>26,098</u>	<u>414</u>	<u>-</u>	<u>11,320,573</u>
257	26,297	419	(50)	11,346,857
87	-	-	-	27,709
-	-	-	-	128
87	-	-	-	27,837
83	-	-	-	11,141,869
-	<u>15,712</u>	<u>585</u>	<u>88</u>	<u>16,385</u>
83	<u>15,712</u>	<u>585</u>	<u>88</u>	<u>11,158,254</u>
<u>170</u>	<u>15,712</u>	<u>585</u>	<u>88</u>	<u>11,186,091</u>
87	10,585	(166)	(138)	160,766
-	-	-	-	100,220
-	-	-	-	(100,220)
-	-	-	-	-
87	10,585	(166)	(138)	160,766
<u>18,767</u>	<u>25,296</u>	<u>1,584</u>	<u>1,970</u>	<u>2,839,161</u>
<u>\$ 18,854</u>	<u>\$ 35,881</u>	<u>\$ 1,418</u>	<u>\$ 1,832</u>	<u>\$ 2,999,927</u>



**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities**  
**June 30, 2017**  
*(In thousands)*

**WEST VIRGINIA MONEY MARKET POOL**

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
United States Treasury		0.875 %	0.865 %	07/15/2017	29,500	\$ 29,500	\$ 29,500
United States Treasury		0.500	0.817	07/31/2017	9,000	8,998	8,997
United States Treasury		0.625	0.818	07/31/2017	10,000	9,998	9,998
United States Treasury		0.875	0.733	10/15/2017	5,000	5,002	4,997
United States Treasury		2.250	0.826	11/30/2017	5,000	5,029	5,023
United States Treasury		1.000	1.149	12/31/2017	10,000	9,993	9,992
United States Treasury		1.275	F 1.237	01/31/2018	4,800	4,801	4,808
United States Treasury		1.193	F 1.183	04/30/2018	9,000	9,001	9,015
United States Treasury		1.177	F 1.176	07/31/2018	10,500	10,500	10,519
United States Treasury		1.173	F 1.160	10/31/2018	5,000	5,001	5,009
Total U. S. Treasury Issues	5.5%					97,823	97,858
<i>Corporate Bonds</i>							
Sumitomo Mitsui Bank		1.350	1.328	07/11/2017	1,000	1,000	1,000
Sumitomo Mitsui Bank		1.800	1.309	07/18/2017	2,200	2,200	2,200
Toronto Dominion Bank NY		1.685	F 1.685	08/10/2017	5,000	5,000	5,003
Bank of Montreal		1.682	F 1.261	08/11/2017	3,250	3,252	3,252
Westpac Banking Corp		2.000	1.291	08/14/2017	2,108	2,110	2,109
Toronto Dominion Bank NY		1.723	F 1.722	09/06/2017	5,000	5,000	5,000
Commonwealth Bk Austr NY		1.400	1.337	09/08/2017	1,800	1,800	1,800
Wells Fargo Bank		1.366	F 1.267	10/11/2017	10,000	10,000	10,002
Collateralized CP Co LLC		1.677	F 1.526	11/03/2017	5,000	5,000	5,007
Westpac Banking Corp		1.600	1.539	01/12/2018	444	444	444
Canadian Imperial Bank Comm NY		1.394	F 1.287	01/12/2018	10,000	10,000	10,003
Aust & NZ Banking Group		1.500	1.487	01/16/2018	1,930	1,930	1,930
Crown Point Capital Co		1.516	F 1.516	02/26/2018	8,000	8,000	8,000
Bedford Row Funding Corp		1.397	F 1.397	04/13/2018	15,000	15,000	15,009
Toronto Dominion Bank NY		1.377	F 1.377	05/10/2018	10,000	4,000	4,003
Total Corporate Bonds	4.2%					74,736	74,762
<i>Short Term Issues</i>							
Goldman, Sachs & Co		1.030	1.030	07/03/2017	7,200	7,200	7,200
Merrill Lynch PFS Inc		1.080	1.080	07/03/2017	53,600	53,600	53,600
BNP Paribas SA		1.100	1.100	07/03/2017	50,000	50,000	50,000
Bedford Row Funding Corp		0.000	1.297	07/03/2017	5,000	5,000	5,000
CNPC Finance HK LTD		0.000	1.318	07/03/2017	6,000	6,000	6,000
Matchpoint Finance PLC		0.000	1.217	07/03/2017	33,000	32,998	32,998
Sinopec Century Bright		0.000	1.268	07/03/2017	17,000	16,999	16,999
Starbird Funding Group		0.000	1.217	07/03/2017	23,100	23,098	23,098
Swedbank NY		1.120	1.120	07/05/2017	17,000	17,000	17,000
Sumitomo Mitsui Bank NY		1.140	1.140	07/05/2017	25,000	25,000	25,000
Sumitomo Mitsui Bank NY		1.150	1.150	07/05/2017	5,000	5,000	5,000
Banque et Caisse dEpargne		0.000	1.275	07/05/2017	5,000	4,999	4,999
CNPC Finance HK LTD		0.000	1.318	07/05/2017	19,000	18,997	18,997
Caisse Des Depots ET Con		0.000	1.120	07/05/2017	10,000	9,999	9,999
Sumitomo Mitsui Banking Corp		0.000	1.118	07/05/2017	5,000	4,999	4,999
Bedford Row Funding Corp		1.530	F 1.530	07/05/2017	9,000	9,000	9,000
BNP Paribas NY Branch		0.000	1.116	07/06/2017	25,000	24,996	24,996
CAFCO LLC		0.000	1.327	07/07/2017	5,000	4,999	4,999
Manhattan Asset Funding Co		0.000	1.046	07/07/2017	5,000	4,999	4,999

(Continued on Next Page)

F – Floating rate note security.

\* Fair value is determined by a third party pricing service and reported in accordance with GASB 72. Fair value is not determined for loans. Their reported fair value equals amortized cost.

\*\* Rate represents last business day of the month.

See accompanying notes to financial statements.

**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2017**  
*(In thousands)*

**WEST VIRGINIA MONEY MARKET POOL (Continued)**

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
DBS Bank LTD		0.000	1.118	07/10/2017	10,000	9,997	9,997
Kells Funding LLC		0.000	1.139	07/10/2017	6,200	6,198	6,198
Mitsubishi UFJ Trust & Banking		0.000	1.139	07/10/2017	20,000	19,994	19,994
Starbird Funding Group		0.000	1.241	07/10/2017	4,000	3,999	3,999
JP Morgan Securities LLC		1.470	F 1.475	07/10/2017	10,000	10,000	10,000
Bank of Montreal		0.000	1.159	07/11/2017	5,000	4,998	4,998
CRC Funding LLC		0.000	1.327	07/11/2017	5,000	4,998	4,998
Toyota Credit Canada Inc		0.000	1.306	07/11/2017	5,000	4,998	4,998
United Overseas Bk Sing		0.000	1.190	07/11/2017	7,000	6,998	6,998
DZ Bank AG Deutsche		1.517	F 1.517	07/11/2017	10,000	10,000	10,000
Fairway Finance Corp		0.000	1.119	07/12/2017	8,000	7,997	7,997
JP Morgan Securities LLC		1.476	F 1.475	07/13/2017	10,000	10,000	10,000
Bedford Row Funding Corp		0.000	1.331	07/14/2017	2,000	1,999	1,999
CRC Funding LLC		0.000	1.263	07/14/2017	15,000	14,993	14,993
Old Line Funding Corp		0.000	1.279	07/14/2017	5,000	4,998	4,998
LMA Americas LLC		0.000	1.238	07/17/2017	6,120	6,117	6,117
Australia & New Zealand Bankin		0.000	1.047	07/18/2017	10,000	9,995	9,995
Oversea-Chinese Banking		1.100	1.100	07/19/2017	13,000	13,000	13,000
LMA Americas LLC		0.000	1.168	07/19/2017	1,675	1,674	1,674
Westpac Banking Corp		0.000	1.224	07/19/2017	10,000	9,994	9,994
Bank of Montreal		1.250	1.250	07/20/2017	5,000	5,000	5,000
United States Treasury Bill		0.000	0.621	07/20/2017	10,000	9,997	9,996
Antalis SA		0.000	1.117	07/21/2017	5,000	4,997	4,997
Caisse Des Depots ET Con		0.000	1.149	07/21/2017	10,000	9,994	9,994
Toronto Dominion Bank NY		1.250	1.250	07/24/2017	5,000	5,000	5,000
Caisse Des Depots ET Con		0.000	1.242	07/24/2017	10,000	9,992	9,992
LMA Americas LLC		0.000	1.238	07/24/2017	17,600	17,586	17,586
Manhattan Asset Funding Co		0.000	1.149	07/24/2017	10,000	9,993	9,993
Mizuho Bank LTD		0.000	1.118	07/24/2017	15,000	14,989	14,989
Sumitomo Mitsui Banking Corp		0.000	1.129	07/24/2017	15,000	14,989	14,989
Manhattan Asset Funding		1.356	F 1.356	07/25/2017	15,000	15,000	15,000
Chariot Funding LLC		0.000	1.218	07/26/2017	5,000	4,996	4,996
United Overseas Bk Sing		0.000	1.172	07/28/2017	9,000	8,992	8,992
Societe Generale		0.000	1.259	07/31/2017	10,000	9,990	9,990
Starbird Funding Group		0.000	1.190	08/03/2017	7,500	7,492	7,492
United States Treasury Bill		0.000	0.889	08/03/2017	10,000	9,992	9,993
CAFCO LLC		0.000	1.119	08/04/2017	15,000	14,984	14,984
Bedford Row Funding Corp		1.744	F 1.596	08/04/2017	5,000	5,000	5,000
Canadian Imperial Bank Comm NY		1.170	1.190	08/08/2017	10,000	10,000	10,000
CRC Funding LLC		0.000	1.275	08/08/2017	560	559	559
Ciesco LP		0.000	1.222	08/08/2017	5,000	4,994	4,994
Bank of Montreal		1.400	1.400	08/09/2017	2,000	2,000	2,000
Barton Capital Corp		0.000	1.270	08/14/2017	5,000	4,992	4,992
DZ Bank AG Deutsche		0.000	1.229	08/14/2017	5,375	5,367	5,367
Versailles Commercial Paper LL		1.359	F 1.359	08/14/2017	10,000	10,000	10,003
Svenska Handelsbanken NY		1.422	F 1.422	08/15/2017	5,000	5,000	5,001
NRW Bank		0.000	1.181	08/16/2017	5,000	4,993	4,993
Starbird Funding Group		0.000	1.191	08/16/2017	10,550	10,534	10,534
Bank of Montreal		0.000	1.200	08/17/2017	5,000	4,992	4,992
CAFCO LLC		0.000	1.160	08/17/2017	5,000	4,993	4,993
Bank of Montreal		1.180	1.180	08/18/2017	5,000	5,000	5,000
DBS Bank LTD		0.000	1.169	08/21/2017	10,000	9,984	9,984
NRW Bank		0.000	1.181	08/22/2017	5,000	4,992	4,992
DNB Bank ASA		1.466	F 1.466	08/23/2017	10,000	10,000	10,000
CRC Funding LLC		0.000	1.200	08/24/2017	10,000	9,982	9,982
CRC Funding LLC		0.000	1.200	08/28/2017	5,000	4,990	4,990

(Continued on Next Page)

F – Floating rate note security.

\* Fair value is determined by a third party pricing service and reported in accordance with GASB 72. Fair value is not determined for loans. Their reported fair value equals amortized cost.

\*\* Rate represents last business day of the month.

See accompanying notes to financial statements.

**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2017**  
*(In thousands)*

**WEST VIRGINIA MONEY MARKET POOL (Continued)**

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
United States Treasury Bill		0.000	0.793	08/31/2017	20,000	19,974	19,970
Banque et Caisse d'Epargne		0.000	1.224	09/01/2017	10,000	9,979	9,979
Toronto Dominion Bank NY		1.702	F 1.702	09/01/2017	5,000	5,000	5,004
Gotham Funding Corp		0.000	1.220	09/05/2017	2,000	1,996	1,995
Nieuw Amsterdam Receivables		0.000	1.220	09/05/2017	10,000	9,978	9,976
Gotham Funding Corp		0.000	1.241	09/06/2017	17,000	16,961	16,959
Kells Funding LLC		0.000	1.176	09/06/2017	5,000	4,989	4,988
Banque et Caisse d'Epargne		0.000	1.284	09/07/2017	2,535	2,529	2,529
Old Line Funding LLC		1.423	F 1.284	09/07/2017	5,000	5,000	5,001
Toronto Dominion Bank NY		1.400	1.400	09/08/2017	3,000	3,000	3,001
Victory Receivables Corp		0.000	1.271	09/11/2017	13,000	12,967	12,961
Starbird Funding Group		0.000	1.302	09/12/2017	13,000	12,966	12,964
Victory Receivables Corp		0.000	1.282	09/13/2017	6,000	5,984	5,984
Barton Capital LLC		1.397	F 1.397	09/13/2017	10,000	10,000	10,005
Thunder Bay Funding		1.327	F 1.327	09/13/2017	5,000	5,000	5,002
Ciesco LP		0.000	1.302	09/14/2017	5,000	4,987	4,987
Gotham Funding Corp		0.000	1.312	09/15/2017	3,000	2,992	2,992
Thunder Bay Funding Inc		0.000	1.281	09/15/2017	6,529	6,512	6,511
Citibank NA		1.180	1.180	09/18/2017	12,000	12,000	11,998
Bank of Nova Scotia		0.000	1.431	09/18/2017	4,000	3,988	3,989
Fairway Finance Corp		1.362	F 1.362	09/18/2017	10,000	10,000	10,003
Bank of Montreal		1.300	1.300	09/19/2017	5,000	5,000	5,000
Liberty Street Funding LLC		0.000	1.273	09/19/2017	10,000	9,973	9,971
Starbird Funding Group		0.000	1.353	09/19/2017	300	299	299
Oversea-Chinese Banking		1.300	1.300	09/20/2017	3,500	3,500	3,500
Bank of Montreal		1.404	F 1.404	09/21/2017	10,000	10,000	10,004
United Overseas Bank LTD		1.406	F 1.406	09/22/2017	10,000	10,000	10,004
Starbird Funding Group		0.000	1.363	09/25/2017	5,000	4,984	4,983
Cooperatieve Rabobank UA		1.360	1.350	09/27/2017	1,225	1,225	1,225
Ciesco LP		0.000	1.368	10/04/2017	5,000	4,982	4,983
Bank of America NA		1.276	F 1.276	10/05/2017	5,000	5,000	5,000
Liberty Street Funding LLC		0.000	1.274	10/06/2017	10,000	9,966	9,965
Barton Capital LLC		1.464	F 1.357	10/10/2017	15,000	15,000	15,000
Old Line Funding Corp		0.000	1.323	10/12/2017	7,100	7,074	7,073
Bedford Row Funding		1.458	F 1.456	10/12/2017	9,000	9,000	9,007
Wells Fargo Bank		1.734	F 1.586	10/12/2017	10,000	10,000	10,012
Commonwealth Bank of Australia		1.558	F 1.561	10/12/2017	10,000	10,000	10,011
Malayan Banking BHD		0.000	1.471	10/16/2017	8,000	7,966	7,969
Alpine Sec LTD		1.409	F 1.414	10/16/2017	10,000	10,000	10,000
DZ Bank NY		1.300	1.300	10/20/2017	10,000	10,000	10,000
United States Treasury Bill		0.000	0.973	10/26/2017	15,000	14,953	14,950
Malayan Banking BHD		0.000	1.481	10/31/2017	4,000	3,980	3,982
Anglesea Funding LLC		0.000	1.368	11/01/2017	10,000	9,954	9,953
Banque et Caisse d'Epargne		0.000	1.296	11/02/2017	5,000	4,978	4,978
Banque et Caisse d'Epargne		0.000	1.296	11/03/2017	2,000	1,991	1,991
Bank of Montreal		1.522	F 1.522	11/03/2017	5,000	5,000	5,005
Ciesco LP		0.000	1.327	11/07/2017	5,000	4,977	4,975
Wells Fargo Bank		1.559	F 1.562	11/07/2017	9,000	9,000	9,012
Banque et Caisse d'Epargne		0.000	1.347	11/08/2017	10,000	9,952	9,955
Toronto Dominion Bank NY		1.479	F 1.479	11/08/2017	5,000	5,000	5,005
Wells Fargo Bank		1.300	1.300	11/09/2017	5,000	5,000	5,001
Oversea Chinese Banking Corp		1.230	F 1.230	11/09/2017	4,500	4,500	4,500
Collateralized CP Co LLC		1.644	F 1.516	11/09/2017	5,000	5,000	5,006
Oversea - Chinese Banking		0.000	1.338	11/10/2017	10,000	9,952	9,951
Skandinavisk Enskilda Bank NY		1.335	F 1.335	11/10/2017	10,000	10,000	10,004

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See accompanying notes to financial statements.

**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2017**  
*(In thousands)*

<b>WEST VIRGINIA MONEY MARKET POOL (Continued)</b>							
<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
DNB Nor Bank ASA		1.180	F	1.181	11/13/2017	11,000	10,998
Bank of Nova Scotia		1.480	F	1.480	11/16/2017	8,000	8,007
National Australia Bank		1.460	F	1.460	11/16/2017	9,000	9,008
Svenska Handelsbanken NY		1.260		1.260	11/17/2017	10,000	9,998
Toronto Dominion Bank NY		1.736	F	1.736	11/22/2017	5,000	5,009
Versailles Commercial Paper LL		1.420	F	1.420	11/27/2017	15,000	14,999
Collateralized CP Co LLC		1.572	F	1.572	11/28/2017	5,000	5,006
Old Line Funding LLC		1.367	F	1.216	12/04/2017	9,000	9,000
Anglesea Funding LLC		1.542	F	1.547	12/05/2017	10,000	10,011
Charta LLC		0.000		1.388	12/07/2017	5,000	4,968
Collateralized CP Co LLC		1.467	F	1.467	12/11/2017	4,000	4,004
Charta LLC		0.000		1.430	12/19/2017	5,000	4,965
United States Treasury Bill		0.000		1.106	12/21/2017	15,000	14,924
Citibank NA		1.400		1.400	12/26/2017	5,000	5,000
Westpac Banking Corp		1.727	F	1.581	12/27/2017	9,000	9,018
Thunder Bay Funding		1.374	F	1.226	01/04/2018	5,000	5,000
JP Morgan Chase Bank USA		1.576	F	1.576	01/05/2018	5,000	5,010
Toyota Motor Fin Neth Bv		1.404	F	1.408	01/11/2018	5,000	5,001
Toronto Dominion Bank NY		1.520		1.520	01/16/2018	2,000	2,002
Bedford Row Funding Corp		1.729	F	1.729	01/18/2018	5,000	5,010
Wells Fargo Bank		1.756	F	1.756	01/24/2018	5,000	5,011
Skandinav Enskilda Bank NY		1.182	F	1.180	02/02/2018	8,000	7,999
Toronto Dominion Bank NY		1.440	F	1.440	02/02/2018	5,000	5,005
Barton Capital LLC		1.467	F	1.300	02/02/2018	5,000	4,999
Barton Capital LLC		1.477	F	1.310	02/02/2018	10,000	10,000
Wells Fargo Bank		1.459	F	1.459	02/06/2018	5,000	5,005
ASB Finance LTD		1.619	F	1.619	02/15/2018	9,000	9,019
Alpine Sec LTD		1.409	F	1.413	02/16/2018	5,000	4,999
Thunder Bay Funding LLC		1.372	F	1.372	02/20/2018	7,000	7,000
Alpine Sec LTD		1.466	F	1.466	02/22/2018	10,000	9,999
ANZ National LTD		1.376	F	1.376	03/22/2018	10,000	10,001
Crown Point Capital Co		1.516	F	1.516	03/22/2018	8,000	8,000
Bank of Nova Scotia		0.000		1.483	03/23/2018	5,000	4,946
Bank of Nova Scotia		0.000		1.503	03/27/2018	10,000	9,891
Bedford Row Funding		1.514	F	1.517	03/29/2018	4,000	4,003
Commonwealth Bank of Australia		1.402	F	1.402	04/16/2018	5,000	5,005
BNZ International Funding		1.389	F	1.389	04/18/2018	9,000	9,001
Canadian Imperial Bank		1.308	F	1.308	04/19/2018	5,000	5,002
Canadian Imperial Bank Comm NY		1.442	F	1.442	04/20/2018	5,000	5,002
Wells Fargo Bank		1.284	F	1.284	05/04/2018	9,000	8,996
Commonwealth Bank of Australia		1.424	F	1.317	05/10/2018	5,000	5,003
Rabobank Nederland NV		1.242	F	1.242	05/15/2018	9,000	8,998
Bank of Montreal		1.356	F	1.356	05/23/2018	5,000	5,002
Commonwealth Bank of Australia		1.397	F	1.249	05/31/2018	6,000	6,002
Toronto Dominion Bank NY		1.389	F	1.339	06/15/2018	4,500	4,501
Federated		0.850	**			200	200
Federated		1.120	**			89,594	89,604
BlackRock Liquidity		0.860	**			10,201	10,201
Total Short Term Issues	<u>90.3%</u>					<u>1,610,394</u>	<u>1,610,593</u>
<b>Total Money Market Pool</b>	<u>100.0%</u>					<u>\$ 1,782,953</u>	<u>\$ 1,783,213</u>

F – Floating rate note security.

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**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2017**  
*(In thousands)*

**WEST VIRGINIA GOVERNMENT MONEY MARKET POOL**

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
United States Treasury		0.875 %	0.831 %	07/15/2017	6,000	\$ 6,000	\$ 6,000
United States Treasury		0.625	0.818	07/31/2017	3,000	3,000	2,999
United States Treasury		0.625	0.803	08/31/2017	2,000	1,999	1,999
United States Treasury		1.875	0.769	09/30/2017	8,000	8,022	8,015
United States Treasury		0.875	0.740	10/15/2017	6,000	6,002	5,996
United States Treasury		1.171	F 1.178	10/31/2017	2,500	2,500	2,502
United States Treasury		1.000	1.149	12/31/2017	2,000	1,999	1,998
United States Treasury		0.875	0.848	01/31/2018	1,250	1,250	1,248
United States Treasury		1.275	F 1.237	01/31/2018	1,200	1,200	1,202
United States Treasury		1.193	F 1.183	04/30/2018	2,000	2,000	2,003
United States Treasury		1.173	F 1.165	10/31/2018	2,000	2,000	2,004
Total U. S. Treasury Issues	17.8%					35,972	35,966
<i>U. S. Government Agency Bonds</i>							
Federal Home Loan Bank		1.024	F 1.024	09/14/2017	1,000	1,000	1,000
Federal Home Loan Bank		1.080	F 1.086	10/10/2017	1,500	1,500	1,501
Federal National Mortgage Assn		1.275	F 1.128	01/11/2018	1,500	1,500	1,501
Federal Home Loan Bank		1.179	F 1.179	01/18/2018	1,000	1,000	1,001
Federal Home Loan Bank		1.056	F 1.054	06/05/2018	1,000	1,000	1,000
Federal Home Loan Mort Corp		0.928	F 0.928	07/17/2018	1,000	1,000	1,000
Federal Home Loan Bank		0.988	F 0.994	03/06/2019	1,000	1,000	999
Total U. S. Government Agency Bonds	4.0%					8,000	8,002
<i>Short Term Issues</i>							
Goldman, Sachs & Co		1.030	1.030	07/03/2017	49,000	49,000	49,000
Federal Home Loan Bank		0.000	0.742	07/03/2017	2,000	2,000	2,000
Federal Home Loan Bank		0.000	0.823	07/05/2017	3,000	3,000	3,000
Federal Home Loan Bank		0.000	0.833	07/07/2017	2,500	2,500	2,500
Federal Home Loan Bank		0.000	0.792	07/10/2017	3,000	3,000	2,999
Federal Home Loan Bank		0.000	0.843	07/12/2017	7,000	6,998	6,998
United States Treasury Bill		0.000	0.613	07/13/2017	5,000	4,999	4,999
Federal Home Loan Bank		0.000	0.620	07/14/2017	2,000	2,000	1,999
Federal Home Loan Bank		0.000	0.629	07/19/2017	2,000	1,999	1,999
Federal Home Loan Bank		0.000	1.020	07/21/2017	11,000	10,994	10,994
Federal Home Loan Bank		0.000	0.841	07/24/2017	7,000	6,996	6,996
Federal Home Loan Bank		0.000	0.928	07/26/2017	3,250	3,248	3,248
Federal Home Loan Bank		0.000	0.651	08/01/2017	2,000	1,999	1,998
Federal Home Loan Bank		0.000	1.045	08/03/2017	3,000	2,997	2,997
Federal Home Loan Bank		0.000	0.925	08/04/2017	3,200	3,197	3,197
Federal Home Loan Bank		0.000	0.651	08/09/2017	2,000	1,999	1,998
Federal Home Loan Bank		0.000	0.960	08/11/2017	5,000	4,995	4,995
Federal Home Loan Bank		0.000	0.776	08/16/2017	3,000	2,997	2,996
Federal Home Loan Bank		0.000	0.966	08/23/2017	2,000	1,997	1,997
Federal Home Loan Bank		0.000	0.883	08/25/2017	3,000	2,996	2,996
Federal Home Loan Bank		0.000	1.057	08/29/2017	2,669	2,664	2,665
Federal Home Loan Bank		0.000	1.046	08/30/2017	2,000	1,997	1,997
Federal Home Loan Bank		0.000	1.061	09/06/2017	7,409	7,395	7,395
Federal Home Loan Bank		0.000	1.063	09/08/2017	12,000	11,976	11,976
Federal Home Loan Bank		0.000	0.987	09/11/2017	4,000	3,992	3,992
Federal Home Loan Mort Corp		0.000	0.905	09/15/2017	2,000	1,996	1,996

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See accompanying notes to financial statements.

**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2017**  
*(In thousands)*

**WEST VIRGINIA GOVERNMENT MONEY MARKET POOL (Continued)**

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
Federal Farm Credit Bank		0.000	0.712	09/20/2017	1,000	998	998
Federal Home Loan Bank		0.000	1.052	09/27/2017	2,000	1,995	1,995
Federal Home Loan Bank		0.000	1.099	10/27/2017	1,000	996	997
United States Treasury Bill		0.000	0.986	11/02/2017	2,000	1,993	1,993
BlackRock Liquidity		0.860 **			2,109	2,109	2,109
Total Short Term Issues	<u>78.2%</u>					<u>158,022</u>	<u>158,019</u>
<b>Total Government Money Market Pool</b>	<u>100.0%</u>					<u>\$ 201,994</u>	<u>\$ 201,987</u>

**WEST VIRGINIA SHORT TERM BOND POOL**

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
United States Treasury		1.250 %	1.284 %	04/30/2019	3,000	\$ 2,998	\$ 2,993
United States Treasury		0.875	0.846	06/15/2019	19,000	19,011	18,814
United States Treasury		0.750	0.846	07/15/2019	500	499	494
United States Treasury		0.750	0.878	08/15/2019	25,000	24,933	24,660
United States Treasury		1.000	0.992	10/15/2019	39,000	39,007	38,631
United States Treasury		1.375	1.536	12/15/2019	2,000	1,992	1,996
Total U. S. Treasury Issues	11.6%					88,440	87,588
<i>U. S. Agency Issues</i>							
Federal Home Loan Mort Corp		1.409	F 1.509	03/15/2021	37	37	37
Federal Home Loan Mort Corp		1.409	F 1.507	06/15/2021	19	19	19
Federal Home Loan Mort Corp		1.659	F 1.660	04/15/2027	192	192	194
Federal Home Loan Mort Corp		1.659	F 1.660	04/15/2028	220	220	221
Federal Home Loan Mort Corp		1.359	F 1.431	10/15/2028	353	352	351
Federal Home Loan Mort Corp		1.509	F 1.558	04/15/2029	279	278	279
Federal Home Loan Mort Corp		1.759	F 1.750	08/15/2030	126	126	128
Federal Home Loan Mort Corp		1.409	F 1.470	09/15/2030	105	105	106
Federal Home Loan Mort Corp		1.659	F 1.716	09/15/2030	61	61	62
Federal Home Loan Mort Corp		1.459	F 1.517	04/15/2031	374	373	373
Federal Home Loan Mort Corp		1.559	F 1.560	06/15/2031	131	131	131
Federal Home Loan Mort Corp		1.559	F 1.564	07/15/2031	90	90	90
Federal Home Loan Mort Corp		1.609	F 1.611	12/15/2031	195	195	196
Federal Home Loan Mort Corp		1.609	F 1.611	12/15/2031	148	148	148
Federal Home Loan Mort Corp		1.709	F 1.712	02/15/2032	188	188	190
Federal Home Loan Mort Corp		1.609	F 1.611	03/15/2032	159	159	159
Federal Home Loan Mort Corp		1.659	F 1.661	03/15/2032	149	149	150
Federal Home Loan Mort Corp		1.659	F 1.661	03/15/2032	428	428	430
Federal Home Loan Mort Corp		1.659	F 1.661	04/15/2032	205	205	206
Federal Home Loan Mort Corp		1.659	F 1.661	07/15/2032	483	483	485
Federal Home Loan Mort Corp		1.559	F 1.561	10/15/2032	307	307	310
Federal Home Loan Mort Corp		1.609	F 1.611	11/15/2032	150	150	150
Federal Home Loan Mort Corp		1.559	F 1.561	01/15/2033	234	234	234
Federal Home Loan Mort Corp		1.559	F 1.561	02/15/2033	582	582	582
Federal National Mortgage Assn		1.616	F 1.615	03/25/2033	29	29	29

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**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2017**  
*(In thousands)*

**WEST VIRGINIA SHORT TERM BOND POOL (Continued)**

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
Federal Home Loan Mort Corp		1.609	F	1.624	06/15/2034	314	317
Federal Home Loan Mort Corp		1.459	F	1.539	09/15/2035	233	233
Federal National Mortgage Assn		1.466	F	1.794	03/25/2036	594	591
Government National Mort Assn		1.393	F	1.668	12/20/2060	2,931	2,922
Government National Mort Assn		1.493	F	1.710	12/20/2060	2,482	2,478
Government National Mort Assn		1.593	F	1.787	02/20/2061	3,911	3,933
Government National Mort Assn		1.493	F	1.710	06/20/2062	3,614	3,619
Government National Mort Assn		1.513	F	1.725	08/20/2062	1,693	1,697
Government National Mort Assn		1.333	F	1.585	12/20/2062	2,206	2,194
Government National Mort Assn		1.393	F	1.630	03/20/2063	3,156	3,148
Government National Mort Assn		1.443	F	1.669	04/20/2063	2,945	2,944
Government National Mort Assn		1.693	F	1.875	08/20/2063	4,026	4,060
Government National Mort Assn		1.393	F	1.636	04/20/2065	3,943	3,929
Total U.S. Agency Issues	4.9%					37,294	37,287
<i>Corporate Issues</i>							
<i>Corporate Bonds</i>							
American Honda Finance		1.328	F	1.328	07/14/2017	1,300	1,300
Manufacturers & Traders Trust		1.456	F	1.456	07/25/2017	4,750	4,751
Weyerhaeuser Company		6.950		1.575	08/01/2017	2,000	2,007
PRICOA Global Funding		1.350		1.374	08/18/2017	2,000	2,000
Reynolds American Inc		2.300		1.480	08/21/2017	2,000	2,002
American Express Credit		1.587	F	1.590	09/22/2017	1,035	1,035
HP Enterprise CO		2.450		2.482	10/05/2017	1,362	1,365
Bayer US Finance LLC		1.430	F	1.430	10/06/2017	4,650	4,650
ERAC USA Finance LLC		6.375		1.763	10/15/2017	1,813	1,836
Hutch Whampoa International		1.625		1.704	10/31/2017	2,000	1,999
Mississippi State		1.750	F	1.755	11/01/2017	2,000	1,999
Alibaba Group Holding		1.625		1.663	11/28/2017	4,000	3,999
AT&T Inc		1.400		1.793	12/01/2017	3,000	2,995
Ford Motor Credit Company		1.793	F	1.792	12/06/2017	1,000	1,000
Carnival Corp		1.875		1.806	12/15/2017	2,000	2,001
Schlumberger Holdings Corp		1.900		1.917	12/21/2017	1,500	1,500
Canadian Natural Resources Ltd		1.750		1.776	01/15/2018	735	735
Wells Fargo Bank NA		1.650		1.665	01/22/2018	5,000	4,999
JP Morgan Chase		2.056	F	2.056	01/25/2018	1,000	1,000
US Bank NA		1.350		1.402	01/26/2018	2,000	1,999
International Business Machs		1.125		1.229	02/06/2018	2,000	1,999
MUFG Americas Holding Corp		1.625		1.648	02/09/2018	2,000	2,000
Discover Bank		2.000		2.101	02/21/2018	2,000	1,999
PNC Bank NA		1.500		1.509	02/23/2018	5,000	5,000
Goldcorp Inc		2.125		1.979	03/15/2018	2,000	2,002
Hyundai Capital America		2.000		2.086	03/19/2018	2,000	1,999
Bank of Montreal		1.755	F	1.755	04/09/2018	5,000	5,000
Wal-Mart Stores		1.125		1.144	04/11/2018	5,000	4,999
Telefonica Emisiones		3.192		2.377	04/27/2018	2,000	2,013
Enterprise Products		1.650		1.691	05/07/2018	2,000	1,999
BP Capital Markets PLC		1.695	F	1.580	05/10/2018	5,000	5,005
Grupo Televisa SA		6.000		2.810	05/15/2018	2,629	2,701
HSBC Bank		1.822	F	1.728	05/15/2018	5,000	5,004
Wisconsin Energy Corporation		1.650		1.669	06/15/2018	2,000	1,999
Westpac Banking Corp		1.912	F	1.910	07/30/2018	2,000	2,000
Shell International Finance		1.900		1.278	08/10/2018	4,000	4,027

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F – Floating rate note security.

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\*\* Rate represents last business day of the month.

See accompanying notes to financial statements.

**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2017**  
*(In thousands)*

**WEST VIRGINIA SHORT TERM BOND POOL (Continued)**

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>	
HSBC Bank		2.176	F	2.176	09/24/2018	5,000	5,000	5,034
Principal Life Global Fund		2.250		2.297	10/15/2018	2,750	2,748	2,766
Stanley Black & Decker Inc		1.622		1.618	11/17/2018	1,020	1,020	1,018
Coca-Cola Femsa SAB		2.375		2.403	11/26/2018	3,000	2,999	3,015
Wells Fargo Bank NA		1.800		1.843	11/28/2018	3,000	2,998	3,006
Marathon Petroleum Corp		2.700		2.728	12/14/2018	1,170	1,170	1,179
New York Life Global FDG		2.100		2.124	01/02/2019	4,000	3,998	4,019
Bank of America Corp		2.198	F	2.198	01/15/2019	4,000	4,000	4,050
Oracle Corporation		1.738	F	1.738	01/15/2019	4,450	4,450	4,488
Petroleos Mexicanos		3.125		3.125	01/23/2019	300	300	302
BB&T Corporation		1.830	F	1.830	02/01/2019	4,000	4,000	4,028
Mondelez International		1.690	F	1.690	02/01/2019	2,000	2,000	2,008
Cisco Systems Inc		1.600		1.601	02/28/2019	1,700	1,700	1,700
Fifth Third Bancorp		2.300		2.330	03/01/2019	625	625	628
Cisco Systems Inc		1.702	F	1.702	03/01/2019	2,350	2,350	2,367
Nissan Motor Acceptance		2.350		2.360	03/04/2019	2,000	2,000	2,011
Citizens Bank NA/RI		2.500		2.504	03/14/2019	1,320	1,320	1,330
Newell Rubbermaid Inc		2.600		1.716	03/29/2019	362	367	366
Huntington National Bank		2.200		2.233	04/01/2019	1,480	1,479	1,482
Bank of America Corp		2.018	F	2.018	04/01/2019	3,950	3,950	3,986
MassMutual Global Funding		2.350		2.373	04/09/2019	4,000	3,998	4,036
Capital One Financial Corp		2.450		2.466	04/24/2019	3,000	2,999	3,016
American Express Credit		1.875		1.896	05/03/2019	2,000	1,999	2,000
Ford Motor Credit Company		2.021		2.021	05/03/2019	1,000	1,000	998
Union Bank NA		2.250		2.298	05/06/2019	615	614	618
Apple Computer Inc		1.479	F	1.479	05/06/2019	5,000	5,000	5,027
Comerica Inc		2.125		2.125	05/23/2019	850	850	848
Ryder System Inc		2.550		2.575	06/01/2019	2,100	2,099	2,122
Diamond 1 Fin/Diamond 2		3.480		3.483	06/01/2019	1,950	1,949	1,996
Penske Truck Leasing		2.500		2.503	06/15/2019	2,000	2,000	2,010
Emera US Finance LP		2.150		2.163	06/15/2019	830	830	829
Norfolk Southern Corp		5.900		2.147	06/15/2019	2,000	2,143	2,152
Verizon Communications		2.037	F	2.037	06/17/2019	2,000	2,000	2,015
Daimler Finance NA		1.500		1.551	07/05/2019	3,640	3,636	3,605
Molson Coors Brewing Co		1.450		1.467	07/15/2019	770	770	761
American International Grp Inc		2.300		2.343	07/16/2019	4,000	3,997	4,021
TEVA Pharmaceuticals NE		1.700		1.703	07/19/2019	2,350	2,350	2,329
Citigroup Inc		2.500		2.513	07/29/2019	5,000	4,999	5,045
CBS Corp		2.300		2.365	08/15/2019	3,000	2,996	3,020
Tyson Foods Inc		2.650		2.664	08/15/2019	1,000	1,000	1,013
Bank of New York Mellon		1.708	F	1.708	09/11/2019	2,100	2,100	2,114
Nissan Motor Acceptance		1.756	F	1.756	09/13/2019	2,000	2,000	2,007
Brit Sky Broadcasting		2.625		2.657	09/16/2019	885	884	891
JP Morgan Chase Bank		1.650		1.685	09/23/2019	1,110	1,109	1,104
Shire Acq Inv Ireland DA		1.900		1.928	09/23/2019	2,000	1,999	1,991
Fifth Third Bancorp		1.625		1.682	09/27/2019	2,290	2,287	2,268
ERAC USA Finance LLC		2.350		2.380	10/15/2019	2,000	1,999	2,003
Danone SA		1.691		1.691	10/30/2019	1,770	1,770	1,756
Daimler Finance NA		1.792	F	1.790	10/30/2019	4,000	4,000	4,017
Public Service Enterprise Grp		1.600		1.640	11/15/2019	740	739	732
Associated Banc-Corp		2.750		2.779	11/15/2019	1,405	1,404	1,415
Abbott Laboratories		2.350		2.384	11/22/2019	2,985	2,983	3,007
Ford Motor Credit Company		2.155	F	2.155	01/09/2020	2,000	2,000	2,014
Nissan Motor Acceptance		2.250		2.252	01/13/2020	2,000	2,000	2,005
Broadcom Crp / Caym FI		2.375		2.454	01/15/2020	2,000	1,996	2,003

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See accompanying notes to financial statements.



**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2017**  
*(In thousands)*

**WEST VIRGINIA SHORT TERM BOND POOL (Continued)**

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
Exelon Generation Co LLC		2.950	2.621	01/15/2020	1,500	1,512	1,523
National Rural Utilities		2.000	2.044	01/27/2020	1,975	1,973	1,980
SunTrust Bank		2.250	2.263	01/31/2020	3,920	3,919	3,937
Smithfield Foods Inc		2.700	2.715	01/31/2020	820	820	825
Caterpillar Financial Services		2.000	1.716	03/05/2020	4,000	4,030	3,997
Huntington National Bank		1.738	F 1.738	03/10/2020	1,750	1,750	1,755
AFLAC Inc		2.400	2.406	03/16/2020	2,000	2,000	2,021
duPont EI de Nemours Co		1.700	F 1.700	05/01/2020	2,000	2,000	2,012
Daimler Finance NA		1.701	F 1.701	05/05/2020	1,350	1,350	1,353
Qualcomm Inc		2.100	2.102	05/20/2020	2,250	2,250	2,260
MetLife Global Funding		2.050	2.051	06/12/2020	4,000	4,000	3,996
Ford Motor Credit Company		2.018	F 2.018	06/12/2020	2,000	2,000	2,000
Bank of Montreal		1.686	F 1.686	06/15/2020	4,000	4,000	4,000
AT&T Inc		2.226	F 2.226	06/30/2020	2,100	2,100	2,127
AIG Global Funding		2.150	2.172	07/02/2020	2,000	1,999	1,999
General Motors Financial Co		3.200	3.206	07/13/2020	2,000	2,000	2,038
Charter Communications		3.579	3.582	07/23/2020	2,230	2,230	2,304
JP Morgan Chase		2.377	F 2.375	10/29/2020	3,000	3,000	3,064
Stifel Financial Corp		3.500	3.585	12/01/2020	1,950	1,945	1,990
BAE Systems Holdings Inc		2.850	2.926	12/15/2020	1,790	1,785	1,814
Goldman Sachs Group Inc		2.023	F 2.023	12/27/2020	4,000	4,000	4,007
Anheuser Busch Finance		2.650	2.717	02/01/2021	5,000	4,989	5,067
Regions Financial Corp		3.200	3.223	02/08/2021	1,950	1,948	1,994
Crown Castle INTL Corp		3.400	3.405	02/15/2021	2,000	2,000	2,054
Exelon Corp		2.450	2.455	04/15/2021	1,000	1,000	997
Citizens Bank NA/RI		2.550	2.534	05/13/2021	1,800	1,801	1,801
Chevron Corp		2.130	F 2.130	05/16/2021	4,000	4,000	4,094
CVS Corp		2.125	2.184	06/01/2021	1,000	998	988
Citizens Financial Group		2.375	2.386	07/28/2021	2,660	2,659	2,637
Microsoft Corporation		1.550	1.572	08/08/2021	3,000	2,997	2,935
Ryder System Inc		2.250	2.296	09/01/2021	1,250	1,248	1,234
Commonwealth Bank of Australia		2.053	F 2.052	09/06/2021	4,000	4,000	4,029
BP Capital Markets PLC		2.120	F 2.120	09/16/2021	2,220	2,220	2,259
Fortis Inc		2.100	2.154	10/04/2021	1,100	1,098	1,077
Roper Technologies INC		2.800	2.834	12/15/2021	2,000	1,997	2,017
Toyota Motor Credit Corp		1.995	F 1.850	01/11/2022	5,000	5,000	5,069
General Motors Financial Co		2.708	F 2.708	01/14/2022	3,640	3,640	3,712
Morgan Stanley		2.336	F 2.177	01/20/2022	6,000	6,041	6,060
Capital One Financial Corp		2.171	F 2.171	03/09/2022	2,060	2,060	2,056
Petroleos Mexicanos		4.878	F 4.878	03/11/2022	2,000	2,000	2,157
Eversource Energy		2.750	2.780	03/15/2022	2,900	2,896	2,922
Verizon Communications		2.250	F 2.250	03/16/2022	1,670	1,670	1,690
Ford Motor Credit Company		2.565	F 2.573	03/28/2022	2,860	2,860	2,879
Citigroup Inc		2.116	F 2.116	04/25/2022	4,000	4,000	4,022
Goldman Sachs Group Inc		2.277	F 2.211	04/26/2022	4,000	4,012	4,030
Becton Dickinson & Company		2.253	F 2.252	06/06/2022	2,000	2,000	2,005
AstraZeneca Group PLC		1.848	F 1.848	06/10/2022	2,150	2,150	2,152
Reckitt Benckiser TSY		1.856	F 1.856	06/24/2022	4,000	4,000	4,004
Compass Bank		2.875	2.910	06/29/2022	2,000	1,997	1,992
Healthcare Trust of America		2.950	2.963	07/01/2022	2,000	1,999	2,001
Total U. S. Corporate Bonds	46.6%					349,834	351,501

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**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2017**  
*(In thousands)*

**WEST VIRGINIA SHORT TERM BOND POOL (Continued)**

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Corporate Asset Backed Issues</i>							
Ohio Phase-In-Recovery Funding		0.958	0.957	07/01/2018	197	197	197
Ford Credit Auto Lease Trust		1.310	1.319	08/15/2018	1,861	1,861	1,861
Smart Trust		1.659	F 1.665	09/14/2018	1,204	1,204	1,203
GM Financial Leasing Trust		1.530	1.542	09/20/2018	1,559	1,558	1,559
Honda Auto Receivables		1.050	1.056	10/15/2018	1,508	1,508	1,507
World Omni Auto Lease		1.540	1.556	10/15/2018	3,000	3,000	3,001
Volkswagen Auto Loan Trust		0.910	1.369	10/22/2018	222	221	221
ARI Fleet Lease Trust		1.110	1.119	11/15/2018	234	234	234
BMW Vehicle Lease Trust		1.550	1.559	02/20/2019	1,740	1,740	1,740
Capital Auto Receivables Asset		1.620	1.627	03/20/2019	1,085	1,085	1,085
Drive Auto Receivables Trust		1.740	1.751	06/17/2019	2,200	2,200	2,200
Hyundai Auto Lease Trust		1.650	1.661	08/15/2019	5,000	4,999	5,003
Master Credit Card Trust		1.964	F 1.972	09/23/2019	4,000	4,000	4,019
Americredit Automobile Rec		1.260	1.265	11/08/2019	376	376	375
CNH Equipment Trust		1.050	1.054	11/15/2019	583	583	582
Drive Auto Receivables Trust		1.670	1.681	11/15/2019	3,800	3,800	3,800
Hyundai Auto Lease Trust		1.800	1.811	12/16/2019	2,000	2,000	2,003
Americredit Automobile Rec		1.270	1.281	01/08/2020	2,054	2,054	2,052
Drive Auto Receivables Trust		1.770	1.781	01/15/2020	2,000	2,000	2,001
Golden Credit Card Trust		1.599	F 1.578	02/15/2020	4,000	4,001	4,007
PFS Financing Corp		2.359	F 2.368	02/18/2020	2,900	2,900	2,912
BMW Vehicle Lease Trust		1.570	1.570	02/20/2020	1,000	1,000	996
Drive Auto Receivables Trust		1.860	1.870	03/16/2020	1,000	1,000	1,000
Enterprise Fleet Financing LLC		1.050	1.058	03/20/2020	388	388	388
Securitized Term Auto Receivab		1.524	1.529	03/25/2020	2,900	2,900	2,888
Evergreen Credit Card Trust		1.879	F 1.886	04/15/2020	3,750	3,750	3,767
PFS Financing Corp		1.779	F 1.785	04/15/2020	2,500	2,500	2,500
Ford Credit Auto Lease Trust		2.020	2.037	06/15/2020	2,500	2,500	2,505
BMW Vehicle Lease Trust		2.180	2.190	06/22/2020	5,100	5,100	5,129
Americredit Automobile Rec		1.700	1.713	07/08/2020	1,170	1,170	1,170
Kubota Credit Owner Trust		1.500	1.517	07/15/2020	2,500	2,499	2,484
California Republic Auto Rec		1.560	1.571	07/15/2020	2,000	2,000	1,998
Cards II Trust		1.679	F 1.685	07/15/2020	5,000	5,000	5,000
Great American Leasing		1.470	1.481	08/15/2020	2,108	2,108	2,108
Capital Auto Receivables Asset		1.540	1.551	08/20/2020	1,350	1,350	1,348
GM Financial Auto Leasing		2.260	2.277	08/20/2020	1,650	1,650	1,654
Santander Drive Auto Rec		1.770	1.777	09/15/2020	2,250	2,250	2,251
Volvo Financial Equipment		1.890	1.900	09/15/2020	1,500	1,500	1,500
First National Master Trust		1.929	F 1.937	09/15/2020	3,500	3,500	3,504
Dell Equipment Finance Trust		1.720	1.728	09/22/2020	1,730	1,730	1,731
Americredit Automobile Rec		1.810	1.822	10/08/2020	1,340	1,340	1,342
Volvo Financial Equipment LLC		1.300	1.304	11/16/2020	1,569	1,569	1,568
Hyundai Floorplan Master Owner		1.810	1.825	03/15/2021	2,450	2,449	2,448
Golden Credit Card Trust		1.609	F 1.614	03/15/2021	2,950	2,950	2,958
Nissan Auto Lease Trust		1.700	1.712	04/15/2021	3,500	3,499	3,500
Hyundai Auto Lease Securitized		2.130	2.143	04/15/2021	4,000	4,000	4,022
Nextgear Floorplan		2.859	F 2.876	04/15/2021	2,000	2,000	2,032
PFS Financing Corp		1.739	F 1.745	03/15/2021	3,000	3,000	3,006
Mercedes Benz Auto Lease Trust		1.530	1.538	05/17/2021	1,830	1,830	1,830
Trillium Credit Card Trust II		1.936	F 1.944	05/26/2021	3,800	3,800	3,818
GM Financial Auto Leasing		2.180	2.200	06/21/2021	1,500	1,500	1,497

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**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2017**  
*(In thousands)*

**WEST VIRGINIA SHORT TERM BOND POOL (Continued)**

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
Discover Card Master Trust		1.640	1.655	07/15/2021	2,500	2,500	2,500
Macquarie Equipment Funding		1.230	1.234	07/20/2021	582	582	581
Master Credit Card Trust		2.260	2.281	07/21/2021	4,000	3,999	4,032
Dell Equipment Finance Trust		1.650	1.656	07/22/2021	850	850	850
Great American Leasing		2.110	1.977	08/15/2021	2,000	2,006	2,003
Nextgear Floorplan		2.190	2.210	09/15/2021	2,000	2,000	1,993
Enterprise Fleet Financing LLC		1.830	1.841	09/20/2021	2,505	2,505	2,505
Navistar Financial Dealer Note		2.566	F 2.580	09/27/2021	4,600	4,600	4,625
PFS Financing Corp		1.870	1.878	10/15/2021	1,250	1,250	1,244
Mercedes-Benz Auto Lease Trust		1.690	1.697	11/15/2021	2,000	2,000	2,001
AmeriCredit Automobile Rec		1.980	1.980	12/20/2021	2,400	2,400	2,402
Chrysler Capital Auto Rec		1.960	1.970	01/18/2022	3,000	3,000	3,001
GMF Floorplan		2.220	2.237	01/18/2022	2,000	2,000	2,008
GE Dealer Floorplan		1.862	F 1.869	01/20/2022	5,000	5,000	5,033
Enterprise Fleet Financing LLC		2.040	2.057	02/22/2022	1,375	1,375	1,369
Nextgear Floorplan		2.540	2.556	04/18/2022	4,000	4,000	4,012
Cards II Trust		1.529	F 1.534	04/18/2022	2,800	2,800	2,803
First National Master Trust		1.559	F 1.564	04/18/2022	1,200	1,200	1,201
Dell Equipment Finance Trust		2.140	2.152	04/22/2022	2,650	2,650	2,654
Mercedes-Benz Auto Lease		1.520	1.520	06/15/2022	1,160	1,160	1,157
Capital One Multi Asset Trust		1.519	F 1.524	06/15/2022	2,600	2,600	2,611
Motor PLC		1.816	F 1.822	06/25/2022	960	960	961
Navistar Financial Dealer Note		2.489	F 2.004	06/27/2022	2,575	2,575	2,581
SLM Student Loan Trust		1.759	F 1.765	07/15/2022	19	19	19
Enterprise Fleet Financing LLC		2.130	2.141	07/20/2022	1,500	1,500	1,502
Bank of America Credit Card		1.950	1.969	08/15/2022	3,000	2,999	3,010
World Omni Auto Lease Security		2.320	2.332	08/15/2022	1,500	1,500	1,509
Nissan Auto Lease Trust		2.040	2.049	09/15/2022	2,275	2,275	2,270
Mercedes Benz Auto Lease		2.010	2.021	01/17/2023	1,750	1,749	1,753
Enterprise Fleet Financing		2.220	2.220	01/20/2023	1,800	1,800	1,800
Great American Leasing Rec		2.360	2.373	01/20/2023	4,750	4,749	4,753
SMB Private Education Loan		1.859	F 1.906	02/15/2023	963	962	964
GM Financial Consumer Auto		2.060	2.076	05/16/2023	3,500	3,499	3,507
ARI Fleet Lease Trust		2.110	2.124	07/15/2024	3,000	3,000	3,003
Discover Card Master Trust		1.649	F 1.655	07/15/2024	1,250	1,250	1,257
American Express Credit Acct		1.609	F 1.614	09/16/2024	3,300	3,300	3,321
Capital One Multi Asset Trust		1.669	F 1.675	09/16/2024	2,500	2,500	2,522
ARI Fleet Lease Trust		2.280	2.296	04/15/2026	5,000	4,999	4,998
Hertz Fleet Lease Funding LP		1.517	F 1.522	04/10/2028	410	410	410
Chesapeake Funding II LLC		1.880	1.888	06/15/2028	2,165	2,165	2,163
Chesapeake Funding II LLC		1.990	1.999	05/15/2029	4,180	4,179	4,180
SLMA Student Loan Trust		2.259	F 2.269	06/17/2030	4,000	4,000	4,043
Social Professional Loan Progr		1.680	1.687	03/25/2031	838	838	839
Cosmopolitan Hotel Trust		2.559	F 2.572	11/15/2033	3,600	3,600	3,627
Equity One ABS Inc		4.145	4.253	04/25/2034	65	65	65
Social Professional Loan Progr		2.066	F 2.075	07/25/2039	2,136	2,136	2,152
Sequoia Mortgage Trust		2.500	2.540	05/25/2043	3,023	3,009	2,934
Wells Fargo RBS		2.122	F 2.118	03/15/2044	3,462	3,462	3,474
JPMBB Commercial Mortgage		1.644	F 1.816	11/15/2045	2,280	2,280	2,289
Commercial Mortgage Trust		1.024	1.026	06/10/2046	1,125	1,125	1,122

(Continued on Next Page)

F – Floating rate note security.

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\*\* Rate represents last business day of the month.

See accompanying notes to financial statements.

**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2017**  
*(In thousands)*

<b>WEST VIRGINIA SHORT TERM BOND POOL (Continued)</b>							
<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
GS Mortgage Securities Trust		1.509	1.514	09/10/2047	884	884	881
Commercial Mortgage Trust		1.381	1.385	10/10/2047	1,160	1,160	1,156
Gosforth Funding PLC		1.882	F 1.884	02/15/2058	1,793	1,793	1,799
Silverstone Master		1.706	F 1.709	01/21/2070	4,200	4,200	4,217
Total Corporate Asset Backed Issues	<u>31.7%</u>					238,772	239,170
Total Corporate Issues	78.2%					588,606	590,671
<i>Short Term Issues</i>							
Bank of Nova Scotia		0.000	1.434	08/21/2017	4,000	3,992	3,993
National Australia Bank LTD		0.000	1.289	10/11/2017	5,000	4,982	4,983
JP Morgan Securities LLC		0.000	1.373	10/24/2017	5,000	4,978	4,979
Nordea Bank AB		0.000	1.174	10/24/2017	5,000	4,977	4,980
CA Imperial Bank of Comm		0.000	1.518	12/22/2017	5,000	4,964	4,968
Royal Bank of Canada		1.900	F 1.900	02/01/2022	4,000	4,000	4,034
BlackRock		0.860	**		11,479	11,479	11,479
Total Short Term Issues	<u>5.2%</u>					39,372	39,416
<b>Total Short Term Bond Pool</b>	<u>100.0%</u>					<u>\$ 753,712</u>	<u>\$ 754,962</u>

<b>WEST VIRGINIA BANK POOL</b>							
<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Short Term Issues</i>							
Citizens Bank of WV-Elkins		0.910 %	0.910 %	07/13/2017	5,000	\$ 5,000	\$ 5,000
Grant County Bank		0.910	0.910	07/13/2017	2,000	2,000	2,000
Bank of Romney		0.910	0.910	07/13/2017	3,000	3,000	3,000
WesBanco Bank		0.910	0.910	07/13/2017	10,000	10,000	10,000
Jefferson Security Bank		0.950	0.950	08/10/2017	5,000	5,000	5,000
Mountain Valley Bank		0.950	0.950	08/10/2017	2,000	2,000	2,000
Bank of Romney		0.950	0.950	08/10/2017	1,500	1,500	1,500
WesBanco Bank		0.950	0.950	08/10/2017	6,500	6,500	6,500
Bank of Romney		1.000	1.000	09/14/2017	1,000	1,000	1,000
WesBanco Bank		1.000	1.000	09/14/2017	10,000	10,000	10,000
Grant County Bank		1.120	1.120	10/12/2017	3,000	3,000	3,000
WesBanco Bank		1.120	1.120	10/12/2017	10,000	10,000	10,000
Citizens Bank of WV-Elkins		1.060	1.060	11/09/2017	2,000	2,000	2,000
Bank of Romney		1.060	1.060	11/09/2017	1,500	1,500	1,500
WesBanco Bank		1.060	1.060	11/09/2017	10,000	10,000	10,000
Citizens Bank of WV-Elkins		1.250	1.250	12/14/2017	5,000	5,000	5,000
Bank of Romney		1.250	1.250	12/14/2017	2,000	2,000	2,000
BlackRock Liquidity		0.860	**		48	48	48
Total Short Term Issues	<u>100.0%</u>					79,548	79,548
<b>Total West Virginia Bank Pool</b>	<u>100.0%</u>					<u>\$ 79,548</u>	<u>\$ 79,548</u>

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See accompanying notes to financial statements.

**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2017**  
*(In thousands)*

**STATE LOAN POOL**

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Loans and Mortgages</i>							
Intergovernmental Loans							
WVEDA Revolving Loan		0.380 %			124,323	\$ 124,323	\$ 124,323
WVEDA Non-Recourse Loan		3.000			24,460	24,460	24,460
Total Intergovernmental Loans						148,783	148,783
Reserve for uncollectable loans					23,464	23,464	23,464
Loans and Mortgages, net of reserve for uncollectable loans	100.0%					125,319	125,319
<i>Short Term Issues</i>							
BlackRock Liquidity		0.860 **			47	47	47
Total Short Term Issues	0.0%					47	47
<b>Total State Loan Pool</b>	<b>100.0%</b>					<b>\$ 125,366</b>	<b>\$ 125,366</b>

**RESERVE POOL**

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Short Term Issues</i>							
Reserve Pool Depository Account		0.530 %	0.530 %		18,845	\$ 18,845	\$ 18,845
Total Short Term Issues	100.0%					18,845	18,845
<b>Total Reserve Pool</b>	<b>100.0%</b>					<b>\$ 18,845</b>	<b>\$ 18,845</b>

**MUNICIPAL BOND COMMISSION**

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Government Issues</i>							
United States Treasury		1.880 %	0.726 %	10/31/2017	236	\$ 237	\$ 237
United States Treasury		0.625	0.752	04/30/2018	11,693	11,681	11,631
United States Treasury		9.125	0.001	05/15/2018	1,138	1,229	1,215
State & Local Governments		0.550	0.550	11/01/2017	380	380	380
State & Local Governments		0.630	0.630	05/01/2018	2,981	2,981	2,981
State & Local Governments		0.700	0.700	11/01/2018	326	326	326
State & Local Governments		0.750	0.750	05/01/2019	19,057	19,057	19,057
Total U. S. Treasury Issues	100.0%					35,891	35,827
<b>Total Municipal Bond Commission Pool</b>	<b>100.0%</b>					<b>\$ 35,891</b>	<b>\$ 35,827</b>

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**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2017**  
*(In thousands)*

**SCHOOL FUND**

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Short Term Issues</i>							
BlackRock Liquidity		0.860 **			1,417	\$ 1,417	\$ 1,417
Total Short Term Issues	<u>100.0%</u>					<u>1,417</u>	<u>1,417</u>
<b>Total School Fund</b>	<u>100.0%</u>					<u>\$ 1,417</u>	<u>\$ 1,417</u>

**EDA - AW**

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
United States Treasury Bond		6.250 %	4.929 %	08/15/2023	1,445	\$ 1,545	\$ 1,798
Total U. S. Treasury Issues	<u>100.0%</u>					<u>1,545</u>	<u>1,798</u>
<b>Total EDA-AW</b>	<u>100.0%</u>					<u>\$ 1,545</u>	<u>\$ 1,798</u>

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## **Other Financial Information**



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**WEST VIRGINIA BOARD OF TREASURY INVESTMENTS**  
**SCHEDULE OF NET ASSET VALUES (UNAUDITED)**

**JUNE 30, 2017**

*(IN THOUSANDS EXCEPT FOR INVESTMENT UNIT DATA)*

	WV Money Market Pool	WV Government Money Market Pool	WV Short Term Bond Pool	WV Bank Pool	Loan Pool	Reserve Pool
Paid-in capital	\$ 1,780,967	\$ 202,070	\$ 752,482	\$ 79,774	\$ 125,400	\$ 18,854
Accumulated undistributed net investment income (loss)	-	-	-	-	-	-
Accumulated undistributed net realized gain (loss)	-	-	-	-	-	-
Unrealized net appreciation (depreciation) of investments	-	-	1,249	-	-	-
Net position at value	<u>\$ 1,780,967</u>	<u>\$ 202,070</u>	<u>\$ 753,731</u>	<u>\$ 79,774</u>	<u>\$ 125,400</u>	<u>\$ 18,854</u>

Investment unit data:						
Units outstanding	1,780,966,575	202,070,459	7,403,353	79,774,174	125,358,925	18,853,624
Net position, unit price	\$ 1.00	\$ 1.00	\$ 101.81	\$ 1.00	\$ 1.00	\$ 1.00

# WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

## PORTFOLIO STATISTICS (UNAUDITED)

JUNE 30, 2017

	<u>West Virginia Money Market</u>	<u>West Virginia Government Money Market</u>	<u>West Virginia Short Term Bond Pool</u>
Weighted Average Days to Maturity	36 days	35 days	N/A
Maximum Weighted Average Investment Maturity Term Per Board Guidelines	60 days	60 days	N/A
Effective Duration	N/A	N/A	426 days
Maximum Effective Duration Per Board Guidelines	N/A	N/A	731 days
Money Market Yield - Monthly	1.12%	0.80%	N/A

The money market yield represents the rate of income, net of expenses, earned over the past month and is not intended to indicate future performance. The return is annualized over a 365-day year, assuming no reinvestment of earnings.

# WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

## PARTICIPANT NET ASSET VALUES (UNAUDITED)

JUNE 30, 2017

(IN THOUSANDS)

<b>WV Money Market Pool</b>			
State Agencies:		Local Governments:	
WV State Treasurer's Office:		Brooke County Board of Education	3,773
State Participation	\$ 123,883	Mercer County Board of Education	21,120
Banking Services	500,460	Fayette County Board of Education	14,320
Safekeeping	31,159	Boone County Commission	6,688
Safe Road Bonds	33	Marshall County Board of Education	1,611
Veterans Lottery	1,222	Fayette County Commission	2,354
Total WV State Treasurer's Office	<u>656,757</u>	Roane County Board of Education	2,665
Higher Education Policy Commission	247,198	Kanawha County Emergency Ambulance Authority	2,006
Department of Environmental Protection	37,812	City of Parkersburg	4,218
Department of Health and Human Resources	26,451	Wyoming County Board of Education	1,042
WV Lottery Commission	107,887	Braxton County Board of Education	3,707
Public Employees Insurance Agency	124,808	Kanawha EOC	3,115
Department of Transportation	93,856	Lincoln County Board of Education	2,573
Regional Jail Authority	24,570	Wood County Board of Education	41,533
Water Development Authority	21,869	Greenbrier County Board of Education	1,001
Division of Natural Resources	63,904	Tyler County Board of Education	4,504
WV Municipal Pension Oversight Board	29,082	Other	10,792
Board of Risk and Insurance Management	37,025	Total net asset value	<u>127,022</u>
WV Economic Development Authority	29,407		<u>\$ 1,780,967</u>
Performance and wage bond accounts	46,977		
WVU	29,676		
WV Housing	23,070		
Department of Commerce	22,643		
Insurance Commission	11,126		
Other	19,827		
Total State Agencies	<u>1,653,945</u>		

<b>WV Government Money Market Pool</b>	
State Agencies:	
Municipal Bond Commission	\$ 183,380
WV Economic Development Authority	5,857
Other	9,290
Total State Agencies	<u>198,527</u>
Local Governments:	
Jefferson County Board of Education	1,433
Hancock County Commission	1,105
Other	1,005
Total Local Governments	<u>3,543</u>
Total net asset value	<u>\$ 202,070</u>

<b>WV Short Term Bond Pool</b>	
State Agencies:	
WV State Treasurer's Office:	
State Participation	\$ 285,901
Banking Services	167,537
Prepaid Tuition Escrow	21,069
Total WV State Treasurer's Office	<u>474,507</u>
Department of Environmental Protection	207,798
WV Economic Development Authority	17,351
Higher Education Policy Commission	5,759
WV Court of Claims	1,333
WV Parkways Authority	3,248
Department of Transportation	2,129
Division of Culture and History	1,005
WV Lottery Commission	31,008
DHHR - Children's Health Ins	5,300
Other	818
Total State Agencies	<u>750,256</u>
Local Governments:	
City of Charleston	2,826
Other	649
Total Local Governments	<u>3,475</u>
Total net asset value	<u>\$ 753,731</u>

## Glossary of Financial and Investment Terms

**Agency Securities** - Securities issued by U.S. Government agencies, such as the Federal Home Loan Bank. These securities have high credit ratings but are not backed by the full faith and credit of the U.S. Government.

**Asset-Backed Notes** - Financial instruments collateralized by one or more types of assets including real property, mortgages, and receivables.

**Banker's Acceptance** - A high quality, short-term negotiable discount note drawn on and accepted by banks that are obligated to pay the face amount at maturity.

**Basis Point** - The smallest measure used in quoting yields or returns. One basis point is 0.01% of yield. One hundred basis points equals 1%. For example, a yield that changed from 8.75% to 9.50% increased by 75 basis points.

**Benchmark** - A standard unit used as the basis of comparison; a universal unit that is identified with sufficient detail so that other similar classifications can be compared as being above, below, or comparable to the benchmark.

**Capital Gain (Loss)** - Also known as capital appreciation (depreciation), capital gain (loss) measures the increase (decrease) in value of an asset over time.

**Certificates of Deposit (CDs)** - A debt instrument issued by banks, usually paying interest, with maturities ranging from seven days to several years.

**Commercial Paper** - Short-term obligations with maturities ranging from one to 270 days. They are issued by banks, corporations, and other borrowers to investors with temporarily idle cash.

**Compounded Annual Total Return** - Compounded annual total return measures the implicit annual percentage change in value of an investment, assuming reinvestment of dividends, interest, and realized capital gains, including those attributable to currency fluctuations. In effect, compounded annual total return smoothes fluctuations in long-term investment returns to derive an implied year-to-year annual return.

**Consumer Price Index (CPI)** - A measure of change in consumer prices, as determined by a monthly survey of the U.S. Bureau of Labor Statistics. Components of the CI include housing costs, food, transportation, electricity, etc.

**Cumulative Rate of Return** - A measure of the total return earned for a particular time period. This calculation measures the absolute percentage change in value of an investment over a specified period, assuming reinvestment of dividends, interest income, and realized capital gains. For example, if a \$100 investment grew to \$120 in a two-year period, the cumulative rate of return would be 20%.

**Derivative** - Derivatives are generally defined as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. For example, an option is a derivative instrument because its value derives from an underlying stock, stock index, or future.

**Discount Rate** - The interest rate that the Federal Reserve charges banks for loans, using government securities or eligible paper as collateral.

**Expense Ratio** - The amount, expressed as a percentage of total investment, that shareholders pay for mutual fund operating expenses and management fees.

**Federal Funds Rate** - The interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. The federal funds rate is one of the most sensitive indicators of the direction of interest rates because it is set daily by the market.

**Federal Reserve Board** - The governing body of the Federal Reserve System (twelve regional Federal banks monitoring the commercial and savings banks in their regions). The board establishes FRS policies on such key matters as reserve requirements and other regulations, sets the discount rate, and tightens or loosens the availability of credit in the economy.

**Gross Domestic Product (GDP)** - Total final value of goods and services produced in the United States over a particular period or time, usually one year. The GDP growth rate is the primary indicator of the health of the economy.

**Index** - A benchmark used in executing investment strategy which is viewed as an independent representation of market performance. An index implicitly assumes cost-free transactions; some assume reinvestment of income. Examples: S&P Index, Lehman Brothers Aggregate Index, Russell 2000 Index.

**Inflation** - A measure of the rise in price of goods and services, as happens when spending increases relative to the supply of goods on the market, i.e. too much money chasing too few goods.

**Investment Income** - The equity dividends, bond interest, and/or cash interest paid on an investment.

**Maturity Date** - The date on which the principal amount of a bond or other debt instrument becomes payable or due.

**Money Market Fund** - An open-ended mutual fund that invests in commercial paper, bankers' acceptances, repurchase agreements, government securities, certificates of deposit, and other highly liquid and safe securities and pays money market rates of interest. The fund's net asset value remains a constant \$1 per share - only the interest rate goes up or down.

**Net Asset Value (NAV)** - The total assets minus total liabilities, including any valuation gains or losses on investments or currencies, and any accrued income or expense.

**Par Value** - The stated or face value of a stock or bond. It has little significance for common stocks; however, for bonds it specifies the payment amount at maturity.

**Principal** - Face value of an obligation, such as a bond or a loan, that must be repaid at maturity.

**Realized Gain (Loss)** - A gain (loss) that has occurred financially. The difference between the principal amount received and the cost basis of an asset realized at sale.

**Repurchase Agreements (Repos)** - An agreement to purchase securities from an entity for a specified amount of cash and to resell the securities to the entity at an agreed upon price and time. Repos are widely used as a money market instrument.

**Reverse Repurchase Agreements (Reverse Repos)** - An agreement to sell securities to an entity for a specified amount of cash and to repurchase the securities from the entity at an agreed upon price and time.

**Treasury Bill (T-Bill)** - Short-term, highly liquid government securities issued at a discount from the face value and returning the face amount at maturity.

**Treasury Bond or Note** - Debt obligations of the Federal government that make semi-annual coupon payments and are sold at or near par value in denominations of \$1,000 or more.

**Turnover** - The minimum of security purchases or sales divided by the fiscal year's beginning and ending market value for a given portfolio.

**Unrealized Gain (Loss)** - A profit (loss) that has not been realized through the sale of a security. The gain (loss) is realized when a security or futures contract is actually sold or settled.

**Variable Rate Note** - Floating rate notes with a coupon rate adjusted at set intervals, such as daily, weekly, or monthly, based on different interest rate indices, such as LIBOR, Fed Funds, and Treasury Bills.

**Volatility** - A statistical measure of the tendency of a market price or yield to vary over time. Volatility is said to be high if the price, yield, or return typically changes dramatically in a short period of time.

**Yield** - The return on an investor's capital investment.



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

To the Honorable Members of the  
West Virginia Board of Treasury Investments  
Charleston, West Virginia

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the combined fiduciary funds of the West Virginia Board of Treasury Investments (the “BTI”), a component unit of the State of West Virginia as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the BTI’s basic financial statements, and have issued our report thereon dated August 29, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the BTI’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BTI’s internal control. Accordingly, we do not express an opinion on the effectiveness of the BTI’s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**



## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BTI's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Brown, Edwards & Company, S. L. P.*

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia  
August 29, 2017