

# JOINT COMMITTEE ON GOVERNMENT AND FINANCE

**Materials Distributed**

**January 8, 2019**

Speaker Hanshaw Presides

**AGENDA**  
**JOINT COMMITTEE ON GOVERNMENT AND FINANCE**  
**January 8, 2019**

3:00 pm – 4:00 pm

Senate Finance Room

1. **Approval of December 11, 2018 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)*

Status Reports on Lottery

*(John Myers, Director, West Virginia Lottery Commission)*

General Revenue Fund & State Road Fund

*(Mark Muchow, Deputy Secretary, West Virginia Department of Revenue)*

WorkForce WV Unemployment Compensation Trust Fund Distribution

*(Connie Kirk, UI Director, WorkForce West Virginia)*

Monthly/Quarterly Reports from PEIA, BRIM & Real Estate Report

*(Mary Jane Pickens, Deputy Secretary, Department of Administration)*

Department of Health & Human Resources, Medicaid Report & Medicaid Waiver Report

*(Cynthia Beane, Commissioner, West Virginia Bureau for Medical Services)*

Children's Health Insurance Program Report

*(Stacey Shamblin, CHIP Director, WVCHIP)*

Investment Management Board Distribution

*(Craig Slaughter, Executive Director, West Virginia Investment Management Board)*

Workers Compensation

*(Allan McVey, Insurance Commissioner, West Virginia Offices of the Insurance Commissioner)*

Board of Treasury Report Distribution

4. **Other Business**

West Virginia University intent to award an energy savings contract to Siemens Industries, Inc.

5. **Adjournment**

	<h1>West Virginia Legislature</h1> <p>1ST SESSION OF THE 84TH LEGISLATURE</p>		<input type="text"/>	Search				
SENATE	HOUSE	JOINT	BILL STATUS	WV CODE	REPORTS	EDUCATIONAL	CONTACT	

INTERIM COMMITTEE ATTENDANCE - RESULTS

TUESDAY, JANUARY 08, 2019 - 03:00 PM

JOINT COMMITTEE ON GOVERNMENT AND FINANCE

**Attended:**

- Delegate Shott
- Delegate Nelson
- Delegate Miley
- Delegate Cowles
- Delegate Boggs
- Speaker Hanshaw
- Senator Trump
- Senator Prezioso
- Senator Plymale
- Senator Karnes
- Senator Blair
- President Carmichael

**Submitter:**

Shannon Riley

**Phone:**

347-4800

[Back to Attendance](#)

[Bill Status](#) | [Bill Tracking](#) | [WV Code](#) | [Bulletin Board](#) | [District Maps](#) | [Senate Roster](#) | [House Roster](#) | [Releases](#) | [Blog](#) | [Links](#) | [Jobs](#) | [Home](#)



This Web site is maintained by the West Virginia Legislature's Office of Reference & Information. | [Terms of Use](#) | [Web Administrator](#) | © 2019 West Virginia Legislature \*\*\*

**JOINT COMMITTEE ON GOVERNMENT AND FINANCE**  
**(President Carmichael Presided)**

December 11, 2018

3:00 p.m. – 4:00 p.m.

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

**President Carmichael:** The Committee will come to order. The first item on the agenda is the approval of the November 11, 2018 minutes. Speaker Hanshaw is recognized for motions.

**Speaker Hanshaw:** Mr. President I move the minutes to be approved as distributed.

**President Carmichael:** Speaker Hanshaw moves that the minutes be approved. Is there discussion? If not all those in favor will say aye, those opposed no. The ayes appear to have it, the ayes do have it. I declare the minutes are approved. Second item is the committee reports. They're provided within your information, your red packet. First one on the agenda, next order of business before the committee are the monthly and quarterly reports, members obviously will find them in their packets. The first item is the status of the Lottery, Unemployment Compensation Fund, General Revenue Fund. Mr. Spencer, there he is. I ask him to come forward.

**William Spencer:** Thank you Mr. Speaker.

**President Carmichael:** Are there questions? Go ahead and introduce yourself.

**William Spencer:** Thank you Mr. Speaker, Mr. President and members of the subcommittee. My name is William Spencer and I am the Director of the Legislative Budget Committee. Here to answer any questions on the status of the committee reports.

**President Carmichael:** Are there questions of members? Mr. Spencer, if not thank you very much. Next item on the agenda is status of the Lottery, Mr. Myers, John.

**John Myers:** My name is John Myers; I am the Director of the West Virginia Lottery. Mr. President, Mr. Speaker, members of the committee. We do not have a new financial report from the last committee meeting just based on the timing of when we normally produce that report. We don't get our payables and things that we put into that report until about the 10<sup>th</sup> of the month, and it's usually about the 15<sup>th</sup> before they're completed. So, I thought I would give you a brief update on where we are on some of the numbers. The numbers that I will be using today are from our marketing group instead of our financial group. So if there is an audit of these numbers that needs to occur, that will happen when they produce the financial for the month. Total sales year to date are approximately \$475M. Our traditional lottery sales are up about 20% over 2018. That's an increase of about \$14M over last year. Total sales compared to fiscal year 18's numbers are an increase of 20 (??) over the \$454M from last year. Our instant sales this year for scratch off tickets is \$44M year to date. Our sales are up 17% in that product line over the projection of \$38M for the year. Our online sales due to the large jackpots that we occur are also up 21% over fiscal year 18, \$33M that's an increase of \$7M over last year. Currently we have about 1,460 retailers that are operating in our traditional lottery online sales. Racetrack video lottery this year is \$213M year to date, that's down about 2% compared to last years \$217M. Limited video lottery is up 3% in sales compared to this December a week of last year. Overall we are \$159M in total revenue year to date, up 17% over last year from the \$149M from last year. The number of retailers we have in the limited video lottery group is 1,230. The Greenbrier, basically \$2M year to date in their video lottery group. Our table games tax this year is \$15M total year to date for the fiscal year, that's down about 1% compared to 2018's numbers \$14.9M. And on the Greenbrier table games \$983,000 total tax year to date. Sports wagering, our privileged tax year to date has been \$430,086. I came before you last month and I said we thought we would have that mobile app up and going by probably a week. We did complete our testing; we did give approval for them to move forward, but the companies made their decision not to move forward yet. We're still awaiting the company, Delaware North, to make their decision on when to move forward with land based and mobile app. The other companies have indicated to us that they intend to begin mobile app probably sometime around the first of the year. And that would complete my report unless there are any questions.

**President Carmichael:** Are there questions? I recognize Senator Blair.

**Senator Blair:** Thank you Mr. President. When it comes to the sports betting, are we going to be able to break out what was of later on, because right now it is not on what is land based and what is actually coming in from the app.

**John Myers:** Yes sir, we will.

**Senator Blair:** Excellent, because that will give us a perspective on that and be when we're comparing it to other numbers for what the casinos are doing, whether that is helping or hurting. Thank you.

**John Myers:** Yeah and to just add a little bit to that, that was part of our testing of the

systems that they provided to us to make sure that we can get the accurate reports for both of those systems.

**Senator Blair:** Excellent.

**President Carmichael:** Further questions? If not, John thank you very much.

**John Myers:** Thank you.

**President Carmichael:** Next item is General Revenue Fund and State Road Fund, is Mark Muchow. There he is.

**Mark Muchow:** I'm Mark Muchow, Department of Revenue, and I've got a report for the November general revenue numbers. Not a good month for general revenue. We collected \$333.6M, that was \$18.8M above estimate for the month. It was also 11.8% ahead of last year. Three major components are the predominate sources of the surplus. The severance tax for the month was \$42.4M compared to the estimate of \$34.6M. That was \$7.8M above estimate. 34.2% ahead of last year. Personal income tax \$135.6M, \$7.3M above estimate, and 11% ahead of last year. In the consumer sales tax \$121.2M, estimate above by \$5.8M compared to last year up by 10.8%. If you add the surpluses of those 3 components, you get well over \$20/21M, so that's basically where the surplus is coming from. Year to date the numbers likewise are very strong. \$1.811B compared to the estimate of \$1.67B. That's \$141M above estimate. Also 13.2% ahead of last year. So very strong growth, that's \$210M of additional revenue compared to last year for the first four months. And again the three biggest areas are the severance tax \$163.8M is \$48.2M above estimate, 45.8% above last year for general revenue purposes. So very strong growth in severance tax. The personal income tax \$193.6M is \$44.6M above estimate, 11.8% ahead of last year. Sales tax \$548.4M, \$31M above estimate, 13.6% ahead of last year for general revenue purposes. In the severance tax area, their latest trade report came out, and in international trade. And for nonmanufacturing goods in the month of October for West Virginia, the total value was over \$404M. Compared to last October the total value was \$286M. So that's over a 44%, about a 44% increase, compared to last year. Strong growth in those exports, most of it is coal, both metallurgical coal and some steam coal as well. I note that last year about this time the short term forecast for the energy information administration in Washington, D.C. was forecasting lower exports, and we got higher exports instead of lower exports. This year again they're forecasting for next year lower exports. But the export numbers have picked up recently, more strength in recent numbers. That's driving good growth and revenue, along with the pipeline construction about \$4/5B worth of activity in the economy driving strong revenue growth. And of course we have the Roads Program, about \$500M extra in the Roads Program per year. That's also driving growth in the sales and income tax area. State Road Fund, I'm going to split it up between the overall fund and the state components. The overall fund, the collections in November were \$82M. The estimate was \$119.9M, that was \$37.9M below estimate, and 38.5% below last year. Basically all that shortfall was due to federal funds. Federal reimbursement estimate was \$52.6M. We collected

\$12.5M, that was \$40.2M below estimate, and 72% below last year. The Department of Highways is still in transition with their new Oasis system, and they assured me that all the federal monies would be all caught up once they get moving with the new system. Just a little snag as they convert their processing systems, for federal reimbursement. State money by itself, we collected \$69.6M in state sources for the month. The estimate was \$67.2M, so we were \$2.3M above estimate for state sources. Compared to last year we were down 21.2%, but that's because last year we had, if you look in the miscellaneous area we had \$24.4M in miscellaneous revenue in November of last year versus \$1.8M this year. Last year I believe the Highway Fund got a settlement payment, attributable to the project up in Morgantown. There was a stiff district in Morgantown that the highway folks built a new bridge and interchange for, and I think they got full reimbursement for that. And that came in as a miscellaneous, that's a onetime miscellaneous receipt for last year. The other components, the motor fuel excise tax, we were \$2.2M below estimate, 3.2% below last year for November. But however year to date on motor fuel excise tax, \$205.7M is actually \$4M above estimate, 8.6% ahead of last year. So motor fuel tax is basically an estimate. Registration fees \$13.6M in November, that was \$4.1M above estimate, 39.3% ahead of last year. Year to date \$68.2M in registration fees, that's \$10.4M above estimate and about 14.5% ahead of last years. Good numbers there. Motor vehicle sales tax collected almost \$17.9M in November. That was about \$900,000 above estimate, 8% ahead of last year. And for the year to date \$102M in collections, \$9.3M above estimate, and 12.6% ahead of last year. So all the numbers are very good, and again the highway folks assure me the federal money is coming. It's a matching formula, it will be in the bank, it's just they picked the end of September all the way to October to get that transition going on. So we should start seeing that flow back again pretty soon.

**President Carmichael:** Thank you Mark. Are there questions? Committee members? Mark. Yes, I recognize Delegate Nelson.

**Delegate Nelson:** Thank you Mr. President. Mark yesterday I guess during Joint Finance; the question came up as it related to severance taxes. And any additional detail as related to coal versus natural gas. Did you by chance get any answer?

**Mark Muchow:** Yeah, I do not have numbers for November, but I do have some numbers thru um, and this is tax return related numbers and they can change. So this is preliminary numbers, cumulative numbers thru October. And thru October the coal severance tax is running about 38% higher than last year. We had actually collected very close to \$102M, and that \$102M would be both state and local severance tax. Natural gas is up about, a little bit less than 23%, and overall collections about \$52.5M. Oil was more than double last year, to the liquids are doing well. Oil was up to total of about \$11.7M, of course that's a lot less. And the (old utter?) category, and sometimes there's other gas related liquids in the old utter category. The old utter category is up 133%, so liquid products are doing very well. Gas is up, coal is up. Overall collections thru October are up about 38%.

**Delegate Nelson:** Thank you, thank you.

**President Carmichael:** Great report, further questions? I have a question real quickly. There was an article in the paper today talking about once the pipelines are built, you had comments about that in a previous committee. I think in your finance committee. Could you just elaborate on that?

**Mark Muchow:** Well I hope there will be some, John Deskins at WVU in his forecast is calling for some increase in manufacture employment. And that would be a good thing, we need some more manufacturing to pick up the, hopefully consume some of those products that are being generated by the way the natural gas industry activity. But we have very significant amounts of investment going on in a very short period of time with the pipelines, and significant employment as well.

**President Carmichael:** Mhm.

**Mark Muchow:** Not necessarily all from West Virginia, some of these folks are coming from other places. And the pipeline activity is driving a good part of the, not all of it, but a nice share of the personal income tax growth and the sales tax growth that we are seeing. And some of those projects are going to come to an end sometime, most likely in 2019, but we never know for sure. As I said yesterday, a guy that I used to have a lot of respect for, Corky Demarko years ago told me that everything would be wrapped up by 2017. But sometimes it takes a little bit longer for various reasons.

**President Carmichael:** Sure.

**Mark Muchow:** But when that investment comes off, there will still be some good tax feedback, but it's probably going to be more of a local tax feedback in terms of property taxes on the pipelines that are in the various counties. And I think over thirty counties are going to get some pipeline activity, so it's a pretty wide spread situation. And at that point we'll see a noticeable change in the income tax and sales tax yield. And highway funding will help stabilize that a little bit, but don't expect this 13% in growth to be permanent. I think we'll return to a little bit of tamer growth, now if the natural resource sector continues to grow gain busters that will help out too. Most forecast that I see aren't necessarily calling for huge gains that way, in the future affect there's possibility that the.. our forecast that we're looking at shows that natural gas prices are likely to go lower in 2019. And most forecast on coal exports are not as rosy as what we have right now, although we do have momentum right now. With the nonmanufacturing exports it's like the hills of West Virginia. We had a big climb several years ago peaked at \$17.5B, and then it took four years down and we were down \$1.1B. That's a huge loss in economy and we saw that in our tax collections. Now we've gone from \$1.1B, which was a trough in October 2016, and we're now approaching \$4.4B in a short period of time.

**President Carmichael:** Wow.

**Mark Muchow:** When things move at that rapidly in those type of directions that makes my hair get grey, which it has.

**President Carmichael:** Yeah.

**Mark Muchow:** I mean it's just something we have to be cognizant of and careful of because we never know exactly when that's going to change direction on us. I think the follow would be oil prices. If oil prices stay low for an extended period of time that tells me that global economic growth is slowing a little bit. And that will have implications for natural gas and coal.

**President Carmichael:** Yeah, alright thank you Mark. I recognize Delegate Cowles.

**Delegate Cowles:** Thank you Mr. President. Did highways give you any sort of timeline as to when we might catch up that federal reimbursement cash flow issue with the new Oasis?

**Mark Muchow:** They did not give me an exact timeline, they just promised it by the end of the fiscal year that it would be there. Certainly I can ask them on your behalf to see if they can get any feedback to you.

**Delegate Cowles:** By the end of the fiscal year you mean June?

**Mark Muchow:** Yeah, between now and the end of the fiscal year they expect to have the money that they've estimated into the equation for the year.

**Delegate Cowles:** Caught back up?

**Mark Muchow:** Yeah.

**Delegate Cowles:** Well -\$40M a year, that would be a lot of cash flow.

**Mark Muchow:** Well ultimately they need that soon, so I suspect that if they work out whatever needs to be worked out, that the federal money should start flowing pretty soon. And we should start seeing months where the federal funds are above estimate to help make up for the last couple months where we haven't had a whole lot of federal funds flowing thru.

**Delegate Cowles:** And you expect that to be sooner rather than later?

**Mark Muchow:** I would expect it to be sooner than later, but you may want to ask the highway folks for a more firm answer on that, because I'm not completely aware of all the technicalities that they may be facing in terms of getting this going.

**Delegate Cowles:** Yes, thank you.

**President Carmichael:** I recognize Delegate Boggs.

**Delegate Boggs:** Thank you Mr. President. Mark, because of the winter months, I know

that I live in an area that's experiencing a lot of pipeline activity. And a lot of people have moved in, in fifth wheels and campers. Many of, probably two thirds or more have already pulled out. So I wonder if you have any estimates or any idea of how that's going to affect the number through these winter months, when the activity on the pipelines have slowed down considerably until the weather improves.

**Mark Muchow:** We should see the growth rate on the sales tax and personal income tax slowing down during the winter months. That's what I would suspect. We will get a lot closer to the actual estimates for those months, until we get back to spring time and things pick up again on the pipelines. Our sales tax really did not start taking off until about June of this calendar year, and that's of coincides with the spring lift off of the various pipeline projects around the state. Now severance tax itself is going to be largely independent of that. In fact, the pipeline infrastructure to an extent is making those connections is probably helping the gas industry out a little bit.

**Delegate Boggs:** But you do anticipate at least temporarily during these slow months of the winter in personal income tax and in consumer sales tax somewhat of a softening until

**Mark Muchow:** Somewhat of a softening. Yeah. For the full fiscal year if we stay at 13.2% growth I'll be surprised, I think it will slow down below the 13.2% that we have year to date.

**Delegate Boggs:** Ok thank you.

**President Carmichael:** Delegate Shott.

**Delegate Shott:** Thank you Mr. President. Mark you mentioned that the counties are going to notice an increase in their revenues as a result of these pipelines as they come on line. Are those pipelines, are they taxed in a special category or are they basically personal property equipment, or did they somehow attach to real estate and have a different type categorization?

**Mark Muchow:** I think that once they're on top of the ground they're inventory, but once they're in those ground and part of a pipeline they become what I would refer to as real estate. But I believe it's going to be probably taxed under the public utility category.

**Delegate Shott:** Ok.

**Mark Muchow:** Because those interstate and pipeline activities I think are all under public utility activity for property tax.

**Delegate Shott:** Alright, thank you that helped.

**President Carmichael:** Further questions? Yes, Delegate Nelson.

**Delegate Nelson:** Thank you Mr. President. Following up on Delegate Cowles and also last month. This delay in the federal reimbursements, the concern as it relates to our Garvee Bond payments, and I don't think you had an answer last month. I'm not sure if there's anyone here from Department of Transportation, or maybe next month, but when we're that far behind and we have potential debt obligations. Just to make sure that we have not missed any payments.

**Mark Muchow:** I've passed your message along to folks over in Department of Transportation, so I was expecting, they'll get back to you at some point.

**Delegate Nelson:** Ok, I appreciate it.

**President Carmichael:** And also for the benefit of the committee, Aaron if we could get them to. Yeah, next time. Yeah. Thank you.

**Mark Muchow:** Thank you.

**President Carmichael:** Further questions? We were having a little conversation up here. Just so I'm clear, the income earned by pipeline workers in West Virginia, they pay their state income tax right? Is it from withholding, or how does that

**Mark Muchow:** It's generally withholding tax. It's going to depend upon where the workers come from. Certainly residents of West Virginia are subject to full personal income tax.

**President Carmichael:** Yeah.

**Mark Muchow:** If the employees are coming from one of our contiguous states that touch us, Ohio, Pennsylvania, Kentucky, Maryland and so forth, then they get taxed in their home state. So the extent that we collect any withholding tax from the employer on this folks, at the end of the day we're going to give it back. Because they're going to be taxed wherever they live. Same thing with West Virginians working in other states, in our surrounding states that is. If they come from places like Oklahoma or Texas, and they're here for any length of time and they're actually working here, then they're going to be filing nonresident returns and having to pay income tax for their employment period here in West Virginia.

**President Carmichael:** How often does, I mean, how many of those type returns do you see?

**Mark Muchow:** Most usually not many.

**President Carmichael:** Yeah.

**Mark Muchow:** But this time more than usual.

**President Carmichael:** Yeah.

**Mark Muchow:** That'd be my take on that.

**President Carmichael:** Ok. Further questions? If not, Mark thank you very much. Great report. Next on our agenda is Connie Kirk with Unemployment Compensation Trust Fund.

**Connie Kirk:** Good afternoon Mr. President, Mr. Speaker, and members of the committee. I'm Connie Kirk, I'm the UI Director for WorkForce West Virginia, and I'm here to give you the projection for the Trust Fund. Since I submitted the report to you that's in your packet, we were able to close out the month of November, so I have actual numbers. The actual closeout for November was \$179,000,793M and \$844M. The actual projection, I'm sorry that was October, we did close out October at \$179M. November's projection is \$181,133,919M. And it looks like if we stay on track this year we will actually have more in the Trust Fund than we have for quite some time. The actual daily balance, I went ahead and pulled it, and as of today we have \$176,156,085.50M. Do you have any questions?

**President Carmichael:** Any questions from the committee? You like giving that report don't you?

**Connie Kirk:** Yeah that was great.

**President Carmichael:** Alright, thank you. It was good.

**Connie Kirk:** Since we aren't having a meeting until after Christmas, you all have a grand holiday season.

**President Carmichael:** Yeah, well Merry Christmas. Alright, next item on the agenda is PEIA, BRIM, Real Estate Report. Mary Jane Pickens. Mary Jane.

**Mary Jane Pickens:** Good afternoon, I'm Mary Jane Pickens. We filed reports to present today regarding BRIM, PEIA, and the Real Estate Division, and I've got folks from those agencies here as well if there's any questions of the committee.

**President Carmichael:** Are there questions of the committee members? Questions? Good, alright. Thank you, thank you very much Mary Jane.

**Mary Jane Pickens:** Thank you.

**President Carmichael:** Yeah. Well, you're not Cynthia Beane. But representing the DHHR and Medicaid Report.

**Tony Atkins:** Mr. President, Mr. Speaker, members of the committee. I'm Tony Atkins, Deputy Commissioner for the Bureau of Medical Services. Here to answer any

questions that you may have about the reports that are in your packet.

**President Carmichael:** Thank you very much for your report. Are they questions? I recognize Delegate Boggs.

**Delegate Boggs:** Thank you Mr. President and Tony, Merry Christmas. I'm not going to ask any questions; I just want to make a brief comment. I appreciate everything that DHHR and all the members in the House and the Senate, have indulging me every month when I ask so many questions about this. But I venture to say there is definitely not a member of this Legislature that doesn't have either a family member, an extended family member, neighbors, certainly constituents that depend on these waiver programs. And I just hope that as we go into the next budget year, and to the next session, that we can try to keep those waiting list down just as close as possible, once we determine the financial, if they do meet the eligibility criteria of medical and financial, that we can keep those waiting list down, because it is really difficult when these families need help and they can't get it. And many people, whether we like to admit it or not, many people do pass away while they are waiting for services. Not as many as use to, but still it's a problem. So, thank you all for everything that you've done on this. Tell Cindy she missed, tell Cindy she missed my nonquestions today. But Mr. President, Mr. Speaker I just I hope that we can, we can continue to work jointly on this in a very positive way. Because, great program impacts a lot of families, and it's, if we can keep people in their homes longer, and keep them out of nursing homes, they'll be healthier, they'll be happier and it will cost the tax payers a lot less money.

**President Carmichael:** Yeah. Well, on behalf of the committee, we appreciate your advocacy and your questions on this each month. And so, it keeps us focused and on track and we really do appreciate it. But before you leave, quick question. We had a brief presentation yesterday about the in home reimbursement rates for those who are providing the care and so forth. And there was some concern about that at this point not competitive and there's so much turnover in that. Do you care to comment on that for a moment?

**Tony Atkins:** We have plans to make rate increases for the providers, for the Aged and Disabled Waiver, and the Intellectual Developmental Disabled Waiver particularly in the home maker services area. Those are scheduled to go into effect, effect of January. We are also taking, doing a financial analysis concurrently of the personal care services items a well, which are really the same services, but for non-waiver type members. We're also in the process of looking at our private duty nursing rates, to see what the potential could be there as well. So, I mean we recognize that reimbursement is an issue. We are very much appreciative of the funding that you've provided. I mean I want to echo Delegate Boggs comments. I mean, these are very fragile folks, very needy folks, and if we can keep them in a home base setting, it's just great. So, personally I want to say thank you on behalf of our members for your passion and your advocacy in this area as well. But we are having dialogue and conversations with our provider groups that do provide these services. And we've made some progress, made some success, and we're continuing to have ongoing discussions.

**President Carmichael:** Alright, thank you very much. Alright, next on the agenda is CHIP Program. Stacey Shamblin, yeah, hey Stacey.

**Stacey Shamblin:** Good afternoon.

**President Carmichael:** Good afternoon.

**Stacey Shamblin:** Mr. President, Mr. Speaker, members of the committee, I'm Stacey Shamblin, I'm Acting Director of CHIP. You've had your CHIP Report and I can answer any questions if you have any.

**President Carmichael:** Are there questions of committee members?

**Stacey Shamblin:** Great reports, awesome.

**President Carmichael:** Yeah, if not, thank you very much. Next is the Investment Management Board, Craig Slaughter. I saw Craig, yeah.

**Craig Slaughter:** Gentlemen, it's Craig Slaughter, Executive Director of the West Virginia Investment Management Board. You have your report for the month ending October 31<sup>st</sup> of 2018 in your packet. I hate to kind of bring this meeting to a negative point, but we fell in quite a hole in October. It was a lousy month for all assets. Bonds were down, stocks were down, stocks were down 7/8%. Depending on the market, and, it's a, we can't dodge that bullet. So I would suggest that this fiscal year is going to be a pretty tough one and I would plan accordingly. It won't really hit you again of course until the 2020. But when the pension plans report this year, fiscal years returns to you. But, so yeah, might as well plan for it now though.

**President Carmichael:** Well, Merry Christmas. Are there questions of the committee members? Because your projection, I mean you know, it impacts how much we contribute to our pension plans and so forth. So, you know, very anxious. So, questions? Delegate Nelson or anyone? Well good. Alright, thank you. Yeah, thanks Craig.

**Craig Slaughter:** You too.

**President Carmichael:** Last is Workers Comp., Allan.

**Allan McVey:** Good afternoon Mr. President, Mr. Speaker, esteemed members of the committee. I am here to give you, or at least ask you if you have any questions about the reports that we've given you for our end of November. And I will say something about the Investment Management Board. Even though we are having some downtimes in the markets, I believe our funds are being well taken care of. And eventually they will come back as we all know. So I will say something nice about Mr. Slaughter. So, having said that, I'll be happy to entertain any questions you may have.

**President Carmichael:** Are there questions of the committee members? If not, well we recognize that our assets are safe.

**Allan McVey:** Right.

**President Carmichael:** And that there are fluctuations in the market and this will, this will work out.

**Allan McVey:** Absolutely.

**President Carmichael:** Yeah, so, thank you for that comment and thank you for your report.

**Allan McVey:** Thank you very much, Merry Christmas to all of you.

**President Carmichael:** Yeah. Is there other business to come before the committee?

**Speaker Hanshaw:** Yes, there is.

**President Carmichael:** Yes, I recognize Speaker Hanshaw.

**Speaker Hanshaw:** Mr. President, I move that we authorize additional Interim Meetings on January 7<sup>th</sup> and 8<sup>th</sup>, 2019.

**President Carmichael:** Is there discussion? If not, all in favor of the Speaker's motion say aye, those opposed no. They ayes appear to have it. The ayes do have it. I declare the motion adopted. Any, I recognize, is there any further business to come before the committee? If not, I recognize Speaker Hanshaw for a motion.

**Speaker Hanshaw:** I move the committee adjourned.

**President Carmichael:** Per the motion. All those in favor will say aye, those opposed no. I declare the meeting adjourned.

# 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*

January 2, 2019

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

- West Virginia Lottery as of November 30, 2018:  
Gross profit year to date was \$211.7 million. Gross profit for fiscal year 2018 was \$200 million.
- West Virginia Unemployment Compensation Fund as of November 30, 2018:  
Total disbursements were \$5.4 million lower than in fiscal year 2018. Overall ending trust fund balance was \$86.2 million higher on November 30, 2018 than on November 30, 2017.
- General Revenue Fund as of December 31, 2018:  
The general revenue collections ended the sixth month of fiscal year 2019 at 109% of the estimate for the year.
- State Road Fund as of December 31, 2018:  
The state road fund collections ended the sixth month of fiscal year 2019 at 105% 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: January 02, 2019

Re: Review of West Virginia Lottery Financial Information  
As of November 30, 2018

We performed an analysis of the Statement of Revenues, Expenses and Changes in Fund Net Position for November 30, 2018, 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 \$470.9 million for July - November 2018. Table games accounted for \$14.6 million of this total. Historic Resort Hotel video lottery and table games accounted for \$3.2 million of total gross receipts. Gross lottery revenue has increased by 5.3% when compared with July - November of fiscal year 2017-2018. This number does not include commission and prize deductions. Gross profit (gross revenues minus commissions and prize costs) for July - November 2018 was \$211.7 million; for July - November of last fiscal year it was \$200 million. Expressed as a percentage, gross profit is 5.7% higher for fiscal year 2019 than for fiscal year 2018.

Lottery continued

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

A total of \$200,216,000.00 has been accrued to the state of West Virginia for fiscal year 2018-2019. 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	\$46,191,000.00
Community and Technical College	\$2,499,000.00
Department of Education	\$17,422,000.00
Library Commission	\$10,771,000.00
Higher Education-Policy Commission	\$6,661,000.00
Tourism	\$6,122,000.00
Department of Natural Resources	\$3,006,000.00
Division of Culture and History	\$3,500,000.00
Department of Education and Arts	\$239,000.00
General Revenue Fund	\$0.00
Economic Development Authority	\$4,997,000.00
School Building Authority	\$9,000,000.00
<b><u>SUBTOTAL BUDGETARY TRANSFERS</u></b>	<b>\$110,408,000.00</b>

Lottery continued

**Excess Lottery Fund**

Economic Development Fund	\$10,509,000.00
Higher Education Improvement Fund	\$7,500,000.00
General Purpose Fund	\$21,574,000.00
Higher Education Improvement Fund	\$9,625,000.00
State Park Improvement Fund	\$1,660,000.00
School Building Authority	\$9,494,000.00
Refundable Credit	\$809,000.00
WV Racing Commission	\$664,000.00
WV DHHR	\$0.00
Teacher's Retirement Savings	\$0.00
Division of Human Services	\$8,000,000.00
WV Lottery Statutory Transfers	\$16,603,000.00
General Revenue	\$0.00
Excess Lottery Surplus	\$0.00
WV Infrastructure Council Fund	\$16,276,000.00
<b>Total State Excess Lottery Revenue Fund</b>	<b>\$102,714,000.00</b>

Total Budgetary Distributions:	\$213,122,000.00
Veterans Instant Ticket Fund	\$158,000.00
<b>TOTAL TRANSFERS</b>	<b>*\$213,280,000.00</b>

\* CASH BASIS

Total Accrued last FY 2018:	\$120,860,000.00
Total Cash Distributions FY 2019:	\$213,280,000.00
Applied to FY 2018:	\$120,860,000.00
Applied to FY 2019:	\$92,420,000.00
Accrued for FY 2019 as of November 30:	\$107,796,000.00



P.O. BOX 2067  
CHARLESTON, WV 25327

JOHN A. MYERS  
DIRECTOR

PHONE: 304.558.0500  
wvlottery.com

**MEMORANDUM**

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

A handwritten signature in blue ink that reads "John A. Myers".

RE: Monthly Report on Lottery Operations  
Month Ending November 30, 2018

DATE: December 17, 2018

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

Financial statements of the Lottery for the month ending November 30, 2018 are attached. Lottery revenue, which includes on-line, instant, video lottery sales, table games, and historic resort, was \$89,258,641 for the month of November.

Transfers of lottery revenue totaling \$39,538,452 made for the month of November 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 11 on pages 19 and 20 of the attached financial statements.

The number of traditional and limited retailers active as of November 30, 2018 was 1,482 and 1,243 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.

JAM  
Attachment

pc: Honorable Jim Justice, Governor  
Dave Hardy, Cabinet Secretary – Dept. of Revenue  
John Perdue, Treasurer  
J. B. McCuskey, Auditor  
Members of the West Virginia Lottery Commission

## MEMORANDUM

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

RE: Monthly Report on Lottery Operations  
Month Ending November 30, 2018

DATE: December 17, 2018

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

Financial statements of the Lottery for the month ending November 30, 2018 are attached. Lottery revenue, which includes on-line, instant, video lottery sales, table games, and historic resort, was \$89,258,641 for the month of November.

Transfers of lottery revenue totaling \$39,538,452 made for the month of November 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 11 on pages 19 and 20 of the attached financial statements.

The number of traditional and limited retailers active as of November 30, 2018 was 1,482 and 1,243 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.

JAM  
Attachment

pc: Honorable Jim Justice, Governor  
Dave Hardy, Cabinet Secretary – Dept. of Revenue  
John Perdue, Treasurer  
J. B. McCuskey, Auditor  
Members of the West Virginia Lottery Commission

**WEST VIRGINIA LOTTERY**

**STATE OF WEST VIRGINIA**

**FINANCIAL STATEMENTS  
-UNAUDITED-**

**November 30, 2018**

**WEST VIRGINIA LOTTERY**

**TABLE OF CONTENTS**

**Page**

**STATEMENT OF NET POSITION..... 3**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION..... 4**

**STATEMENTS OF CASH FLOWS ..... 5**

**NOTES TO FINANCIAL STATEMENTS ..... 6 – 23**

**SCHEDULE OF NET REVENUES.....24**

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

ASSETS	November 30, 2018	June 30, 2018
Current Assets:		
Cash and cash equivalents	\$ 131,804	\$ 146,661
Accounts receivable	27,095	32,136
Inventory	576	529
Other assets	<u>1,155</u>	<u>1,175</u>
Total Current Assets	<u>160,630</u>	<u>180,501</u>
Capital assets	61,552	61,552
Less accumulated depreciation and amortization	<u>(14,202)</u>	<u>(13,505)</u>
Net Capital Assets	<u>47,350</u>	<u>48,047</u>
Total Noncurrent Assets	<u>47,350</u>	<u>48,047</u>
Total Assets	<u>\$ 207,980</u>	<u>\$ 228,548</u>
Deferred outflows of resources	<u>\$ 1,339</u>	<u>\$ 1,339</u>
Total assets and deferred outflows	<u>\$ 209,319</u>	<u>\$ 229,887</u>
Current Liabilities:		
Accrued nonoperating distributions to the State of West Virginia	\$ 107,796	\$ 120,860
Estimated prize claims	14,348	15,783
Accounts payable	1,765	1,581
Other accrued liabilities	<u>28,837</u>	<u>35,090</u>
Total Current Liabilities	<u>152,746</u>	<u>173,314</u>
Deferred inflows	<u>\$ 1,374</u>	<u>1,374</u>
Net Position:		
Net Investment in capital assets	47,350	48,047
Unrestricted	<u>7,849</u>	<u>7,152</u>
Total Net Position	<u>55,199</u>	<u>55,199</u>
Total net position, liabilities, and deferred inflows	<u>\$ 209,319</u>	<u>\$ 229,887</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 FIVE MONTH PERIOD ENDED NOVEMBER 30, 2018**

(In Thousands)

-Unaudited-

	CURRENT MONTH		YEAR TO DATE	
	FY 2019	FY 2018	FY 2019	FY 2018
Lottery revenues				
On-line games	\$ 5,179	\$ 4,886	\$ 39,904	\$ 33,128
Instant games	9,291	6,494	44,255	37,387
Racetrack video lottery	39,454	39,557	210,420	213,377
Limited video lottery	31,714	29,482	158,037	145,892
Table games	2,886	2,870	14,645	14,669
Historic resort	602	486	3,191	2,551
Sports wagering	133	-	400	-
	<u>89,259</u>	<u>83,775</u>	<u>470,852</u>	<u>447,004</u>
Less commissions				
On-line games	368	342	2,797	2,316
Instant games	649	455	3,091	2,617
Racetrack video lottery	21,646	21,703	115,445	117,067
Limited video lottery	15,540	14,446	77,438	71,487
Table games	1,224	1,216	6,212	6,219
Historic resort	286	257	1,646	1,420
	<u>39,713</u>	<u>38,419</u>	<u>206,629</u>	<u>201,126</u>
Less on-line prizes	2,387	2,933	19,891	17,358
Less instant prizes	6,151	4,297	29,556	24,585
Less ticket costs	101	93	480	486
Less vendor fees and costs	(283)	625	2,566	3,203
	<u>8,356</u>	<u>7,948</u>	<u>52,493</u>	<u>45,632</u>
Gross profit	<u>41,190</u>	<u>37,408</u>	<u>211,730</u>	<u>200,246</u>
Administrative expenses				
Advertising and promotions	287	494	2,601	2,347
Wages and related benefits	848	796	4,354	4,124
Telecommunications	136	74	369	342
Contractual and professional	1,135	458	2,982	1,935
Rental	11	14	90	78
Depreciation and amortization	139	104	697	506
Other administrative expenses	135	71	665	623
	<u>2,691</u>	<u>2,011</u>	<u>11,758</u>	<u>9,955</u>
Other Operating Income	<u>153</u>	<u>123</u>	<u>2,306</u>	<u>3,420</u>
Operating Income	<u>38,652</u>	<u>35,520</u>	<u>202,278</u>	<u>193,711</u>
Nonoperating income (expense)				
Investment income	219	54	1,140	556
Distributions to municipalities and counties	(622)	(578)	(3,098)	(2,859)
Distributions -capital reinvestment	(17)	(17)	(104)	(96)
Distributions to the State of West Virginia	(38,232)	(34,979)	(200,216)	(191,312)
	<u>(38,652)</u>	<u>(35,520)</u>	<u>(202,278)</u>	<u>(193,711)</u>
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position, beginning of period	<u>55,199</u>	<u>53,019</u>	<u>55,199</u>	<u>53,019</u>
Net position, end of period	<u>\$ 55,199</u>	<u>\$ 53,019</u>	<u>\$ 55,199</u>	<u>\$ 53,019</u>

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

**WEST VIRGINIA LOTTERY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE FIVE MONTH PERIOD ENDED NOVEMBER 30, 2018**

(In Thousands)

-Unaudited-

	2019	2018
Cash flows from operating activities:		
Cash received from customers and other sources	\$ 478,199	\$ 451,635
Cash payments for:		
Personnel costs	(4,354)	(4,124)
Suppliers	(5,171)	(5,292)
Other operating costs	(262,376)	(242,251)
Cash provided by operating activities	<u>206,298</u>	<u>199,968</u>
Cash flows from noncapital financing activities:		
Nonoperating distributions to the State of West Virginia	(213,280)	(236,405)
Distributions to municipalities and counties	(3,089)	(2,829)
Distributions to racetrack from racetrack cap. reinv. fund	(5,953)	(5,608)
Cash used in noncapital financing activities	<u>(222,322)</u>	<u>(244,842)</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	<u>-</u>	<u>(1,562)</u>
Cash flows from investing activities:		
Investment earnings received	<u>1,167</u>	<u>611</u>
Cash provided by investing activities	<u>1,167</u>	<u>611</u>
Increase (decrease) in cash and cash equivalents	(14,857)	(45,825)
Cash and cash equivalents - beginning of period	<u>146,661</u>	<u>156,550</u>
Cash and cash equivalents - end of period	<u>\$ 131,804</u>	<u>\$ 110,725</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 202,278	\$ 193,711
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation and amortization	697	506
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	5,041	1,211
(Increase) decrease in inventory	(47)	194
(Increase) decrease in other assets	(7)	17
Increase (decrease) in estimated prize claims	(1,435)	255
Increase (decrease) in accounts payable	184	(75)
Increase (decrease) in other accrued liabilities	(413)	4,149
Cash provided by operating activities	<u>\$ 206,298</u>	<u>\$ 199,968</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; 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 \$631,080 and \$573,725 of at June 30, 2018 and 2017, 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 November 30, 2018 the carrying amounts of deposits (overdraft) with financial institutions were \$496 thousand with a bank balance (overdraft) of \$524 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):

	November 30, 2018	June 30, 2018
Deposits with financial institutions	\$ 496	\$ 489
Cash on hand at the Treasurer's Office	14,644	5,022
Investments with BTI reported as cash equivalents	116,664	141,150
	\$ 131,804	\$ 146,661

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 November 30, 2018 is as follows (in thousands):

	Historical Cost At June 30, 2018	Additions	Deletions	Historical Cost At November 30, 2018
Construction in Progress	\$ 629	\$ -	\$ -	\$ 629
Buildings	48,243	-	-	48,243
Land	1,681	-	-	1,681
Equipment	10,999	-	-	10,999
	<u>\$ 61,552</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,552</u>
Accumulated Depreciation:				
	Historical Cost At June 30, 2018	Additions	Deletions	Historical Cost At November 30, 2018
Buildings	\$ 6,466	\$ 514	\$ -	\$ 6,980
Equipment	7,039	183	-	7,222
	<u>\$ 13,505</u>	<u>\$ 697</u>	<u>\$ -</u>	<u>\$ 14,202</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 LOTTO AMERICA® 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, Lotto America, 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®, LOTTO AMERICA®, 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 November 30, 2018 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	\$ 1,852,057	\$ 14,191,168
Lotta America	396,241	2,027,689
Mega Millions	<u>1,206,005</u>	<u>14,795,216</u>
Total	\$ 3,454,303	\$ 31,014,073

<u>Expenses (Prizes)</u>	<u>Month</u>	<u>Y-T-D</u>
Powerball	\$ 926,531	\$ 7,097,668
Lotta America	198,121	1,014,094
Mega Millions	<u>627,471</u>	<u>7,694,308</u>
Total	\$ 1,752,123	\$ 15,806,070

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>Lotto America</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 November 30, 2018, the Lotteries share of the prize reserve fund balances were as follows:

Game	<u>Total Prize Reserve</u>	<u>Lottery Share</u>
Powerball	\$ 119,544,947	\$ 1,543,380
Lotto America	1,852,859	133,704
Mega Millions	<u>88,160,164</u>	<u>1,021,811</u>
Total	<u>\$ 209,557,970</u>	<u>\$ 2,698,895</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

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

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

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 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 \$15,154,327 at November 30, 2018, of which the Lottery's share was \$1,357,865

**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 November 30, 2018 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2019	2018	2019	2018
Total credits played	\$ 435,710	\$ 449,943	\$ 2,336,277	\$ 2,403,170
Credits (prizes) won	(390,860)	(403,634)	(2,094,614)	(2,156,159)
Promotional credits played	(5,396)	(6,749)	(31,243)	(33,620)
MWAP Contributions	-	(3)	-	(14)
Gross terminal income	39,454	39,557	210,420	213,377
Administrative costs	(1,578)	(1,582)	(8,417)	(8,535)
Net Terminal Income	37,876	37,975	202,003	204,842
Less distribution to agents	(21,646)	(21,703)	(115,445)	(117,067)
Racetrack video lottery revenues	<u>\$ 16,230</u>	<u>\$ 16,272</u>	<u>\$ 86,558</u>	<u>\$ 87,775</u>

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

	November 30, 2018	Year-to-Date
State Lottery Fund	\$ 11,363	\$ 60,601
State Excess Lottery Revenue Fund	4,867	25,957
Capital Reinvestment Fund	-	-
Total nonoperating distributions	<u>\$ 16,230</u>	<u>\$ 86,558</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 November 30, 2018 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2019	2018	2019	2018
Total credits played	\$ 401,897	\$ 363,184	\$ 1,999,338	\$ 1,805,004
Credits (prizes) won	(370,183)	(333,702)	(1,841,301)	(1,659,112)
Gross terminal income	\$ 31,714	\$ 29,482	\$ 158,037	\$ 145,892
Administrative costs	(634)	(590)	(3,160)	(2,918)
Gross Profit	31,080	28,892	154,877	142,974
Commissions	(15,540)	(14,446)	(77,438)	(71,487)
Municipalities and Counties	(622)	(578)	(3,098)	(2,859)
Limited video lottery revenues	<u>\$ 14,918</u>	<u>\$ 13,868</u>	<u>\$ 74,341</u>	<u>\$ 68,628</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 November 30, 2018 were \$8,245,541 and \$41,842,767, 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	
	2019	2018	2019	2018
Table Games Privilege Tax	\$ 2,886	\$ 2,870	\$ 14,645	\$ 14,669
Interest on Table Games Fund	5	2	28	15
Administrative costs	(247)	(246)	(1,255)	(1,257)
Total Available for Distribution	<u>2,644</u>	<u>2,626</u>	<u>13,418</u>	<u>13,427</u>
<u>Less Distributions:</u>				
Racetrack Purse Funds	185	184	942	943
Thoroughbred & Greyhound Development Funds	148	148	753	754
Racing Association Pension Plan	73	72	369	369
Municipalities/ Counties	<u>818</u>	<u>812</u>	<u>4,148</u>	<u>4,153</u>
Total Distributions	<u>1,224</u>	<u>1,216</u>	<u>6,212</u>	<u>6,219</u>
Excess Lottery Fund	<u>\$ 1,420</u>	<u>\$ 1,410</u>	<u>\$ 7,206</u>	<u>\$ 7,208</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 November 30, 2018 and fiscal year-to-date follows (in thousands):

	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Total credits played	\$ 7,987	\$ 7,406	\$ 37,359	\$ 34,150
Credits (prizes) won	(7,551)	(6,974)	(34,803)	(31,824)
Promotional credits played	(81)	(78)	(341)	(283)
Gross terminal income	<u>355</u>	<u>354</u>	<u>2,215</u>	<u>2,043</u>
Capital reinvestment	(17)	(17)	(104)	(96)
Excess Lottery Fund	(3)	(3)	(20)	(19)
Administrative costs	(19)	(19)	(119)	(110)
Hotel commissions	<u>(150)</u>	<u>(150)</u>	<u>(937)</u>	<u>(864)</u>
Net terminal income	<b>166</b>	165	<b>1,035</b>	954
Historic Resort Hotel Fund	<b>106</b>	105	<b>658</b>	607
Human Resource Benefit Fund	<b>60</b>	60	<b>377</b>	347

**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 November 30, 2018 were \$706,155 and \$2,787,998, 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>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Table games privilege tax	\$ 247	\$ 132	\$ 976	\$ 508
Administrative Costs	(32)	(17)	(125)	(65)
Total Available for Distribution	<u>215</u>	<u>115</u>	<u>851</u>	<u>443</u>
Historic Resort Hotel Fund	<b>180</b>	96	<b>712</b>	371
Human Resource Benefit Fund	<b>35</b>	19	<b>139</b>	72

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	\$ 106	\$ 658
Historic Resort Table Games	180	712
Interest on Historic Resort Hotel Fund	<u>1</u>	<u>4</u>
Historic Resort Hotel Fund Net Income	287	1,374
Municipalities/ Counties	41	193
Excess Lottery Fund	246	1,181
Total Distributions	<u>\$ 287</u>	<u>\$ 1,374</u>

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

**NOTE 10– SPORTS WAGERING**

Sports Wagering legislation passed in 2018 per Senate Bill 415. Each racetrack and historic resort hotel licensee is subject to a privilege tax of ten percent (10%) of adjusted gross wagering receipts which will be deposited weekly into the Sports Wagering Fund.

From the privilege tax deposited into the Sports Wagering Fund, the Commission, on a monthly basis shall:

Retain 15% for administrative expenses of which any surplus in excess of \$250,000 shall be reported to the Joint Committee on Government and Finance and remitted to the State Treasurer.

After the reduction for administrative expenses, the net profit shall be deposited into the State Lottery Fund until a total of \$15 million is deposited. The remainder of net profit shall be deposited into the Public Employees Insurance Agency Financial Stability Fund.

The Sports Wagering adjusted gross wagering receipts for the month and year-to-date periods ended November 30, 2018 were \$1,333,513 and \$3,999,162, respectively. The following table shows the month and year-to-date totals of the privilege tax and the accrued distributions (in thousands) to be transferred in the subsequent month:

	Current Month		Year-to-Date	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Sports Wagering Privilege Tax	\$ 133	\$ -	\$ 400	\$ -
Interest on Sports Waging Fund	-	-	-	-
Administrative Costs	<u>(20)</u>	-	<u>(60)</u>	-
Total Available for Distribution	<b>113</b>	-	<b>340</b>	-

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

**NOTE 11- 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, 2019 the State Legislature budgeted \$129,298,650 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 November 30, 2018 the Lottery has accrued additional distributions of \$107,796,330. The Lottery is a non-appropriated state agency and therefore does not have a legally adopted annual budget.

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

<u>BUDGETARY DISTRIBUTIONS</u>	<u>November 30, 2018</u>	<u>Year-to-Date</u>
<u>State Lottery Fund:</u>		
Community and Technical College	\$ 500	\$ 2,499
Bureau of Senior Services	7,077	46,191
Department of Education	2,759	17,422
Library Commission	1,706	10,771
Higher Education-Policy Commission	1,055	6,661
Tourism	961	6,122
Natural Resources	476	3,006
Division of Culture & History	418	3,500
Department of Education & Arts	41	239
Economic Development Authority	999	4,997
School Building Authority	1,800	9,000
Total State Lottery Fund	\$ 17,792	\$ 110,408

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

State Excess Lottery Revenue Fund:

Economic Development Fund	\$ 2,102	\$ 10,509
Higher Education Improvement Fund	1,500	7,500
General Purpose Account	5,318	21,574
Higher Education Improvement Fund	2,373	9,625
State Park Improvement Fund	409	1,660
School Building Authority	1,899	9,494
Refundable Credit		809
WV Racing Commission	163	664
WV Department of Health and Human Resources		-
Teacher's Retirement Savings		-
Division of Human Services		8,000
WV Lottery Statutory Transfers	4,093	16,603
General Revenue		-
Excess Lottery Surplus		-
West Va. Infrastructure Council	3,873	16,276
Total State Excess Lottery Revenue Fund	\$ 21,730	\$ 102,714
Total Budgetary distributions:	\$ 39,522	\$ 213,122
Veterans Instant Ticket Fund	\$ 16	\$ 158
Total nonoperating distributions to the State of West Virginia (cash basis)	\$ 39,538	\$ 213,280
Accrued nonoperating distributions, beginning	(109,102)	(120,860)
Accrued nonoperating distributions, end	107,796	107,796
	\$ 38,232	\$ 200,216

**NOTE 12 – 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 November 30, 2018 and November 30, 2017 approximated \$89,641 and \$77,992 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 November 30, 2018 and November 30, 2017 approximated \$449,693 and \$427,964 respectively.

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

**NOTE 13 – COMMITMENTS**

For the years ended June 30, 2018 and 2017 the Lottery Commission has not designated any unexpended administrative funds for the acquisition of capital assets. As of June 30, 2018 and 2017, \$9,414,970 and \$9,460,433, 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 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 November 30, 2018 and fiscal year-to-date are as follows (in thousands):

	November 30, 2018	Year-to-Date
Employee contributions	\$ 28	\$ 155
Lottery contributions	60	341
Total contributions	\$ 88	\$ 496

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

**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.

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.

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

**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 \$357 and \$429 per employee per month for the years ending June 30, 2017 and 2016 respectively. Through June 30, 2017 and 2016, the Lottery has paid premiums of \$288,942 and \$284,421. As of June 30, 2017 and 2016, the Lottery has recorded a liability of \$5,206,989 and \$4,990,361 on its balance sheet for OPEB.

**SCHEDULE OF REVENUES AND NET REVENUES OF THE  
 LOTTERY FUND AND EXCESS LOTTERY FUND  
 FOR THE FIVE MONTH PERIOD ENDED NOVEMBER 30, 2018  
 (In Thousands)**

	Current Month		FISCAL YEAR	
	Actual	Projected	Actual	Projected
Gross Revenues				
Instant games	9,290	7,500	44,254	37,500
On-line games	5,178	5,033	39,904	25,166
Racetrack video lottery	39,553	36,838	210,520	191,001
Limited video lottery	31,714	27,851	158,037	141,495
Racetrack table games	2,886	2,395	14,645	12,246
Historic resort	602	395	3,191	2,028
Sports wagering	133	-	400	-
Total gross revenues	<b>89,356</b>	<b>80,012</b>	<b>470,951</b>	<b>409,436</b>
Net Revenues - Lottery Fund and Excess Lottery Fund				
Lottery Fund				
Instant games	1,040	871	5,247	4,353
On-line games	1,722	1,444	11,746	7,222
Racetrack Video Lottery	11,410	10,609	60,835	55,008
Sports wagering	114	-	842	-
Total Lottery Fund net revenues	14,286	12,924	78,670	66,583
Excess Lottery Fund				
Racetrack Video Lottery	4,885	4,546	26,080	23,561
Limited Video Lottery	15,026	13,101	74,898	66,559
Limited Video Lottery Fees	15	-	951	-
Racetrack table games	1,420	1,175	7,205	6,007
Historic resort	249	159	1,200	794
Total Excess Lottery Fund Net Revenues	21,595	18,981	110,334	96,921
Total Net Revenues	<b>35,881</b>	<b>31,905</b>	<b>189,004</b>	<b>163,504</b>

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: January 2, 2019

Re: Status of General Revenue Fund and State Road Fund as of  
December 31, 2018 (FY 19)

We have reviewed the cash flow of the West Virginia general revenue fund as of December 31, 2018 which is the end of the sixth month of the fiscal year. The status of the fund collections for the month is as follows:

The net collections were 109% of the estimate for the fiscal year. Total collections were \$184.5 million above the estimate for the fiscal year.

Personal Income Tax collections were \$52 million above the estimate for the fiscal year.

Consumer sales and use tax collections were \$38.8 million above the estimate for the year.

Severance Tax was \$59.2 million above the estimate for the fiscal year.

Corporate Income and Business Franchise Tax collections were \$25.5 million above the estimate for the fiscal year.

**State Road Fund**

The state road fund collections were 105% of the estimate for the fiscal year. Total collections were \$21.9 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 \$285,973,842.18 as of December 31, 2018.

Balance July 1, 2018	268,964,086.07
Loan-General Revenue Fund 7-1-18	60,000,000.00
Loan Payment 8-31-18	(60,000,000.00)
Fiscal year 18 surplus	18,066,528.88
Earnings	(1,056,772.77)
Balance December 31, 2018	285,973,842.18

Revenue Shortfall Reserve **Fund B** (Tobacco Settlement Monies) had a cash balance of \$432,657,218.87 as of December 31, 2018.

Balance July 1, 2018	440,709,603.60
Earnings	(8,052,384.73)
Balance December 31, 2018	432,657,218.87

The **Personal Income Tax Reserve** Fund had a \$11 million cash balance as of December 31, 2018.

Balance July 1, 2018	11,000,000.00
Balance December 31, 2018	11,000,000.00

GENERAL REVENUE FUND FY 2018-2019

By Source and by Month

Monthly Revenue Estimates

as of December 31, 2018 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	162,500,000	169,868,821	7,368,821	911,500,000	963,501,045	52,001,045
Consumer Sales Tax & Use Tax	116,500,000	124,154,921	7,654,921	633,700,000	672,541,638	38,841,638
Severance Tax	34,300,000	45,266,025	10,966,025	149,900,000	209,075,231	59,175,231
Corporate Net Income Tax	28,800,000	48,723,092	19,923,092	72,000,000	97,510,749	25,510,749
Insurance Tax	-100,000	-12,295	87,705	57,720,000	60,871,695	3,151,695
Tobacco Products Tax	15,900,000	13,861,638	-2,038,362	91,100,000	89,167,186	-1,932,814
Business and Occupation	7,300,000	7,953,891	653,891	51,900,000	53,422,527	1,522,527
Liquor Profit Transfers	1,500,000	1,519,000	19,000	9,300,000	10,760,094	1,460,094
Departmental Collections	1,200,000	1,047,167	-152,833	7,600,000	7,667,886	67,886
Property Transfer Tax	1,300,000	959,426	-340,575	6,870,000	6,925,333	55,333
Property Tax	200,000	197,672	-2,328	4,260,000	4,276,330	16,330
Beer Tax and Licenses	465,000	487,656	22,656	3,555,000	3,641,921	86,921
Miscellaneous Transfers	50,000	0	-50,000	660,000	1,962,371	1,302,371
Interest Income	1,800,000	1,543,862	-256,138	9,200,000	8,423,630	-776,370
Refundable Credit Reimb Liability	0	0	0	600,000	808,602	208,602
HB 102 - Lottery Transfers	4,500,000	5,272,314	772,314	23,400,000	26,846,164	3,446,164
Miscellaneous	1,900,000	1,974,777	74,777	4,550,000	4,773,564	223,564
Business Franchise Fees	48,000	57,735	9,735	313,000	329,140	16,140
Estate & Inheritance Tax	0	0	0	0	0	0
Liquor License Renewal	0	0	0	0	0	0
Special Revenue Transfers	0	80,309	80,309	10,600,000	11,947,277	1,347,277
Charter Tax	0	455	455	0	4,975	4,975
Video Lottery Transfers	0	38,799	38,799	0	131,369	131,369
July-Dec Retro Rev Adj	0	0	0	0	0	0
Cash Flow Transfer	0	0	0	0	0	0
<b>SUBTOTALS</b>	<b>378,163,000</b>	<b>422,995,265</b>	<b>44,832,265</b>	<b>2,048,728,000</b>	<b>2,234,588,728</b>	<b>185,860,728</b>
Less: Cash Flow Transfer	0	0	0	0	0	0
Less: Special Revenue Transfer	0	80,309	80,309	10,600,000	11,947,277	1,347,277
<b>TOTALS</b>	<b>378,163,000</b>	<b>422,914,956</b>	<b>44,751,956</b>	<b>2,038,128,000</b>	<b>2,222,641,451</b>	<b>184,513,451</b>

Percent of Estimates

111.83%

109.05%

Collections past three days

32,711,691

**STATE ROAD FUND FY 2018-2019  
By Source and by Month  
Monthly Revenue Estimates  
as of December 31, 2018 OASIS**

	MONTH ESTIMATES	NET MONTH COLLECTIONS	<b>FINAL</b> MONTHLY COLLECTIONS OVER ESTIMATES	YTD ESTIMATES	NET YTD COLLECTIONS	YEARLY COLLECTIONS OVER ESTIMATES
Motor Fuel Tax	36,600,000	37,751,611	1,151,611	238,300,000	243,496,956	5,196,956
Sales/Privilege Tax	15,791,000	15,128,378	-662,622	108,481,000	117,153,679	8,672,679
Licenses & Registration	11,573,000	8,525,736	-3,047,264	69,420,000	76,761,274	7,341,274
Miscellaneous	1,411,000	3,570,090	2,159,090	10,723,000	11,490,132	767,132
Highway Litter Control	113,000	155,510	42,510	765,000	716,214	-48,787
Federal Reimbursement	37,455,000	22,904,508	-14,550,492	304,488,000	183,202,533	-121,285,467
<b>SUBTOTALS</b>	<b>102,943,000</b>	<b>88,035,834</b>	<b>-14,907,166</b>	<b>732,177,000</b>	<b>632,820,787</b>	<b>-99,356,213</b>
Less: Federal Reimbursement	37,455,000	22,904,508	-14,550,492	304,488,000	183,202,533	-121,285,467
<b>TOTALS</b>	<b>65,488,000</b>	<b>65,131,325</b>	<b>-356,675</b>	<b>427,689,000</b>	<b>449,618,254</b>	<b>21,929,254</b>

Percent of Estimates

99.46%

105.13%

Collections past three days

16,010,328

**REVENUE SHORTFALL RESERVE FUND 7005, Part A as of December 31, 2018 : \$ 285,973,842.18**

*\$60 million loaned to General Revenue Fund 7/1/2018 for beginning of year cash flow, paid back 8/31/2018.*

**REVENUE SHORTFALL RESERVE FUND 7006, Part B as of December 31, 2018: \$432,657,218.87**

**PERSONAL INCOME TAX REFUND RESERVE FUND as of December 31, 2018: \$11,000,000.00**

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: January 2, 2019

Re: West Virginia Unemployment Compensation Trust Fund

We have reviewed the November 30, 2018 monthly report of the Unemployment Compensation Trust Fund we received from WorkForce West Virginia.

As of November 30, 2018 of fiscal year 2018-2019, the trust fund cash flow was as follows:

Trust Fund Beginning Cash Balance 7-1-2018	\$ 137,218,046.89
Receipts July 1, 2018 thru June 30, 2019	\$ 90,942,476.18
Disbursements July 1, 2018 thru June 30, 2019	\$ 47,026,604.02
Balance November 30, 2018	\$ 181,133,919.05

ITEMS OF NOTE:

Regular benefits paid for July - November 2018 were \$ 5.4 million less than November 2017.

Federal emergency benefits totaled -\$28 thousand for July - November 2017. For July - November 2018, federal emergency benefits totaled -\$10 thousand.

Total disbursements were \$ 5.4 million less in July - November 2018 than the preceding July - November 2017.

Receipts as of July - November 2018, were \$ 12 million more than in July - November 2017. Overall ending trust fund balance was \$86.2 million higher on November 30, 2018 than on November 30, 2017.

Seasonally adjusted unemployment rates for November 2018 were 5.2 percent for West Virginia and 3.7 percent nationally.

Since November 2017, employment has increased by 6,500. Employment gains included 1,700 in educational and health services, 1,300 in construction, 1,400 in trade, transportation, and utilities, 1,200 in leisure and hospitality, 600 in manufacturing, 1,600 in government, 100 in professional and business services, and 100 in financial activities. Employment declines included 900 in other services, 300 in mining and logging, and 300 in information.

December 11, 2018

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

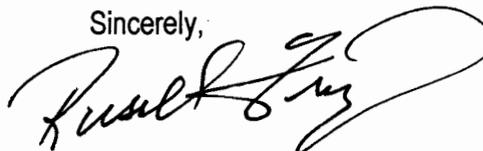
RE: Monthly Status Report

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 November 2018.

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

Sincerely,



Russell L. Fry  
Acting Executive Director

RLF/gew

Enclosure

pc: Jim Justice

1900 Kanawha Blvd E \* Building 3, Suite 300 \* Charleston, WV 25305

An agency of the Department of Commerce  
*An equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities.*

**[www.workforcewv.org](http://www.workforcewv.org)**

A proud partner of the AmericanJobCenter<sup>®</sup> network

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

	SEPTEMBER 2017	OCTOBER 2017	NOVEMBER 2017	SEPTEMBER 2018	OCTOBER 2018	NOVEMBER 2018	THREE MONTH TOTAL VARIANCE *	
<b>Balance Forward</b>	<b><u>\$91,175,365.16</u></b>	<b><u>\$84,317,763.69</u></b>	<b><u>\$93,302,867.79</u></b>	<b><u>\$167,806,683.07</u></b>	<b><u>\$161,844,429.69</u></b>	<b><u>\$179,793,843.71</u></b>	<b><u>\$240,648,959.84</u></b>	
Add Receipts:								
1. Bond Assessment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	1. Bond Assessment
2. Regular Contributions:	<u>\$938,664.67</u>	<u>\$19,510,960.95</u>	<u>\$11,330,632.52</u>	<u>\$1,013,017.91</u>	<u>\$26,273,050.87</u>	<u>\$10,872,311.83</u>	<u>\$6,377,922.27</u>	2. Regular Contributions:
3. Federal Emergency Benefits (EUC08)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$38.99	\$38.99	3. Federal Emergency B
4. Federal Share Extended Benefits (EB)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	4. Federal Share Extended I
5. Temp Federal Additional Comp (FAC)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	5. Temp Federal Additior
6. UCFE (Federal Agencies)	<u>\$50,517.26</u>	<u>\$73,581.28</u>	<u>\$72,172.13</u>	<u>\$57,307.00</u>	<u>\$61,385.09</u>	<u>\$56,586.52</u>	<u>(\$20,992.06)</u>	6. UCFE (Federal Agenc
7. Special Administrative Transfer	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	7. Special Administrative
8. Reed Act Funds**	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	8. Reed Act Funds
9. UC Modernization Incentive	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	9. UC Modernization Inc
10. Treasury Interest Credits	<u>\$462,909.85</u>	\$0.00	\$0.00	<u>\$909,662.83</u>	\$0.00	\$0.00	<u>\$446,752.78</u>	10. Treasury Interest Cre
11. UCX (Military Agencies)	<u>\$41,109.96</u>	<u>\$56,615.62</u>	<u>\$46,625.01</u>	<u>\$39,480.11</u>	<u>\$47,016.32</u>	<u>\$29,450.93</u>	<u>(\$28,403.43)</u>	11. UCX (Military Agencie
12. WV Senate Bill 558	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	12. WV Senate Bill 558
13. CMIA Receipts	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	13. CMIA Receipts
<b>Total Monthly Receipts</b>	<b><u>\$1,493,201.94</u></b>	<b><u>\$19,641,158.05</u></b>	<b><u>\$11,449,629.66</u></b>	<b><u>\$2,019,467.65</u></b>	<b><u>\$26,381,452.28</u></b>	<b><u>\$10,958,388.27</u></b>	<b><u>\$6,775,318.55</u></b>	<b>Total Monthly Recei</b>
Less Disbursements:								Less Disbursements:
Debt Bond Repayment	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	Debt Bond Repayment
Regular Benefits:	<u>\$6,265,210.20</u>	<u>\$10,527,869.78</u>	<u>\$9,707,968.88</u>	<u>\$7,873,469.21</u>	<u>\$8,340,348.94</u>	<u>\$9,530,943.29</u>	<u>(\$2,756,307.40)</u>	Regular Benefits:
Federal Emergency Benefits (EUC08)	<u>(\$3,723.00)</u>	<u>(\$5,847.68)</u>	<u>(\$6,624.52)</u>	<u>(\$2,349.00)</u>	<u>(\$2,170.00)</u>	<u>(\$1,475.01)</u>	<u>\$10,201.39</u>	Federal Emergency Ber
Federal Share Extended Benefits (EB)	<u>(\$15.00)</u>	<u>(\$15.00)</u>	<u>(\$65.00)</u>	<u>(\$15.00)</u>	<u>(\$65.00)</u>	<u>(\$23.00)</u>	<u>(\$8.00)</u>	Federal Share Extendec
Emergency Benefits (TEUC)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	Emergency Benefits (TE
Temp Federal Additional Comp (FAC)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	Temp Federal Additiona
UCFE (Federal Workers) Benefits	<u>\$45,145.25</u>	<u>\$77,210.25</u>	<u>\$75,821.58</u>	<u>\$65,829.07</u>	<u>\$52,214.64</u>	<u>\$59,390.91</u>	<u>(\$20,742.46)</u>	UCFE (Federal Workers
UCX (Military Workers) Benefits	<u>\$44,185.96</u>	<u>\$56,836.62</u>	<u>\$45,950.01</u>	<u>\$44,786.75</u>	<u>\$41,709.68</u>	<u>\$29,476.74</u>	<u>(\$30,999.62)</u>	UCX (Military Workers) I
Reed Act Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	Reed Act Funds
Special Administrative Transfer**	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	Special Administrative T
<b>Total Monthly Disbursements</b>	<b><u>\$8,350,803.41</u></b>	<b><u>\$10,656,053.95</u></b>	<b><u>\$9,823,070.95</u></b>	<b><u>\$7,981,721.03</u></b>	<b><u>\$8,432,038.26</u></b>	<b><u>\$9,618,312.93</u></b>	<b><u>(\$2,797,856.09)</u></b>	<b>Total Monthly Disbu</b>
<b>Trust Fund Balance</b>	<b><u>\$84,317,763.69</u></b>	<b><u>\$93,302,867.79</u></b>	<b><u>\$94,929,426.50</u></b>	<b><u>\$161,844,429.69</u></b>	<b><u>\$179,793,843.71</u></b>	<b><u>\$181,133,919.05</u></b>	<b><u>\$250,222,134.48</u></b>	<b>Trust Fund Balance</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	<u>(50,000,000.00)</u>
Outstanding Loan from Revenue Shortfall Reserve Fund	<u>\$0.00</u>

\*\*Note: Reed Act funds of \$549,488.24 previously drawn down were unexpended and returned to Trust Fund on deposit with the U.S. Treasury.

**UC TRUST FUND BALANCES & PROJECTIONS - 2018**

December 10, 2018

Month	Receipts	Disbursements	Trust Fund Balance
<b>2017</b>			
Balance 1/1/2017			\$ 31,555,110
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	\$ 1,493,202	\$ 8,350,803	\$ 84,317,764
October	\$ 19,641,158	\$ 10,656,054	\$ 93,302,868
November	\$ 11,449,630	\$ 9,823,071	\$ 94,929,427
December	\$ 1,381,472	\$ 13,510,713	\$ 82,800,186
<b>Totals - 2017</b>	<b>\$ 209,595,047</b>	<b>\$ 158,349,971</b>	<b>\$ 82,800,186</b>
<b>2018</b>			
January	\$ 15,854,972	\$ 18,180,779	\$ 80,474,379
February	\$ 8,964,249	\$ 16,063,060	\$ 73,375,568
March	\$ 1,556,203	\$ 12,890,572	\$ 62,041,199
April	\$ 67,692,592	\$ 14,518,039	\$ 115,215,752
May	\$ 39,734,526	\$ 10,586,743	\$ 144,363,535
June	\$ 1,857,766	\$ 9,003,254	\$ 137,218,047
July	\$ 31,386,942	\$ 11,838,195	\$ 156,766,794
August	\$ 20,196,226	\$ 9,156,337	\$ 167,806,683
September	\$ 2,019,468	\$ 7,981,721	\$ 161,844,430
October	\$ 26,381,452	\$ 8,432,038	\$ 179,793,844
November	\$ 10,958,388	\$ 9,618,313	\$ 181,133,919
December	\$ 1,535,368	\$ 12,210,982	\$ 170,458,305
<b>Totals - 2018</b>	<b>\$ 228,138,152</b>	<b>\$ 140,480,033</b>	<b>\$ 170,458,305</b>

An agency of the Department of Commerce  
 An equal opportunity employer/program. Auxiliary aids and services are available upon request to individuals with disabilities.

[www.workforcewv.org](http://www.workforcewv.org)

A proud partner of the  American Job Center® network

## **PEIA January Interim Talking Points**

- **PEIA and RHBT preliminary financial results for November 2018 are available for your review.**
- **PEIA year to date statements indicate PEIA ahead of plan by \$11 million. This is primarily due to lower than forecast claim expenses.**
- **RHBT year to date statements indicate RHBT behind plan by (\$29) million. This is attributable to lower than forecast investment income.**
- **The 2019 year-end reserve for the State Fund and non-State Fund is projected to be \$146 and \$48 million respectively.**
- **These reserve levels represent 20% and 34% of the respective funds' expenses. The required reserve for the State Fund is 14% of expenses.**

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)

January 4, 2019

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

1. The Fiscal Year 2018 6/30/18 Fiscal Year Report page A-1 indicates the June 30, 2019 fund balances will be as follows:

	PEIA		RHBT
	State Fund	Non-State Fund	OPEB Fund
June 30, 2019	\$146,213,310	\$48,340,828	\$1,046,769,033

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, 2019	State Fund Reserve	Non-State Fund Reserve	Total
Reserve Balance	\$146,213,310	\$48,340,828	\$194,554,138
Percentage	20.5%	33.8%	22.7%
	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 28% of the actuarially required balance:

	RHBT
June 30, 2019	OPEB Reserve
Reserve Balance	\$1,046,769,033
Percentage	31%
	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 \$339 million over the next four years, requiring an average of \$85 million a year in either increased premiums or benefit reductions.

	FY 2020	FY 2021	FY 2022	FY 2023
Medical Trend	8.0%	8.5%	9.0%	9.5%
Rx Trend	12.0%	12.5%	13.0%	13.5%

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

	PEIA	RHBT	Total
November 2018	\$42,255,000	\$18,360,000	\$60,615,000

Sincerely,



Jason A. Haught, CPA  
Chief Financial Officer

**West Virginia Public Employees Insurance Agency**  
**Statement of Changes in Plan Net Position**  
**For the Five Months Ending Friday, November 30, 2018**  
(Dollars in Thousands)  
(Unaudited-For Internal Use Only)

	ACTUAL	BUDGET	PRIOR YR	BUDGET VARIANCE	PRIOR YR VARIANCE
		\$	\$	\$	\$
				%	%
<b>OPERATING REVENUE</b>					
<b>Premium Revenue</b>					
Health Insurance - State Gov. - Employers	\$153,609	\$159,390	\$156,642	(\$5,781)	(4%)
Health Insurance - State Gov. - Employees	51,148	52,955	52,947	(1,807)	(3%)
Health Insurance - Local Gov. - All	41,388	40,651	39,012	729	2%
Administrative Fees, Net of Refunds	1,888	1,885	1,903	3	0%
Other Premium Revenue	632	928	778	(296)	(32%)
<b>Total Operating Revenue</b>	<b>248,657</b>	<b>255,809</b>	<b>251,282</b>	<b>(7,152)</b>	<b>(3%)</b>
<b>NON-OPERATING REVENUE</b>					
Life Insurance	555	539	1,105	16	3%
Direct Transfer	12,917	12,917	4,167	0	0%
Interest and Investment Income	(2,831)	1,836	6,502	(4,667)	(254%)
WV RHBT Pay Go Premiums	63,470	64,167	64,870	(697)	(1%)
<b>Total Non-Operating Revenue</b>	<b>74,111</b>	<b>79,459</b>	<b>76,644</b>	<b>(5,348)</b>	<b>(7%)</b>
<b>TOTAL REVENUE</b>	<b>322,768</b>	<b>335,268</b>	<b>327,926</b>	<b>(12,500)</b>	<b>(4%)</b>
<b>EXPENSES</b>					
Claims Expense - Medical	151,115	153,313	151,837	2,198	1%
Claims Expense - Drugs	50,342	71,113	56,204	20,771	29%
Payments to Managed Care Org.	19,317	19,067	18,002	(250)	(1%)
Administrative Service Fees	4,892	4,791	4,667	(101)	(2%)
Wellness and Disease Management	284	435	207	151	35%
Other Operating Expenses	1,761	2,045	1,895	284	14%
Life Insurance Expense	511	452	379	(59)	(13%)
ACA Comparative Effectiveness Fee	134	134	134	0	0%
WV RHBT Pay Go Premiums	63,470	64,167	64,870	697	1%
<b>TOTAL EXPENSES</b>	<b>291,826</b>	<b>315,517</b>	<b>298,195</b>	<b>23,691</b>	<b>8%</b>
<b>YTD Surplus (Deficit)</b>	<b>30,942</b>	<b>19,751</b>	<b>29,731</b>	<b>11,191</b>	<b>57%</b>
Total Net Position, Beginning of Period	194,554	0	149,044	194,554	0%
<b>Total Net Position, End of Period</b>	<b>\$225,496</b>	<b>\$19,751</b>	<b>\$178,775</b>	<b>\$205,948</b>	<b>1,054%</b>



**West Virginia Board of Risk and Insurance Management**  
**UNAUDITED BALANCE SHEET AND INCOME STATEMENT**  
**For the Five Months Ending November 30, 2018**

**Talking Points for Joint Committee on Government and Finance Meeting**  
**January 2019**

---

1. **Premium Revenue** thru November reflects the premiums earned for the first five months of the fiscal year. BRIM increased premiums in FY'19 to cover the projected increase in claims costs for the current fiscal year.
2. **Claims Expense** reflects all claims payments made thru November plus reserve changes. Claims losses and payment trends were a drag on operating results for the prior fiscal year.
3. **Investment Income** for fiscal year 2019 reflects a net loss of \$0.9 million for the first five months primarily due to the volatility and pull back in the equity markets vs. a gain of \$7.1million for the same period 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 Net Position

For the Five Months Ended November 30th

	<u>2018</u>	<u>2017</u>
	<i>(In Thousands)</i>	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 28,322	\$ 24,255
Advance deposits with insurance company and trustee	203,140	198,540
Receivables	7,783	7,043
Prepaid insurance	3,687	3,698
Restricted cash and cash equivalents	15,870	12,037
Premiums due from other entities	878	643
Total current assets	<u>259,680</u>	<u>246,216</u>
Noncurrent assets:		
Equity position in internal investments pools	94,534	95,632
Restricted investments	54,593	55,227
Total noncurrent assets	<u>149,127</u>	<u>150,860</u>
Total assets	<u>408,807</u>	<u>397,076</u>
Deferred Outflows of Resources	438	458
Deferred Outflows of Resources - OPEB	44	0
<b>Liabilities</b>		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	50,453	47,713
Unearned premiums	16,898	15,969
Agent commissions payable	798	450
Claims Payable	288	7
Accrued expenses and other liabilities	2,255	2,358
Total current liabilities	<u>70,692</u>	<u>66,497</u>
Estimated unpaid claims and claims adjustment expense net of current portion	117,341	124,731
Compensated absences	122	107
Net pension liability	331	766
Total noncurrent liabilities	<u>117,794</u>	<u>125,605</u>
Total liabilities	<u>188,486</u>	<u>192,101</u>
Deferred Inflows of Resources	330	37
Deferred Inflows of Resources - OPEB	73	0
Net position:		
Restricted by State code for mine subsidence coverage	61,059	61,063
Unrestricted	155,552	138,265
Net Assets (Deficiency)	3,789	6,067
Net position	<u>\$ 220,400</u>	<u>\$ 205,395</u>

Unaudited

## Department of Administration Real Estate Division Leasing Report

For the period of December 1 - 31, 2018

There is a total of 4 leasing changes for this period and they are as follows:

- 1 – New Contract of Lease
- 3 – Straight Renewal

**Department of Administration Real Estate Division Leasing Report**  
For the period of December 1, 2018 through December 31, 2018

**NEW CONTRACT OF LEASE**

**DEPARTMENT OF ENVIRONMENTAL PROTECTION**

**DEP-191** New Contract of Lease for 5 years consisting of 80 square feet of storage space at the Monthly rate of \$25.00, annual cost \$300.00, located at 101 Cambridge Place, in the City of Bridgeport, Harrison County, West Virginia.

**STRAIGHT RENEWAL**

**DEPARTMENT OF HEALTH AND HUMAN RESOURCES**

**HHR-143** Renewal for 3 years consisting of 100 square feet of storage space at the current monthly rate of \$60.00, annual cost \$720.00, 102 Locust Street, in the City of Princeton, Mercer County, West Virginia.

**HHR-171** Renewal for 3 years consisting of 2,165 square feet of office space at the current annual per square foot rate of \$6.80, annual cost \$14,712.84 for office space and \$5,400.00 for parking for a total of \$20,112.84, full service, 1060 Chapline Street, in the City of Wheeling, Ohio County, West Virginia.

**DEPARTMENT OF ENVIRONMENTAL PROTECTION**

**DEP-187** Renewal for 5 years consisting of a 30' by 30' parcel of land for air monitoring equipment at the current monthly rate of \$300.00, annual cost \$3,600.00, 1313 14<sup>th</sup> Street, in the City of Huntington, Cabell County, West Virginia.

Real Estate Division  
 Monthly Summary of Lease Activity  
 December 1 - 31, 2018

# of Transactions	Agency	Lease #	County	Square Feet	Rental Rate	Annual Rent	Term in years	Total Aggregate
1	Department of Environmental Protection	DEP-191	Harrison	80	3.75	300	5	1,500
2	Department of Health and Human Resources	HHR-143	Mercer	100	7.20	720	3	2,160
3	Department of Health and Human Resources	HHR-171	Ohio	2,165	6.80	14,713	3	44,139
4	Department of Environmental Protection	DEP-187	Cabell	900	4.00	3,600	5	18,000

		21.75
<b>Total Rentable Square Feet</b>	<u>3,245</u>	
<b>Average Annual Rental Rate</b>	<u>5.44</u>	
<b>Total Annual Rent</b>		<u>19,333</u>

**Joint Committee on Government and Finance**

**January 2019**

**Department of Health and Human Resources**

**MEDICAID REPORT  
October 2018 Data**

WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES  
 BUREAU FOR MEDICAL SERVICES  
 EXPENDITURES BY PROVIDER TYPE  
 SFY2019

	MONTH OF OCTOBER 2018		ACTUALS	TOTAL	ACTUALS	ESTIMATE	ACTUALS	PROJECTED
	SFY2018	SFY2019	Current Month Ended 10/31/18	SFY2019	Current Month Ended 10/31/18	Current Month Ended 10/31/18	Year To-Date Thru 10/31/18	11/1/18 Thru 06/30/19
<b>EXPENDITURES:</b>								
Inpatient Hospital - Reg. Payments	94,761,538	96,410,403	8,267,644	96,410,403	8,267,644	9,270,231	28,947,102	67,463,301
Inpatient Hospital - DSH	53,388,507	53,789,156	-	53,789,156	-	-	13,155,106	40,634,050
Inpatient Hospital - Supplemental Payments	18,315,895	-	-	-	-	-	-	-
Inpatient Hospital - GME Payments	9,637,536	11,659,921	-	11,659,921	-	-	2,523,146	9,136,775
Mental Health Facilities	42,213,663	50,384,207	4,336,007	50,384,207	4,336,007	4,844,635	14,046,983	36,337,225
Mental Health Facilities - DSH Adjustment Payments	18,875,284	18,867,767	-	18,867,767	-	-	4,718,005	14,149,762
Nursing Facility Services - Regular Payments <sup>(3)</sup>	671,659,070	689,519,663	55,798,169	689,519,663	55,798,169	57,459,972	224,499,029	465,020,634
Nursing Facility Services - Supplemental Payments	-	-	-	-	-	-	-	-
Intermediate Care Facilities - Public Providers	-	-	-	-	-	-	-	-
Intermediate Care Facilities - Private Providers	68,595,148	71,463,278	5,705,065	71,463,278	5,705,065	5,955,273	24,153,375	47,309,903
Intermediate Care Facilities - Supplemental Payments	-	-	-	-	-	-	-	-
Physicians Services - Regular Payments	39,370,539	43,038,020	3,599,470	43,038,020	3,599,470	4,138,271	12,694,131	30,343,890
Physicians Services - Supplemental Payments	5,241,246	-	-	-	-	-	-	-
Physician and Surgical Services - Evaluation and Management	93	-	-	-	-	-	(1,520)	1,520
Physician and Surgical Services - Vaccine Codes	-	-	-	-	-	-	-	-
Outpatient Hospital Services - Regular Payments	41,749,006	42,856,165	4,719,719	42,856,165	4,719,719	4,120,785	15,184,828	27,671,337
Outpatient Hospital Services - Supplemental Payments	21,123,658	-	-	-	-	-	-	-
Prescribed Drugs	620,504,383	720,618,600	65,140,585	720,618,600	65,140,585	69,290,250	234,842,192	485,776,408
Drug Rebate Offset - National Agreement	(226,683,504)	(407,000,000)	(94,669,371)	(407,000,000)	(94,669,371)	(25,981,914)	(204,307,490)	(202,692,510)
Drug Rebate Offset - State Sidebar Agreement	(15,371,390)	(24,000,000)	(4,580,902)	(24,000,000)	(4,580,902)	(4,854,143)	(11,839,985)	(12,160,015)
Drug Rebate Offset - MCO National	(149,057,165)	(11,000,000)	(1,543,126)	(11,000,000)	(1,543,126)	(3,224,069)	(5,915,760)	(5,084,240)
Drug Rebate Offset - MCO State Sidebar Agreement	(11,602,345)	-	25	-	25	-	(41,395)	41,395
Dental Services	10,677,304	11,217,737	1,106,732	11,217,737	1,106,732	1,078,629	3,683,752	7,533,985
Other Practitioners Services - Regular Payments	4,145,198	4,940,938	517,193	4,940,938	517,193	475,090	1,817,019	3,123,919
Other Practitioners Services - Supplemental Payments	-	-	-	-	-	-	-	-
Clinic Services	1,514,622	1,638,650	134,347	1,638,650	134,347	157,563	513,853	1,124,797
Lab & Radiological Services	8,989,515	9,500,531	655,108	9,500,531	655,108	913,513	2,552,613	6,947,918
Home Health Services	25,275,940	28,416,781	3,024,958	28,416,781	3,024,958	2,732,383	8,914,453	19,502,327
Hysterectomies/Sterilizations	55,843	65,026	2,062	65,026	2,062	6,253	9,785	55,241
Pregnancy Terminations <sup>(2)</sup>	346,043	370,405	41,076	370,405	41,076	35,616	121,716	248,689
EPSDT Services	1,411,597	1,472,595	145,557	1,472,595	145,557	141,596	521,406	951,189
Rural Health Clinic Services	4,514,194	4,167,233	286,125	4,167,233	286,125	400,695	1,578,783	2,588,450
Medicare Health Insurance Payments - Part A Premiums	20,115,325	21,934,452	1,705,704	21,934,452	1,705,704	1,827,871	6,899,989	15,034,463
Medicare Health Insurance Payments - Part B Premiums	114,914,746	124,130,622	9,644,714	124,130,622	9,644,714	10,344,219	38,355,946	85,774,676
120% - 134% Of Poverty	9,100,320	9,229,482	824,100	9,229,482	824,100	887,450	3,202,064	6,027,418
135% - 175% Of Poverty	-	-	-	-	-	-	-	-
Coinsurance And Deductibles	11,432,888	11,469,643	999,077	11,469,643	999,077	1,102,850	3,987,617	7,482,026

**WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES  
BUREAU FOR MEDICAL SERVICES  
EXPENDITURES BY PROVIDER TYPE  
SFY2019**

	MONTH OF OCTOBER 2018		ACTUALS	TOTAL	ACTUALS	ESTIMATE	ACTUALS	PROJECTED
	SFY2018	SFY2019	Current Month Ended 10/31/18	SFY2019	Current Month Ended 10/31/18	Current Month Ended 10/31/18	Year To-Date Thru 10/31/18	11/1/18 Thru 06/30/19
Medicaid Health Insurance Payments: Managed Care Organizations (MCO)	1,592,796,041	1,909,119,745	117,035,029		159,093,312		600,257,822	1,308,861,923
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	659,533	712,510	85,534		68,511		326,889	385,621
Medicaid Health Insurance Payments: Coinsurance	-	-	-		-		-	-
Medicaid Health Insurance Payments: Other	-	-	-		-		-	-
Home & Community-Based Services (MR/DD)	306,244,186	326,961,878	25,496,221		31,438,642		103,019,615	223,942,263
Home & Community-Based Services (Aged/Disabled)	99,410,189	111,621,217	9,904,694		10,732,809		36,591,287	75,029,930
Home & Community-Based Services (Traumatic Brain Injury)	1,500,251	1,962,566	175,696		188,708		576,329	1,386,237
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	69,433,451	72,630,935	6,089,516		6,983,744		22,848,959	49,781,976
Personal Care Services - SDS 1915(j)	-	-	-		-		-	-
Targeted Case Management Services - Com. Case Management	-	-	-		-		-	-
Targeted Case Management Services - State Wide	2,768,851	2,852,904	249,070		274,318		828,514	2,024,390
Primary Care Case Management Services	-	-	-		-		-	-
Hospice Benefits	28,742,764	27,296,696	3,020,298		2,624,682		10,260,697	17,035,999
Emergency Services Undocumented Aliens	660,126	757,363	23,311		72,823		108,997	648,366
Federally Qualified Health Center	9,878,997	10,234,965	955,105		984,131		3,128,829	7,106,137
Non-Emergency Medical Transportation	34,217,803	34,042,483	2,763,530		3,273,316		11,138,546	22,903,937
Physical Therapy	999,248	1,063,603	93,650		102,270		328,738	734,865
Occupational Therapy	632,758	603,289	36,071		58,009		151,847	451,442
Services for Speech, Hearing & Language	336,441	318,750	33,632		30,649		117,192	201,558
Prosthetic Devices, Dentures, Eyeglasses	859,918	922,875	106,929		88,738		360,296	562,579
Diagnostic Screening & Preventive Services	169,078	201,488	7,172		19,374		28,057	173,431
Nurse Mid-Wife	112,942	153,959	9,933		14,804		36,421	117,538
Emergency Hospital Services	-	-	-		-		-	-
Critical Access Hospitals	24,242,329	25,303,451	1,834,412		2,433,024		7,533,374	17,770,077
Nurse Practitioner Services	2,263,595	2,755,598	228,263		264,961		787,947	1,967,651
School Based Services	34,971,816	35,000,000	414,694		3,365,385		27,423,309	7,576,692
Rehabilitative Services (Non-School Based)	59,129,439	63,204,418	5,242,432		6,077,348		18,992,352	44,212,066
Substance Use Disorder Waiver	2,303,658	52,071,349	944,125		5,006,860		2,973,018	49,098,331
Private Duty Nursing	5,533,239	5,709,872	515,244		549,026		1,807,542	3,902,330
Freestanding Birth Centers	-	-	-		-		-	-
Health Home for Enrollees w Chronic Conditions	883,711	983,085	158,619		94,527		596,308	386,777
Other Care Services	15,448,541	25,766,900	1,835,605		2,477,586		6,561,176	19,205,724
Less: Recoupments	-	-	(1,940,650)		-		(1,940,650)	1,940,650
<b>NET EXPENDITURES:</b>	<b>3,809,413,601</b>	<b>4,297,413,175</b>	<b>241,178,173</b>		<b>377,440,576</b>		<b>1,279,660,153</b>	<b>3,017,753,022</b>

WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES  
 BUREAU FOR MEDICAL SERVICES  
 EXPENDITURES BY PROVIDER TYPE  
 SFY2019

**MONTH OF OCTOBER 2018**

Collections: Third Party Liability (line 9A on CMS-64)  
 Collections: Probate (line 9B on CMS-64)  
 Collections: Identified through Fraud & Abuse Effort (line 9C on CMS-64)  
 Collections: Other (line 9D on CMS-64)

	ACTUALS	TOTAL	ACTUALS	ESTIMATE	ACTUALS	PROJECTED
	SFY2018	SFY2019	Current Month Ended 10/31/18	Current Month Ended 10/31/18	Year To-Date Thru 10/31/18	11/1/18 Thru 06/30/19
	(6,012,117)	-	-	-	(2,198,602)	2,198,602
	(512,319)	-	-	-	(16,880)	16,880
	(213,356)	-	-	-	(65,991)	65,991
	(17,039,628)	-	-	-	(2,849,191)	2,849,191
<b>NET EXPENDITURES and CMS-64 ADJUSTMENTS:</b>	<b>3,785,636,180</b>	<b>4,297,413,175</b>	<b>241,178,173</b>	<b>377,440,576</b>	<b>1,274,529,488</b>	<b>3,022,883,687</b>
Plus: Medicaid Part D Expenditures	43,197,126	42,983,609	3,546,345	3,581,967	14,193,605	28,790,004
Plus: State Only Medicaid Expenditures	628,208	250,000	22,265	24,038	71,001	178,999
Plus: Money Follow the Person Expenditures	2,101,617	2,100,000	163,029	201,923	623,084	1,476,916
<b>TOTAL MEDICAID EXPENDITURES</b>	<b>\$ 3,831,563,132</b>	<b>\$ 4,342,746,783</b>	<b>\$ 244,909,811</b>	<b>\$ 381,248,505</b>	<b>\$ 1,289,417,178</b>	<b>\$ 3,053,329,606</b>
Plus: Reimbursables <sup>(1)</sup>	4,491,826	-	411,810	-	1,543,192	(1,543,192)
Plus: NATCEP/PASARR/Eligibility Exams	223,954	239,990	16,775	23,076	57,051	182,939
Plus: HIT Incentive Payments	2,074,212	3,000,000	51,000	288,462	(28,047)	3,028,047
<b>TOTAL EXPENDITURES</b>	<b>\$ 3,838,353,124</b>	<b>\$ 4,345,986,773</b>	<b>\$ 245,389,397</b>	<b>\$ 381,560,042</b>	<b>\$ 1,290,989,373</b>	<b>\$ 3,054,997,400</b>

- (1) This amount will revert to State Only if not reimbursed.  
 (2) Pregnancy Terminations are State Only expenditures and are not currently claimed.  
 (3) Of the amount in the 'Nursing Facility Services-Regular Payments' line \$5,976,192 is the amount paid to State Facilities year to date.

WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES  
 BUREAU FOR MEDICAL SERVICES  
 MEDICAID CASH REPORT  
 SFY2019

4 Months Actuals      8 Months Remaining

MONTH OF OCTOBER 2018	ACTUALS	ACTUALS	ACTUALS	PROJECTED	TOTAL
	SFY2018	Current Month Ended 10/31/18	Year-To-Date Thru 10/31/18	11/1/2018 Thru 6/30/19	SFY2019
<b>REVENUE SOURCES</b>					
Beg. Bal. (5084/1020 prior mth)	86,992,634	12,982,133	121,710,366		121,710,366
<b>MATCHING FUNDS</b>					
General Revenue (0403/189)	368,772,081	30,356,873	56,148,346	357,809,017	413,957,363
MRDD Waiver (0403/466)	88,753,483	6,508,589	24,259,286	64,494,197	88,753,483
Rural Hospitals Under 150 Beds (0403/940)	2,596,000	216,333	865,333	1,730,667	2,596,000
Tertiary Funding (0403/547)	6,356,000	529,667	2,118,667	4,237,333	6,356,000
Traumatic Brain Injury (0403/835)	800,000	58,667	218,667	581,333	800,000
Title XIX Waiver for Seniors (0403-533)	13,593,620	996,865	3,715,589	9,878,031	13,593,620
Medical Services Surplus (0403/633)	30,021,770	-	-	-	-
Waiver for Senior Citizens Surplus (0403/526)	-	-	-	-	-
Lottery Waiver (Less 550,000) (5405/539)	12,382,692	-	1,003,876	3,011,627	4,015,503
Lottery Waiver (0420/539)	21,583,766	-	7,487,739	22,463,216	29,950,955
Lottery Transfer (5405/871)	14,502,312	-	3,625,578	10,876,734	14,502,312
Excess Lottery (5365/189)	34,406,170	-	-	28,202,960	28,202,960
Lottery Surplus (5405/68199)	15,500,000	-	6,000,000	-	6,000,000
Lottery Surplus (5365/68100)	26,900,000	-	-	8,000,000	8,000,000
Trust Fund Appropriation (5185/189)	8,914,540	-	15,000,000	58,477,905	73,477,905
Provider Tax (5090/189)	213,058,153	400,000	79,037,029	144,625,422	223,662,451
NSGO UPL (5084/6717)	68,035	-	-	1,241,403	1,241,403
Certified Match	16,157,488	659,866	9,503,965	4,500,935	14,004,900
Reimbursables - Amount Reimbursed	4,371,388	-	-	-	-
Other Revenue (MWIN, Escheated Warrants, etc.) 5084/4010 & 4015	956,436	58,952	234,367	665,633	900,000
CHIP State Share	-	-	-	-	-
CMS - 64 Adjustments	(80,352)	-	223,408	(223,408)	-
<b>TOTAL MATCHING FUNDS</b>	<b>\$ 966,606,216</b>	<b>\$ 52,767,945</b>	<b>\$ 331,152,216</b>	<b>\$ 720,573,005</b>	<b>\$ 1,051,725,221</b>
<b>FEDERAL FUNDS</b>	<b>2,991,755,848</b>	<b>257,584,027</b>	<b>1,023,990,128</b>	<b>2,391,422,814</b>	<b>3,415,412,942</b>
<b>TOTAL REVENUE SOURCES</b>	<b>\$ 3,958,362,065</b>	<b>\$ 310,351,972</b>	<b>\$ 1,355,142,344</b>	<b>\$ 3,111,995,819</b>	<b>\$ 4,467,138,163</b>
<b>TOTAL EXPENDITURES:</b>					
Provider Payments	\$ 3,838,353,124	\$ 245,389,397	\$ 1,290,989,373	\$ 3,054,997,400	\$ 4,345,986,773
<b>TOTAL</b>	<b>\$ 120,008,941</b>	<b>\$ 64,962,575</b>	<b>\$ 64,152,971</b>		<b>\$ 121,151,390</b>

Note: FMAP (73.24% applicable Oct. 2017 - Sep. 2018) (74.34% applicable Oct. 2018 - Jun. 2019)

**Joint Committee on Government and Finance**

**January 2019**

**Department of Health and Human Resources**

**MEDICAID WAIVER REPORT  
October 2018 Data**

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

<b>Aged &amp; Disabled Waiver Reported October 31, 2018</b>		<b>FY 2018</b>	<b>Jul 18</b>	<b>Aug 18</b>	<b>Sep 18</b>	<b>Oct 18</b>	<b>Nov 18</b>	<b>Dec 18</b>	<b>Jan 19</b>	<b>Feb 19</b>	<b>Mar 19</b>	<b>Apr 19</b>	<b>May 19</b>	<b>Jun 19</b>	<b>FY 2019 YTD</b>
Slots Approved By CMS (1)		5,752	6,192	6,192	6,192	6,192									6,192
-Slots Available for Traditional (non TMH-WV) enrollees		5,662	6,102	6,102	6,102	6,102									6,102
-Slots reserved for Take Me Home-WV (TMH-WV) enrollees		90	90	90	90	90									90
Total number of members served YTD (unduplicated slots used) (2) YTD Column reflects most recent month's count		6,419	5,871	5,954	5,950	5,811									5,811
Applicants determined eligible this month and added to MEL (3)		1,401	93	99	94	96									382
Applicants determined ineligible		96	7	3	8	4									22
<b>ACTIVE MEMBERS</b>															
Active members at the end of the month (unduplicated slots active) YTD Column reflects most recent month's count		5,661	5,852	5,878	5,813	5,810									5,810
Active members enrolled during the calendar month		1,264	274	120	24	103									521
-Total Active Traditional members enrolled during the calendar month		1,178	272	115	22	96									505
-Total Active TMH-WV members enrolled during the calendar month		86	2	5	2	7									16
Members discharged during the calendar month		952	83	94	89	106									372
ADW Members whose case was closed by reason	Member is deceased	533	39	54	43	57									193
	Other (4)	419	44	40	46	49									179
<b>MANAGED ENROLLMENT LIST (MEL)</b>															
# Eligible applicants closed during the calendar month (removed from MEL)		2,134	22	21	37	195									275
ADW Applicants removed from the MEL	Applicant offered a slot (Traditional + MFP)	1,963	8	13	15	161									197
	Applicant became deceased	100	9	6	22	13									50
	Other (5)	71	5	2	0	21									28
Applicants on the MEL who are in a nursing facility YTD Column reflects average # members in setting		1	5	8	2	4									5
Applicants on the MEL receiving Personal Care YTD Column reflects average # members in setting		7	18	29	1	15									16
Applicants on the MEL at the end of the month		30	101	179	236	137									137
Days -Longest time spent on the MEL to date (6) YTD Column reflects average # of days		156	33	63	90	71									64

(1) Of the 6,192 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 Oct 31, 2018	FY 2017	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	YTD 2019
Slots approved by CMS	4,634	4,684	4,684	4,696	4,696									4,696
Traditional Slots approved by CMS	4,634	4,684	4,684	4,684	4,684									4,684
Ben H. Slots approved for Adults by CMS	0	0	0	6	6									6
Ben H. Slots approved for Children by CMS	0	0	0	6	6									6
Total number of members served YTD (unduplicated slots used) (1)	4,634	4,629	4,629	4,628	4,656									4,656
Total number of members served YTD in Traditional Slots	4,634	4,629	4,629	4,628	4,652									4,652
Total number of members served YTD in Adult Ben H. slots (unduplicated)	0	0	0	0	4									4
Total number of members served YTD in Children Ben H. slots (unduplicated)	0	0	0	0	0									0
Applicants determined eligible (2)	218	17	22	13	20									72
Applicants determined ineligible (3)	194	10	20	24	12									66
<b>ACTIVE MEMBERS</b>														
# of active members at the end of the month (unduplicated slots active) (1)	4,536	4,621	4,612	4,603	4,621									4,621
Discharged members at the end of the calendar month	106	10	12	11	10									43
Discharged members who were discharged by reason	Deceased	52	4	2	4	4								14
	Left program to enter a facility	22	1	3	2	1								7
	a. Hospital	0	0	0	0	0								0
	b. ICF/IID	11	0	2	1	0								3
	c. Nursing Facility	11	1	1	1	1								4
	d. Psychiatric Facility	0	0	0	0	0								0
	e. Rehabilitation Facility	0	0	0	0	0								0
	f. Other Facility	0	0	0	0	0								0
Other (6)	31	5	7	5	5								22	
<b>MANAGED ENROLLMENT LIST (MEL)</b>														
Total number of applicants on the MEL at the end of the month	1,343	1,256	1,274	1,283	1,271									1,271
Number of applicants added to the MEL (4)	218	17	22	13	20									72
Applicants enrolled (removed from the MEL)	139	95	3	2	28									128
Applicants removed from the MEL due to Death (5)	10	1	0	0	0									1
Applicants removed from the MEL due to Other (6)	43	8	1	2	4									15
Applicants on the MEL who are in a Nursing Facility (9)	2	5	3	6	3									3
Applicants on the MEL who are in an ICF/IID Group Home (9)	112	113	113	113	114									114
Applicants on the MEL receiving Personal Care Services each month (8) (9)	87	87	83	85	88									88
Longest on the MEL to date (7)	1634	1,624	1,635	1,663	1,582									1,582

(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**

<b>Traumatic Brain Injury Waiver Reported October 31, 2018</b>	<b>FY 2018</b>	<b>Jul 18</b>	<b>Aug-18</b>	<b>Sep-18</b>	<b>Oct-18</b>	<b>Nov-18</b>	<b>Dec-18</b>	<b>Jan-19</b>	<b>Feb-19</b>	<b>Mar-19</b>	<b>Apr-19</b>	<b>May-19</b>	<b>Jun-19</b>	<b>FY 2019 YTD</b>
Slots Approved By CMS (1)	66	82	82	82	82									82
-Slots Available for Traditional (non TMH-WV) enrollees	56	78	78	78	78									78
-Slots reserved for Take Me Home-WV (TMH-WV) enrollees	10	4	4	4	4									4
Total number of members served YTD (unduplicated slots used) (2) YTD Column reflects most recent month's count	84	73	76	78	82									82
Applicants determined eligible this month and added to MEL (3)	14	0	2*	3*	1*									6
Applicants determined ineligible	4	0	0	0	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	71	73	76	76	79									79
Active members enrolled during the calendar month	24	2	3	2	4									11
-Total Active Traditional members enrolled during the calendar month	20	2	3	2	4									11
-Total Active TMH-WV members enrolled during the calendar month	4	0	0	0	0									0
Members discharged during the calendar month	14	0	0	2	1									3
TBIW Members whose case was closed by reason	Member is deceased	6	0	0	0									0
	Other (4)	8	0	0	2	1								3
<b>MANAGED ENROLLMENT LIST (MEL)</b>														
# Eligible applicants closed during the calendar month (removed from MEL)	21	3	0	0	0									3
TBIW Applicants removed from the MEL	Applicant offered a slot	20	3	0	0	0								3
	Applicant became deceased	0	0	0	0	0								0
	Other (5)	2	0	0	0	0								0
Applicants on the MEL who are in a nursing facility	0	0	0	0	0									0
Applicants on the MEL receiving Personal Care	0	0	0	0	0									0
Applicants on the MEL at the end of the month	3	0	0	0	0									0
Days -Longest time spent on the MEL to date (6) YTD Column reflects average # of days	226	0	0	0	0									0

(1) Of the 82 slots approved by CMS, 4 are reserved for the Money Follows the Person and Rebalancing Demonstration Grant for SFY 2018-2019. When there are no available Traditional slots 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

**\*There was not a MEL at this time, the number reflects applicants that were eligible and received a slot.**

Joint Committee on  
Government and Finance  
Report

*JANUARY 2019*

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 2019  
For the Month Ending September 30, 2018**

	<b>Budgeted for Year</b>	<b>Year to Date Budgeted Amt</b>	<b>Year to Date Actual Amt</b>	<b>Year to Date Variance*</b>		<b>Monthly Budgeted Amt</b>	<b>Actual Amt Sep-18</b>	<b>Actual Amt Aug-18</b>	<b>Actual Amt Jul-18</b>
Projected Cost	\$51,692,154	\$12,923,039	\$12,280,550	\$642,489	5%	\$4,307,680	\$3,664,105	\$4,816,022	\$3,800,423
Premiums	1,525,752	\$381,438	\$375,412	(\$6,026)	-2%	\$127,146	\$118,835	\$126,104	\$130,474
Subrogation & Rebates	<u>1,440,966</u>	<u>\$360,242</u>	<u>\$473,938</u>	<u>\$113,696</u>	<u>32%</u>	<u>\$120,081</u>	<u>\$79,062</u>	<u>\$3,726</u>	<u>\$391,150</u>
Net Benefit Cost	\$48,725,436	\$12,181,359	\$11,431,200	\$750,159	6%	\$4,170,527	\$3,466,208	\$4,686,192	\$3,278,800
Salaries & Benefits	\$702,625	\$175,656	\$161,999	\$13,658	8%	\$58,552	\$44,313	\$64,692	\$52,994
Program Administration	\$2,822,417	\$705,604	\$283,661	\$421,944	60%	\$235,201	\$208,125	\$48,819	\$26,717
Eligibility	\$326,676	\$81,669	\$1,170	\$80,499	99%	\$27,223	\$0	\$0	\$1,170
Outreach & Health Prom.	\$100,000	\$25,000	\$0	\$25,000	100%	\$8,333	\$0	\$0	\$0
Current Expense	<u>\$326,676</u>	<u>\$81,669</u>	<u>\$22,229</u>	<u>\$59,440</u>	<u>73%</u>	<u>\$27,223</u>	\$5,118	\$12,473	\$4,638
Total Admin Cost	\$4,278,394	\$1,069,599	\$469,058	\$600,541	56%	\$356,533	\$257,555	\$125,984	\$85,519
Total Program Cost	<u>\$53,003,830</u>	<u>\$13,250,958</u>	<u>\$11,900,258</u>	<u>\$1,350,700</u>	<u>10%</u>	<u>\$4,527,060</u>	<u>\$3,723,763</u>	<u>\$4,812,176</u>	<u>\$3,364,319</u>
Federal Share 100%	\$53,003,830	\$13,250,958	\$11,900,258	\$1,350,700	10%	\$4,527,060	\$3,723,763	\$4,812,176	\$3,364,319
State Share 0%	0	\$0	\$0	\$0	0%	\$0	\$0	\$0	\$0
Total Program Cost **	<u>\$53,003,830</u>	<u>\$13,250,958</u>	<u>\$11,900,258</u>	<u>\$1,350,700</u>	<u>10%</u>	<u>\$4,527,060</u>	<u>\$3,723,763</u>	<u>\$4,812,176</u>	<u>\$3,364,319</u>

\* Positive percentages indicate favorable variances

\*\* Budgeted Year Based on CCRC Actuary 6/30/2018 Report.

Unaudited - Cash Basis For Management Purposes Only - Unaudited

**West Virginia Children's Health Insurance Program**  
**Comparative Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Three Months Ending September 30, 2018 and September 30, 2017**  
(Modified Accrual Basis)

	September 30, 2018	September 30, 2017	Variance	
Beginning Operating Fund Balance	5,541,320	5,842,337	(301,017)	-5%
<b>Revenues</b>				
Federal Grants	12,774,045	12,160,335	613,710	5%
State Appropriations			0	
Premium Revenues	375,412	349,401	26,011	7%
Investment Income:				
Investment Earnings	31,330	27,766	3,564	13%
<b>Total Revenues</b>	<b><u>13,180,787</u></b>	<b><u>12,537,502</u></b>	<b><u>643,285</u></b>	<b><u>5%</u></b>
<b>Expenditures:</b>				
<b>Claims:</b>				
Physicians & Surgical	3,583,587	3,430,884	152,703	4%
Prescribed Drugs	1,872,908	2,305,732	(432,825)	-19%
Outpatient Services	1,967,451	1,826,600	140,851	8%
Dental	1,851,965	1,754,563	97,402	6%
Inpatient Hospital Services	935,111	1,058,536	(123,425)	-12%
Other Services	587,723	513,305	74,418	14%
Therapy	456,584	618,456	(161,871)	-26%
Inpatient Mental Health	164,868	193,989	(29,121)	-15%
Vision	201,340	203,873	(2,533)	-1%
Durable & Disposable Med. Equip.	119,468	105,098	14,370	14%
Medical Transportation	87,802	117,538	(29,736)	-25%
Outpatient Mental Health	75,338	165,393	(90,055)	-54%
Less: Other Collections**	(83,399)	(20,639)	(62,760)	304%
Drug Rebates	(390,539)	(561,081)	170,542	-30%
<b>Total Claims</b>	<b><u>11,430,206</u></b>	<b><u>11,712,248</u></b>	<b><u>(282,042)</u></b>	<b><u>-2%</u></b>
<b>General and Admin Expenses:</b>				
Program Administration	283,661	454,555	(170,894)	-38%
Eligibility	1,170	0	1,170	
Outreach & Health Promotion	0	32,677	(32,677)	-100%
Current	22,229	17,045	5,184	30%
<b>Total Administrative</b>	<b><u>307,060</u></b>	<b><u>504,277</u></b>	<b><u>(197,217)</u></b>	<b><u>-39%</u></b>
<b>Total Expenditures</b>	<b><u>11,737,266</u></b>	<b><u>12,216,525</u></b>	<b><u>(479,259)</u></b>	<b><u>-4%</u></b>
<b>Adjustments</b>				
<b>Ending Fund Balance 9/30/18:</b>	<b><u>6,984,840</u></b>	<b><u>6,163,314</u></b>	<b><u>821,526</u></b>	<b><u>13%</u></b>
Money Market	1,039,797	520,730	519,067	100%
Bond Pool	4,381,403	5,324,654	(943,251)	-18%
Cash on Deposit	1,563,640	317,930	1,245,710	392%
<b>Accrual Adjustments:</b>				
Beginning IBNR	5,187,554	11,163,486	(5,975,932)	-54%
Ending IBNR	<u>5,390,000</u>	<u>11,890,000</u>	<u>(6,500,000)</u>	-55%
<b>Net IBNR</b>	<b><u>202,446</u></b>	<b><u>726,514</u></b>	<b><u>(524,068)</u></b>	<b><u>-72%</u></b>
Beginning Payables	351,728	869,982	(518,254)	-60%
Ending Payable	<u>537,728</u>	<u>1,543,426</u>	<u>(1,005,698)</u>	-65%
<b>Net Payables</b>	<b><u>186,000</u></b>	<b><u>673,444</u></b>	<b><u>(487,444)</u></b>	<b><u>-72%</u></b>
<b>Unrealized Gain/Loss on Investment</b>	<b>2,832</b>	<b>1,493</b>	<b>1,339</b>	<b>90%</b>
<b>Ending Fund Balance (Accrued Basis) 9/30/18</b>	<b><u>6,599,226</u></b>	<b><u>4,764,849</u></b>	<b><u>1,834,377</u></b>	<b><u>38%</u></b>
<b>Program Expenses outside of Operating Funds:</b>				
Salaries and Benefits	161,999	157,467	4,532	3%
Eligibility	(44,279)	89,112	(133,391)	-150%

\*\* Collections are primarily subrogations

**PRELIMINARY FINANCIAL STATEMENTS**

Unaudited - For Management Purposes Only - Unaudited

# WVCHIP Enrollment Report

ATTACHMENT 1

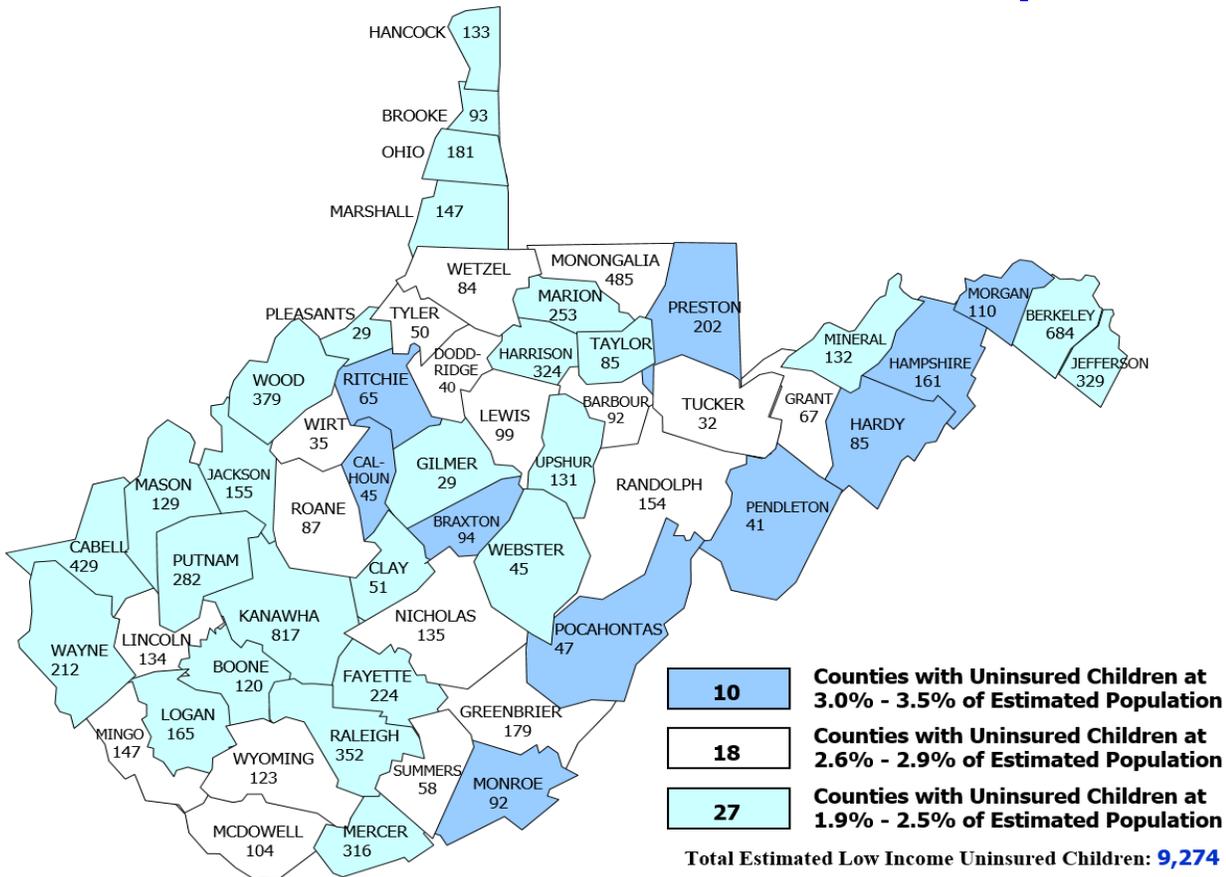
November 2018

County	County Pop. 2016 Est. (0-18 Yrs)	Total CHIP Enrollment Nov-18	Total Medicaid Enrollment Nov-18	Total CHIP/Medicaid Enrollment	CHIP/Medicaid Enrollment % of Population	2016 Est. Uninsured 3%	2016 # Children Uninsured Ranking*
Barbour	3,470	239	1,559	1,798	51.8%	104	33
Berkeley	27,800	1,764	11,708	13,472	48.5%	834	2
Boone	5,087	248	3,034	3,282	64.5%	153	27
Braxton	2,947	146	1,470	1,616	54.8%	88	39
Brooke	4,185	1	357	358	8.6%	126	31
Cabell	19,601	916	8,828	9,744	49.7%	588	3
Calhoun	1,427	92	726	818	57.3%	43	51
Clay	2,041	140	1,251	1,391	68.2%	61	44
Doddridge	1,479	92	697	789	53.3%	44	49
Fayette	9,297	676	5,004	5,680	61.1%	279	12
Gilmer	1,212	81	586	667	55.0%	36	54
Grant	2,343	129	1,136	1,265	54.0%	70	42
Greenbrier	7,018	598	3,536	4,134	58.9%	211	16
Hampshire	4,619	273	2,213	2,486	53.8%	139	30
Hancock	5,876	533	3,908	4,441	75.6%	176	20
Hardy	2,847	252	1,499	1,751	61.5%	85	40
Harrison	15,199	922	6,261	7,183	47.3%	456	7
Jackson	6,506	328	2,794	3,122	48.0%	195	18
Jefferson	13,304	671	3,855	4,526	34.0%	399	9
Kanawha	38,824	2,091	18,852	20,943	53.9%	1,165	1
Lewis	3,432	262	1,760	2,022	58.9%	103	35
Lincoln	4,849	262	2,922	3,184	65.7%	145	28
Logan	7,095	384	4,304	4,688	66.1%	213	15
Marion	11,654	659	5,190	5,849	50.2%	350	11
Marshall	6,478	311	2,697	3,008	46.4%	194	19
Mason	5,798	251	2,872	3,123	53.9%	174	21
McDowell	3,994	170	2,953	3,123	78.2%	120	32
Mercer	12,774	812	7,832	8,644	67.7%	383	10
Mineral	5,626	275	2,288	2,563	45.6%	169	23
Mingo	5,632	251	3,686	3,937	69.9%	169	22
Monongalia	17,905	956	5,270	6,226	34.8%	537	5
Monroe	2,781	263	1,141	1,404	50.5%	83	41
Morgan	3,367	262	1,424	1,686	50.1%	101	36
Nicholas	5,271	384	2,855	3,239	61.4%	158	25
Ohio	8,365	418	3,519	3,937	47.1%	251	14
Pendleton	1,269	94	571	665	52.4%	38	52
Pleasants	1,473	89	605	694	47.1%	44	50
Pocahontas	1,517	131	720	851	56.1%	46	48
Preston	6,658	404	3,064	3,468	52.1%	200	17
Putnam	13,446	649	4,378	5,027	37.4%	403	8
Raleigh	16,494	1,029	8,807	9,836	59.6%	495	6
Randolph	5,586	455	2,829	3,284	58.8%	168	24
Ritchie	2,034	119	1,054	1,173	57.7%	61	45
Roane	3,116	241	1,679	1,920	61.6%	93	38
Summers	2,225	181	1,401	1,582	71.1%	67	43
Taylor	3,449	200	1,557	1,757	50.9%	103	34
Tucker	1,199	93	547	640	53.4%	36	55
Tyler	1,848	91	757	848	45.9%	55	46

# WVCHIP Enrollment Report

November 2018

County	County Pop. 2016 Est. (0-18 Yrs)	Total CHIP Enrollment Nov-18	Total Medicaid Enrollment Nov-18	Total CHIP/Medicaid Enrollment	CHIP/Medicaid % of Population	2016 Est. Uninsured 3%	2016 # Children Uninsured Ranking*
Upshur	5,197	329	2,830	3,159	60.8%	156	26
Wayne	8,809	413	4,618	5,031	57.1%	264	13
Webster	1,787	111	1,228	1,339	74.9%	54	47
Wetzel	3,255	171	1,747	1,918	58.9%	98	37
Wirt	1,245	71	670	741	59.5%	37	53
Wood	18,641	1,007	8,812	9,819	52.7%	559	4
Wyoming	4,707	299	2,452	2,751	58.4%	141	29
<b>Totals</b>	<b>384,058</b>	<b>22,289</b>	<b>180,313</b>		<b>0.0%</b>	<b>11,522</b>	



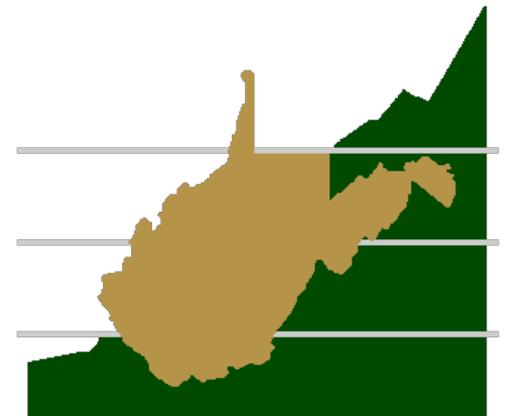
The above map shows the most recent 2016 county level data provided by the U.S. Census Bureau Small Area Health Insurance Estimates (SAHIE) for children under 19 years. While the statewide average for children under 19 is now about 3%, the SAHIE data reflects more accurately the variation from county 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

November 30, 2018



# Participant Plans Allocation & Performance Net of Fees

Period Ending: November 30, 2018

	6/30/2018		11/30/2018		Performance %							
	Asset (\$000)	%	Asset (\$000)	%	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year	20 Year
<b>WVIMB Fund Assets</b>	<b>19,506,228</b>	<b>100.0</b>	<b>18,945,643</b>	<b>100.0</b>								
<b>Pension Assets</b>	<b>15,795,451</b>	<b>81.0</b>	<b>15,300,620</b>	<b>80.7</b>								
Public Employees' Retirement System	6,718,698	34.5	6,544,462	34.5	1.2	(2.9)	(1.3)	1.5	8.5	7.1	10.9	6.6
Teachers' Retirement System	7,691,788	39.5	7,405,716	39.1	1.2	(2.9)	(1.3)	1.5	8.4	7.0	10.7	6.4
EMS Retirement System	78,921	0.4	77,879	0.4	1.2	(3.0)	(1.4)	1.4	8.4	7.1	10.8	
Public Safety Retirement System	682,799	3.5	654,582	3.5	1.2	(2.9)	(1.4)	1.5	8.4	7.0	10.9	6.7
Judges' Retirement System	204,484	1.0	199,998	1.1	1.2	(3.0)	(1.3)	1.5	8.5	7.1	10.8	6.6
State Police Retirement System	188,912	1.0	188,841	1.0	1.2	(3.0)	(1.4)	1.4	8.5	7.1	10.8	6.5
Deputy Sheriffs' Retirement System	219,368	1.1	216,569	1.1	1.2	(3.0)	(1.3)	1.4	8.5	7.1	10.8	6.7
Municipal Police & Firefighter Retirement System	7,843	0.0	8,686	0.0	1.2	(3.0)	(1.4)	1.3	8.2	6.9		
Municipal Model A	1,514	0.0	2,784	0.0	0.7	(2.6)	(0.9)	1.9	8.6	7.1		
Municipal Model C	1,124	0.0	1,103	0.0	0.9	(3.2)	(1.6)					
<b>Insurance Assets</b>	<b>2,785,522</b>	<b>14.3</b>	<b>2,721,026</b>	<b>14.4</b>								
Workers' Compensation Old Fund	1,185,505	6.0	1,113,044	5.9	0.4	(2.7)	(1.6)	(1.4)	4.7	3.8	6.7	
Workers' Comp. Self-Insured Guaranty Risk Pool	33,908	0.2	33,085	0.2	0.3	(2.7)	(1.6)	(1.2)	4.5	3.8	4.0	
Workers' Comp. Self-Insured Security Risk Pool	53,204	0.3	51,109	0.3	0.3	(2.7)	(1.6)	(1.2)	4.6			
Workers' Comp. Uninsured Employers' Fund	12,881	0.1	12,703	0.1	0.3	(2.6)	(1.6)	(0.9)	4.4	3.7	3.7	
Pneumoconiosis	245,797	1.3	234,458	1.2	0.3	(2.7)	(1.6)	(1.1)	4.5	3.8	7.1	5.4
Board of Risk & Insurance Management	151,588	0.8	149,126	0.8	0.3	(2.7)	(1.6)	(1.1)	4.5	3.8	7.3	
Public Employees' Insurance Agency	198,826	1.0	210,667	1.1	0.3	(2.5)	(1.6)	(1.1)	4.3	3.7	7.1	
WV Retiree Health Benefit Trust Fund	903,813	4.6	916,834	4.8	1.2	(2.9)	(1.3)	1.4	8.5	7.1	10.0	
<b>Endowment Assets</b>	<b>925,255</b>	<b>4.7</b>	<b>923,997</b>	<b>4.9</b>								
Berkeley County Development Authority	7,742	0.0	7,637	0.0	1.2	(3.0)	(1.4)	1.4	8.5			
Wildlife Fund	63,823	0.3	62,209	0.3	1.2	(2.9)	(1.3)	1.4	8.5	7.1	10.8	7.1
Prepaid Tuition Trust	42,256	0.2	37,278	0.2	0.4	(0.4)	0.1	(0.3)	6.2	5.5	9.9	
Revenue Shortfall Reserve Fund	167,666	0.9	183,813	1.0	0.4	(1.3)	(1.0)	(1.4)	1.9	1.8	5.3	
Revenue Shortfall Reserve Fund - Part B	438,711	2.3	432,657	2.4	0.5	(2.3)	(1.4)	(1.8)	4.4	3.6	7.2	
WV DEP Trust	9,658	0.0	8,688	0.0	0.6	(4.7)	(2.8)	(2.2)	6.9	5.6		
WV DEP Agency	195,399	1.0	191,715	1.0	0.4	(3.2)	(1.9)	(1.8)	5.3	4.4		

Composite Asset Allocation & Performance Net of Fees

Period Ending: November 30, 2018

	Asset (\$000)	%	Performance %								
			1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year	20 Year	
Investment Pools Composite	18,951,298	100.00									
Total Equity Composite +/- Total Equity Base Index (b)	8,678,316	45.80	1.07 (0.36)	(6.62) (0.29)	(3.81) (0.82)	(3.68) (2.26)	9.11 0.19	6.77 0.24	12.48 1.05	7.04 0.89	
Domestic Equity Composite +/- Russell 3000 Index	4,224,906	22.29	1.49 (0.51)	(6.72) (1.37)	(0.52) (1.74)	3.24 (2.29)	10.75 (1.05)	10.06 (0.56)	14.40 (0.11)	7.65 0.84	
International Equity Composite +/- MSCI AC World ex US IMI Index (c)	4,453,410	23.51	0.68 (0.19)	(6.52) 0.79	(6.90) 0.21	(9.96) (1.90)	7.44 1.47	3.41 0.96	10.33 2.08	7.01 1.91	
Fixed Income Composite +/- Bloomberg Barclays Capital Universal (d)	3,451,776	18.21	0.29 (0.16)	(0.63) 0.19	(0.26) (0.14)	(1.48) (0.12)	2.81 0.95	2.83 0.52	6.11 1.82	5.08 0.42	
Core Fixed Income Composite +/- Bloomberg Barclays Capital Aggregate	1,063,105	5.61	0.63 0.03	(0.61) 0.23	0.08 0.26	(0.84) 0.50	1.66 0.33	2.41 0.38			
Total Return Fixed Income Composite (k) +/- Bloomberg Barclays Capital Universal	2,388,671	12.60	0.15 (0.30)	(0.64) 0.18	(0.41) (0.29)	(1.76) (0.40)	3.31 1.45	3.00 0.69	6.57 2.28	5.56 0.81	
TIPS Composite +/- Bloomberg Barclays Capital U.S.TIPS	384,011	2.03	0.48 0.00	(1.99) 0.02	(1.74) 0.03	(0.82) 0.08	1.68 0.02	1.29 0.01			
Cash Composite +/- Citigroup 90 Day T-Bill (e)	129,481	0.68	0.18 0.00	0.52 (0.02)	0.84 (0.03)	1.74 (0.02)	0.95 0.03	0.61 0.04	0.40 (0.02)	2.00 (0.02)	
Private Equity Composite +/- Russell 3000 + 3% (f, g)	1,836,138	9.69	4.57	4.26	4.99	23.40	18.19	16.25 2.62	14.84 (3.21)		
Real Estate Composite +/- NCREIF + 1% (f)	1,827,111	9.64	0.78	1.49	1.57	8.75	9.14	9.99 (0.65)	8.68 1.33		
Hedge Fund Composite +/- HFRI FOF + 1% (h)	2,130,888	11.24	(0.67) (0.34)	(1.43) 1.78	(1.41) 1.21	2.19 2.62	2.63 (0.12)	3.09 0.29	5.70 2.08		
Opportunistic Income Composite +/- CS Leveraged Loan + 2.5%	513,577	2.71	2.35 2.96	2.41 1.92	2.43 0.29	6.56 0.15	4.49 (3.52)				

# Participant Plans Allocation vs. Strategy

Period Ending: November 30, 2018

	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 %
<b>Pension Assets</b>																
Public Employees' Retirement System	23.8	27.5	25.3	27.5	14.3	15.0	11.3	10.0	11.2	10.0	10.8	10.0	3.2	0.0	0.1	0.0
Teachers' Retirement System	23.9	27.5	25.2	27.5	14.1	15.0	11.3	10.0	11.3	10.0	10.8	10.0	3.2	0.0	0.2	0.0
EMS Retirement System	24.2	27.5	25.0	27.5	14.6	15.0	11.2	10.0	11.1	10.0	10.6	10.0	3.1	0.0	0.2	0.0
Public Safety Retirement System	24.2	27.5	25.2	27.5	14.3	15.0	11.3	10.0	11.2	10.0	10.6	10.0	3.2	0.0	0.0	0.0
Judges' Retirement System	23.5	27.5	25.3	27.5	14.8	15.0	11.2	10.0	11.2	10.0	10.7	10.0	3.1	0.0	0.2	0.0
State Police Retirement System	23.8	27.5	25.0	27.5	15.0	15.0	11.1	10.0	11.0	10.0	10.5	10.0	3.1	0.0	0.5	0.0
Deputy Sheriffs' Retirement System	23.7	27.5	25.2	27.5	14.9	15.0	11.2	10.0	11.1	10.0	10.6	10.0	3.1	0.0	0.2	0.0
Municipal Police & Firefighter Retirement System	24.0	27.5	24.5	27.5	14.9	15.0	10.7	10.0	10.6	10.0	9.9	10.0	3.0	0.0	2.4	0.0
Municipal Model A	13.5	27.5	14.0	27.5	7.6	15.0	5.9	10.0	5.9	10.0	5.5	10.0	1.7	0.0	45.9	0.0
Municipal Model C	22.9	25.0	23.8	25.0	29.0	30.0	5.3	5.0	5.3	5.0	10.1	10.0	1.5	0.0	2.1	0.0
<b>Insurance Assets</b>																
Workers' Compensation Old Fund	14.3	15.0	14.8	15.0	50.4	50.0	0.0	0.0	0.0	0.0	16.5	15.0	0.0	0.0	4.0	5.0
Workers' Comp. Self-Insured Guaranty Risk Pool	14.1	15.0	14.6	15.0	44.7	45.0	0.0	0.0	0.0	0.0	21.8	20.0	0.0	0.0	4.8	5.0
Workers' Comp. Self-Insured Security Risk Pool	14.2	15.0	14.7	15.0	44.7	45.0	0.0	0.0	0.0	0.0	22.2	20.0	0.0	0.0	4.2	5.0
Workers' Comp. Uninsured Employers Fund	14.1	15.0	14.6	15.0	39.4	40.0	0.0	0.0	0.0	0.0	21.5	20.0	0.0	0.0	10.4	10.0
Pneumoconiosis	14.1	15.0	14.6	15.0	44.6	45.0	0.0	0.0	0.0	0.0	22.3	20.0	0.0	0.0	4.4	5.0
Board of Risk & Insurance Mgmt.	14.0	15.0	14.5	15.0	44.7	45.0	0.0	0.0	0.0	0.0	21.6	20.0	0.0	0.0	5.2	5.0
Public Employees' Insurance Agency	10.9	12.5	11.3	12.5	50.7	55.0	0.0	0.0	0.0	0.0	20.0	20.0	0.0	0.0	7.1	0.0
WV Retiree Health Benefit Trust Fund	24.1	27.5	24.8	27.5	14.4	15.0	10.9	10.0	10.8	10.0	10.4	10.0	3.0	0.0	1.6	0.0
<b>Endowment Assets</b>																
Berkeley County Development Authority	23.7	27.5	25.4	27.5	14.7	15.0	11.2	10.0	11.1	10.0	10.6	10.0	3.1	0.0	0.2	0.0
Wildlife Fund	24.0	27.5	25.0	27.5	14.8	15.0	11.2	10.0	11.2	10.0	10.5	10.0	3.1	0.0	0.2	0.0
Prepaid Tuition Trust	0.0	0.0	0.0	0.0	79.9	80.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	20.1	20.0
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	10.5	11.3	10.9	11.3	78.6	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	30.6	32.5	32.4	32.5	14.9	15.0	0.0	0.0	0.0	0.0	22.0	20.0	0.0	0.0	0.1	0.0
WV DEP Agency	18.9	20.0	19.6	20.0	39.8	40.0	0.0	0.0	0.0	0.0	21.7	20.0	0.0	0.0	0.0	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 were 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.

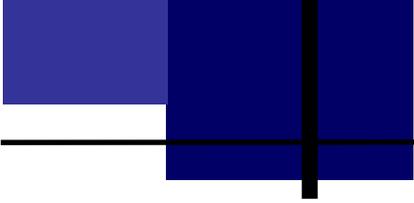
This report contains confidential and proprietary information and is subject to the terms and conditions of the Consulting Agreement. It is being provided for use solely by the customer. The report may not be sold or otherwise provided, in whole or in part, to any other person or entity without written permission from Verus Advisory, Inc., (hereinafter Verus) or as required by law or any regulatory authority. The information presented does not constitute a recommendation by Verus and cannot be used for advertising or sales promotion purposes. This does not constitute an offer or a solicitation of an offer to buy or sell securities, commodities or any other financial instruments or products.

The information presented has been prepared using data from third party sources that Verus believes to be reliable. While Verus exercised reasonable professional care in preparing the report, it cannot guarantee the accuracy of the information provided by third party sources. Therefore, Verus makes no representations or warranties as to the accuracy of the information presented. Verus takes no responsibility or liability (including damages) for any error, omission, or inaccuracy in the data supplied by any third party. Nothing contained herein is, or should be relied on as a promise, representation, or guarantee as to future performance or a particular outcome. Even with portfolio diversification, asset allocation, and a long-term approach, investing involves risk of loss that the investor should be prepared to bear.

The information presented may be deemed to contain forward-looking information. Examples of forward looking information include, but are not limited to, (a) projections of or statements regarding return on investment, future earnings, interest income, other income, growth prospects, capital structure and other financial terms, (b) statements of plans or objectives of management, (c) statements of future economic performance, and (d) statements of assumptions, such as economic conditions underlying other statements. Such forward-looking information can be identified by the use of forward looking terminology such as believes, expects, may, will, should, anticipates, or the negative of any of the foregoing or other variations thereon comparable terminology, or by discussion of strategy. No assurance can be given that the future results described by the forward-looking information will be achieved. Such statements are subject to risks, uncertainties, and other factors which could cause the actual results to differ materially from future results expressed or implied by such forward looking information. The findings, rankings, and opinions expressed herein are the intellectual property of Verus and are subject to change without notice. The information presented does not claim to be all-inclusive, nor does it contain all information that clients may desire for their purposes. The information presented should be read in conjunction with any other material provided by Verus, investment managers, and custodians.

Verus will make every reasonable effort to obtain and include accurate market values. However, if managers or custodians are unable to provide the reporting period's market values prior to the report issuance, Verus may use the last reported market value or make estimates based on the manager's stated or estimated returns and other information available at the time. These estimates may differ materially from the actual value. Hedge fund market values presented in this report are provided by the fund manager or custodian. Market values presented for private equity investments reflect the last reported NAV by the custodian or manager net of capital calls and distributions as of the end of the reporting period. These values are estimates and may differ materially from the investments actual value. Private equity managers report performance using an internal rate of return (IRR), which differs from the time-weighted rate of return (TWRR) calculation done by Verus. It is inappropriate to compare IRR and TWRR to each other. IRR figures reported in the illiquid alternative pages are provided by the respective managers, and Verus has not made any attempts to verify these returns. Until a partnership is liquidated (typically over 10-12 years), the IRR is only an interim estimated return. The actual IRR performance of any LP is not known until the final liquidation.

Verus receives universe data from InvestorForce, eVestment Alliance, and Morningstar. We believe this data to be robust and appropriate for peer comparison. Nevertheless, these universes may not be comprehensive of all peer investors/managers but rather of the investors/managers that comprise that database. The resulting universe composition is not static and will change over time. Returns are annualized when they cover more than one year. Investment managers may revise their data after report distribution. Verus will make the appropriate correction to the client account but may or may not disclose the change to the client based on the materiality of the change.



---

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

Joint Committee on Government & Finance

January 2019

---

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



**Table of Contents:**

**Introduction**..... 3

**Definitions**.....4-6

**Monthly Claims Count and Reserve Charts** .....7-11

**Old Fund Cash Statements** ..... 12

**Coal Workers Pneumoconiosis Fund Cash Statement**..... 13

**Self-Insured Guaranty Fund Cash Statement** ..... 14

**Self-Insured Security Fund Cash Statement** ..... 15

**Uninsured Employers’ Fund Cash Statement** ..... 16

## **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 was 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.

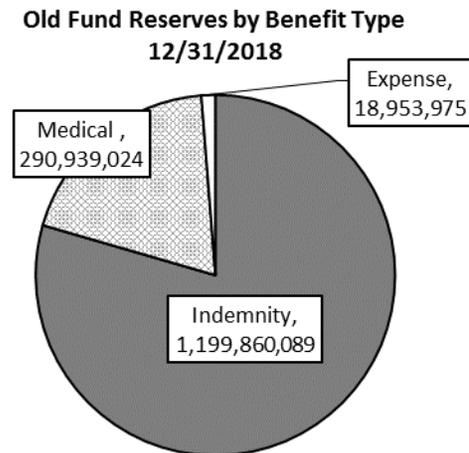
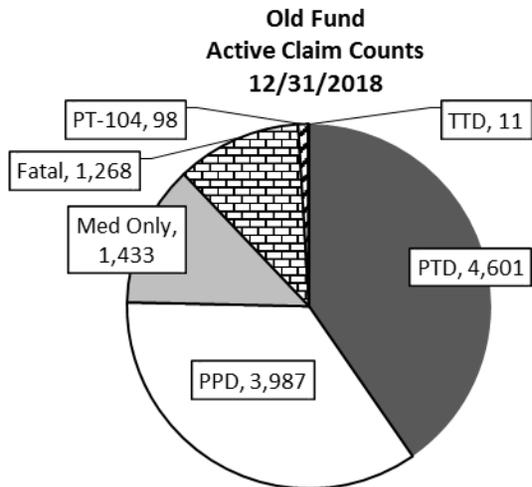
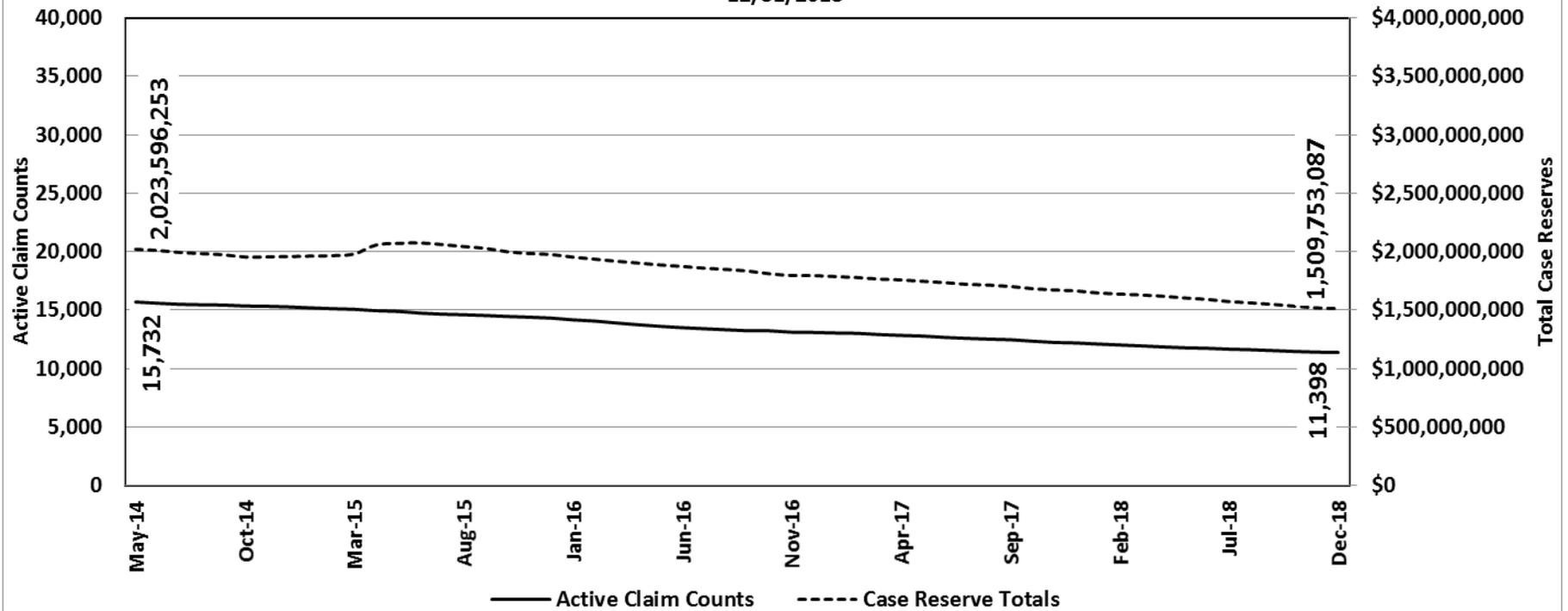
**Self-Insured Security Fund:** State managed fund consisting of those funds paid into it thru the WVOIC's administration of 85 CSR §19 (2004), and out of which workers' compensation benefits may be paid. Covers claims liabilities of bankrupt or defaulted self-insured employers with dates of injury or 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.

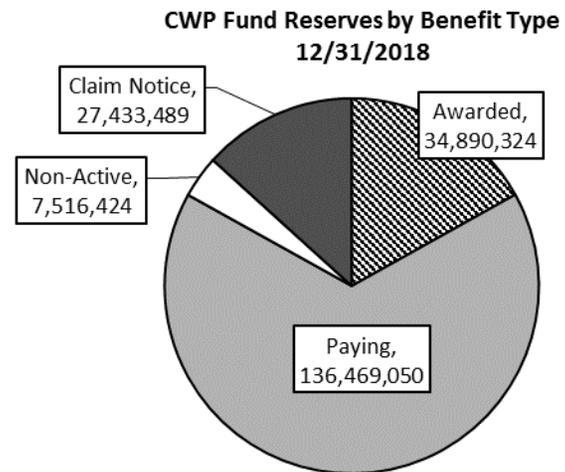
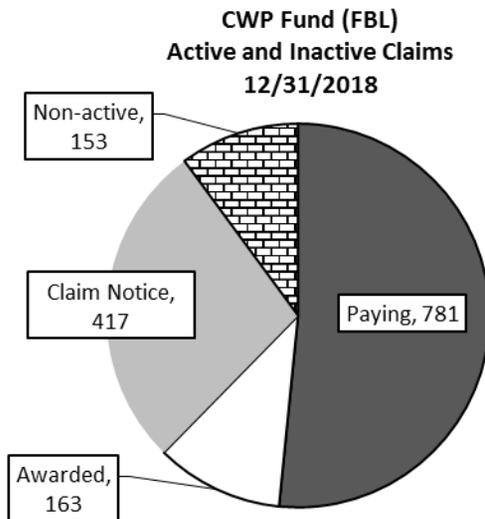
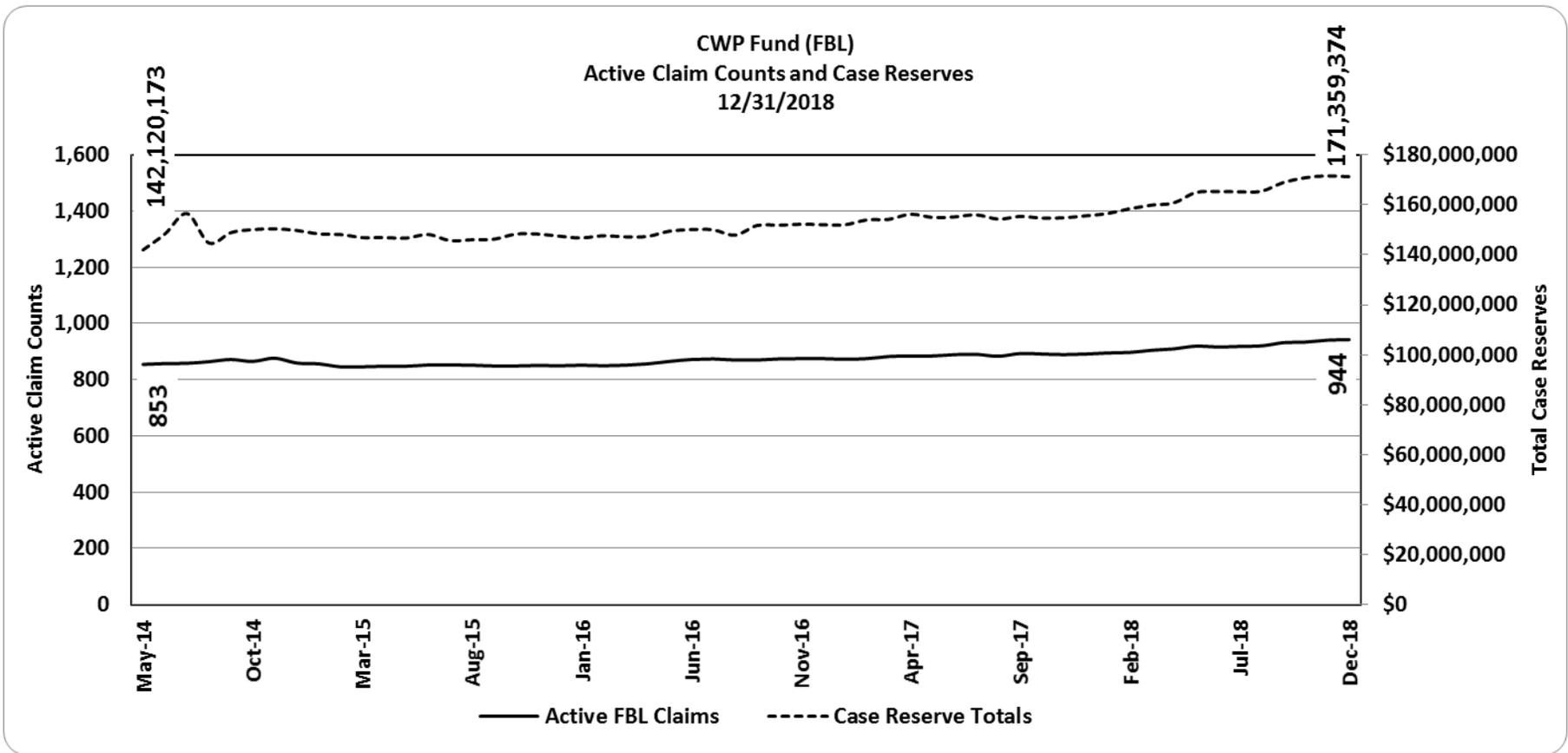
**TPD:** (Temporary Partial Disability) also referred to as TPR, is paid when an injured worker is released to return to work with restrictions or modifications that restrict he/she from obtaining their pre-injury wages. The TPD benefit is paid at seventy percent of the difference between the average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

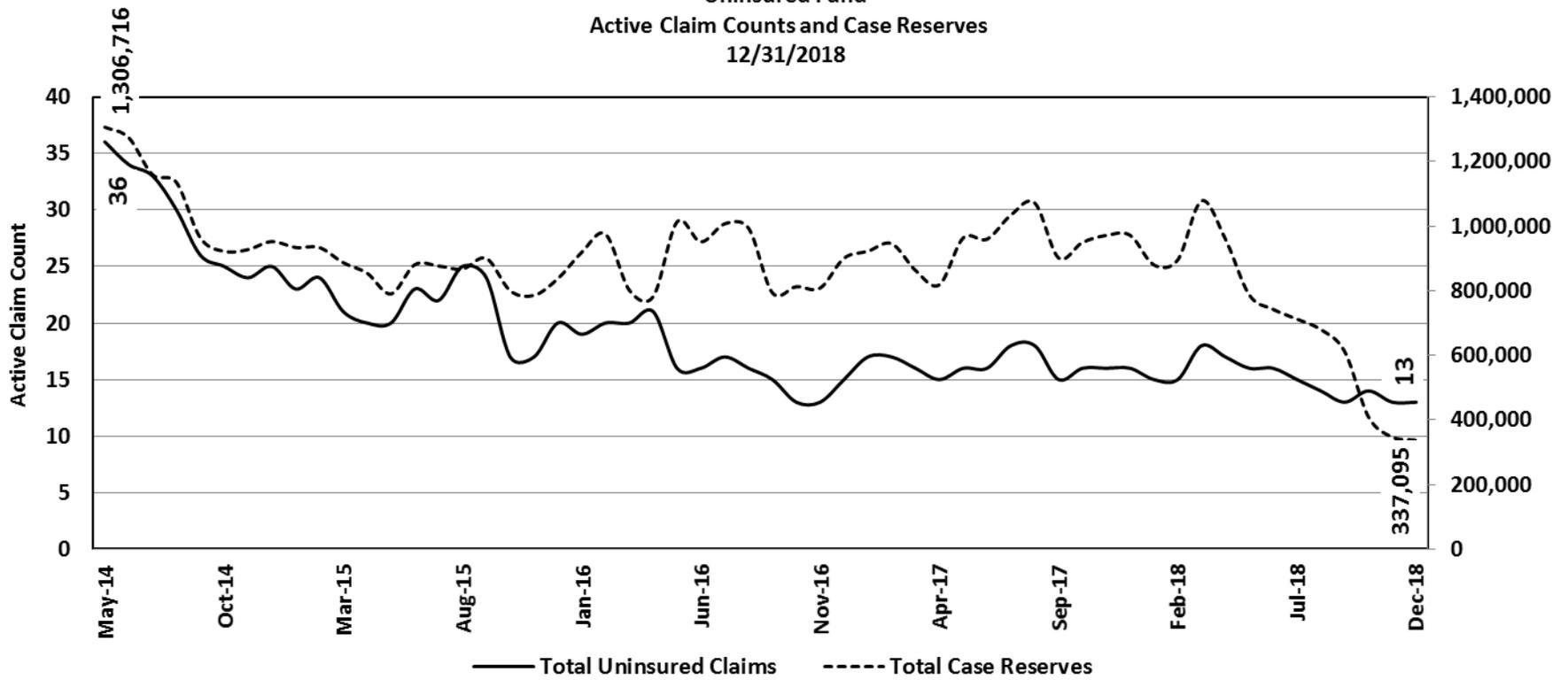
**Uninsured Fund:** State managed fund into which assessments to carriers or employers received are held, and out of which workers' compensation benefits may be paid to claimant employees of employers who were uninsured if the date of injury or date of last exposure is January 1, 2006 or later.

**Old Fund  
Active Claim Counts and Case Reserves  
12/31/2018**

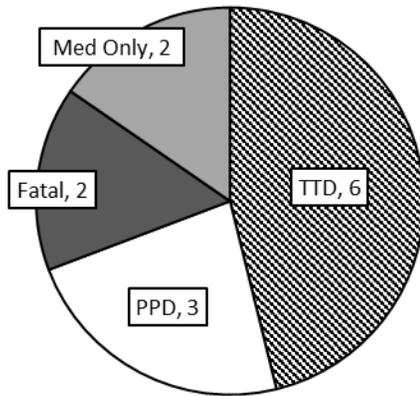




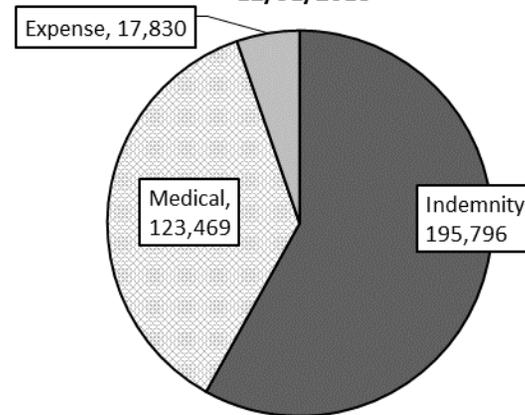
**Uninsured Fund  
Active Claim Counts and Case Reserves  
12/31/2018**



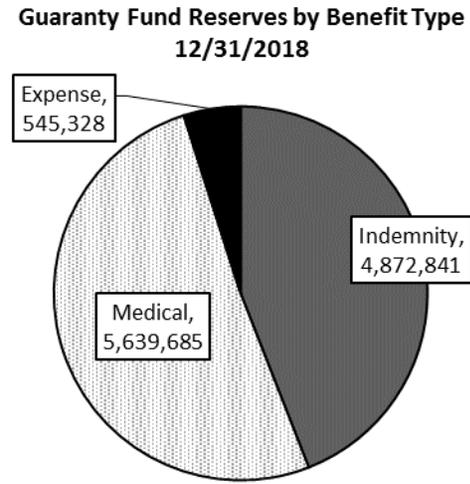
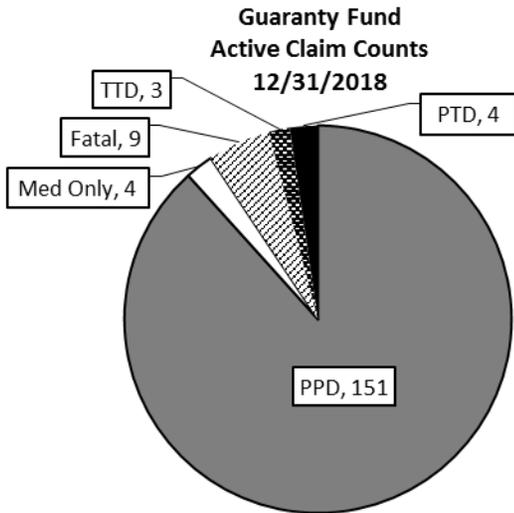
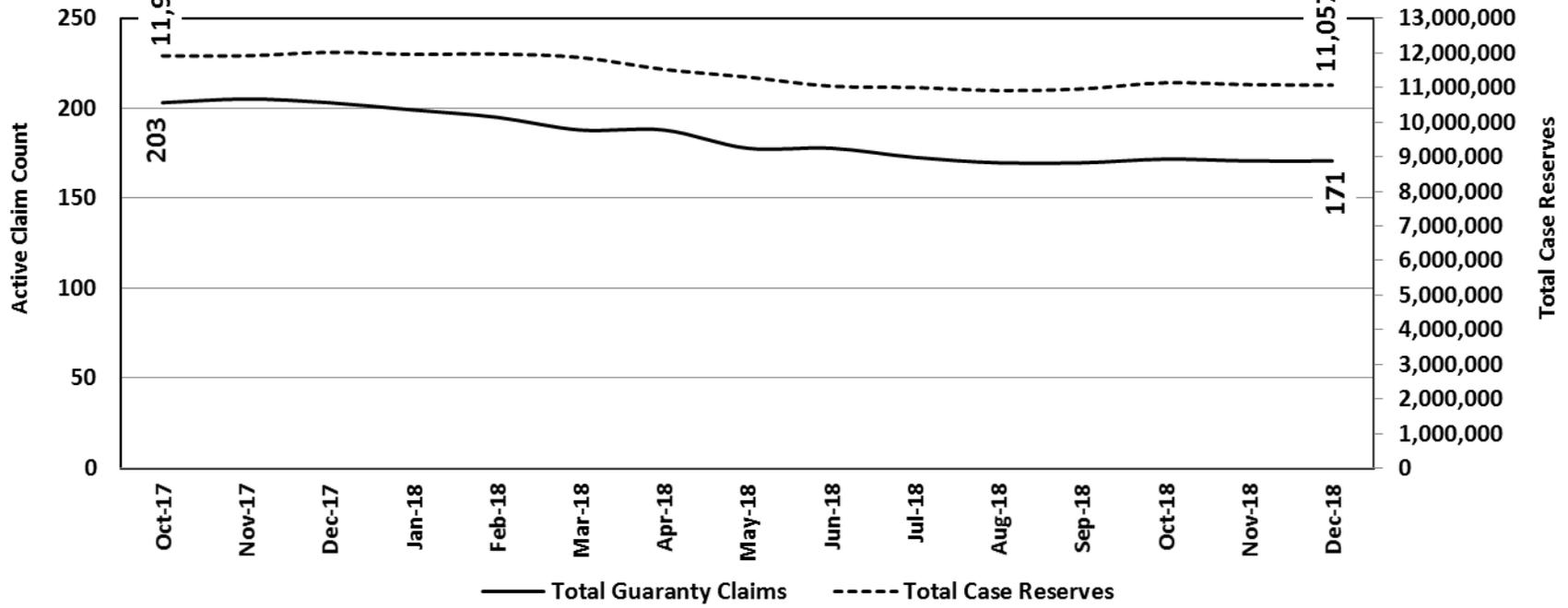
**Uninsured Fund  
Active Claim Counts  
12/31/2018**



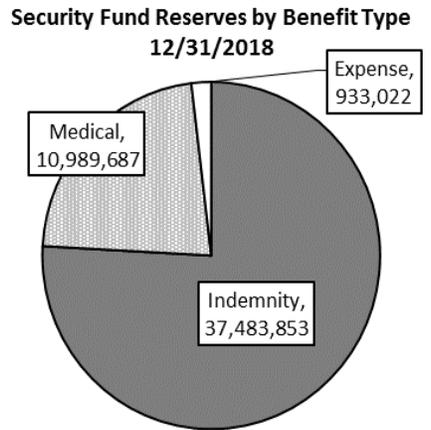
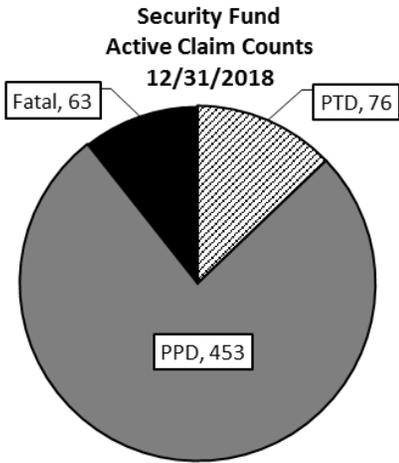
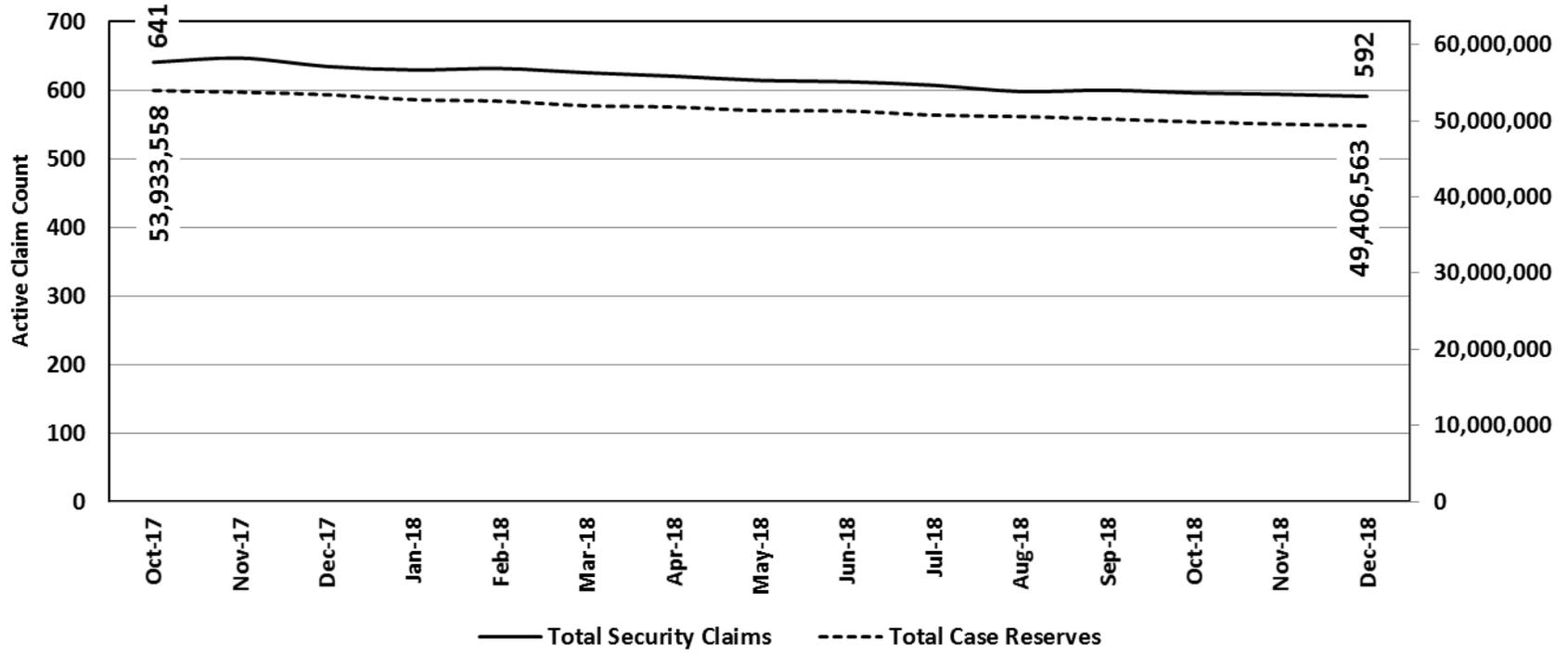
**Uninsured Fund Reserves by Benefit Type  
12/31/2018**



**Guaranty Fund  
Active Claim Counts and Case Reserves  
12/31/2018**



**Security Fund  
Active Claim Counts and Case Reserves  
12/31/2018**



OLD FUND CASH STATEMENT  
December 31, 2018

Three Year History for years ended:

	YTD FY2019	YTD FY2018	Change	FY2018	FY2017	FY2016
<b>Cash Beginning Balances</b>	<b>1,190,163,510</b>	<b>1,263,372,448</b>	<b>(73,208,938)</b>	<b>1,263,372,448</b>	<b>1,280,647,632</b>	<b>1,311,653,269</b>
<b>Revenues</b>						
Personal Income Tax	-	-	-	-	-	42,400,000
Severance Tax	812,164	-	812,164	-	13,887,551	73,068,796
Debt Reduction Surcharge	2,912,562	3,383,216	(470,654)	6,668,291	12,336,645	25,211,458
Self-Insured Debt Reduction Surcharge	1,069,864	1,020,792	49,072	2,130,127	4,346,111	6,209,330
Video Lottery	-	1,023,639	(1,023,639)	2,750,000	5,500,000	6,734,934
Employer Premium	37,763	158,549	(120,785)	513,387	62,806	111,955
Other Income - Return of Unclaimed Property	-	150,814	(150,814)	273,871	354,423	184,888
<b>Operating Revenues</b>	<b>4,832,352</b>	<b>5,737,009</b>	<b>(904,657)</b>	<b>12,335,675</b>	<b>36,487,535</b>	<b>153,921,361</b>
Investment / Interest Earnings (Losses)	(23,234,415)	58,749,543	(81,983,958)	67,551,779	112,116,554	(5,981,504)
<b>Total Revenues</b>	<b>(18,402,062)</b>	<b>64,486,552</b>	<b>(82,888,614)</b>	<b>79,887,454</b>	<b>148,604,089</b>	<b>147,939,857</b>
<b>Expenditures</b>						
Claims Benefits Paid:						
Medical	11,563,650	11,213,128	350,522	25,531,399	27,437,375	26,890,541
Permanent Total Disability	41,416,270	44,178,803	(2,762,533)	86,779,468	92,140,733	98,784,921
Permanent Partial Disability	89,116	126,613	(37,497)	301,824	336,015	232,699
Temporary Disability	44,483	4,939	39,544	18,268	-	8,554
Fatals	10,375,340	10,906,742	(531,402)	21,608,332	22,990,499	24,098,586
104 weeks death benefit	2,483,916	2,410,433	73,483	5,182,930	5,825,439	6,990,581
Settlements	1,753,214	4,046,711	(2,293,497)	7,058,622	11,716,131	12,718,425
Loss Adjustment Expenses	716,628	693,577	23,051	1,324,887	1,446,808	1,970,779
<b>Total</b>	<b>68,442,616</b>	<b>73,580,946</b>	<b>(5,138,330)</b>	<b>147,805,732</b>	<b>161,893,000</b>	<b>171,695,087</b>
Less: Claims credits and overpayments	1,718,088	1,346,023	372,065	2,877,784	5,080,389	3,044,395
<b>Total Benefits Paid</b>	<b>66,724,528</b>	<b>72,234,923</b>	<b>(5,510,395)</b>	<b>144,927,948</b>	<b>156,812,611</b>	<b>168,650,692</b>
Administrative Expenses	2,969,520	3,554,542	(585,022)	8,168,444	9,066,663	10,294,801
<b>Total Expenditures</b>	<b>69,694,048</b>	<b>75,789,465</b>	<b>(6,095,417)</b>	<b>153,096,392</b>	<b>165,879,274</b>	<b>178,945,493</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(88,096,110)</b>	<b>(11,302,913)</b>	<b>(76,793,198)</b>	<b>(73,208,938)</b>	<b>(17,275,184)</b>	<b>(31,005,636)</b>
<b>Cash Ending Balances</b>	<b>1,102,067,399</b>	<b>1,252,069,535</b>	<b>(150,002,136)</b>	<b>1,190,163,510</b>	<b>1,263,372,448</b>	<b>1,280,647,632</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

December 31, 2018

Three Year History for years ended:

	YTD FY2019	YTD FY2018	Change	FY2018	FY2017	FY2016
<b>Cash Beginning Balances</b>	<b>246,768,365</b>	<b>251,313,328</b>	<b>(4,544,963)</b>	<b>251,313,328</b>	<b>245,945,240</b>	<b>264,657,327</b>
<b>Revenues</b>						
Investment Earnings (Losses)	(4,818,201)	11,668,381	(16,486,582)	13,912,317	22,100,417	(5,091,164)
Other Income - Return of Unclaimed Property	-	-	-	645	8,353	3,797
<b>Total Revenues</b>	<b>(4,818,201)</b>	<b>11,668,381</b>	<b>(16,486,582)</b>	<b>13,912,961</b>	<b>22,108,770</b>	<b>(5,087,367)</b>
<b>Expenditures</b>						
Claims Benefits Paid:						
Medical	2,141,745	1,880,338	261,407	6,709,112	4,032,649	2,830,426
PTD and Fatal Indeminty	4,267,041	3,975,318	291,722	7,945,389	8,174,289	7,548,752
Loss Adjustment Expenses	1,959,039	1,767,978	191,062	3,165,542	3,783,923	2,629,468
Total	8,367,825	7,623,634	744,191	17,820,043	15,990,861	13,008,646
Less: Claims Credits and Overpayments	54,899	175,723	(120,824)	268,646	125,895	130,620
Total Benefits Paid	8,312,926	7,447,911	865,015	17,551,397	15,864,966	12,878,025
Administrative Expenses	492,331	451,358	40,973	906,527	875,715	746,696
<b>Total Expenditures</b>	<b>8,805,257</b>	<b>7,899,269</b>	<b>905,988</b>	<b>18,457,924</b>	<b>16,740,681</b>	<b>13,624,721</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(13,623,459)</b>	<b>3,769,111</b>	<b>(17,392,570)</b>	<b>(4,544,963)</b>	<b>5,368,089</b>	<b>(18,712,088)</b>
<b>Cash Ending Balances</b>	<b>233,144,907</b>	<b>255,082,439</b>	<b>(21,937,531)</b>	<b>246,768,365</b>	<b>251,313,328</b>	<b>245,945,240</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

December 31, 2018

	Three Year History for years ended:					
	YTD FY2019	YTD FY2018	Change	FY2018	FY2017	FY2016
<b>Cash Beginning Balances</b>	<b>34,042,831</b>	<b>33,836,322</b>	<b>206,509</b>	<b>33,836,322</b>	<b>33,462,454</b>	<b>16,014,340</b>
<b>Revenues</b>						
Guaranty Risk Pool Assessments	(354)	-	(354)	-	-	18,684
Collateral Proceeds	252,925	-	252,925	-	-	19,422,025
Investment Earnings (Losses)	(679,195)	1,572,668	(2,251,863)	1,873,190	3,012,508	(155,883)
<b>Total Revenues</b>	<b>(426,623)</b>	<b>1,572,668</b>	<b>(1,999,292)</b>	<b>1,873,190</b>	<b>3,012,508</b>	<b>19,284,826</b>
<b>Expenditures</b>						
Claims Benefits Paid:						
Medical	166,148	112,396	53,752	239,490	503,912	309,470
Permanent Total Disability	51,194	130,627	(79,433)	181,821	63,717	43,638
Permanent Partial Disability	154,908	301,030	(146,123)	522,798	972,712	612,823
Temporary Disability	5,259	56,649	(51,390)	56,649	375,328	303,724
Fatals	113,404	131,091	(17,687)	253,055	277,011	257,806
104 Weeks Death Benefit	-	-	-	-	-	-
Settlement Agreements	-	-	-	170,000	3,800	-
Non Awarded Partial Disability	-	6,542	(6,542)	10,904	4,407	9,377
Loss Adjustment Expenses	61,434	69,002	(7,568)	123,706	255,219	163,819
Total	552,347	807,337	(254,991)	1,558,423	2,456,105	1,700,657
Less: Claims Credits and Overpayments	205	4,665	(4,461)	12,868	2,723	17,176
Total Benefits Paid	552,142	802,672	(250,530)	1,545,555	2,453,382	1,683,481
Administrative Expenses	48,658	53,328	(4,670)	121,127	185,258	153,231
<b>Total Expenditures</b>	<b>600,800</b>	<b>856,000</b>	<b>(255,200)</b>	<b>1,666,682</b>	<b>2,638,640</b>	<b>1,836,711</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(1,027,423)</b>	<b>716,668</b>	<b>(1,744,091)</b>	<b>206,509</b>	<b>373,868</b>	<b>17,448,114</b>
<b>Cash Ending Balances</b>	<b>33,015,408</b>	<b>34,552,990</b>	<b>(1,537,583)</b>	<b>34,042,831</b>	<b>33,836,322</b>	<b>33,462,454</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 State Treasurer records the earnings in the statewide accounting system, wvOASIS. The Self-Insured Guaranty Cash Statement is unaudited information.

SELF-INSURED SECURITY RISK POOL  
December 31, 2018

				Three Year History for years ended:		
	YTD FY2019	YTD FY2018	Change	FY2018	FY2017	FY2016
<b>Cash Beginning Balances</b>	53,404,259	54,448,203	(1,043,944)	54,448,203	53,859,338	9,208,803
<b>Revenues</b>						
Security Risk Pool Assessments	-	-	-	-	-	230,340
Collateral Proceeds	243,007	-	243,007	-	-	47,503,193
Investment Earnings (Losses)	(1,052,629)	2,534,981	(3,587,610)	3,015,368	4,914,238	201,775
<b>Total Revenues</b>	<b>(809,622)</b>	<b>2,534,981</b>	<b>(3,344,603)</b>	<b>3,015,368</b>	<b>4,914,238</b>	<b>47,935,308</b>
<b>Expenditures</b>						
Claims Benefits Paid:						
Medical	264,010	404,473	(140,463)	802,935	778,632	479,295
Permanent Total Disability	763,251	758,778	4,473	1,603,037	1,576,942	1,163,198
Permanent Partial Disability	5,229	-	5,229	-	-	7,560
Temporary Disability	-	-	-	-	-	-
Fatals	565,800	637,372	(71,572)	1,230,799	1,333,911	1,183,728
104 Weeks Death Benefit	-	32,854	(32,854)	37,804	134,935	92,595
Settlement Agreements	6,283	26,283	(20,000)	207,565	14,165	21,177
Loss Adjustment Expenses	59,185	42,044	17,142	88,371	151,558	54,047
Total	1,663,758	1,901,804	(238,046)	3,970,511	3,990,143	3,001,600
Less: Claims Credits and Overpayments	33,394	183,664	(150,270)	223,585	38,143	4,925
Total Benefits Paid	1,630,364	1,718,140	(87,775)	3,746,926	3,952,000	2,996,676
Administrative Expenses	124,646	131,695	(7,049)	312,386	373,374	288,097
<b>Total Expenditures</b>	<b>1,755,010</b>	<b>1,849,835</b>	<b>(94,824)</b>	<b>4,059,312</b>	<b>4,325,374</b>	<b>3,284,773</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(2,564,633)</b>	<b>685,146</b>	<b>(3,249,778)</b>	<b>(1,043,944)</b>	<b>588,865</b>	<b>44,650,535</b>
<b>Cash Ending Balances</b>	<b>50,839,626</b>	<b>55,133,349</b>	<b>(4,293,723)</b>	<b>53,404,259</b>	<b>54,448,203</b>	<b>53,859,338</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  
December 31, 2018

Three Year History for years ended:

	YTD FY2019	YTD FY2018	Change	FY2018	FY2017	FY2016
<b>Cash Beginning Balances</b>	<b>12,989,971</b>	<b>12,760,544</b>	<b>229,426</b>	<b>12,760,544</b>	<b>11,864,792</b>	<b>12,125,188</b>
<b>Revenues</b>						
Fines and Penalties	379,136	183,770	195,366	436,728	595,742	625,093
Investment Earnings (Losses)	(249,543)	543,964	(793,507)	660,537	962,646	(205,615)
<b>Total Revenues</b>	<b>129,593</b>	<b>727,734</b>	<b>(598,141)</b>	<b>1,097,265</b>	<b>1,558,387</b>	<b>419,478</b>
<b>Expenditures</b>						
Claims Benefits Paid:						
Medical	124,702	9,305	115,396	164,187	30,783	47,718
Permanent Total Disability	-	-	-	-	-	-
Permanent Partial Disability	18,741	12,167	6,574	33,025	51,760	4,738
Temporary Disability	34,184	67,340	(33,155)	104,582	25,414	113,212
Fatales	25,015	25,015	-	50,030	50,030	52,164
104 Weeks Death Benefit	-	-	-	-	-	-
Settlement Agreements	96,000	185,000	(89,000)	344,000	255,715	228,577
Loss Adjustment Expenses	30,590	3,037	27,553	5,846	6,969	5,868
Total	329,232	301,864	27,367	701,671	420,672	452,276
Less: Claims Credits and Overpayments	16,865	2,983	13,882	47,333	33,341	1,558
Total Benefits Paid	312,367	298,882	13,485	654,338	387,331	450,719
Administrative Expenses	103,385	105,855	(2,470)	213,501	275,304	229,156
<b>Total Expenditures</b>	<b>415,752</b>	<b>404,737</b>	<b>11,015</b>	<b>867,839</b>	<b>662,635</b>	<b>679,875</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(286,159)</b>	<b>322,997</b>	<b>(609,156)</b>	<b>229,426</b>	<b>895,753</b>	<b>(260,397)</b>
<b>Cash Ending Balances</b>	<b>12,703,812</b>	<b>13,083,542</b>	<b>(379,730)</b>	<b>12,989,971</b>	<b>12,760,544</b>	<b>11,864,792</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  
January 24, 2019

## OPERATING REPORT NOVEMBER 2018

**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

Glenda Probst  
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

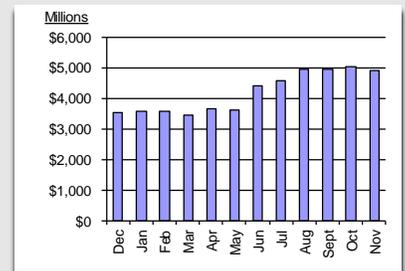
Karl Shanholtzer,  
CFA, CPA, CIA

### Total Net Assets Under Management

**\$4,931,335,000**

Last Month  
**\$5,052,106,000**

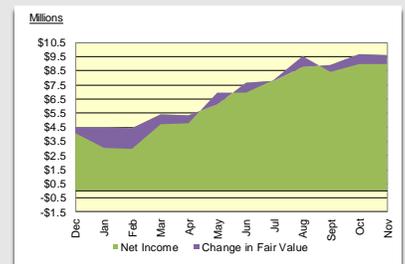
Beginning of Fiscal Year  
**\$4,429,483,000**



**Net Assets for the Past 12 Months**

### Total Net Income & Changes in Fair Value

Fiscal Year  
**\$43,772,000**



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

### Money Market Pools

As of November 30, 2018

<u>Pool</u>	<u>30-Day Avg. Yield *</u>	<u>W.A.M. **</u>	<u>Net Assets</u>
WV Money Market	2.3420%	26 Days	\$3.8 Billion
WV Gov't Money Market	2.1546%	24 Days	\$219.3 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

### NOVEMBER 2018

---

#### **Another Rate Hike Ahead**

##### **Market Results**

Equities came up for air in November after a widespread selloff a month earlier. Emerging market stocks led the way, with the MSCI Emerging Markets Index gaining 4.1% last month as currencies broadly appreciated relative to the US dollar. In the US, value outperformed growth as technology stocks lagged. Despite the drag on performance from the so-called FAANG equities, comprising tech giants Facebook, Apple, Amazon, Netflix and Google, the S&P 500 eked out a 2% gain during the month. In Europe, the MSCI EAFE Index was mostly unchanged, losing 0.1% in November, amid a waning economic and political outlook in Germany and volatility stemming from contentious Brexit negotiations.

In fixed income, a decline in global yields underscored the current wave of risk aversion with the 10- year US Treasury and the 10-year German bund yields falling 16 and seven basis points, respectively. As a result, rate-based instruments were moderately higher last month with the Barclays US Treasury Index up 0.9%. In contrast, credit spreads widened during the month. The Barclays US Corporate High Yield Index declined 0.9% as spreads increased 0.47% to 4.18%. Local emerging market debt rose 2.8%, according to the JPM GBI-EM Global Diversified Index, amid modest currency appreciation.

Within real assets, WTI crude oil fell 22% during the month, weighed down by ample supply and an uncertain outlook for global demand.

##### **Market Outlook**

As we head into the last month of 2018 with a likely rate hike from the Federal Reserve on the horizon, we encourage the addition of safe-haven fixed-income debt as rates continue to rise.

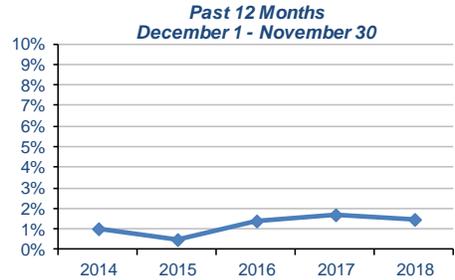
# West Virginia Board of Treasury Investments Financial Highlights as of November 30, 2018

## WV Short Term Bond Pool

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

<u>December 1 - November 30</u>	<u>Return</u>	<u>Net Assets At Nov 30 (In Millions)</u>
2018	1.4%	\$ 712.4
2017	1.7%	\$ 758.4
2016	1.4%	\$ 775.4
2015	0.5%	\$ 803.8
2014	1.0%	\$ 784.1

### WV Short Term Bond Pool Rates of Return

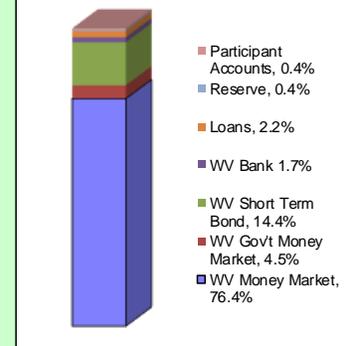


*Prior to July 2007, the WV Short Term Bond Pool was known as the Enhanced Yield Pool*

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

<u>Pool</u>	<u>Net Asset Value</u>	<u>Nov Net Income (Loss)</u>	<u>Fiscal YTD Net Income (Loss)</u>
WV Money Market	\$ 3,768,912	\$ 7,364	\$ 34,288
WV Gov't Money Market	219,259	429	1,899
WV Short Term Bond	712,371	839	6,055
WV Bank	82,824	156	726
Loans	106,780	137	516
Reserve	19,303	37	177
Participant Accounts	21,886	26	111
	<u>\$ 4,931,335</u>	<u>\$ 8,988</u>	<u>\$ 43,772</u>

### Percent of Total Net Asset Value

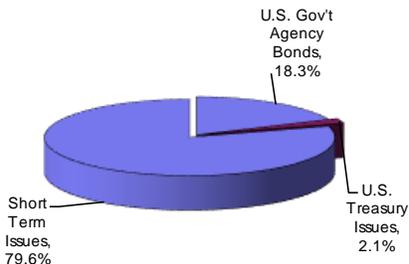


## Securities by Type for Operating Pools *(Percentage of Asset Value)*

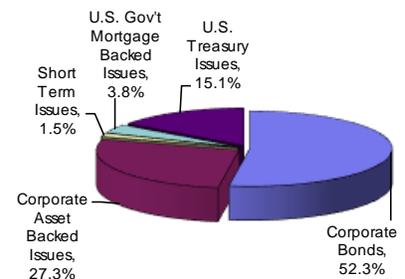
### WV Money Market



### WV Gov't Money Market



### WV Short Term Bond



**WEST VIRGINIA BOARD OF TREASURY INVESTMENTS**  
**SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – UNAUDITED**  
**NOVEMBER 30, 2018**  
*(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	\$ 3,777,094	\$ 219,252	\$ -	\$ 82,350	\$ 125,914	\$ -	\$ 4,204,610
At fair value	-	-	717,395	-	-	21,846	739,241
Other assets	2,627	70	2,863	482	180	40	6,262
Total assets	<u>3,779,721</u>	<u>219,322</u>	<u>720,258</u>	<u>82,832</u>	<u>126,094</u>	<u>21,886</u>	<u>4,950,113</u>
<b>Liabilities</b>							
Accrued expenses, dividends payable & payables for investments purchased							
	10,809	63	7,887	8	11	-	18,778
Total liabilities	<u>10,809</u>	<u>63</u>	<u>7,887</u>	<u>8</u>	<u>11</u>	<u>-</u>	<u>18,778</u>
<b>Net Position</b>							
Held in trust for investment pool participants	3,768,912	219,259	712,371	82,824	126,083	-	4,909,449
Held in trust for individual investment account holders	-	-	-	-	-	21,886	21,886
Total net position	<u>\$ 3,768,912</u>	<u>\$ 219,259</u>	<u>\$ 712,371</u>	<u>\$ 82,824</u>	<u>\$ 126,083</u>	<u>\$ 21,886</u>	<u>\$ 4,931,335</u>
<b>Additions</b>							
Investment income:							
Interest and dividends	\$ 3,741	\$ 162	\$ 1,528	\$ 158	\$ 177	\$ 21	\$ 5,787
Net (amortization) accretion	3,833	283	29	-	-	(1)	4,144
Provision for uncollectible loans	-	-	-	-	-	-	-
Total investment income	<u>7,574</u>	<u>445</u>	<u>1,557</u>	<u>158</u>	<u>177</u>	<u>20</u>	<u>9,931</u>
Investment expenses:							
Investment advisor, custodian bank & administrative fees	210	16	60	2	3	-	291
Total investment expenses	<u>210</u>	<u>16</u>	<u>60</u>	<u>2</u>	<u>3</u>	<u>-</u>	<u>291</u>
Net investment income	7,364	429	1,497	156	174	20	9,640
Net realized gain (loss) from investments	-	-	(248)	-	-	-	(248)
Net increase (decrease) in fair value of investments	<u>-</u>	<u>-</u>	<u>(410)</u>	<u>-</u>	<u>-</u>	<u>6</u>	<u>(404)</u>
Net increase (decrease) in net position from operations	7,364	429	839	156	174	26	8,988
Participant transaction additions:							
Purchase of pool units by participants	729,396	15,506	-	156	38	-	745,096
Reinvestment of pool distributions	7,361	429	1,496	156	174	-	9,616
Contributions to individual investment accounts	-	-	-	-	-	83	83
Total participant transaction additions	<u>736,757</u>	<u>15,935</u>	<u>1,496</u>	<u>312</u>	<u>212</u>	<u>83</u>	<u>754,795</u>
Total additions	744,121	16,364	2,335	468	386	109	763,783
<b>Deductions</b>							
Distributions to pool participants:							
Net investment income	7,364	429	1,497	156	174	-	9,620
Net realized gain (loss) from investments	-	-	(248)	-	-	-	(248)
Total distributions to pool participants	<u>7,364</u>	<u>429</u>	<u>1,249</u>	<u>156</u>	<u>174</u>	<u>-</u>	<u>9,372</u>
Participant transaction deductions:							
Redemption of pool units by participants	836,215	34,536	2,945	156	931	-	874,783
Withdrawals from individual investment accounts	-	-	-	-	-	398	398
Total participant transaction deductions	<u>836,215</u>	<u>34,536</u>	<u>2,945</u>	<u>156</u>	<u>931</u>	<u>398</u>	<u>875,181</u>
Total deductions	<u>843,579</u>	<u>34,965</u>	<u>4,194</u>	<u>312</u>	<u>1,105</u>	<u>398</u>	<u>884,553</u>
Net increase (decrease) in net position from operations	(99,458)	(18,601)	(1,859)	156	(719)	(289)	(120,770)
Inter-pool transfers in							
Inter-pool transfers out	-	-	-	-	-	-	-
Net inter-pool transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	(99,458)	(18,601)	(1,859)	156	(719)	(289)	(120,770)
Net position at beginning of period	<u>3,868,370</u>	<u>237,860</u>	<u>714,230</u>	<u>82,668</u>	<u>126,802</u>	<u>22,175</u>	<u>5,052,105</u>
Net position at end of period	<u>\$ 3,768,912</u>	<u>\$ 219,259</u>	<u>\$ 712,371</u>	<u>\$ 82,824</u>	<u>\$ 126,083</u>	<u>\$ 21,886</u>	<u>\$ 4,931,335</u>



— | WEST VIRGINIA | —

# BOARD OF TREASURY INVESTMENTS

Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2018

WEST VIRGINIA  
**BOARD OF TREASURY  
INVESTMENTS**

---

**Comprehensive Annual Financial Report  
for the Fiscal Year Ended June 30, 2018**

---

*A Component Unit of the State of West Virginia*

**James C. Justice, II**  
*Governor*

**John D. Perdue, Chairman**  
*West Virginia State Treasurer*

**John B. McCuskey**  
*West Virginia State Auditor*

**Glenda Probst**  
*Appointed by the Governor*

**Michael L. Glasser, Esquire**  
*Attorney at Law*  
*Appointed by the Governor*

---

*Prepared by the Board of Treasury Investments Staff  
315 70<sup>th</sup> Street SE  
Charleston, West Virginia 25304  
(304) 340-1564  
[www.wvbt.org](http://www.wvbt.org)*

(This page intentionally left blank.)



October 31, 2018

To: Members of the West Virginia Board of Treasury Investments,  
Honorable Members of the Legislature,  
And the Citizens of West Virginia

I am pleased to present you with the June 30, 2018, Comprehensive Annual Financial Report (“CAFR”) for the West Virginia Board of Treasury Investments (the “BTI”). The report is a review of the financial and investment conditions of the State of West Virginia’s Consolidated Fund. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, rests with the management of the BTI. An independent certified public accounting firm has audited the basic financial statements contained in this report.

The BTI was created to oversee and manage the state’s operating funds, also known as the Consolidated Fund. Significant achievements for the year included reaffirmation of the AAAM rating by Standard & Poor’s for the WV Money Market and WV Government Money Market pools, selection of an investment consultant, continued outperformance of select pools versus their peer groups, and operating under budget. The CAFR demonstrates the BTI’s commitment to financial accountability and conformity to the highest standards for preparation of state and local government financial reports.

The report is designed to provide a general overview of the State of West Virginia’s Consolidated Fund investments. It was compiled with the assistance of employees of the West Virginia State Treasurer’s Office. These individuals are committed to providing reliable and credible information in conformity with accounting principles generally accepted in the United States of America.

Sincerely,

John D. Perdue  
State Treasurer  
Chairman of the Board

315 70<sup>th</sup> Street SE • Charleston, WV 25304  
304.340.1564 • FAX: 304.341.7095

[www.wvbt.org](http://www.wvbt.org)

## **ACKNOWLEDGEMENTS**

### **Report Prepared By:**

West Virginia Board of Treasury Investments  
315 70 Street SE  
Charleston, West Virginia 25304

### **Staff:**

Kara K. Hughes, Executive Director  
Karl V. Shanholtzer III, Chief Financial Officer  
Denise R. Baker, Director of Operations  
Holly Garner, Investment Accountant  
Randy Covert, Investment Accountant

**We invite you to visit our web site at [www.wvbt.org](http://www.wvbt.org)**

## **TABLE OF CONTENTS**

### **Introductory Section**

Letter of Transmittal .....	ix
Certificate of Achievement for Excellence in Financial Reporting .....	xvi
Principal Officials .....	xvii
Administrative Staff.....	xviii
Organizational Chart.....	xix
Consulting and Professional Services .....	xx

### **Financial Section**

Independent Auditor’s Report.....	3
Management’s Discussion and Analysis.....	6
Basic Financial Statements:	
Proprietary Fund:	
Statement of Net Position .....	22
Statement of Revenues, Expenses and Changes in Net Position .....	23
Statement of Cash Flows .....	24
Fiduciary Funds:	
Combined Statement of Fiduciary Net Position .....	25
Combined Statement of Changes in Fiduciary Net Position .....	26
Notes to Financial Statements .....	28
Combining and Individual Fund Financial Statements:	
Combining Statement of Fiduciary Net Position – Fiduciary Funds .....	44
Combining Statement of Changes in Fiduciary Net Position – Fiduciary Funds .....	46
Schedule of Investments in Securities .....	48

### **Investment Section**

Consolidated Fund Overview.....	66
Investment Pools and Accounts:	
West Virginia Money Market Pool .....	68
West Virginia Government Money Market Pool .....	72
West Virginia Short Term Bond Pool .....	75
West Virginia Bank Pool.....	79
Loan Pool .....	81
Reserve Pool.....	83

*Investment Section (continued)*

Municipal Bond Commission Account .....	85
School Fund Account .....	87
Economic Development Authority – American Woodmark Account .....	89
Schedule of Investment Management Fees .....	91
Investment Policy Summary .....	92

**Statistical Section**

Introduction to Statistical Section .....	100
Table 1: Schedules of Additions, Deductions and Changes in Net Position — Consolidated Fund .....	102
Table 2: Financial Highlights – Consolidated Fund State Operating Pools.....	104
Table 3: Rates of Return – Consolidated Fund State Operating Pools .....	105
Table 4: Participation in Consolidated Fund State Operating Pools.....	106
Table 5: Net Position – Consolidated Fund .....	108
Table 6: Net Position and Changes in Net Position — Operating Fund .....	110
Table 7: Schedule of Net Asset Values – Consolidated Fund Operating and Special Purpose Pools.....	112
Table 8: Portfolio Statistics – Consolidated Fund Operating Pools.....	113
Table 9: Participant Net Asset Values – Consolidated Fund Operating Pools .....	114
Glossary of Financial and Investment Terms .....	115

## **Introductory Section**

(This page intentionally left blank.)



October 31, 2018

Members of the West Virginia Board of Treasury Investments

Honorable Members of the West Virginia Legislature

Participants in the State of West Virginia's Consolidated Fund

Citizens of West Virginia

Ladies and Gentlemen:

I am pleased to present you with the June 30, 2018, Comprehensive Annual Financial Report (“CAFR”) for the West Virginia Board of Treasury Investments (the “BTI”). The report is a complete review of the financial status of the State of West Virginia’s short-term operating funds (the “Consolidated Fund”). Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, rests with the management of the BTI. The BTI’s financial statements have been audited by Brown, Edwards & Company, L.L.P. The independent audit provides reasonable assurance that the financial statements for the fiscal year ended June 30, 2018, are free of material misstatement, whether due to fraud or error. The independent audit involved performing procedures to obtain evidence about amounts and disclosures in the financial statements; comprehensive risk assessment as well as assessing the accounting principles used and the reasonableness of significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor rendered an unmodified opinion that the BTI’s financial statements for the fiscal year ended June 30, 2018, are fairly presented in all material respects in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The independent auditor’s report is presented as the first component of the financial section of this report.

Management is responsible for establishing and maintaining internal control designed to ensure that the investments of the Consolidated Fund are protected from loss, theft or misuse and that the preparation of the financial statements is in conformity with GAAP. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived from it, and (2) the evaluation of costs and benefits requires estimates and judgments by management. Management of the BTI has established a comprehensive internal control framework that is designed to provide a reasonable basis for making representations concerning the finances of the BTI. Because the cost of internal control should not outweigh its benefits, the BTI’s comprehensive framework of internal control has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. BTI's MD&A can be found immediately following the report of the independent auditor in the Financial Section.

### ***Profile of the West Virginia Board of Treasury Investments***

The West Virginia Legislature established the BTI, effective July 8, 2005, as a public corporation of the State of West Virginia, to make short-term operating funds of the state more accessible to state government.

The West Virginia State Treasurer's Office provides a full time staff for the BTI as well as 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 Board was established by the Legislature to provide prudent fiscal administration, investment, and management for the short-term operating funds of the State of West Virginia.

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. As of June 30, 2018, the Consolidated Fund had \$4.4 billion in total assets. The Consolidated Fund is made up of nine legally separate investment pools and accounts: three external investment pools, three special-purpose internal investment pools, and three individual investment accounts. A more detailed description of the investment pools that make up the Consolidated Fund are found in Note 1 of the Notes to the Financial Statements.

In order to properly carry out the investment policy, as described in detail in the Investment Section, the Board has hired various outside service providers. Their roles as fiduciaries are clearly identified in the investment policy to ensure operational efficiency, clear lines of communication, and accountability in all aspects of operations. The Board contracts with NEPC, LLC as the investment consultant. The Board requires the consultant to employ a chartered financial analyst or a certified treasury manager to work directly with the BTI. The consultant is responsible for performing investment manager evaluations, suggesting modifications to the investment policy, and performing other services requested by the Board. The Board also hires investment managers who have complete discretion over the timing, selection, and execution of investment trades. The managers are provided explicit written instructions detailing their particular duties and administer the portfolio consistent with the investment policy. The BTI currently contracts with UBS Asset Management and Federated Investors as the investment managers.

In accordance with *WV State Code §12-6C-19*, the Board may charge fees, which are subtracted from the total return on investments, for the reasonable and necessary expenses incurred by the Board in rendering services. All fees collected are deposited in a special account in the State Treasury. The Board annually adopts a budget and fee schedule, which describes how fees are charged to each pool.

### ***Investment Activities***

The investment policies and strategies for the Consolidated Fund can be found in the Investment Section of this report. The policies are designed to provide safeguards on assets while optimizing return based on each fund's risk parameters.

The return information presented in the Investment Section is calculated by the BTI with the assistance of our consultant, NEPC, LLC, and the individual investment managers. The investment return calculations were prepared using a monthly time-weighted rate of return methodology.

### ***Economic Review & Other Financial Information***

Economic growth in the United States was improved from the prior fiscal year, strengthening from approximately 2.1% over fiscal year 2017 to just over 3.0% for fiscal year 2018. Growth fell from the 3.0% rate experienced in the final quarter of fiscal year 2017, but unlike the past few fiscal years, growth remained above 2.0% for the entire fiscal year. The final quarter of the fiscal year saw an acceleration in the GDP growth rate with the final quarter of the fiscal year coming in at a very strong 4.1% annual rate. This was the strongest growth rate experienced by the economy since the 4.9% rate in the third quarter of calendar year 2014 and the fourth highest rate since the Great Recession in 2008. Major contributors to growth were increases in consumer and business spending, increases in exports and increases in government spending at the state and federal levels. Exports were a strong contributor, adding approximately 1.1% to the growth rate, likely the result of a surge in soybean exports as Chinese buyers rushed to obtain supplies prior to the imposition of China's 25% tariff on soybean imports. At the state level, West Virginia experienced improvements in its economy as well. Payroll employment was up during fiscal year 2018 as private sector employment began accelerating in the second half of the fiscal year. The growth was broad based, with increases in the areas of construction, mining, professional services and several other sectors of the state's economy. The growth in West Virginia was attributed to several large-scale interstate natural gas pipeline construction projects, enhanced public-sector highway expenditures and an uptick in foreign exports.

Labor market performance was also steady during fiscal year 2018 as the headline unemployment rate trended down over the fiscal year. After reaching a low of 3.8% in May 2018, the rate ticked up to 4.0% in June 2018. The increase in the rate in June was viewed as a positive development as it appeared to be the result of an increase in the labor force participation rate. The labor force participation rate, a measure of the number of people available to work as a percentage of the total population, rose 0.2% in June as more than 600,000 people entered the job market looking for work. The participation rate at the end of fiscal year 2018 was up 0.1% from June 2017. The number of long-term unemployed also showed improvement over the fiscal year, falling from 1.7 million as of June 2017 to 1.5 million as of June 2018. Average hourly earnings growth improved from fiscal year 2017's 2.5% to 2.7% as of June 2018. This number, while positive, was less than expected given the overall improvements in the labor market. The West Virginia labor market performance continued to lag national performance as overall unemployment ticked up, rising from 5.0% as of June 2017 to 5.4% as of June 2018. Part of the increase in unemployment in West Virginia was also due to an increase in labor force participation. As previously mentioned, wage growth in West Virginia experienced an upswing during the fiscal year.

Inflation, as measured by Core Personal Consumption and Expenditures Less Food and Energy ("Core PCE"), moved closer to the Federal Reserve's (the "Fed") target of 2.0%, rising from 1.5% as of June 2017 to 1.9% as of June 2018. Core PCE is the preferred measure of the Fed in gauging inflation over the longer run as the Fed views it as a better measure for identifying inflation trends. The Fed still expected that over the medium term that inflation would stabilize around their 2% objective. As of the end of the fiscal year,

there was no indication that the Fed had any significant concerns regarding inflation that would cause them to put their rate normalization campaign on hold.

At the end of fiscal year 2017, the U.S. Treasury Department had been employing extraordinary measures to maintain federal debt under the debt ceiling that had been re-instituted in March 2017. Projections were that the Treasury would run up against the debt ceiling if the issue was not resolved by late October or early November 2017. A deal was reached in September 2017 between President Donald Trump and the U.S. Congress to suspend the debt ceiling and fund the government through December 8, 2017. The debt ceiling was re-instituted on December 9, 2017, and set at the current federal debt level. The U.S. Treasury again employed extraordinary measures to maintain federal debt under the ceiling. Initially it was expected that this would give the U.S. Congress until late March to early April 2018 to develop a new plan. This deadline moved up because of the drop in federal tax receipts resulting from the December 2017 tax reform package. In late January 2018, Steven Mnuchin, Treasury Secretary, urged Congress to lift the debt ceiling by the end of February to ensure that the government could continue to pay its bills. Yields on short-dated Treasury bills maturing in early March began to rise as there were concerns in the market as to whether Congress would be able to reach a compromise to address the debt ceiling. Congress was able to reach a deal as Democrats and Republicans reached an agreement on a spending bill that suspended the debt ceiling through March 1, 2019.

The growth in the global economy over fiscal year 2018, as well as strong growth in the U.S., generally supported the Fed's continued policy normalization. Early in the fiscal year, the Fed passed on hiking rates at its September 2017 meeting. Instead, the Fed announced that it was proceeding with normalizing its balance sheet with reductions starting in October 2017. Under the plan, the Fed is only reinvesting maturing principal proceeds in excess of \$10 billion, with any amounts under that cap allowed to roll off. The cap increases each quarter by \$10 billion, up to a maximum of \$50 billion per quarter starting in October 2018. The effects on short-term Treasury and agency MBS yields were projected to be minimal. The Summary of Economic Projections released subsequent to the September 2017 meeting indicated that the Fed would likely resume its hiking campaign in December 2017 and, should economic conditions continue on their projected path, raise rates at least three times during calendar year 2018. In December 2018, the Fed hiked the benchmark rate 25 basis points. Projections released subsequent to this meeting continued to show that the Fed anticipated hiking rates at least three times during calendar year 2018. In January 2018, Jerome Powell began his tenure as the new Fed Chair and the markets expected that he would continue with former Chair Yellen's post-financial crisis policies. With the markets expecting a 25 basis point hike during the March 2018 meeting, most discussions revolved around what kind of changes Chair Powell might introduce at the post-meeting press conference. After the meeting, during which the Fed voted to raise rates by 25 basis points, Chair Powell did not provide any surprises and communicated that there had been little change in the Fed's outlook. Around the June 2018 meeting, there were concerns regarding the brewing trade war between the U.S. and its trade partners and the flattening of the yield curve, but this did not dissuade the Fed from raising rates by 25 basis points for the third time during the fiscal year. Chair Powell reiterated the Fed's basis policy position, that the U.S. economy was growing and there was, at present, no factors that would cause the Fed to take a pause in its rate normalization campaign. The benchmark Fed rate ended the fiscal year up 75 basis points, at a range of 1.75% to 2.00%.

Treasury yields ended fiscal year 2018 higher, primarily because of the three rate hikes by the Fed over the course of the fiscal year. An increase in bill supply, subsequent to the suspension of the debt ceiling in February 2018, also placed upward pressure on bill yields. The increase in the bill supply was driven by a widening federal deficit, which increased the U.S. government's borrowings in the latter half of the fiscal year. Net bill supply increased by over \$190 billion from February to June 2018, an increase that nearly equaled the net issuance for all of fiscal year 2017. While the overall Treasury yield curve exhibited a pattern of flattening out, the shorter end of the curve steepened as compared to the end of fiscal year 2017,

with the spread between six-month and one-year bills rising to 22 basis points from 10 basis points at the end of fiscal year 2018. USD LIBOR was up year-over-year, with one-month USD LIBOR increasing by 86 basis points during fiscal year 2018 and three-month USD LIBOR increasing by 104 basis points. Longer dated Treasury yields did not change significantly during the fiscal year. The rise in rates over the fiscal year were not felt as strongly in Treasury maturities over 3 years. The five-year Treasury ended the year up 84 basis points while the yield on the ten-year Treasury was up only 54 basis points year-over-year.

Performance in the WV Money Market and WV Government Money Market Pools increased significantly during fiscal year 2018. The primary driver for the increase in performance in these pools were three rate hikes by the Fed during the year. The WV Money Market Pool return rose by 74 basis points, increasing from 0.80% for fiscal year 2017 to 1.54% for fiscal year 2018. The WV Government Money Market Pool tripled its prior fiscal year return, increasing from 0.42% to 1.26%. While the average coupon of securities in the WV Short Term Bond Pool benefited from the rate hikes over the fiscal year, the rising yields more than offset the increase in coupon yields as the fair value of securities held by the pool fell. Returns, net of manager fees, for the pool fell approximately 12 basis points during the fiscal year, dropping from 1.26% for fiscal year 2017 to 1.14% for fiscal year 2018.

### ***Major Initiatives***

- *Standard and Poor's AAAM Rating*

For the eleventh consecutive year, Standard and Poor's re-affirmed the BTI's AAAM rating on the WV Money Market and WV Government Money Market Pools. Funds with Principal Stability Fund ratings ("PSFRs"), such as the BTI, seek to maintain a stable net asset value. The PSFR rating is the highest money market rating assigned by Standard and Poor's. For a fund to be eligible for an investment-grade rating, all investments must carry a Standard & Poor's short-term rating of A-1+ or A-1.

The AAAM rating is based on Standard and Poor's analysis of the fund's credit quality, investment policies, market price exposure, and conservative management. The rating signifies that the safety of the invested principal is excellent, and that there is superior capacity to maintain a stable net asset value at all times. This is achieved through conservative investment practices and strict internal controls.

- *Issuance of Request for Proposals for WV Short Term Bond Pool Investment Management Services*

The BTI exercised the final renewal option for the investment management services contract for the WV Short Term Bond Pool in September 2017. A Request for Proposals ("RFP") was issued in March 2018 seeking proposals from qualified investment managers to provide investment management services for the Pool. As of the response deadline in May 2018, the BTI received twenty-three proposals from interested investment managers. As of fiscal year-end 2018, BTI staff were in the process of evaluating the proposals.

- *Certificate of Achievement for Excellence in Financial Reporting*

The BTI received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting for the June 30, 2017 Comprehensive Annual Financial Report ("CAFR"). The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment. This is the twelfth consecutive year that the BTI has received this prestigious award.

- *Budget Surplus*

For fiscal year 2018, actual fee collections were in line with estimates. Because of conservative management of expenditures, the BTI ended the year with a budget surplus of \$503,000. With this surplus, the BTI operated in surplus territory for the thirteenth consecutive year. With revenue collections during fiscal year 2018 being under estimates, the BTI is maintaining the administrative fee at fiscal year 2017 levels.

- *Peer Group Benchmark*

NEPC, the BTI's investment consultant, maintains a peer group benchmark for the WV Money Market and WV Government Money Market Pools. The benchmark for the WV Money Market Pool is composed of a universe of tier 1 institutional money market funds, while the benchmark for the WV Government Money Market Pool comprises Treasury and Agency focused government money market funds.

The WV Money Market Pool peer group includes 308 discrete tier 1 funds comprising \$542 billion in assets. The Pool ranked first out the 308 funds for the 1-year, 3-year and 5-year periods ending June 30, 2018. This high ranking was attributed to the low effective investment management fee paid to the Pool's investment managers. As of June 30, 2018, the effective investment management fee was 3.10 basis points.

The WV Government Money Market Pool peer group comprises 601 discrete Treasury and Agency focused government funds totaling \$2,003 billion in assets. The performance of the Pool ranked second in the 3-month, 1-year and 5-year time periods ending June 30, 2018 and ranked first over the three-year time period ending June 30, 2018. As with the WV Money Market Pool, this high ranking versus the peer group was attributed to the favorable investment management fee schedule. As of June 30, 2018, the effective investment management fee was 3.06 basis points.

### ***Certificate of Achievement for Excellence in Financial Reporting***

The Government Finance Officers Association of the United States and Canada (the "GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the BTI for its comprehensive annual financial report for the fiscal year ended June 30, 2017. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

### ***Acknowledgments***

We wish to express our appreciation to many individuals whose dedicated efforts have made this report possible. BTI's success would not be possible without the support and leadership of the Board members, the Legislature, the participants, and the citizens of West Virginia. The BTI's staff, NEPC, LLC Investment Consulting, UBS Asset Management, Federated Investors, and the staff of the Office of the State Treasurer provided diligent and dedicated service in building the BTI as a professional investment organization for the investment of short-term state funds.

Respectfully, I hereby submit the Comprehensive Annual Financial Report of the West Virginia Board of Treasury Investments for the Year Ended June 30, 2018.

Sincerely,

A handwritten signature in black ink, appearing to read "Karl V. Shanholtzer III". The signature is written in a cursive, somewhat stylized font.

Karl V. Shanholtzer III, CFA, CPA  
Chief Financial Officer  
West Virginia Board of Treasury Investments



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**West Virginia Board of Treasury  
Investments**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

*Christopher P. Morrill*

Executive Director/CEO

---

## PRINCIPAL OFFICIALS



**John D. Perdue**  
WV State Treasurer  
*Chairman*



**James C. Justice, II**  
Governor, State of WV  
*Vice Chairman*



**John B. McCuskey**  
WV State Auditor  
*Director*



**Glenda Probst**  
*Director*

Photo  
Not  
Available

**Michael L. Glasser**  
*Director*

---

## INVESTMENT PHILOSOPHY

The Board was established by the legislature to provide prudent fiscal administration, investment, and management for the Consolidated Fund. It is the investment philosophy of the Board 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.

---

## OBJECTIVES

All assets shall be invested with the following objectives and priorities:

- Safety of principal. Investments shall be undertaken in a manner that seeks preservation of capital with reasonable investment risk, in the overall portfolio.
- Liquidity requirements of anticipated and unanticipated expenditures.
- Maximization of the yield allocated to participant investments consistent with all investment objectives.
- Recognition of differing objectives and needs of various participants.
- Conformance with State law and other pertinent legal restrictions.
- Diversification of assets by investment in various securities classifications and the use of various investment managers in order to smooth the volatility of returns.
- Realized gains and losses are recognized by the Funds as they occur.

WEST VIRGINIA  
**BOARD OF TREASURY  
INVESTMENTS**

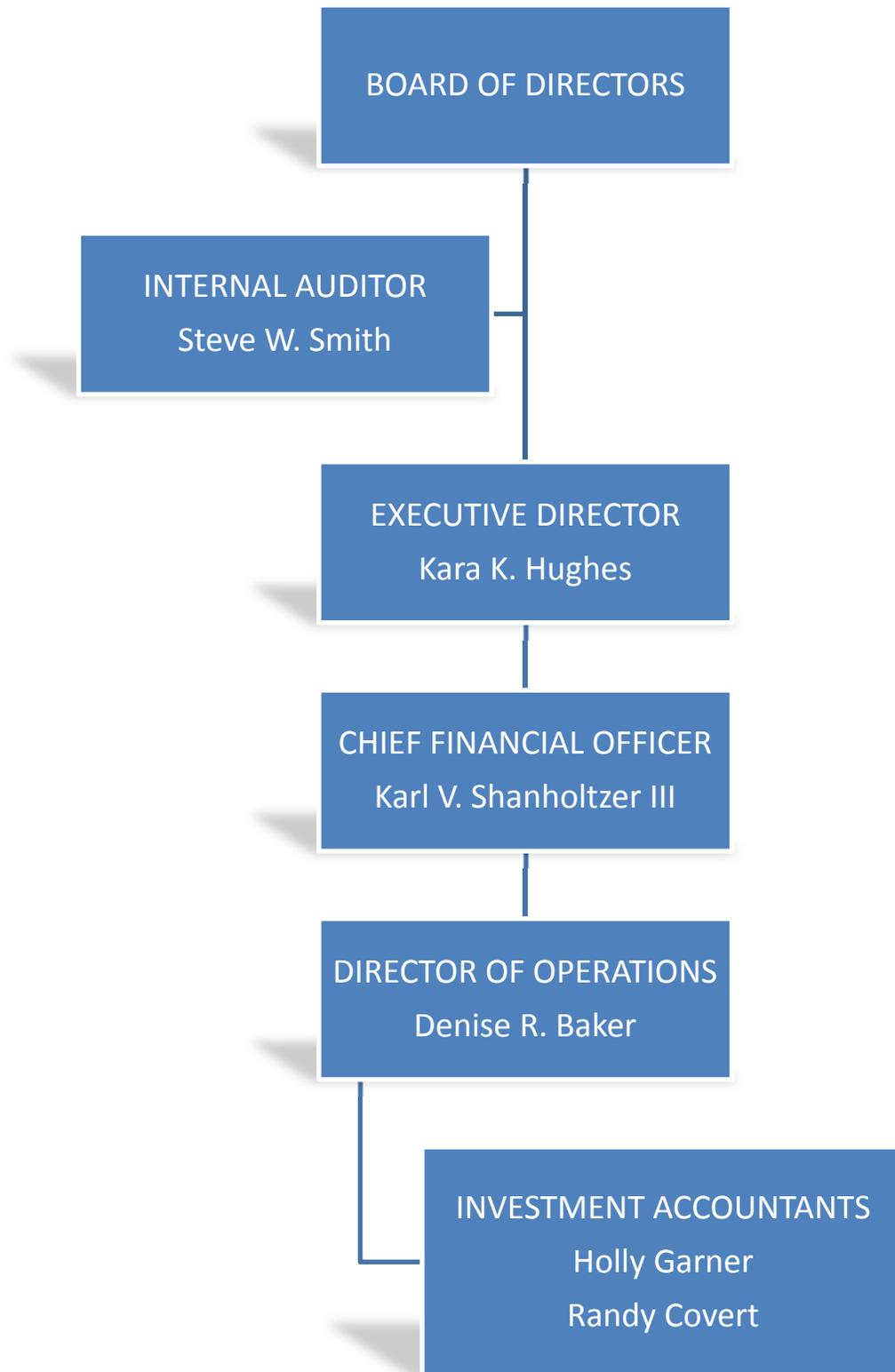
**MISSION STATEMENT**

The Board of Treasury Investments' mission is to prudently invest the funds under its charge, for the benefit of its Shareholders, their constituents and citizens, and to achieve the best return possible for them, by providing focused investment management services, and utilizing financial professionals for the sound administration and oversight of its investment processes.

---



*The BTI staff (from left to right) is Kara Hughes, Steve Smith, Karl Shanholtzer, Holly Garner, Randy Covert and Denise Baker.*



The following Treasurer’s Office employees provide professional support services to the Board as needed: Christina Merbedone, *Assistant General Counsel*; Bryan Archer, *Deputy Treasurer of Administration*; and Wilma Harrison, *Legal Assistant*.

**CONSULTING AND PROFESSIONAL SERVICES  
AS OF JUNE 30, 2018**

**INDEPENDENT AUDITOR**

Brown, Edwards & Company, L.L.P.  
Charleston, West Virginia

**LEGAL COUNSEL**

West Virginia State Treasurer's Office  
Charleston, West Virginia

**INVESTMENT SYSTEM**

State Street Global Exchange  
Princeton, New Jersey

**MASTER CUSTODIAN**

BNY Mellon  
Pittsburgh, Pennsylvania

**INVESTMENT CONSULTANT AND PERFORMANCE MEASUREMENT**

NEPC, LLC Investment Consultants  
Atlanta, Georgia

**INVESTMENT MANAGERS**

Federated Investors  
Pittsburgh, Pennsylvania

UBS Asset Management  
Chicago, Illinois

*The Schedule of Investment and Management Fees is on Page 91 in the Investment Section of this report.*

## **Financial Section**

(This page intentionally left blank.)



## 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, 2018, 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 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, 2018, 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 introductory section, combining and individual fund financial statements, the schedule of investments in securities, and the investment and statistical sections, 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 introductory, investment, and statistical sections have 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 them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2018 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  
September 3, 2018

## West Virginia Board of Treasury Investments

### Management's Discussion and Analysis

June 30, 2018

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, 2018. 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**

Over the past several fiscal years, the State of West Virginia has experienced budgetary pain as actual revenues have fallen short of estimates, resulting in mid-year budget cuts and shortfalls in revenue collections. The budgetary picture had brightened somewhat by the end of fiscal year 2017, with an uptick in revenue collections over the last two months of the fiscal year. While the positive trends in revenue collections carried over into fiscal year 2018, collections fell short of estimates during the first few months of the fiscal year. By December 2017, however, the 59-month streak of collections falling short of estimates was finally broken. For the first time since 2012, year-to-date collections exceeded estimates, resulting in a small surplus of \$2.7 million for the fiscal year. By the end of the fiscal year, the mid-year surplus had risen from \$2.7 million to just over \$20.2 million. The largest contributor to the surplus was an increase in personal income tax collections, which were \$59.6 million ahead of estimates for the year. Consumer use and sales tax fell short of estimates for the year, as did severance taxes, but each were still up as compared to fiscal year 2017 collections. While the positive budgetary situation contributed to the increase in the BTI's investment pools' net position over the fiscal year, the largest contributor to the increase were the proceeds from bond issuances during the fiscal year. During fiscal year 2018, two bond issuances resulted in an increase of almost \$1.2 billion.

Rates of return for the Consolidated Fund's WV Money Market, WV Government Money Market, and WV Short Term Bond Pools were 1.54%, 1.26%, and 1.14%, respectively, for the year ended June 30, 2018. For fiscal year 2018, the Federal Reserve (the "Fed") continued on its path of interest rate policy normalization. The Fed has not been aggressive in their approach, preferring to pursue a gradual path and emphasizing clear communication of the Fed's future path of monetary policy. Over the course of the fiscal year, the Federal Open Market Committee (the "FOMC") hiked the federal funds target rate range three times, for a total increase in the range of 75 basis points. The rate hikes were telegraphed well in advance, with no real surprises during the fiscal year. In addition to the rate hikes, the Fed also initiated a program of quantitative tightening by beginning to shrink its balance sheet, which had grown to over \$4.5 trillion through its quantitative easing programs in the wake of the 2008 financial crisis. Under the quantitative tightening program, the Fed gradually let securities roll off its balance sheet, starting with \$30 billion in Treasury securities in the fourth quarter of 2017 and gradually increasing the amount to \$90 billion in the second quarter of calendar year 2018. Adding to the increased Treasury supply from quantitative tightening, the U.S. Treasury increased issuance in the first half of calendar year 2018 to fund the increased

federal budget deficit resulting from tax cuts passed by the U.S. Congress in February 2018. The front end of the Treasury yield curve steepened modestly in 2018, with the spread between the one-month and one-year Treasury bill averaging 44 basis points for fiscal year 2018 versus 36 basis points for fiscal year 2017. The tax reform passed in early 2018 also had the effect of pushing short-term credit spreads wider in the first quarter of calendar year 2018. Provisions in the tax reform, known as the Tax Cut and Jobs Act (the “TCJA”), assessed a one-time tax on earnings held overseas by corporations. This effectively “freed” up the cash and allowed it to be brought back onshore for general corporate use. Some companies began liquidating their foreign held portfolios, which pressured short-term corporate spreads higher.

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 2018 nearly doubled the return for fiscal year 2017, rising from 0.80% for fiscal year 2017 to 1.54% for fiscal year 2018. While the average net position of the pool was over \$380 million higher than the average for fiscal year 2017, the largest factor in the increase in performance was the series of rate hikes by the Fed discussed previously. The pool was managed over the course of the fiscal year with the expectation that the Fed would continue to raise rates. As such, the weighted average maturity (“WAM”) was maintained throughout the fiscal year in the mid to high 30-day range to take advantage of rising rates. Allocations to Treasury securities were kept close to the required 15% minimum given the low absolute level of Treasury yields. Similar to fiscal year 2017, the investment managers focused on investing in short-dated fixed-rate paper (commercial paper, certificates of deposit, asset-backed commercial paper) and longer-dated floating rate securities. With the expectation of two more rate hikes over the remainder of calendar year 2018, the managers will continue to maintain a low WAM and pursue their current investment strategy. The outlook for rate hikes in 2019 is not as clear and is dependent upon how the economy evolves over the coming months.

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. Returns of 1.26% for fiscal year 2018 were triple the 0.42% return experienced during fiscal year 2017. As with the WV Money Market Pool, the increase in returns in the WV Government Money Market Pool was primarily the result of rate hikes by the Fed during the fiscal year. 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. However, the manager has further decreased the WAM of the pool from the mid to upper 30 day range to a range in the low 20’s. The flatness of the Treasury bill curve limited attractive opportunities out the curve. Overnight repo yields continued to exceed the yield of many shorter-dated Treasury and Agency securities, resulting in the manager maintaining an allocation of 20% to 25% in repo throughout much of the fiscal year. Exposure to floating-rate securities was increased during the fiscal year, primarily in the form of Federal Home Loan Bank (“FHLB”) floating-rate issues, rising from 8% of the pool to more than 24% of the pool by fiscal year end. 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. Fiscal year 2018 returns were again lower than the prior fiscal year, falling from 1.26% for fiscal year 2017 to 1.14% for fiscal year 2018. The drop in performance year-over-year was not unexpected, given current rising rate environment and longer-term nature of the pool. Performance of the pool was under the performance of the WV Money Market and WV Government Money Market Pools, but still well ahead of benchmark returns. The WV Short Term Bond Pool outperformed the benchmark return of 0.30% by just over 84 basis points. Federated Investors has continued to manage the pool with an effective duration at 55% to 60% of

the benchmark duration. The pool duration was down from 1.2 years at the end of fiscal year 2017 to 1.02 years at the end of fiscal year 2018. The effective duration of the pools benchmark as of fiscal year end 2018 was at 1.84 years. Yields across the curve rose during the fiscal year, with the two-year Treasury yield rising by 111 basis points during the year. By maintaining the lower duration versus the benchmark, Federated added approximately 86 basis points of alpha to pool performance versus the benchmark. The pool also continued to maintain a heavier weighting to credit spread products, such as corporates, asset-backed and mortgage-backed securities, with over 83% of the pool invested in such securities versus a benchmark allocation to credit of only 18%. Credit spreads tightened through the first half of the fiscal year, but began widening in the latter half of the fiscal year, subtracting slightly from the pool's performance. With an expectation of continued tightening by the Fed over the remainder of 2018, and possibly into 2019, the manager will continue to maintain a short duration versus the benchmark. Allocations to credit products are anticipated to remain similar in the coming year, given their yield advantage over government securities.

### **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 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, 2018 and 2017 (in thousands).

	2018	2017
Current assets	\$ 1,651	\$ 1,461
Noncurrent assets	5	4
Total assets	<u>1,656</u>	<u>1,465</u>
Current liabilities	609	474
Total liabilities	<u>609</u>	<u>474</u>
Net position:		
Investment in capital assets	5	4
Unrestricted	1,042	987
Total net position	<u>\$ 1,047</u>	<u>\$ 991</u>

The net position of the Operating Fund increased by \$56,000 during fiscal year 2018. The increase in net position was the result of an increase in current assets of \$190,000 that was partially offset by an increase in current liabilities of \$135,000. Noncurrent assets did not materially change during fiscal year 2018.

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 \$1,651,000 comprises \$1,034,000 in cash and \$617,000 in accounts receivable. The cash and accounts receivable balances increased from 2017 by \$92,000 and \$98,000, respectively.

The increase in the cash balance was primarily a result of a net operating income of \$56,000. The majority of the remaining \$36,000 increase in cash was a result of the changes in receivables and payables over the fiscal year. The changes in receivables and payables are more fully discussed below.

The accounts receivable balance of \$617,000 represents fees that have been accrued but not withdrawn from the investment pools at June 30, 2018 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 operations, administrative and custodial fees accrued in the investment pools are periodically transferred from the pools to the BTI's operating fund to pay for all necessary and reasonable expenses. Investment advisor and custodial fees are accrued daily or monthly and transferred to the operating fund to coincide with the receipt of advisor and custodial invoices. The periodic nature of these transfers results in the accounts receivable balance. Accounts receivable increased by \$98,000 over the fiscal year end 2017 balance. At the end of fiscal year 2018, there was six months' custodian fees receivable as compared to the fiscal year 2017 ending balance having three months' custodian fees receivable. This change in the number of months of custodian fees receivable at the end of fiscal year 2018 accounted for \$25,000 of the increase in receivables. The increase in number of months of custodian fees accrued at the end of fiscal year 2018 was the result of a compliance issue with the custodian's West Virginia unemployment insurance which prevents the BTI from paying any invoices until the compliance issue is resolved. Increases in net position in the Consolidated Fund over the last quarter, and more specifically, over the last month of the fiscal year resulted in an increase in both administrative and advisor fees receivable. June 2018 administrative fees receivable were approximately \$9,000 higher than June 2017 while advisor fees receivable increased by \$64,000 over the fiscal year-end 2017 balance.

Capital assets, net of accumulated depreciation, did not substantially change during the year. New computer equipment, totaling \$3,000 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 2018.

The balance of \$609,000 in current liabilities represents \$553,000 in accounts payable and \$56,000 of reimbursements due to the West Virginia State Treasurer's Office (the "STO") at June 30, 2018. 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, 2018, custodian fees for November 2017 through June 2018, investment consultant fees for the quarter ending June 2018, and maintenance costs due for the investment management system for May and June 2018. The \$56,000 in reimbursements due to the STO was for staffing services provided to the BTI, office space rental and utilities expenses, and the BTI's share of other office expenses paid on the BTI's behalf by the STO. The amounts payable to the BTI's investment advisors for the final quarter of fiscal year 2018 were \$64,000 greater than the amounts payable at the end of fiscal year 2017. The increase in advisor fees payable was the result of a higher level of assets under management during the last quarter of fiscal year 2018 as compared to the last quarter of fiscal year 2017. Custodian fees payable increased by \$55,000 over the fiscal year 2017 custodian fees payable. The increase in custodian fees payable was the result of the above-mentioned compliance issue with the custodian bank. Additionally, invoices for November 2017 through January 2018 that were submitted for payment prior to fiscal year end and the compliance hold being placed on the custodian remained in process and unpaid over fiscal year end. Maintenance costs payable to the BTI's investment management system vendor increased by \$13,000 over the fiscal year end 2017 payable balance as a result of the May 2018 invoice not being received by the BTI until after fiscal year end. The remaining \$3,000 increase in accounts payable was the result of invoices for software licenses purchased and professional services rendered during fiscal year 2018. The amount due to the STO was little changed from fiscal year 2017.

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 net position.** The following is the condensed Statements of Revenues, Expenses and Changes in Net Position of the operating fund for the periods ended June 30, 2018 and 2017 (in thousands).

	<u>2018</u>	<u>2017</u>
<b>Revenues</b>		
Operating revenues:		
Management services	\$ 1,245	\$ 1,383
Advisor and custodian services	<u>1,597</u>	<u>1,461</u>
Total revenues	<u>2,842</u>	<u>2,844</u>
<b>Expenses</b>		
Operating expenses:		
General and administrative	1,190	1,201
Advisor and custodian fees	1,594	1,464
Depreciation	<u>2</u>	<u>2</u>
Total expenses	<u>2,786</u>	<u>2,667</u>
Increase in net position	56	177
Net position at beginning of year	<u>991</u>	<u>814</u>
Net position at end of year	<u><u>\$ 1,047</u></u>	<u><u>\$ 991</u></u>

Operating revenues at June 30, 2018 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 2018 decreased by \$2,000. The decrease in revenue consisted of a decrease of \$138,000 in management (administrative) fees charged to the pools, an increase of \$118,000 in advisor fee revenues, and an increase of \$18,000 in custodial fees.

Advisor fees are computed based upon market values of the pools. The average market value of assets under management were higher over the course of fiscal year 2018 for the WV Money Market and WV Government Money Market Pools. The WV Money Market Pool average increased by \$463 million for fiscal year 2018 while the WV Government Money Market Pool average increased by \$10 million. As a result of the increase in assets under management, advisor fees for the WV Money Market Pool increased by \$143,000. Advisor fees for the WV Government Money Market Pool did not increase substantially, rising by only \$2,000 over fiscal year 2017 levels. Offsetting these increases was a decrease in the advisor fees for the WV Short Term Bond Pool. Average assets under management for the WV Short Term Bond Pool decreased again during fiscal year 2018, falling by \$30 million from fiscal year 2017. This resulted in a decrease in advisor fees from fiscal year 2017 of \$27,000. These factors accounted for the net increase of \$118,000 in advisor fees in fiscal year 2018. Custodian fees increased by a combined \$18,000 as a result of the changes in the assets of these pools. The BTI utilized excess cash from fiscal year 2017 to lower the administrative fee by 1 basis point for fiscal year 2018. The BTI had anticipated that lowering the administrative fee for fiscal year 2018 would result in a decrease of approximately \$450,000 in administrative fee revenues collected. However, the increases in assets under management offset the decrease in the administrative fee, resulting in a drop in administrative fees of only \$138,000.

Total operating expenses for the year increased by \$119,000. This includes a decrease of \$11,000 in general and administrative expense and an increase in advisor and custodian fees of \$130,000. Depreciation expense was unchanged from the prior fiscal year.

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 increased by \$33,000 from the prior year. Offsetting that was a decrease in professional services expenses of \$21,000 that primarily resulted from lower fees charged by the BTI's independent audit firm. Other general and administrative expenses decreased by a net of \$23,000, primarily due to one-time expenditures during fiscal year 2017 related to the BTI moving to new offices. There were no such moving related expenses incurred during fiscal year 2018.

A large portion of the BTI's 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 fee expense is composed of investment advisor fees of \$1,463,000 and custodian fees of \$131,000. Investment advisor fees increased by \$118,000 and custodian fees increased by \$12,000 over fiscal year 2017. The net increase in investment advisor fees was the result of increases in assets under management during fiscal year 2018 in the WV Money Market and WV Government Money Market Pools. As previously discussed, advisor fees charged to these pools increased by \$143,000 and \$2,000, respectively, during fiscal year 2018. This was offset by a decrease in advisor fees for the WV Short Term Bond Pool of \$27,000 during fiscal year 2018. This decline in advisor fees was the result of a decline in the assets under management in the WV Short Term Bond Pool during the fiscal year. Custodian fees increased by \$12,000 during fiscal year 2018, primarily due to the aforementioned increase in assets under management during the fiscal year.

### 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, 2018 and 2017 (in thousands).

	2018	2017
<b>Assets</b>		
Investments	\$ 4,429,361	\$ 3,002,710
Receivables	6,123	4,020
Total assets	<u>4,435,484</u>	<u>3,006,730</u>
<b>Liabilities</b>		
Accrued expenses	616	519
Dividends and purchases payable	5,386	6,284
Total liabilities	<u>6,002</u>	<u>6,803</u>
<b>Net Position</b>		
Held in trust for investment pool participants	4,398,144	2,960,796
Held in trust for individual investment account holders	31,338	39,131
Net position	<u>\$ 4,429,482</u>	<u>\$ 2,999,927</u>

As of June 30, 2018, the Consolidated Fund's assets totaled approximately \$4.4 billion and were composed almost entirely of investments in securities. Net position as of the end of fiscal year 2018 was over \$1.4 billion higher than the fiscal year end 2017 net position. The largest contribution to the increase in net position was the investment of nearly \$1.2 billion in proceeds from bond issuances for highway construction. Other state agency and local government investments in the Consolidated Fund increased by \$297 million over the course of fiscal year 2018.

As more fully discussed below, the BTI experienced a net increase in invested funds during fiscal year 2018. The overwhelming majority of the increase was in the WV Money Market Pool, which saw an increase of almost \$1.5 billion in net position. The WV Government Money Market Pool also increased year-over-year, adding approximately \$10 million over fiscal year 2017. The net position of the WV Bank Pool rose modestly from fiscal year 2017, increasing by \$1.7 million. Pools and accounts that experienced decreases in net position from fiscal year 2017 were the WV Short Term Bond Pool, State Loan Pool and Municipal Bond Commission Account. The WV Short Term Bond Pool decreased by \$44.2 million as state agencies drew against their invested balances. Loan balances were down for fiscal year 2018, resulting in a decrease of \$16.2 million in the State Loan Pool's net position. The net position of the Municipal Bond Commission Account fell from 2017, declining by \$7.5 million during the fiscal year. The School Fund, Reserve Pool and West Virginia Economic Development Authority Account were little changed from the prior fiscal year.

The receivables balance is composed of accrued interest and dividends. Receivables increased by \$2.1 million over the fiscal year end 2017 balance. The increase was overwhelmingly composed of an increase in interest receivable in excess of \$2.0 million, with a small increase in dividends receivable accounting for the remainder. An increase in investments year-over-year and three Fed rate hikes during the fiscal year were the primary reasons for the overall increase in interest receivable. Interest and dividends receivable increased by almost \$1.4 million from fiscal year 2017 in the West Virginia Money Market Pool. Consistent with fiscal year 2017, the Pool's investment managers maintained a WAM in the mid to upper 30 day range over the course of fiscal year 2018. The exposure to interest bearing securities decreased over the year, from approximately 51% of the pool's assets at the end of fiscal year 2017 to approximately 43% at the end of fiscal year 2018. However, the weighted average coupon of the interest bearing securities has increased from 1.31% to almost 2.91% at the end of fiscal year 2018. The increase in assets, as well as increase in coupon rates, was responsible for the \$1.3 million increase in interest receivable in the WV Money Market Pool from fiscal year 2017. The interest receivable balance of the WV Government Money Market Pool was down slightly from fiscal year 2018 as the investment manager moved away from fixed-rate Treasury securities in favor of adding more exposure to floating rate agency securities with monthly resets and payments. The shift in the mix of interest bearing securities resulted in the interest receivable balance dropping slightly in spite of the modest increase in assets and increase in coupons year-over-year. The interest receivable balance of the WV Short Term Bond Pool increased by nearly \$0.5 million from fiscal year 2017 as a result of the increase in interest rates. The effect of the increase in interest rates was moderated by the decline of \$44 million in investments in the pool. The WV Bank Pool had an increase of almost \$0.2 million in interest receivable, primarily as a result of increasing interest rates in the last half of the fiscal year. The remaining pools and accounts experienced minor fluctuations in receivables year over year.

Total liabilities decreased by approximately \$0.8 million since June 30, 2017. 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. The majority of the decrease in liabilities was the result of changes in the amounts payable for securities purchased in the WV Money Market and the WV Short Term Bond Pools. Payables for investments purchased in the WV Money Market Pool dropped by \$3.2 million while the WV Short Term Bond Pool liability increased by \$2.0 million. Dividends payable in the WV Short Term Bond Pool increased by over

\$0.3 million as a result of the increases in yields as of fiscal year end. Accrued expenses were up slightly as compared to the end of fiscal year 2017.

Net position is the excess of total assets over total liabilities. As of June 30, 2018, the Consolidated Fund had total net position of just over \$4.4 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 48.6% from the prior year due to increases in investments in the WV Money Market, WV Government Money Market and WV Bank Pools. These increases were offset slightly by decreases in the WV Short Term Bond and State Loan Pools. Net position of the individual accounts was down by 19.9% from fiscal year 2017. The largest decline in net position was in the Municipal Bond Commission Account, which fell by nearly 21% from the prior fiscal year. The remaining pools and accounts did not change significantly during the year.

Net position of the WV Money Market Pool increased by approximately \$1.5 billion from the prior year. The balance of state agency investments in the pool increased by \$1.4 billion over the course of the fiscal year. The West Virginia Department of Transportation (DOT) was responsible for over \$1.2 billion of the increase in state agency investments. The DOT investments were from the proceeds of bonds issued during fiscal year 2018 for highway construction. State participation, which represents cash of the state not invested for the benefit of a particular agency, increased by \$159.8 million over the 2017 fiscal year end balance. Balances invested for other state agencies increased by \$88.4 million year-over-year. Local government investments also increased from fiscal year 2017, rising by approximately \$51.9 million.

Net position of the WV Government Money Market Pool increased by \$10.3 million from fiscal year end 2017. State agency deposits, which made up almost 99% of the funds invested in the Pool at the end of fiscal year 2018, increased by \$11.3 million over the course of fiscal year 2018. The Municipal Bond Commission (the "MBC"), the single largest investor in the Pool, increased their investments by \$5.7 million. The MBC maintains pooled investment accounts where local governments may deposit surplus funds for investment. In addition to the MBC, the West Virginia Housing Development Fund increased their investments by \$2.0 million, while the Division of Environmental Protection (the "DEP") and the WV Economic Development Authority (the "EDA") increased their investments by \$2.0 million and \$1.6 million, respectively. Direct local government investments in the Pool, which are predominately funds from county school boards, fell by \$1.0 million over fiscal year 2018.

The net position of the WV Short Term Bond Pool decreased by \$44.2 million from fiscal year end 2017. The decrease was primarily the result the DEP drawing against invested funds over the year as the investment time horizon of their funds has shortened. The amounts withdrawn by the DEP were transferred to the WV Money Market Pool, which has an investment horizon more in line with the shorter-term nature of the DEP's time horizon. Other state agency investments increased over the fiscal year, generally as a result of the reinvestment of earnings over the course of the fiscal year.

Investments in the State Loan Pool fell during the fiscal year, declining by \$16.2 million. The balance of the Revolving Loan program decreased by \$17.6 million for the year as the EDA paid down the outstanding balance on the loan. In addition to regular monthly principal payments totaling \$10.8 million, the EDA made additional principal payments totaling \$9.9 million during the year. Offsetting the principal payments were loan draws during the fiscal year totaling only \$3.1 million. As more fully discussed in the Notes to the Financial Statements, during its 2017 regular legislative session, the West Virginia State Legislature passed House Bill 3093 ("HB 3093") to create a loan program to insure the payment or repayment of any debt entered into by an entity for the purposes of expanding broadband services to unserved and underserved areas of the state. One loan, for approximately \$1.5 million, was made to the EDA during the fiscal year

under this loan program. The remaining change in net position was the result of net income earned and distributed in the pool during the year.

The net position of the WV Bank Pool increased by \$1.7 million during fiscal year 2018. The demand for funds offered through the West Virginia CD program was stable during the year. The BTI continued offering \$15 million at auction during fiscal year 2018, placing approximately 90% of the funds offered at auction.

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 \$272,000 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 decreased by \$7.8 million from the prior fiscal year. The MBC was responsible for \$7.5 million of the decrease 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. Over the course of the fiscal year, the MBC withdrew \$16.5 million as securities held in the account matured. Only one contribution, in the amount of \$8.6 million, was made during the fiscal year to purchase a State and Local Government Series security that will mature in October 2018. For the remaining accounts, the net position of the School Fund decreased by \$0.2 million while the West Virginia Economic Development Authority – American Woodmark (“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, 2018 and 2017 (in thousands).

	Year Ended June 30,	
	2018	2017
<b>Additions</b>		
Net investment income	\$ 56,265	\$ 28,073
Net realized gain (loss)	(583)	128
Net decrease in fair value of investments	(5,460)	(1,917)
Unit purchases and contributions	11,623,844	11,320,573
Total additions	11,674,066	11,346,857
<b>Deductions</b>		
Distributions	55,275	27,837
Unit redemptions and withdrawals	10,189,236	11,158,254
Total deductions	10,244,511	11,186,091
Change in net position	1,429,555	160,766
Net position at beginning of year	2,999,927	2,839,161
Net position at end of year	\$ 4,429,482	\$ 2,999,927

Fiscal year 2018 net investment income increased substantially from fiscal year 2017, primarily as a result three Fed rate hikes over the fiscal year. The increase in net position throughout the year also contributed

to the increase in net investment income. All pools and accounts, with the exception of the EDA account, experienced increases in net investment income, with a total increase of \$28.2 million from the prior fiscal year. The WV Money Market Pool's net investment income increased by \$21.2 million, the largest increase of all the pools in dollar terms. The WV Government Money Market Pool experienced an increase of \$1.9 million over fiscal year 2017 net income. Net investment income in the WV Short Term Bond Pool was up \$3.2 million from fiscal year 2017. The State Loan Pool's net investment income rose \$1.2 million, while the WV Bank Pool's rose \$0.4 million. The increase in the State Loan Pool's net investment income was the result of two factors: there were no write-downs in the value of the Non-Recourse Loan during the fiscal year and an increase in the rate on the Revolving Loan. The rate on the loan, which resets annually at the beginning of each fiscal year, more than doubled, rising from 0.38% to 0.89%. Net investment income in the MBC Fee Account was up \$0.2 million from fiscal year 2017. The remaining pools and accounts were up slightly or, in the case of EDA, down slightly in fiscal year 2018.

At the end of fiscal year 2017, the markets were anticipating that the next interest rate move by the Fed would occur in December 2017, but only assigned a 60% probability of a 25 basis point rate hike at that meeting. Although inflation continued to be weaker than expected in the early part of the fiscal year, FOMC committee members continued to re-iterate their belief that temporary factors were bringing down inflation and that such factors would dissipate and inflation would stabilize around the Fed's 2% target over the next few years. After the September 2017 meeting, Fed Chair Janet Yellen indicated that the Fed was concerned about inflation data, but that those concerns did not appear to warrant a change to the Fed's plan for gradual rate hikes, essentially confirming that a December rate hike was in play. The Fed ultimately did raise rates at the December meeting, hiking the fed funds range a quarter point. The Summary of Economic Projections released after the meeting indicated that the median forecast for rates for calendar year 2018 implied at least three rate hikes for 2018. January 2018 marked the last meeting for Fed Chair Yellen as Jerome Powell, President Donald Trump's appointee, assumed the position of Chair of the Federal Reserve. Mr. Powell was widely viewed as a safe pick for the position and was expected to mostly continue Chair Yellen's post-financial crisis policies. As the March 2018 meeting rolled around, the markets were largely anticipating a rate hike at the meeting, with most of the debate revolving around whether, and what, changes there would be to the Fed's messaging at Chair Powell's first post-FOMC press conference. The Fed announced another 25 basis point increase in the fed funds rate range and, at his first press conference, Chair Powell largely communicated that not much had changed in the Fed's outlook and stressed that one decision was made at the March meeting: raising the fed funds rate 25 basis points. Inflation began to pick up in the final quarter of the fiscal year, hitting the Fed's target of 2% in April 2018. This was the first time in six years that inflation, as measured by the core Personal Consumption Expenditure ("PCE") price index, had achieved the Fed's target. The core PCE index is the favored measure of inflation trends used by the Fed as it measures the prices paid by consumers for goods and services without the volatility caused by movements in food and energy prices. By the end of the fiscal year, there were some concerns regarding the global economy, with a trade war developing between the U.S. and its trading partners and an overall flattening of the yield curve. However, these concerns did not dissuade the Fed from raising rates again, with another 25 basis point hike announced after the June 2018 meeting. The last hike of the fiscal year brought the fed funds rate to a range of 1.75% to 2.00%. At the post-meeting press conference, Chair Powell reiterated the Fed's basic policy position, which was that the U.S. economy is moving forward at a growth rate that exceeds its expected long-run rate and that this, and other factors, make a strong case for continued gradual increases in the fed funds rate.

The Fed's rate hikes during the fiscal year were the major contributors to the BTI's two principal stability pools outperforming fiscal year 2017 results. WV Money Market Pool performance nearly doubled last year's results, increasing by 74 basis points to 1.54%. This was the largest factor in the \$21.2 million increase in net investment income over fiscal year 2017 levels. The other significant factor that contributed to the increase in net investment income was the increase in net position during fiscal year 2018. As previously discussed, the net position of the pool increased by almost \$1.5 billion during the fiscal year. Although the majority of the increase occurred in the final month of the fiscal year, the average net position over the first eleven months of the fiscal year 2018 was nearly \$400 million higher than fiscal year 2017.

The WV Government Money Market Pool experienced the greatest increase in performance year-over-year, with fiscal year 2018's return of 1.26% tripling fiscal year 2017's 0.42% return. In dollar terms, the net investment income of the pool increased by \$1.9 million from fiscal year 2017 levels. The average of the net position of the pool over the fiscal year was modestly higher, increasing approximately \$10 million from fiscal year 2017 levels. The higher net position did contribute to the increase in net investment income, but, unlike fiscal year 2017, the Fed rate hikes were the largest factor in the increase in performance of the pool year-over-year. The pool's manager brought the pool's WAM in even further over the fiscal year from 2017's mid-30 day range to a range in the low 20's. Because of the flatness of the Treasury bill curve, the manager chose to keep a high allocation to repo during fiscal year 2018, with around a quarter of the pool invested in repo for much of the year. Repo rates were around 2.0% at the end of the fiscal year, which exceeded the 1.8% yield available in short-dated Treasuries. The manager also added some additional exposure to agency floating rate securities, increasing the allocation to around 25% of the pool.

Although the WV Short Term Bond Pool's performance fell short of fiscal year 2017 levels, net investment income increased by \$3.2 million, or 29%, year-over-year. The increase in net investment income was the result of higher yields in 2018, which increased by 111 basis points over 2017 yields to 2.82%. Yield increases in the 1 to 3 year area of the curve benefited the pool as new investments and interest and maturity receipts were re-invested at higher yields. The pool's allocation to floating rate securities also helped raise interest income as these securities reset to higher coupon rates as money market rates rose during the year.

The WV Bank Pool experienced an increase of \$0.4 million in net investment income during fiscal year 2018. Placement rates during fiscal year 2018 were lower than those of fiscal year 2017, with the BTI placing an average of \$13.5 million per auction in fiscal year 2018 versus an average of \$15.3 million in fiscal year 2017. However, the average rate for the placements increased in fiscal year 2018, rising from 0.88% in fiscal year 2017 to 1.69% in fiscal year 2018.

Over half of the \$1.2 million increase in the Loan Pool's net investment income over fiscal year 2017 levels was the result of there being no increase in the loss reserves for the Non-Recourse Loan during fiscal year 2018. This accounted for just over \$0.6 million of the increase year-over-year. The remainder of the increase was the result of the annual rate reset on the Revolving Loan. The rate, which is reset on July 1 of each fiscal year, increased by 51 basis points from 38 basis points for fiscal year 2017 to 89 basis points for fiscal year 2018. Moderating the effects of the rate increase was a decline in the outstanding balance of the Revolving Loan. During the fiscal year, the EDA made additional principal payments on the loan, decreasing the outstanding balance by \$17.6 million. 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 2017. A new SLGS issue was purchased in the second quarter of the fiscal year that had a significantly higher yield than existing securities in the account, increasing net investment income for the year. The increase in net investment income was partially offset by the loss of income from the decrease in the net position of the account. Net position decreased as a result of the proceeds of maturities of holdings being withdrawn from the account instead of being reinvested in the account.

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 loss of \$583,000. This represents a decrease of \$711,000 from fiscal year 2017. The net realized loss 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 2018 was negative, falling by \$3.5 million from fiscal year 2017. The largest factor in the overall decrease in fair value was the decline in fair value experienced by the WV

Short Term Bond Pool. Over the course of fiscal year 2018 the fair value of the pool fell \$5.4. The fiscal year 2018 decline in fair value was \$3.7 million greater than the decline experienced in fiscal year 2017. The primary drivers for the decline in fair value for 2018 were the three Fed rate hikes during fiscal year 2018 and a reversal in credit spread tightening that had occurred in prior fiscal years. The rate increases by the Fed had a more significant effect in the three year and under part of the Treasury yield curve, pushing up yields in that tenor range. Credit spreads, which had been trending downward since February 2016, reached their post-financial crisis lows in February 2018 before widening out over the last few months of the fiscal year. The WV Short Term Bond Pool, which holds longer dated/duration corporate securities and has a fair value measured at market value, experienced a decline in fair value as a result of the rise in Treasury yields in the 1 to 3 year portion of the curve and the reversal of credit spread tightening.

The change in the fair value of the MBC Account was positive for the year, increasing year-over-year by \$0.2 million. The change in the fair value of the MBC Account was due to the maturity of securities during the year with a market-based fair value. The remaining holdings of the pool are not tradeable securities and have a fair value equal to historical cost. See Note 5 to the financial statements, which more fully discusses the fair value of the holdings of the MBC Account. The changes in fair value in the EDA-AW Account was similar to the prior 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, yields were up across the curve in fiscal year 2018. Three Fed rate hikes over the course of the fiscal year helped to push the Treasury curve up from fiscal year 2017 levels. Treasury supply overall increased during the fiscal year, increasing by approximately \$944 billion across all tenors. Treasury bill issuances were up significantly again in fiscal year 2018, with supply increasing by \$440 billion in net new issuance during fiscal year 2018. Subsequent to a deal to lift the debt ceiling until March 2019, a glut of new bill issuance hit the market in February and March 2018, which pressured bank funding rates and USD LIBOR rates. Increases in these rates also pushed up yields on corporate paper. Also pressuring LIBOR was the repatriation of foreign earnings that occurred as a result of the TCJA, which was signed into law on December 22, 2017. In addition to the cuts in personal and corporate tax rates, provisions of the TCJA allowed corporations to repatriate foreign earnings at more favorable rates. Corporate treasurers began liquidating offshore bank debt holdings, which decreased the demand for foreign bank debt. This forced the foreign banks to make up for lost funding by issuing more short-term commercial paper and certificates of deposit. Also working to force up yields are the global reserve requirements of the Basel III agreements and the Fed's High Quality Liquid Asset ("HQLA") requirements, which have resulted in the need for banks to bid up reserves. This benefited the BTI's money market pools, as yields were more attractive for reinvestment and floating rate securities indexed to USD LIBOR reset to higher coupon rates. While the WV Short Term Bond Pool has benefited from these rates in form of higher coupon rates and higher yields on reinvestments, it has also weighed on the market value of existing portfolio earnings.

Over the course of fiscal year 2018, economic news has been mostly positive. Reported economic growth in the U.S., as measured by Gross Domestic Product ("GDP"), stayed above 2% for all quarters during the fiscal year. GDP growth for the fourth quarter of the fiscal year is expected to be in excess of 4%, which would be the strongest growth rate the U.S. economy has seen since the third calendar quarter of 2014. Underlying components of GDP have also been mostly solid, pointing to continued economic growth over the next few quarters. Tax reform, in the form of the TCJA, was signed into law on December 22, 2017,

cutting personal and corporate tax rates and also providing for a favorable tax rate on the repatriation of foreign earnings of domestic corporations. The net effect on corporate bottom lines was a boost in net income and earnings per share growth. Although there was some expectation that lower tax rates might dampen corporate issuance of debt, there were high overall levels of new issue bonds, with new issues in support of mergers and acquisitions leading the way. Employment has also been a strength in the economy over the fiscal year, with the unemployment rate falling to 4.0% by fiscal year end. In addition to the improving headline rate, there have also been improvements in the participation rate and wage inflation. Overall inflation, which had been persistently below the Fed's target rate of 2%, finally reached that target, posting a 2% increase year-over-year in April 2018 and ended the fiscal year at 2.2%. However, there were some negative economic news the latter half of the fiscal year, mostly in the form of budding trade wars between the U.S. and its trading partners and a flattening of the yield curve. The Trump administration, citing national security concerns, unfair trade practices, and a desire to decrease the U.S. trade deficit, unilaterally enacted a variety of tariffs on imports of steel, aluminum, and other goods imported from the European Union, Canada, Mexico, China and other countries. These countries/trade unions have responded in kind, enacting tariffs on goods imported from the U.S. Further tariff announcements by the U.S. were expected to occur subsequent to year-end, as the U.S. seeks to increase the pressure other countries to further open their markets for U.S. goods. Corporate response to the tariffs has been mixed, with the corporate community largely coming out against the tariffs. Certain industries, such as the steel industry, have embraced the tariffs, while others, such as the auto industry, have been critical of the tariffs, citing increased component costs that will result in price increases for automobiles manufactured in the U.S. There may be negative pressure on corporate earnings going forward as companies may be forced to increase prices, and likely suffer a decrease in sales, or absorb the costs imposed by tariffs, thereby decreasing the bottom line. The Treasury yield curve was also proving to be a source of pessimism, as the yield curve continued flattening. The 2-year/10-year Treasury spread had fallen to 33 basis points by year end, and was projected by some to possibly become negative by the end of calendar year 2018. A negative spread, or inversion of the yield curve, could be seen as a possible warning sign of an oncoming recession, which might force the Fed to pause in their normalization campaign. The Fed has indicated that these are concerns going forward, but there is no impediment to the Fed shifting policy should the economy stumble.

For the State of West Virginia, fiscal year 2018 marked a significant improvement over prior fiscal years. General Revenue collections were \$20.2 million above the official fiscal year 2018 estimates and 3.7% above prior year adjusted receipts. Unadjusted General Revenue collections included \$34.6 million in one-time special revenue transfers in 2018, as compared with nearly \$99.8 million in one-time special revenue transfers in the prior year. During the first half of the year, revenue growth was led by a 46 percent gain in Severance Tax collections due to growth in energy prices and a rebound in coal production. Severance Tax collections slowed a bit during the second half of the year as markets stabilized. However, other tax sources picked up the slack as the breadth of economic growth spread beyond the mining sector to the construction, manufacturing and service sectors. Following several years of general stagnation, payroll employment reversed course and began rising in fiscal year 2018. Private sector employment growth began accelerating from 0.3 percent during the first quarter to more than 1.0 percent during the second half of the year with gains in the areas of construction, mining, warehousing, transportation, professional services, health care services and leisure and hospitality. A major contributing factor to the recent employment upswing is the current construction of several large-scale interstate natural gas pipeline projects in the region. These projects along with enhanced public-sector highway expenditures and continued growth in foreign exports were all significant factors in recent economic expansion and tax collection growth. The cumulative fiscal year growth rate in Personal Income Tax collections accelerated from just 1.8 percent at the end of September to 6.1 percent by the end of June. The cumulative growth rate in wage and salary withholding tax collections accelerated from 4.5 percent at the end of September to 6.0 percent by the end of June. The cumulative growth rate in Consumer Sales Tax collections accelerated from just 1.0 percent at the end of September to 2.7 percent by the end of June. The combination of conservative budgeting practices and continued improvement in economic activity contributed to a net budgetary surplus of more than \$36.1 million at the close of Fiscal year 2018. Out of this budgetary surplus, nearly \$18.1 million was deposited in the Revenue Shortfall Reserve Fund and nearly \$13.8 million was appropriated by the Legislature in the

fiscal year 2019 Budget Bill. An unappropriated surplus balance of \$4.3 million is available for future appropriation.

The Official Fiscal Year 2019 General Revenue estimate of nearly \$4.440 billion is more than \$194 million above actual fiscal year 2018 General Revenue collections of more than \$4.245 billion. The base budget expenditures for fiscal year 2019 from General Revenues and lottery revenues are \$4.881 billion, \$193.8 million higher than the base budget expenditures included in the fiscal year 2018 budget of \$4.687 billion. The fiscal year 2019 budget relies on roughly \$108 million in net one-time funding sources, an improvement over \$140 million in one-time funding sources in the original fiscal year 2018 budget. A sizeable portion of the one-time funds came from a larger than originally anticipated State matching share cash balance in the Medicaid Program along with the diversion of more than \$13 million in funds originally designated for deposit in the Old Workers' Compensation Debt Fund and an additional \$14 million from surplus Lottery funds. However, the net use of one-time funds was effectively reduced by more than one-third due to a Legislative decision to appropriate \$58 million less in the fiscal year 2019 budget than the amount of the Governor's Official Revenue Estimate.

The economic momentum associated with various gas pipeline construction projects and several major State road projects will continue in fiscal year 2019. In addition, the national economy shows little or no signs of slowing with general stability for the energy sector. These factors should contribute to moderate employment and income growth in this fiscal year. Economic activity and tax revenues associated with the issuance of future voter approved State Road Bonds will also contribute to revenue growth in future years beyond this fiscal year.

The future State budget picture has greatly improved as the result of the recent economic improvements and an extended pattern of conservative budgeting. As a result, no additional revenue transfers from the Revenue Shortfall Reserve Fund should be necessary for budget balance over the next year. However, tax revenue collection patterns remain highly volatile relative to past long-term historical trends. The continuation of conservative budgeting practices should aid in the rebuilding of reserve fund balances during times of prosperity to levels necessary for the State to weather the next recession whenever such time arises.

### **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.

(This page intentionally left blank.)

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

June 30, 2018

*(In Thousands)*

<b>Assets</b>	
Current assets:	
Cash	\$ 1,034
Receivables	<u>617</u>
Total current assets	1,651
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>5</u>
Total assets	<u>1,656</u>
 <b>Liabilities</b>	
Current liabilities:	
Accounts payable	<u>609</u>
Total liabilities	<u>609</u>
 <b>Net position</b>	
Investment in capital assets	5
Unrestricted	<u>1,042</u>
Total net position	<u><u>\$ 1,047</u></u>

*See accompanying notes to financial statements*

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

For the Year Ended June 30, 2018

*(In Thousands)*

<b>Operating revenues</b>	
Management services	\$ 1,245
Advisor services	1,463
Custodian services	<u>134</u>
Total operating revenues	<u>2,842</u>
 <b>Operating expenses</b>	
Advisor fees	1,463
Management fees	670
Professional service fees	244
Fiduciary bond	20
Custodian fees	131
General and administrative	256
Depreciation	<u>2</u>
Total operating expenses	<u>2,786</u>
 <b>Operating income</b>	 <u>56</u>
 Change in net position	 56
Net position at beginning of period	<u>991</u>
Net position at end of period	<u><u>\$ 1,047</u></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, 2018

*(In Thousands)*

<b>Cash flows from operating activities</b>	
Cash received for services	\$ 2,744
Payments to vendors	<u>(2,649)</u>
Net cash provided by operating activities	95
 <b>Cash flows from capital and related financing activities</b>	
Purchase of capital equipment	<u>(3)</u>
Net cash used for capital and related financing activities	<u>(3)</u>
 Net increase in cash	 92
Cash at beginning of period	942
Cash at end of period	<u><u>\$ 1,034</u></u>
 <b>Reconciliation of operating income to net cash provided by operating activities</b>	
Operating income	\$ 56
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	2
Changes in assets and liabilities:	
Receivables	(98)
Accounts payable	<u>135</u>
Net cash provided by operating activities	<u><u>\$ 95</u></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, 2018

*(In Thousands)*

<b>Assets</b>	
Investments:	
At amortized cost	\$3,685,584
At fair value	743,777
Total investments	4,429,361
Receivables:	
Accrued interest	5,952
Dividends	167
Other	4
Total receivables	6,123
Total assets	4,435,484
 <b>Liabilities</b>	
Accrued expenses	616
Dividends payable	1,386
Investments purchased	4,000
Total liabilities	6,002
 <b>Net Position</b>	
Held in trust for investment pool participants	4,398,144
Held in trust for individual investment account holders	31,338
Total net position	\$4,429,482

*See accompanying notes to financial statements*

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

For the Year Ended June 30, 2018

*(In Thousands)*

<b>Additions</b>	
Investment income:	
Interest	\$ 35,994
Dividends	1,648
Net amortization	21,465
Provision for uncollectible loans	-
Total investment income	59,107
Investment expenses:	
Investment advisor fees	1,463
Custodian bank fees	134
Administrative fees	1,245
Total investment expenses	2,842
Net investment income	56,265
Net realized loss from investments	(583)
Net decrease in fair value of investments	(5,460)
Net increase in net position from operations	50,222
Participant transaction additions:	
Purchase of pool units by participants	11,558,987
Reinvestment of pool distributions	55,550
Contributions to individual investment accounts	9,307
Total participant transaction additions	11,623,844
Total additions	11,674,066
<b>Deductions</b>	
Distributions to pool participants:	
Net investment income	55,858
Net realized loss from investments	(583)
Total distributions to pool participants	55,275
Participant transaction deductions:	
Redemption of pool units by participants	10,171,762
Withdrawals from individual investment accounts	17,474
Total participant transaction deductions	10,189,236
Total deductions	10,244,511
Change in net position	1,429,555
Net position at beginning of period	2,999,927
Net position at end of period	\$ 4,429,482

*See accompanying notes to financial statements*

(This page intentionally left blank.)

# West Virginia Board of Treasury Investments

## Notes to Financial Statements

June 30, 2018

### 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 in 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 United Bank. 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, nor possess 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, 2018, 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 \$1,034,000 at June 30, 2018. 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, 2018.

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 long-term corporate debt be rated A+ or higher by Standard & Poor’s (or its equivalent) and short-term corporate debt be rated at A-1 or higher by Standard & Poor’s (or its equivalent). 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 (in Thousands)	Percent of Pool Assets
	Moody’s	S&P		
U.S. Treasury notes *	Aaa	AA+	\$ 90,330	2.77%
U.S. Treasury bills *	P-1	A-1+	252,084	7.72
Corporate bonds and notes	P-1	A-1	18,078	0.55
Commercial Paper	P-1	A-1+	473,172	14.50
	P-1	A-1	1,351,128	41.39
	P-2	A-1	44,600	1.37
Negotiable certificates of deposit	P-1	A-1+	205,501	6.30
	P-1	A-1	458,300	14.04
Money market funds	Aaa	AAAm	143,067	4.38
Repurchase agreements (underlying securities):				
U.S. agency bonds and notes	Aaa	AA+	227,800	6.98
			\$ 3,264,060	100.00%

\* 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 (in Thousands)	Percent of Pool Assets
	Moody's	S&P		
U.S. Treasury notes *	Aaa	AA+	\$ 10,973	5.17%
U.S. Treasury bills *	P-1	A-1+	23,950	11.28
U.S. agency bonds and notes	Aaa	AA+	52,300	24.63
U.S. agency discount notes	P-1	A-1+	76,734	36.14
Money market funds	Aaa	AAAm	247	0.12
Repurchase agreements (underlying securities):				
U.S. Treasury notes *	Aaa	AA+	41,614	19.60
U.S. agency bonds and notes	Aaa	AA+	6,486	3.06
			<u>\$ 212,304</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 long-term corporate debt be rated BBB- or higher by Standard & Poor's (or its equivalent) and all short-term corporate debt be rated A-1 or higher by Standard & Poor's (or its equivalent). Mortgage-backed and asset-backed securities must be rated AAA by Standard & Poor's (or its equivalent). 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 (in Thousands)	Percent of Pool Assets
	Moody's	S&P		
U.S. Treasury notes *	Aaa	AA+	\$ 86,189	12.10%
U.S. agency collateralized mortgage obligations *	Aaa	AA+	32,546	4.57
Corporate fixed- and floating-rate bonds and notes	Aaa	AAA	2,878	0.40
	Aa1	AA+	5,012	0.70
	Aa2	AA+	3,990	0.56
	Aa2	AA-	7,094	1.00
	Aa2	A+	9,940	1.39
	Aa3	AA-	13,999	1.96

(Continued on next page)

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

Security Type	Credit Rating		Carrying Value (in Thousands)	Percent of Pool Assets
	Moody's	S&P		
Corporate fixed- and floating-rate bonds and notes (continued)	Aa3	A+	5,084	0.71
	A1	AA-	11,813	1.66
	A1	A+	10,595	1.49
	A1	A	6,306	0.88
	A1	A-	3,273	0.46
	A2	A+	5,968	0.84
	A2	A	27,673	3.89
	A2	A-	11,531	1.62
	A3	A	8,974	1.26
	A3	A-	29,872	4.19
	A3	BBB+	27,112	3.80
	Baa1	A	2,828	0.40
	Baa1	A-	8,922	1.25
	Baa1	BBB+	28,242	3.96
	Baa1	BBB	13,078	1.84
	Baa2	A-	1,016	0.14
	Baa2	BBB+	8,353	1.17
	Baa2	BBB	30,250	4.25
	Baa2	BBB-	2,946	0.41
	Baa3	BBB+	3,003	0.42
	Baa3	BBB	8,548	1.20
	Baa3	BBB-	12,378	1.74
	Baa3	NR	2,135	0.30
	Ba1	A-	350	0.05
	Ba1	BBB	2,007	0.28
	Ba1	BBB-	6,219	0.87
	NR	BBB+	2,572	0.36
	NR	BBB-	1,953	0.28
Collateralized mortgage obligations	Aaa	AAA	14,773	2.07
	Aaa	NR	3,308	0.46
Commercial mortgage-backed securities	Aaa	NR	3,014	0.42
Asset-backed securities	Aaa	AAA	87,146	12.23
	Aaa	NR	88,599	12.44
	NR	AAA	66,039	9.27
Money market funds	Aaa	AAAm	5,054	0.71
			\$ 712,582	100.00%

NR = Not Rated

The WV Bank Pool holds an interest in a money market mutual fund valued at approximately \$60,000. 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 \$34,000. 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 \$1,252,000. 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)
U.S. Treasury notes	\$ 90,330	73
U.S. Treasury bills	252,084	69
Corporate bonds and notes	18,078	21
Commercial paper	1,868,900	36
Negotiable certificates of deposit	663,801	29
Repurchase agreements	227,800	3
Money market funds	143,067	3
	\$ 3,264,060	34

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)
U.S. Treasury notes	\$ 10,973	76
U.S. Treasury bills	23,950	43
U.S. agency bonds and notes	52,300	17
U.S. agency discount notes	76,734	20
Repurchase agreements	48,100	3
Money market funds	247	3
	\$ 212,304	21

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)
U.S. Treasury notes and bonds	\$ 86,189	472
U.S. agency collateralized mortgage obligations	32,546	56
Corporate fixed-rate bonds and notes	178,097	696
Corporate floating-rate bonds and notes	147,817	44
Collateralized mortgage obligations	18,081	106
Commercial mortgage-backed securities	3,014	52
Asset-backed securities	241,784	374
Money market funds	5,054	-
	\$ 712,582	372

The West Virginia Bank Pool holds nonnegotiable certificates of deposit totaling \$81,000,000 with maturity dates ranging from July 2018 through December 2018, and an interest in a money market mutual fund valued at approximately \$60,000. The money market mutual fund has 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 Loan Pool holds an interest in a money market mutual fund in the amount of approximately \$34,000 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 \$19,092,000 in a bank depository account and an interest in a money market mutual fund valued at approximately \$1,000. The money market mutual fund has 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 Municipal Bond Commission Account holds three State and Local Government Series securities valued at \$28,257,000 with a weighted average maturity of 236 days. 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 School Fund Account holds only an interest in a money market mutual fund valued at approximately \$1,252,000 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 \$1,686,000 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 \$81,000,000. The Reserve Pool contains funds totaling approximately \$19,092,000 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, 2018 (in thousands).

Investment Type	Level 1	Level 2	Level 3	Total
U.S. Treasury Notes	\$ 86,189	\$ -	\$ -	\$ 86,189
U.S. agency collateralized mortgage obligations	-	32,546	-	32,546
Corporate fixed-rate bonds and notes	-	178,097	-	178,097
Corporate floating-rate bonds and notes	-	147,817	-	147,817
Collateralized mortgage obligations	-	18,081	-	18,081
Commercial mortgage-backed securities	-	3,014	-	3,014
Asset-backed securities	-	241,784	-	241,784
Money market funds	5,054	-	-	5,054
	\$ 91,423	\$ 621,339	\$ -	\$ 712,582

The valuation methodologies and inputs presented below are used in the fair value measurements for investments in securities in the WV Short Term Bond Pool classified as Level 2 in the preceding table.

### **U.S. Agency Collateralized Mortgage Obligations**

Level 2 U.S. agency collateralized mortgage obligations are evaluated using predicted cash flows, adjusted by an applicable spread/yield/price adjustment incorporating benchmark yields, collateral performance, and prevailing market conditions.

### **Corporate Fixed-Rate Bonds and Notes**

Level 2 corporate fixed-rate bonds and notes are priced using spread, yield and price based evaluations. For spread- and yield-based evaluations, a bullet (non-call) spread scale is created for relevant maturities for each issuer. The spreads are based on the new issue market, secondary trading and dealer quotes. For price-based evaluations, evaluators use recently executed transactions of similar securities and dealer quotes to arrive at appropriate pricing.

### **Corporate Floating-Rate Bonds and Notes**

Level 2 corporate floating-rate bonds are evaluated by calculating current and future coupons, then discounting each cash flow by an appropriate discount margin. A basic yield scale covering a range of quality ratings and maturities is established for the corresponding indices. The yield scale consists of discount margins obtained from primary and secondary dealers in the new issue market. Final yields are calculated by adding the appropriate discount margin to each forward rate plus special adjustments to capture issue-specific characteristics, as applicable. The resulting yields are then used to discount each cash flow.

**Collateralized Mortgage Obligations**

Level 2 collateralized mortgage obligations are evaluated using predicted cash flows, adjusted by an applicable spread/yield/price adjustment incorporating benchmark yields, collateral performance, and prevailing market conditions.

**Commercial Mortgage-Backed Securities**

Level 2 commercial mortgage-backed securities are evaluated using predicted cash flows, adjusted by an applicable spread/yield/price adjustment incorporating benchmark yields, collateral performance, third-party real estate analysis, and prevailing market conditions.

**Asset-Backed Securities**

Level 2 asset-backed securities are evaluated using predicted cash flows, adjusted by an applicable spread/yield/price adjustment incorporating benchmark yields, collateral performance, and prevailing market conditions.

The School Fund Account holds a money market fund reported at a fair value of \$1,252,000 using Level 1 inputs.

The Municipal Bond Commission Account holds Treasury Securities – State and Local Government Series (“SLGS”) issues that are reported at historical cost (face value) of \$28,257,000. 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 \$1,686,000 using Level 1 inputs.

**6. Capital Assets**

Capital asset activity in the proprietary fund was as follows (in thousands):

	June 30, 2017	Increases	Decreases	June 30, 2018
Equipment, at cost	\$ 18	\$ 3	\$ -	\$ 21
Accumulated depreciation	(14)	(2)	-	(16)
Equipment, net of accumulated depreciation	\$ 4	\$ 1	\$ -	\$ 5

## **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, 2018, 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, 2018, was 0.89%. 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, 2018, the outstanding balance was \$106,680,600.
- 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, 2018, \$24,335,828 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, 2018.

- c. The "WVEDA Revolving Broadband Loan" is an obligation of the WVEDA. 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 is 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 has a variable rate equal to the 12-month average yield on the WV Money Market Pool. The rate resets 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 determines the outstanding balance of the insured debt covered by the loan and adjusts the outstanding balance of the loan to equal the outstanding balance of the insured debt. At June 30, 2018, the outstanding balance was \$1,480,000.

### **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, 2018, the BTI reimbursed the Treasurer's Office \$746,000 for services, which includes \$669,000 for management services provided by Treasurer's Office employees. As of June 30, 2018, the BTI had an amount payable to the Treasurer's Office totaling \$56,000, of which \$42,000 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 is not affected by these statements.

The GASB has issued two statements relating to accounting and financial reporting for debt: Statement No. 86, *Certain Debt Extinguishment Issues*; and Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The provisions of Statement No. 86 are effective for reporting periods beginning after June 15, 2017. The provision of Statement No. 88 are effective for reporting periods beginning after June 15, 2018. The primary objective of this Statement No. 86 is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The primary objective of Statement No. 88 is to improve information disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. Because the BTI does not issue debt and does not engage in borrowings, it is not affected by these statements.

The GASB has issued a statement relating to financial accounting and reporting for leases: Statement No. 87, *Leases*. The objective of Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and reporting for leases by governments. The provision of Statement No. 87 are effective for reporting periods beginning after December 15, 2019. BTI management has not determined the effect, if any, this statement will have on its financial statements.

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

June 30, 2018

(In Thousands)

	<b>WV Money Market Pool</b>	<b>WV Government Money Market Pool</b>	<b>WV Short Term Bond Pool</b>	<b>WV Bank Pool</b>	<b>Loan Pool</b>
<b>Assets</b>					
Investments:					
At amortized cost	\$ 3,264,060	\$ 212,304	\$ -	\$ 81,060	\$ 109,067
At fair value	-	-	712,582	-	-
Receivables:					
Accrued interest	2,738	94	2,474	390	82
Dividends	157	-	7	1	-
Other	4	-	-	-	-
Total receivables	<u>2,899</u>	<u>94</u>	<u>2,481</u>	<u>391</u>	<u>82</u>
Total assets	<u>3,266,959</u>	<u>212,398</u>	<u>715,063</u>	<u>81,451</u>	<u>109,149</u>
<b>Liabilities</b>					
Accrued expenses	367	44	198	3	4
Dividends payable	-	-	1,386	-	-
Investments purchased	-	-	4,000	-	-
Total liabilities	<u>367</u>	<u>44</u>	<u>5,584</u>	<u>3</u>	<u>4</u>
<b>Net Position</b>					
Held in trust for investment pool participants	3,266,592	212,354	709,479	81,448	109,145
Held in trust for individual investment account holders	-	-	-	-	-
Total net position	<u>\$ 3,266,592</u>	<u>\$ 212,354</u>	<u>\$ 709,479</u>	<u>\$ 81,448</u>	<u>\$ 109,145</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>
\$ 19,093	\$ -	\$ -	\$ -	\$3,685,584
-	28,257	1,252	1,686	743,777
33	107	-	34	5,952
-	-	2	-	167
-	-	-	-	4
<u>33</u>	<u>107</u>	<u>2</u>	<u>34</u>	<u>6,123</u>
19,126	28,364	1,254	1,720	4,435,484
-	-	-	-	616
-	-	-	-	1,386
-	-	-	-	4,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,002</u>
19,126	-	-	-	4,398,144
-	28,364	1,254	1,720	31,338
<u>\$ 19,126</u>	<u>\$ 28,364</u>	<u>\$ 1,254</u>	<u>\$ 1,720</u>	<u>\$4,429,482</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, 2018

(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	\$ 16,802	\$ 1,151	\$ 15,141	\$ 1,143	\$ 1,032
Dividends	1,452	7	119	10	7
Net (amortization) accretion	19,649	1,890	22	-	-
Total investment income (loss)	<u>37,903</u>	<u>3,048</u>	<u>15,282</u>	<u>1,153</u>	<u>1,039</u>
Investment expenses:					
Investment advisor fees	719	80	664	-	-
Custodian bank fees	90	13	31	-	-
Administrative fees	811	91	268	30	43
Total investment expenses	<u>1,620</u>	<u>184</u>	<u>963</u>	<u>30</u>	<u>43</u>
Net investment income	36,283	2,864	14,319	1,123	996
Net realized gain (loss) from investments	12	2	(597)	-	-
Net increase (decrease) in fair value of investments	<u>-</u>	<u>-</u>	<u>(5,426)</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in net position from operations	36,295	2,866	8,296	1,123	996
Participant transaction additions:					
Purchase of pool units by participants	11,260,936	282,092	10,987	1,061	3,663
Reinvestment of pool distributions	36,262	2,865	14,032	1,123	996
Contributions to individual investment accounts	-	-	-	-	-
Total participant transaction additions	<u>11,297,198</u>	<u>284,957</u>	<u>25,019</u>	<u>2,184</u>	<u>4,659</u>
Total additions	11,333,493	287,823	33,315	3,307	5,655
<b>Deductions</b>					
Distributions to pool participants:					
Net investment income	36,284	2,864	14,319	1,123	996
Net realized gain (loss) from investments	12	2	(597)	-	-
Total distributions to pool participants	<u>36,296</u>	<u>2,866</u>	<u>13,722</u>	<u>1,123</u>	<u>996</u>
Participant transaction deductions:					
Redemption of pool units by participants	9,811,022	274,673	63,845	1,060	20,914
Withdrawals from individual investment accounts	-	-	-	-	-
Total participant transaction deductions	<u>9,811,022</u>	<u>274,673</u>	<u>63,845</u>	<u>1,060</u>	<u>20,914</u>
Total deductions	<u>9,847,318</u>	<u>277,539</u>	<u>77,567</u>	<u>2,183</u>	<u>21,910</u>
Net increase (decrease) in net position from operations	1,486,175	10,284	(44,252)	1,124	(16,255)
Inter-pool transfers in	25,250	-	-	25,800	-
Inter-pool transfers out	<u>(25,800)</u>	<u>-</u>	<u>-</u>	<u>(25,250)</u>	<u>-</u>
Net inter-pool transfers in (out)	<u>(550)</u>	<u>-</u>	<u>-</u>	<u>550</u>	<u>-</u>
Change in net position	1,485,625	10,284	(44,252)	1,674	(16,255)
Net position at beginning of period	<u>1,780,967</u>	<u>202,070</u>	<u>753,731</u>	<u>79,774</u>	<u>125,400</u>
Net position at end of period	<u>\$3,266,592</u>	<u>\$ 212,354</u>	<u>\$ 709,479</u>	<u>\$ 81,448</u>	<u>\$ 109,145</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>
\$ 234	\$ 400	\$ -	\$ 91	\$ 35,994
38	-	15	-	1,648
-	(81)	-	(15)	21,465
<u>272</u>	<u>319</u>	<u>15</u>	<u>76</u>	<u>59,107</u>
-	-	-	-	1,463
-	-	-	-	134
-	1	-	1	1,245
<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>2,842</u>
272	318	15	75	56,265
-	-	-	-	(583)
-	64	-	(98)	(5,460)
<u>272</u>	<u>382</u>	<u>15</u>	<u>(23)</u>	<u>50,222</u>
248	-	-	-	11,558,987
272	-	-	-	55,550
-	8,598	709	-	9,307
<u>520</u>	<u>8,598</u>	<u>709</u>	<u>-</u>	<u>11,623,844</u>
792	8,980	724	(23)	11,674,066
272	-	-	-	55,858
-	-	-	-	(583)
<u>272</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,275</u>
248	-	-	-	10,171,762
-	16,497	888	89	17,474
<u>248</u>	<u>16,497</u>	<u>888</u>	<u>89</u>	<u>10,189,236</u>
520	16,497	888	89	10,244,511
272	(7,517)	(164)	(112)	1,429,555
-	-	-	-	51,050
-	-	-	-	(51,050)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
272	(7,517)	(164)	(112)	1,429,555
18,854	35,881	1,418	1,832	2,999,927
<u>\$ 19,126</u>	<u>\$ 28,364</u>	<u>\$ 1,254</u>	<u>\$ 1,720</u>	<u>\$ 4,429,482</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 Notes</i>							
United States Treasury		2.124 %	F 2.087 %	07/31/2018	10,500	\$ 10,500	\$ 10,501
United States Treasury		0.750	1.952	08/31/2018	20,000	19,961	19,962
United States Treasury		1.000	1.978	09/15/2018	20,000	19,960	19,962
United States Treasury		0.750	2.005	09/30/2018	20,000	19,939	19,939
United States Treasury		1.375	1.988	09/30/2018	20,000	19,970	19,970
Total U. S. Treasury Notes	2.8%					90,330	90,334
<i>U.S. Treasury Bills</i>							
United States Treasury		0.000	1.757	07/05/2018	12,000	11,998	11,998
United States Treasury		0.000	1.688	07/19/2018	37,000	36,971	36,970
United States Treasury		0.000	1.816	08/02/2018	20,000	19,969	19,969
United States Treasury		0.000	1.884	08/09/2018	12,000	11,977	11,977
United States Treasury		0.000	1.859	08/16/2018	45,000	44,897	44,897
United States Treasury		0.000	1.898	08/23/2018	20,000	19,946	19,947
United States Treasury		0.000	1.915	08/30/2018	20,000	19,938	19,939
United States Treasury		0.000	1.946	09/06/2018	17,000	16,940	16,942
United States Treasury		0.000	1.966	09/20/2018	5,000	4,979	4,979
United States Treasury		0.000	2.045	11/08/2018	20,000	19,856	19,858
United States Treasury		0.000	2.121	11/23/2018	25,000	24,793	24,799
United States Treasury		0.000	2.108	12/06/2018	20,000	19,820	19,823
Total U. S. Treasury Bills	7.7%					252,084	252,098
<i>Corporate Bonds and Notes</i>							
Sumitomo Mitsui Bank		2.500	2.334	07/19/2018	5,505	5,505	5,505
Sumitomo Mitsui Bank		1.950	2.347	07/23/2018	9,575	9,573	9,573
Rabobank Nederland NV		2.256	F 2.256	01/10/2019	3,000	3,000	3,000
Total Corporate Bonds and Notes	0.6%					18,078	18,078
<i>Commercial Paper</i>							
Caterpillar Financial Services		0.000	2.137	07/02/2018	10,000	10,000	10,000
Chariot Funding LLC		0.000	1.924	07/02/2018	1,734	1,734	1,734
DZ Bank AG NY		0.000	1.917	07/02/2018	62,279	62,279	62,279
Liberty Street Funding LLC		0.000	2.366	07/02/2018	5,000	5,000	4,999
LMA Americas LLC		0.000	2.157	07/02/2018	5,000	5,000	5,000
United Overseas Bank		0.000	2.345	07/02/2018	10,000	10,000	9,998
Victory Receivables Corp		0.000	2.366	07/02/2018	11,000	11,000	10,998
Societe Generale		0.000	2.009	07/03/2018	25,000	24,999	24,999
Anglesea Funding LLC		0.000	2.239	07/03/2018	10,000	9,999	9,999
CNPC Finance HK LTD		0.000	2.282	07/03/2018	20,000	19,999	19,999
Skandinaviska Enskilda Bank		0.000	1.912	07/03/2018	8,000	8,000	8,000
Versailles Commercial Paper		0.000	2.363	07/03/2018	2,250	2,250	2,249
Antalis SA		0.000	2.354	07/05/2018	5,200	5,199	5,199
CNPC Finance HK LTD		0.000	2.262	07/05/2018	25,000	24,995	24,995
DZ Bank AG NY		0.000	2.086	07/05/2018	15,000	14,997	14,996
Manhattan Asset Funding		0.000	2.399	07/05/2018	2,000	2,000	1,999
Mitsubishi UFJ Trust & Banking		0.000	2.044	07/06/2018	12,000	11,997	11,997
Victory Receivables Corp		0.000	2.033	07/06/2018	12,500	12,497	12,497
Nieuw Amrsterdam		0.000	2.262	07/06/2018	12,000	11,997	11,997
Antalis SA		0.000	2.397	07/09/2018	10,000	9,995	9,995

(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.

**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>
Nissan Motor		0.000	2.075	07/09/2018	12,500	12,495	12,495
Skandinaviska Enskilda Bank		0.000	1.960	07/09/2018	8,000	7,997	7,997
Victory Receivables Corp		0.000	2.021	07/09/2018	20,000	19,992	19,992
ANZ National LTD		2.206	F 2.206	07/09/2018	5,000	5,000	5,000
Antalis SA		0.000	2.111	07/10/2018	15,000	14,993	14,993
Manhattan Asset Funding		0.000	2.011	07/10/2018	23,940	23,929	23,929
Barton Capital Corp		0.000	2.366	07/11/2018	5,000	4,997	4,997
Bedford Row Funding Corp		2.447	F 2.447	07/11/2018	5,000	5,000	5,000
Antalis SA		0.000	2.355	07/12/2018	6,000	5,996	5,996
Bedford Row Funding Corp		0.000	1.621	07/12/2018	10,000	9,996	9,996
Danske Corp		0.000	2.325	07/12/2018	12,000	11,992	11,992
Gotham Funding Corp		0.000	2.022	07/12/2018	5,000	4,997	4,997
LMA Americas LLC		0.000	2.082	07/12/2018	16,000	15,991	15,991
Manhattan Asset Funding		0.000	2.082	07/12/2018	35,000	34,980	34,980
Barton Capital Corp		0.000	2.137	07/09/2018	24,000	23,985	23,985
NRW Bank		0.000	2.096	07/09/2018	10,000	9,994	9,994
Sheffield Receivables		0.000	2.367	07/09/2018	12,000	11,991	11,991
Industrial & Commercial Bank		0.000	2.194	07/09/2018	15,000	14,987	14,987
Thunder Bay Funding		0.000	2.346	07/10/2018	10,000	9,991	9,990
Collateralized CP Co LLC		0.000	1.720	07/10/2018	2,000	1,999	1,999
MUFG Bank LTD/NY		0.000	2.366	07/11/2018	10,000	9,990	9,990
Toyota Credit Puerto Rico		0.000	1.700	07/11/2018	9,000	8,993	8,990
Mitsubishi UFJ Trust & Banking		0.000	2.376	07/11/2018	12,000	11,987	11,987
Albion Capital Corp		0.000	2.167	07/12/2018	25,402	25,375	25,375
Bank of Nova Scotia		2.254	F 2.254	07/12/2018	5,000	5,000	5,000
Toyota Credit Canada		0.000	2.408	07/12/2018	10,000	9,986	9,987
Matchpoint Finance PLC		0.000	2.387	07/12/2018	20,000	19,973	19,973
Nieuw Amrsterdam		0.000	2.114	07/12/2018	25,000	24,970	24,970
Collateralized CP Co LLC		0.000	1.741	07/12/2018	5,000	4,995	4,995
Old Line Funding LLC		0.000	2.351	07/13/2018	5,000	4,993	4,993
DBS Bank LTD		0.000	2.061	07/13/2018	11,500	11,484	11,484
Federation Des Caisses		0.000	2.102	07/13/2018	25,000	24,965	24,965
Albion Capital Corp		0.000	2.188	07/16/2018	10,000	9,985	9,985
Collateralized CP Co LLC		0.000	1.772	07/16/2018	2,500	2,497	2,497
Gotham Funding Corp		0.000	2.335	07/17/2018	6,000	5,989	5,989
DNB Bank ASA		2.253	F 2.136	07/18/2018	6,000	6,000	6,000
Bank of Nova Scotia		2.263	F 2.264	07/19/2018	4,000	4,000	4,000
Collateralized CP Co LLC		2.313	F 2.314	07/19/2018	5,000	5,000	5,000
MUFG Bank LTD/NY		0.000	2.356	07/19/2018	6,000	5,988	5,988
Bedford Row Funding Corp		0.000	2.413	07/20/2018	4,000	3,992	3,992
Nieuw Amrsterdam		0.000	2.138	07/20/2018	15,000	14,974	14,974
Credit Suisse First Boston NY		0.000	2.366	07/20/2018	10,000	9,980	9,980
MUFG Bank LTD/NY		0.000	2.379	07/23/2018	10,000	9,980	9,980
Canadian Imperial Bank		2.260	F 2.171	07/23/2018	10,000	10,000	10,000
Old Line Funding LLC		2.260	F 2.171	07/23/2018	5,000	5,000	5,000
Cancara Asset Sec LLC		0.000	2.315	07/24/2018	10,000	9,978	9,978
Collateralized CP Co LLC		0.000	1.782	07/24/2018	5,000	4,991	4,991
HSBC Bank PLLC		2.246	F 2.217	07/25/2018	3,500	3,500	3,500
Barton Capital Corp		0.000	2.157	07/26/2018	25,000	24,947	24,947
Cancara Asset Sec LLC		0.000	2.325	07/26/2018	5,000	4,988	4,988
Barton Capital Corp		0.000	2.218	07/27/2018	25,000	24,941	24,941
Toronto Dominion Bank		0.000	2.253	07/27/2018	12,000	11,971	11,971
Banque Et Caisse Epargne		0.000	2.090	07/30/2018	5,000	4,988	4,988
Kells Funding LLC		0.000	2.188	07/30/2018	5,000	4,987	4,987
NRW Bank		0.000	2.198	07/30/2018	20,000	19,950	19,950

(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.

**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>
Old Line Funding LLC		0.000	2.390	07/31/2018	9,000	8,975	8,976
Sheffield Receivables		0.000	2.325	07/31/2018	4,000	3,989	3,989
Starbird Funding Corp		0.000	2.346	08/01/2018	15,000	14,960	14,960
Barton Capital Corp		0.000	2.213	08/01/2018	25,000	24,935	24,935
Albion Capital Corp		0.000	2.346	08/01/2018	8,500	8,476	8,475
Old Line Funding LLC		0.000	2.423	08/02/2018	5,000	4,985	4,986
Alpine Securitization		2.313	F 2.313	08/02/2018	5,350	5,350	5,350
Caterpillar Financial Services		0.000	2.239	08/02/2018	10,000	9,972	9,972
MUFG Bank LTD/NY		0.000	2.454	08/03/2018	10,000	9,967	9,967
Starbird Funding Corp		0.000	2.335	08/03/2018	12,000	11,962	11,963
Sheffield Receivables		0.000	2.315	08/03/2018	12,000	11,962	11,962
Sheffield Receivables		0.000	2.476	08/06/2018	10,000	9,966	9,967
Charta LLC		0.000	2.210	08/06/2018	25,000	24,922	24,922
CAFCO LLC		0.000	2.231	08/06/2018	25,000	24,919	24,919
Mizuho Bank Ltd		0.000	2.315	08/07/2018	5,000	4,982	4,983
Old Line Funding LLC		0.000	2.348	08/09/2018	4,000	3,986	3,986
Versailles Commercial Paper		2.353	F 2.353	08/10/2018	10,000	10,000	10,000
Barton Capital Corp		0.000	2.324	08/10/2018	8,000	7,971	7,971
Old Line Funding LLC		0.000	2.251	08/10/2018	7,000	6,975	6,975
Cancara Asset Sec LLC		0.000	2.305	08/10/2018	10,000	9,962	9,961
Gotham Funding Corp		0.000	2.314	08/13/2018	20,000	19,918	19,918
Barton Capital Corp		0.000	2.346	08/13/2018	6,000	5,975	5,974
Gotham Funding Corp		0.000	2.323	08/13/2018	12,015	11,965	11,965
Collateralized CP Co LLC		0.000	1.945	08/13/2018	11,000	10,961	10,953
Federation Des Caisses		0.000	2.325	08/13/2018	25,000	24,894	24,896
Danske Corp		0.000	2.284	08/13/2018	12,900	12,844	12,841
Sheffield Receivables		0.000	2.356	08/13/2018	26,000	25,883	25,882
Sumitomo Mit/Singapore		0.000	2.376	08/14/2018	17,000	16,923	16,925
DBS Bank LTD		0.000	2.315	08/15/2018	11,000	10,950	10,949
Commonwealth Bank of Australia		2.247	F 2.257	08/15/2018	5,000	5,000	5,001
Commonwealth Bank of Australia		2.247	F 2.247	08/15/2018	3,000	3,000	3,001
Caterpillar Financial Services		0.000	2.345	08/16/2018	24,750	24,628	24,618
Sumitomo Mit/Singapore		0.000	2.387	08/16/2018	17,000	16,915	16,915
Thunder Bay Funding		0.000	2.315	08/17/2018	20,581	20,481	20,479
Fairway Finance Corp		0.000	2.336	08/20/2018	20,000	19,899	19,897
Sumitomo Mitsui Banking Corp		0.000	2.346	08/20/2018	15,000	14,922	14,921
Manhattan Asset Funding		0.000	2.345	08/20/2018	25,000	24,866	24,857
Sumitomo Mitsui Trust Bank		0.000	2.335	08/21/2018	25,000	24,866	24,863
Old Line Funding Corp		0.000	2.567	08/21/2018	5,000	4,970	4,970
Barton Capital LLC		2.231	F 2.231	08/22/2018	5,000	5,000	5,001
Sumitomo Mitsui Trust Bank		0.000	2.346	08/23/2018	5,000	4,973	4,972
Canadian Imperial Bank		2.332	F 2.332	08/23/2018	9,000	9,000	9,000
Anglesea Funding LLC		0.000	2.555	08/24/2018	10,000	9,937	9,942
Versailles Commercial Paper		0.000	2.388	08/24/2018	25,000	24,852	24,848
Versailles Commercial Paper		0.000	2.388	08/27/2018	10,000	9,940	9,938
Bedford Row Funding Corp		2.487	F 2.471	08/27/2018	5,000	5,000	5,004
Versailles Commercial Paper		0.000	2.399	08/27/2018	25,000	24,838	24,834
Thunder Bay Funding		2.296	F 2.256	08/28/2018	7,000	7,000	7,001
Anglesea Funding LLC		2.487	F 2.500	08/28/2018	15,000	15,000	15,012
Westpac Banking Corp		0.000	1.756	08/30/2018	5,500	5,473	5,463
Commonwealth Bank of Australia		2.273	F 2.272	08/31/2018	6,000	6,000	6,001
Collateralized CP II Co		2.488	F 2.488	08/31/2018	5,000	5,000	5,004
United Overseas Bank		0.000	2.403	09/05/2018	16,000	15,888	15,885
Fairway Finance Corp		2.425	F 2.425	09/05/2018	6,000	6,000	6,003
Collateralized CP Co LLC		2.335	F 2.338	09/06/2018	8,600	8,600	8,602
Old Line Funding LLC		0.000	2.414	09/06/2018	18,000	17,859	17,856

(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.

**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>	
Bedford Row Funding Corp		2.509	F	2.509	09/06/2018	5,000	5,000	5,004
Versailles Commercial Paper		2.398	F	2.410	09/07/2018	15,000	15,000	15,000
Chariot Funding LLC		0.000		2.478	09/07/2018	6,000	5,946	5,945
Anglesea Funding LLC		2.435	F	2.447	09/10/2018	10,000	10,000	10,000
ANZ National LTD		2.325	F	2.325	09/10/2018	6,000	6,000	6,001
ASB Finance LTD		2.485	F	2.485	09/10/2018	6,000	6,000	6,005
Anglesea Funding LLC		2.441	F	2.454	09/11/2018	5,000	5,000	5,000
Ciesco LLC		0.000		2.515	09/12/2018	5,000	4,942	4,940
Commonwealth Bank of Australia		2.362	F	2.362	09/13/2018	5,000	5,000	5,003
Collateralized CP II Co		2.522	F	2.431	09/14/2018	2,000	2,000	2,002
Westpac Banking Corp		2.320	F	2.231	09/14/2018	5,000	5,000	5,001
Bedford Row Funding Corp		2.306	F	2.306	09/14/2018	5,000	5,000	5,000
Collateralized CP Co LLC		2.489	F	2.478	09/17/2018	5,000	5,000	5,001
Old Line Funding LLC		2.335	F	2.335	09/17/2018	8,000	8,000	7,998
Toyota Motor Credit Corp		2.431	F	2.443	09/17/2018	10,000	10,000	10,006
Toronto Dominion Bank		2.449	F	2.438	09/19/2018	6,000	6,000	6,000
Toronto Dominion Bank		2.300	F	2.311	09/20/2018	5,250	5,250	5,250
Alpine Securitization		2.310	F	2.321	09/21/2018	15,000	15,000	15,000
Bank of Nova Scotia		2.361	F	2.361	09/21/2018	6,000	6,000	6,000
Commonwealth Bank of Australia		2.432	F	2.432	09/24/2018	5,000	5,000	5,005
Bank of Nova Scotia		2.356	F	2.271	09/24/2018	25,000	25,000	24,991
Collateralized CP Co LLC		2.366	F	2.285	09/25/2018	6,000	6,000	6,000
Australia & New Zealand Bank		2.347	F	2.281	09/25/2018	8,000	8,000	7,999
Canadian Imperial Bank		2.367	F	2.295	09/25/2018	6,000	6,000	6,000
Collateralized CP Co LLC		2.387	F	2.320	09/26/2018	5,000	5,000	5,000
Toronto Dominion Bank		2.377	F	2.310	09/28/2018	15,000	15,000	15,000
Toronto Dominion Bank		2.377	F	2.310	10/01/2018	12,000	12,000	12,000
Canadian Imperial Bank		2.542	F	2.537	10/01/2018	5,000	5,000	5,001
Toronto Dominion Bank		2.512	F	2.512	10/02/2018	10,000	10,000	10,003
Old Line Funding LLC		2.488	F	2.485	10/03/2018	10,750	10,750	10,750
ASB Finance LTD		2.506	F	2.502	10/04/2018	5,000	5,000	5,000
Bedford Row Funding Corp		2.407	F	2.333	10/05/2018	30,000	30,000	29,993
Bedford Row Funding Corp		2.437	F	2.365	10/05/2018	5,000	5,000	5,000
Toronto Dominion Bank		2.497	F	2.442	10/09/2018	5,000	5,000	5,000
Total Commercial Paper	57.3%					1,868,900	1,868,873	
<i>Negotiable Certificates of Deposit</i>								
Citibank NA		2.240		2.240	07/02/2018	12,000	12,000	12,000
Canadian Imperial Bank		1.570		1.570	07/03/2018	5,000	5,000	5,000
Bank of Montreal		2.165	F	2.165	07/05/2018	8,000	8,000	8,000
Canadian Imperial Bank		1.570		1.570	07/05/2018	5,000	5,000	5,000
Swedbank AB		1.900		1.900	07/05/2018	5,000	5,000	5,000
KBC Bank NV NY		1.920		1.920	07/05/2018	25,000	25,000	25,000
Sumitomo Mitsui Trust		1.940		1.940	07/05/2018	40,000	40,000	40,000
Canadian Imperial Bank		1.590		1.590	07/06/2018	5,000	5,000	5,000
Mizuho Bank Ltd		2.340		2.340	07/06/2018	11,000	11,000	11,000
The Norinchukin Bank		2.000		2.000	07/11/2018	25,000	25,000	25,000
Toronto Dominion Bank		1.600		1.600	07/20/2018	5,000	5,000	4,999
Skandinav Enskilda Bank NY		1.910		1.910	07/25/2018	6,000	6,000	6,000
Wells Fargo Bank		2.000		2.000	07/30/2018	10,000	10,000	10,000
Bank of Montreal		2.100		2.100	08/03/2018	10,000	10,000	10,000
Credit Industrial		1.590		2.240	08/10/2018	1,400	1,399	1,399
Skandinav Enskilda Bank NY		2.425	F	2.425	08/13/2018	6,000	6,000	6,003
Bank of Montreal		2.660	F	2.476	08/16/2018	3,400	3,401	3,401

(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.

**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>	
Westpac Banking Corp		2.264	F	2.264	08/20/2018	5,000	5,000	5,001
Sumitomo Mitsui Bank NY		2.388	F	2.388	08/21/2018	2,500	2,500	2,501
Svenska Handelsbanken NY		2.261	F	2.241	08/24/2018	25,000	25,001	25,006
Natixis		2.340		2.340	08/31/2018	20,000	20,000	20,007
Toronto Dominion Bank		2.325	F	2.325	09/05/2018	6,000	6,000	6,003
Svenska Handelsbanken NY		2.378	F	2.346	09/11/2018	6,000	6,000	6,003
Mitsubishi UFJ Trust & Banking		2.320		2.320	09/13/2018	12,000	12,000	12,002
Westpac Banking Corp		1.570		1.570	09/14/2018	2,500	2,500	2,497
Bank of Montreal		2.298	F	2.298	09/21/2018	10,000	10,000	10,000
Toronto Dominion Bank		2.321	F	2.321	09/25/2018	5,000	5,000	5,002
Sumitomo Mitsui Trust		2.320		2.320	10/03/2018	15,000	15,000	15,001
Toronto Dominion Bank		2.290	F	2.191	10/04/2018	6,000	6,000	6,001
Royal Bank of Canada		1.700		2.050	10/05/2018	500	500	499
Bank of Montreal		2.386	F	2.386	10/09/2018	6,000	6,000	6,003
Canadian Imperial Bank		2.445	F	2.445	10/16/2018	6,000	6,000	6,004
Royal Bank of Canada		2.383	F	2.383	10/17/2018	6,000	6,000	5,999
Bank of Montreal		2.325	F	2.325	10/17/2018	5,000	5,000	5,001
Skandinav Enskilda Bank NY		2.415	F	2.415	10/17/2018	6,000	6,000	6,003
Canadian Imperial Bank		2.325	F	2.325	10/18/2018	3,000	3,000	3,000
Oversea-Chinese Banking		2.275	F	2.864	10/18/2018	20,000	20,000	20,002
Canadian Imperial Bank		2.324	F	2.324	10/22/2018	3,000	3,000	3,000
DNB Bank ASA		2.384	F	2.384	10/22/2018	6,000	6,000	6,003
Toronto Dominion Bank		1.750		1.750	10/22/2018	5,000	5,000	4,991
Svenska Handelsbanken NY		2.271	F	2.271	10/23/2018	4,000	4,000	4,000
Bank of Montreal		2.331	F	2.331	10/25/2018	5,000	5,000	5,000
Wells Fargo Bank		2.313	F	2.324	10/26/2018	5,000	5,000	5,001
DNB Bank ASA		2.354	F	2.236	10/30/2018	6,000	6,000	6,002
Canadian Imperial Bank		2.307	F	2.307	11/13/2018	7,000	7,000	7,001
Oversea-Chinese Banking		2.317	F	2.270	11/13/2018	5,500	5,501	5,502
Oversea-Chinese Banking		2.327	F	2.327	11/14/2018	6,000	6,000	6,002
Svenska Handelsbanken NY		2.275	F	2.275	11/19/2018	6,000	6,000	6,000
Royal Bank of Canada		2.403	F	2.403	11/27/2018	6,000	6,000	6,003
Sumitomo Mitsui Bank NY		2.354	F	2.354	11/29/2018	5,000	5,000	5,001
Royal Bank of Canada		2.474	F	2.474	12/06/2018	5,000	5,000	5,004
Rabobank Nederland NV		2.195	F	2.195	12/07/2018	8,000	8,000	7,999
Citibank NA		2.486	F	2.487	12/12/2018	6,000	6,000	6,005
Swedbank AB		2.257	F	2.236	12/12/2018	15,000	15,000	15,002
Wells Fargo Bank		2.517	F	2.517	12/27/2018	8,000	8,000	8,007
Royal Bank of Canada		2.458	F	2.458	01/03/2019	3,000	3,000	3,003
ASB Finance LTD		2.487	F	2.462	01/04/2019	6,000	6,000	6,006
Bank of Nova Scotia		2.487	F	2.462	01/04/2019	6,000	6,000	6,002
Bank of Montreal		2.251	F	2.251	01/04/2019	5,000	5,000	5,000
Royal Bank of Canada		2.251	F	2.251	01/04/2019	3,000	3,000	3,001
Royal Bank of Canada		2.501	F	2.495	01/04/2019	5,000	5,000	5,003
Bank of Montreal		2.275	F	2.275	01/07/2019	5,000	5,000	5,000
Svenska Handelsbanken NY		2.394	F	2.399	01/28/2019	5,000	4,999	4,998
Bank of Montreal		2.439	F	2.428	02/01/2019	6,000	6,000	5,998
Wells Fargo Bank		2.528	F	2.528	02/01/2019	5,000	5,000	5,004
Bank of Montreal		2.455	F	2.455	02/14/2019	6,000	6,000	6,000
Bank of Montreal		2.364	F	2.364	02/22/2019	5,000	5,000	5,001
Canadian Imperial Bank		2.480	F	2.480	03/01/2019	5,000	5,000	5,006
Bank of Nova Scotia		2.283	F	2.283	03/06/2019	10,000	10,000	9,999
Westpac Banking Corp		2.526	F	2.527	03/12/2019	5,000	5,000	5,009
Skandinav Enskilda Bank NY		2.287	F	2.287	03/14/2019	8,000	8,000	7,999
Nordea Bank AB NY		2.541	F	2.541	03/15/2019	7,000	7,000	7,006

(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.

**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>
Bank of Montreal		2.585	F	2.585	03/18/2019	5,000	5,000
Royal Bank of Canada		2.605	F	2.605	03/20/2019	5,000	5,000
Wells Fargo Bank		2.594	F	2.594	03/22/2019	10,000	10,018
Wells Fargo Bank		2.567	F	2.569	04/12/2019	5,000	5,000
Wells Fargo Bank		2.563	F	2.563	04/17/2019	15,000	15,000
Canadian Imperial Bank		2.542	F	2.535	04/18/2019	5,000	5,000
Toronto Dominion Bank		2.491	F	2.491	04/23/2019	5,000	5,000
Wells Fargo Bank		2.560	F	2.560	04/25/2019	5,000	5,000
Svenska Handelsbanken NY		2.459	F	2.459	04/30/2019	6,000	6,000
Nordea Bank AB NY		2.401	F	2.401	05/21/2019	6,000	6,000
Canadian Imperial Bank		2.441	F	2.441	05/24/2019	10,000	10,000
Wells Fargo Bank		2.461	F	2.468	06/07/2019	25,000	25,000
Royal Bank of Canada		2.539	F	2.489	06/07/2019	5,000	5,000
<b>Total Negotiable Certificates of Deposit</b>	<b>20.2%</b>					<b>663,801</b>	<b>663,934</b>
<b>Repurchase Agreements</b>							
Goldman, Sachs & Co		2.050		2.050	07/02/2018	33,800	33,800
Merrill Lynch PFS Inc		2.100		2.100	07/02/2018	194,000	194,000
<b>Total Repurchase Agreements</b>	<b>7.0%</b>					<b>227,800</b>	<b>227,800</b>
<b>Money Market Funds</b>							
Federated		1.850	**		200	200	200
Federated		2.110	**		141,993	142,005	142,007
BlackRock Liquidity		1.840	**		862	862	862
<b>Total Money Market Funds</b>	<b>4.4%</b>					<b>143,067</b>	<b>143,069</b>
<b>Total Money Market Pool</b>	<b>100.0%</b>					<b>\$ 3,264,060</b>	<b>\$ 3,264,186</b>

**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>
<b>U.S. Treasury Notes</b>							
United States Treasury		0.625 %	F	1.777 %	06/30/2018	2,000	\$ 2,000
United States Treasury		0.750	F	1.987	09/30/2018	9,000	8,973
<b>Total U. S. Treasury Notes</b>	<b>5.2%</b>					<b>10,973</b>	<b>10,973</b>
<b>U.S. Treasury Bills</b>							
United States Treasury		0.000		1.775	07/05/2018	1,000	1,000
United States Treasury		0.000		1.620	07/19/2018	2,000	1,998
United States Treasury		0.000		1.625	07/26/2018	4,000	3,996
United States Treasury		0.000		1.846	08/09/2018	6,000	5,988
United States Treasury		0.000		1.907	08/16/2018	3,000	2,993
United States Treasury		0.000		1.898	08/23/2018	4,000	3,989
United States Treasury		0.000		1.946	09/06/2018	4,000	3,986
<b>Total U. S. Treasury Bills</b>	<b>11.3%</b>					<b>23,950</b>	<b>23,949</b>

(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.

**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2017**  
*(In thousands)*

<b>WEST VIRGINIA GOVERNMENT 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>
<i>U. S. Government Agency Bonds and Notes</i>							
Federal Home Loan Bank		1.850	F	1.850	07/05/2018	2,000	2,000
Federal Home Loan Mort Corp		2.123	F	2.123	07/17/2018	1,000	1,000
Federal Home Loan Bank		1.961	F	1.961	07/25/2018	1,000	1,000
Federal Home Loan Bank		1.928	F	1.928	08/15/2018	1,000	1,000
Federal Home Loan Bank		1.976	F	1.976	08/24/2018	1,000	1,000
Federal Home Loan Bank		1.921	F	1.921	09/12/2018	1,000	1,000
Federal Home Loan Bank		2.005	F	2.005	09/17/2018	1,500	1,500
Federal Home Loan Bank		1.865	F	1.865	10/05/2018	2,000	2,000
Federal Home Loan Bank		1.916	F	1.916	10/10/2018	2,500	2,500
Federal Home Loan Bank		1.911	F	1.911	10/12/2018	1,000	1,000
Federal Home Loan Bank		1.906	F	1.906	10/12/2018	1,000	1,000
Federal Home Loan Bank		1.945	F	1.945	10/16/2018	1,000	1,000
Federal Home Loan Bank		1.955	F	1.955	10/16/2018	1,000	1,000
Federal Home Loan Bank		2.152	F	2.184	10/26/2018	1,000	1,000
Federal Home Loan Bank		1.982	F	1.990	10/26/2018	1,000	1,000
Federal Home Loan Bank		1.901	F	1.901	11/02/2018	1,000	1,000
Federal Home Loan Bank		1.940	F	1.939	11/08/2018	1,000	1,000
Federal Home Loan Bank		1.935	F	1.935	11/16/2018	1,000	1,000
Federal Home Loan Bank		1.959	F	1.959	11/20/2018	1,000	1,000
Federal Home Loan Bank		1.978	F	1.978	11/27/2018	1,000	1,000
Federal Home Loan Bank		1.943	F	1.949	11/29/2018	1,000	1,000
Federal Home Loan Bank		1.915	F	1.915	12/07/2018	1,250	1,250
Federal Home Loan Bank		1.975	F	1.975	12/17/2018	1,500	1,500
Federal Home Loan Bank		1.985	F	1.985	12/18/2018	1,000	1,000
Federal Home Loan Bank		1.970	F	1.970	12/18/2018	2,000	2,000
Federal Home Loan Bank		1.993	F	1.993	12/21/2018	1,300	1,300
Federal Home Loan Bank		1.976	F	1.976	12/24/2018	2,000	2,000
Federal Home Loan Bank		2.032	F	2.032	12/28/2018	1,250	1,250
Federal Home Loan Bank		1.967	F	1.967	01/28/2019	1,000	1,000
Federal Home Loan Bank		1.921	F	1.921	02/04/2019	1,000	1,000
Federal Home Loan Bank		1.870	F	1.870	02/05/2019	1,000	1,000
Federal Home Loan Bank		1.900	F	1.900	02/08/2019	2,000	2,000
Federal Home Loan Bank		1.979	F	1.979	02/22/2019	1,000	1,000
Federal Home Loan Bank		2.021	F	1.980	02/25/2019	1,000	1,000
Federal Home Loan Bank		2.079	F	2.085	03/06/2019	1,000	1,000
Federal Home Loan Bank		2.005	F	2.005	03/19/2019	1,000	1,000
Federal Home Loan Bank		1.927	F	1.954	03/22/2019	2,000	2,000
Federal Home Loan Bank		1.923	F	1.931	04/05/2019	2,500	2,500
Federal Home Loan Bank		1.997	F	1.985	04/10/2019	1,500	1,500
Federal Home Loan Bank		1.997	F	2.019	04/24/2019	1,000	1,000
Federal Farm Credit Bank		2.007	F	1.896	05/30/2019	1,000	1,000
Total U. S. Government Agency Bonds and Notes	24.6%					52,300	52,297
<i>U.S. Agency Discount Notes</i>							
Federal Farm Credit Bank		0.000		1.835	07/05/2018	31,000	30,995
Federal Home Loan Bank		0.000		1.779	07/06/2018	3,000	2,999
Federal Home Loan Bank		0.000		1.772	07/09/2018	300	300
Federal Home Loan Bank		0.000		1.767	07/09/2018	1,500	1,500
Federal Home Loan Bank		0.000		1.870	07/10/2018	3,000	2,999
Federal Home Loan Bank		0.000		1.844	07/13/2018	5,500	5,497
Federal Home Loan Bank		0.000		1.894	07/18/2018	12,000	11,990

(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.

**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2017**  
*(In thousands)*

<b>WEST VIRGINIA GOVERNMENT 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>
Federal Home Loan Bank		0.000	1.917	08/01/2018	7,000	6,989	6,989
Federal Home Loan Bank		0.000	1.885	08/03/2018	1,000	998	998
Federal Home Loan Bank		0.000	1.921	08/06/2018	1,000	998	998
Federal Home Loan Bank		0.000	1.927	08/07/2018	1,000	998	999
Federal Home Loan Bank		0.000	1.914	08/08/2018	1,000	998	998
Federal Home Loan Bank		0.000	1.896	08/14/2018	2,000	1,997	1,995
Federal Home Loan Bank		0.000	1.936	08/15/2018	4,000	3,991	3,991
Federal Home Loan Bank		0.000	1.944	09/12/2018	2,500	2,490	2,490
Federal Home Loan Bank		0.000	1.989	10/04/2018	1,000	995	995
Total U.S. Agency Discount Notes	36.1%					76,734	76,733
<i>Repurchase Agreements</i>							
Goldman, Sachs & Co		2.050	2.050	07/02/2018	48,100	48,100	48,101
Total Repurchase Agreements	22.7%					48,100	48,101
<i>Money Market Funds</i>							
BlackRock Liquidity		1.840 **			247	247	247
Total Money Market Funds	0.1%					247	247
<b>Total Government Money Market Pool</b>	<b>100.0%</b>					<b>\$ 212,304</b>	<b>\$ 212,300</b>

<b>WEST VIRGINIA SHORT TERM BOND 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>U. S. Treasury Notes and Bonds</i>							
United States Treasury		0.750 %	0.920 %	08/15/2019	18,500	\$ 18,465	\$ 18,162
United States Treasury		1.000	0.992	10/15/2019	39,000	39,004	38,288
United States Treasury		1.500	1.763	10/31/2019	11,000	10,962	10,863
United States Treasury		1.375	1.536	12/15/2019	2,000	1,996	1,969
United States Treasury		1.875	1.893	12/31/2019	10,000	9,997	9,911
United States Treasury		2.500	2.551	05/31/2020	3,000	2,997	2,998
United States Treasury		2.500	2.508	06/30/2020	4,000	3,999	3,998
Total U. S. Treasury Notes and Bonds	12.1%					87,420	86,189
<i>U.S. Agency Collateralized Mortgage Obligations</i>							
Federal Home Loan Mort Corp		2.169	F 2.433	03/15/2021	15	15	15
Federal Home Loan Mort Corp		2.169	F 2.431	06/15/2021	9	9	9
Federal Home Loan Mort Corp		2.573	F 2.582	04/15/2027	151	151	153
Federal Home Loan Mort Corp		2.573	F 2.583	04/15/2028	173	173	174
Federal Home Loan Mort Corp		2.273	F 2.356	10/15/2028	283	282	282
Federal Home Loan Mort Corp		2.423	F 2.482	04/15/2029	226	226	226
Federal Home Loan Mort Corp		2.673	F 2.672	08/15/2030	115	115	117
Federal Home Loan Mort Corp		2.323	F 2.395	09/15/2030	82	82	82
Federal Home Loan Mort Corp		2.573	F 2.642	09/15/2030	56	56	56
Federal Home Loan Mort Corp		2.373	F 2.442	04/15/2031	301	301	301
Federal Home Loan Mort Corp		2.473	F 2.482	06/15/2031	108	108	108

(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.

**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>	
Federal Home Loan Mort Corp		2.473	F	2.486	07/15/2031	65	65	65
Federal Home Loan Mort Corp		2.523	F	2.533	12/15/2031	155	156	156
Federal Home Loan Mort Corp		2.523	F	2.533	12/15/2031	111	111	112
Federal Home Loan Mort Corp		2.623	F	2.634	02/15/2032	152	152	154
Federal Home Loan Mort Corp		2.523	F	2.533	03/15/2032	125	125	125
Federal Home Loan Mort Corp		2.573	F	2.583	03/15/2032	126	126	127
Federal Home Loan Mort Corp		2.573	F	2.583	03/15/2032	362	362	364
Federal Home Loan Mort Corp		2.573	F	2.583	04/15/2032	165	165	166
Federal Home Loan Mort Corp		2.573	F	2.583	07/15/2032	329	329	331
Federal Home Loan Mort Corp		2.473	F	2.482	10/15/2032	254	254	256
Federal Home Loan Mort Corp		2.523	F	2.533	11/15/2032	133	133	133
Federal Home Loan Mort Corp		2.473	F	2.482	01/15/2033	193	193	194
Federal Home Loan Mort Corp		2.473	F	2.482	02/15/2033	470	469	470
Federal Home Loan Mort Corp		2.523	F	2.546	06/15/2034	256	256	258
Federal Home Loan Mort Corp		2.373	F	2.465	09/15/2035	172	171	172
Federal National Mortgage Assn		2.341	F	2.677	03/25/2036	554	554	550
Government National Mort Assn		2.317	F	2.554	12/20/2060	2,497	2,475	2,499
Government National Mort Assn		2.417	F	2.589	12/20/2060	2,106	2,108	2,113
Government National Mort Assn		2.517	F	2.662	02/20/2061	3,449	3,469	3,465
Government National Mort Assn		2.417	F	2.589	06/20/2062	3,378	3,383	3,388
Government National Mort Assn		2.437	F	2.603	08/20/2062	1,517	1,521	1,523
Government National Mort Assn		2.257	F	2.467	12/20/2062	2,045	2,035	2,043
Government National Mort Assn		2.317	F	2.511	03/20/2063	2,705	2,699	2,706
Government National Mort Assn		2.367	F	2.549	04/20/2063	2,568	2,567	2,573
Government National Mort Assn		2.617	F	2.749	08/20/2063	3,541	3,570	3,567
Government National Mort Assn		2.317	F	2.518	04/20/2065	3,511	3,498	3,513
Total U.S. Agency Collateralized Mortgage Obligations	4.6%						32,464	32,546
<b>Corporate Fixed-Rate Bonds and Notes</b>								
Shell International Finance		1.900		1.278	08/10/2018	4,000	4,003	3,998
Principal Life Global Fund		2.250		2.297	10/15/2018	2,750	2,749	2,748
Stanley Black & Decker Inc		1.622		1.618	11/17/2018	1,020	1,020	1,016
Coca-Cola Femsa SAB		2.375		2.403	11/26/2018	750	749	749
Wells Fargo Bank NA		1.800		1.843	11/28/2018	3,000	2,999	2,990
Cisco Systems Inc		1.600		1.601	02/28/2019	1,700	1,700	1,689
Fifth Third Bancorp		2.300		2.330	03/01/2019	625	624	623
Nissan Motor Acceptance		2.350		2.360	03/04/2019	2,000	1,999	1,994
Citizens Bank NA/RI		2.500		2.504	03/14/2019	1,320	1,320	1,317
Newell Rubbermaid Inc		2.600		1.716	03/29/2019	362	364	361
Huntington National Bank		2.200		2.233	04/01/2019	1,480	1,479	1,474
MassMutual Global Funding		2.350		2.373	04/09/2019	4,000	3,999	3,990
Capital One Financial Corp		2.450		2.466	04/24/2019	3,000	3,000	2,990
Ford Motor Credit Company		2.021		2.021	05/03/2019	1,000	1,000	992
Union Bank NA		2.250		2.298	05/06/2019	615	615	612
Comerica Inc		2.125		2.125	05/23/2019	850	850	844
Ryder System Inc		2.550		2.575	06/01/2019	2,100	2,100	2,092
Diamond 1 Fin/Diamond 2		3.480		3.483	06/01/2019	1,950	1,950	1,955
Penske Truck Leasing		2.500		2.503	06/15/2019	2,000	2,000	1,989
Emera US Finance LP		2.150		2.163	06/15/2019	830	830	821
Norfolk Southern Corp		5.900		2.147	06/15/2019	2,000	2,070	2,054
Daimler Finance NA		1.500		1.551	07/05/2019	3,640	3,638	3,587
Molson Coors Brewing Co		1.450		1.467	07/15/2019	770	770	758
American International Group		2.300		2.343	07/16/2019	4,000	3,998	3,976
Citigroup Inc		2.500		2.513	07/29/2019	5,000	4,999	4,978

(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.

**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>
CBS Corp		2.300	2.365	08/15/2019	3,000	2,998	2,972
Tyson Foods Inc		2.650	2.664	08/15/2019	1,000	1,000	996
Brit Sky Broadcasting		2.625	2.657	09/16/2019	885	885	879
Gilead Sciences Inc		1.850	1.868	09/20/2019	1,050	1,050	1,037
Discovery Communications		2.200	2.220	09/20/2019	830	830	821
JP Morgan Chase Bank		1.650	1.685	09/23/2019	1,110	1,110	1,093
Shire Acq Inv Ireland DA		1.900	1.928	09/23/2019	2,000	1,999	1,969
Fifth Third Bancorp		1.625	1.682	09/27/2019	2,290	2,288	2,254
ERAC USA Finance LLC		2.350	2.380	10/15/2019	2,000	1,999	1,978
Danone SA		1.691	1.691	10/30/2019	1,770	1,770	1,740
Public Service Enterprise Grp		1.600	1.640	11/15/2019	740	740	724
Transcanada Pipelines		2.125	2.129	11/15/2019	2,000	2,000	1,977
Associated Banc-Corp		2.750	2.779	11/15/2019	1,405	1,404	1,393
Abbott Laboratories		2.350	2.384	11/22/2019	519	519	516
Alimentation Couche-Tard		2.350	2.356	12/13/2019	1,000	1,000	988
Duke Energy Florida LLC		2.100	2.105	12/15/2019	469	469	466
Nissan Motor Acceptance		2.250	2.252	01/13/2020	2,000	2,000	1,972
Broadcom Crp / Caym FI		2.375	2.450	01/15/2020	2,000	1,998	1,974
Exelon Generation Co LLC		2.950	2.621	01/15/2020	1,500	1,507	1,494
National Rural Utilities		2.000	2.044	01/27/2020	1,975	1,974	1,947
SunTrust Bank		2.250	2.263	01/31/2020	3,920	3,919	3,872
Smithfield Foods Inc		2.700	2.715	01/31/2020	820	820	808
Caterpillar Financial Services		2.000	1.716	03/05/2020	4,000	4,019	3,939
AFLAC Inc		2.400	2.406	03/16/2020	2,000	2,000	1,978
Qualcomm Inc		2.100	2.102	05/20/2020	2,250	2,250	2,248
MetLife Global Funding		2.050	2.051	06/12/2020	4,000	4,000	3,919
AIG Global Funding		2.150	2.172	07/02/2020	2,000	1,999	1,960
General Motors Financial Co		3.200	3.206	07/13/2020	2,000	2,000	1,991
Charter Communications		3.579	3.582	07/23/2020	2,230	2,230	2,227
Bat Capital Corporation		2.297	2.297	08/14/2020	2,000	2,000	1,954
CK Hutchinson Intl 17 LTD		2.250	2.345	09/29/2020	2,000	1,996	1,956
Northrop Grumman Corp		2.080	2.085	10/15/2020	1,340	1,340	1,309
American Electric Power Co Inc		2.150	2.196	11/13/2020	2,000	1,998	1,951
Stifel Financial Corp		3.500	3.585	12/01/2020	1,950	1,946	1,953
BAE Systems Holdings Inc		2.850	2.926	12/15/2020	1,790	1,787	1,768
Wells Fargo Bank NA		2.600	2.619	01/15/2021	3,000	2,999	2,952
Anheuser Busch Finance		2.650	2.717	02/01/2021	3,000	2,995	2,959
Regions Financial Corp		3.200	3.223	02/08/2021	1,950	1,949	1,940
Crown Castle INTL Corp		3.400	3.405	02/15/2021	2,000	2,000	1,998
Celgene Corporation		2.875	2.891	02/19/2021	1,720	1,719	1,697
CVS Corp		3.350	3.368	03/09/2021	1,000	1,000	999
Exelon Corp		2.450	2.455	04/15/2021	1,000	1,000	972
JP Morgan Chase Bank		3.086	3.086	04/26/2021	4,000	4,000	3,991
Citizens Bank NA/RI		2.550	2.534	05/13/2021	1,800	1,801	1,755
American Express		3.375	3.381	05/17/2021	2,000	2,000	2,002
Maple Escrow Sub		3.551	3.551	05/25/2021	1,150	1,150	1,151
CVS Corp		2.125	2.184	06/01/2021	1,000	998	961
Citizens Financial Group		2.375	2.386	07/28/2021	2,660	2,659	2,572
Microsoft Corporation		1.550	1.572	08/08/2021	3,000	2,998	2,877
Tyson Foods Inc		2.250	2.299	08/23/2021	1,310	1,308	1,259
Ryder System Inc		2.250	2.296	09/01/2021	1,250	1,248	1,207
Smithfield Foods Inc		2.650	2.732	10/03/2021	1,290	1,287	1,229
Fortis Inc		2.100	2.313	10/04/2021	1,100	1,098	1,050
Roper Technologies INC		2.800	2.834	12/15/2021	2,000	1,998	1,953

(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.

**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>
Eversource Energy		2.750	2.780	03/15/2022	2,900	2,897	2,828
Compass Bank		2.875	2.910	06/29/2022	2,000	1,998	1,931
Healthcare Trust of America		2.950	2.963	07/01/2022	2,000	1,999	1,935
Wells Fargo & Company		2.625	2.644	07/22/2022	5,000	4,996	4,816
Alimentation Couche-Tard		2.700	2.720	07/26/2022	1,425	1,424	1,370
Kroger Company		2.800	2.804	08/01/2022	2,000	2,000	1,940
McCormick & Company Inc		2.700	2.702	08/15/2022	1,650	1,650	1,592
VISA Inc		2.150	2.214	09/15/2022	4,000	3,990	3,834
National Rural Utilities		2.300	2.304	09/15/2022	2,000	2,000	1,922
PRICOA Global Funding		2.450	2.472	09/21/2022	1,330	1,329	1,276
NiSource Finance Corp		2.650	2.677	11/17/2022	860	859	831
Andeavor Logis LP		3.500	3.568	12/01/2022	2,000	1,994	1,954
AERCAP Ireland CAP/GLOBAL		3.300	3.357	01/23/2023	2,000	1,995	1,922
Total System Services Inc		4.000	4.018	06/01/2023	800	799	802
Total Corporate Fixed-Rate Bonds and Notes	25.0%					180,806	178,097
<b>Corporate Floating-Rate Bonds and Notes</b>							
Westpac Banking Corp		3.099	F 3.099	07/30/2018	2,000	2,000	2,001
HSBC Bank		3.215	F 3.215	09/24/2018	5,000	5,000	5,009
Oracle Corporation		2.928	F 2.928	01/15/2019	2,450	2,450	2,457
BB&T Corporation		3.018	F 3.018	02/01/2019	4,000	4,000	4,010
Mondelez International		2.878	F 2.878	02/01/2019	2,000	2,000	2,003
Cisco Systems Inc		2.800	F 2.800	03/01/2019	2,350	2,350	2,358
Apple Computer Inc		2.663	F 2.663	05/06/2019	5,000	5,000	5,012
Verizon Communications		3.105	F 3.105	06/17/2019	2,000	2,000	2,011
Bank of New York Mellon		2.807	F 2.807	09/11/2019	2,100	2,100	2,110
Daimler Finance NA		2.979	F 2.979	10/30/2019	4,000	4,000	4,022
Ford Motor Credit Company		3.331	F 3.331	01/09/2020	2,000	2,000	2,014
Huntington National Bank		2.837	F 2.837	03/10/2020	1,750	1,750	1,754
Mississippi Power Co		2.987	F 2.987	03/27/2020	350	350	350
Dollar Tree INC		3.055	F 3.053	04/17/2020	1,790	1,790	1,794
duPont EI de Nemours Co		2.888	F 2.888	05/01/2020	2,000	2,000	2,007
Daimler Finance NA		2.893	F 2.893	05/05/2020	1,350	1,350	1,355
Ford Motor Credit Company		3.116	F 3.117	06/12/2020	2,000	2,000	2,010
Bank of Montreal		2.781	F 2.781	06/15/2020	4,000	4,000	4,013
AT&T Inc		3.264	F 3.238	06/30/2020	2,100	2,100	2,123
JP Morgan Chase		3.564	F 3.564	10/29/2020	3,000	3,000	3,058
Sempra Energy		2.848	F 2.848	01/15/2021	965	965	965
PNC Bank NA		2.612	F 2.612	01/22/2021	4,000	4,000	3,997
Manufacturers & Traders Trust		2.630	F 2.630	01/25/2021	4,000	4,000	3,998
Morgan Stanley		2.903	F 2.902	02/10/2021	4,000	4,000	4,008
American Honda Finance		2.565	F 2.565	02/12/2021	2,000	2,000	2,001
Chevron Corp		3.280	F 3.280	05/16/2021	4,000	4,000	4,094
Australia & NZ Banking Group		2.781	F 2.781	05/17/2021	1,000	1,000	998
Toronto Dominion Bank		2.756	F 2.757	06/11/2021	3,000	3,000	3,000
Bank of America Corp		3.022	F 3.022	07/21/2021	4,000	4,000	4,016
Equifax Inc		3.200	F 3.212	08/15/2021	910	910	913
Commonwealth Bank of Australia		3.144	F 3.144	09/06/2021	4,000	4,000	4,043
BP Capital Markets PLC		3.205	F 3.205	09/16/2021	2,220	2,220	2,262
Bank of America Corp		2.958	F 2.958	10/01/2021	4,000	4,000	4,014
Toyota Motor Credit Corp		3.023	F 3.032	01/11/2022	3,000	3,000	3,037
General Motors Financial Co		3.898	F 3.898	01/14/2022	3,640	3,640	3,730

(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.

**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>	
Morgan Stanley		3.539	F	3.375	01/20/2022	6,000	6,033	6,078
Royal Bank of Canada		3.088	F	3.088	02/01/2022	4,000	4,000	4,033
Capital One Financial Corp		3.277	F	3.277	03/09/2022	2,060	2,060	2,068
Petroleos Mexicanos		5.977	F	6.021	03/11/2022	2,000	2,000	2,135
Verizon Communications		3.335	F	3.335	03/16/2022	1,670	1,670	1,697
Ford Motor Credit Company		3.606	F	3.622	03/28/2022	2,860	2,860	2,892
Citigroup Inc		3.320	F	3.320	04/25/2022	4,000	4,000	4,036
Goldman Sachs Group Inc		3.472	F	3.404	04/26/2022	4,000	4,010	4,039
Becton Dickinson & Company		3.344	F	3.344	06/06/2022	2,000	2,000	2,007
AstraZeneca Group PLC		2.947	F	2.947	06/10/2022	2,150	2,150	2,161
Reckitt Benckiser TSY		2.895	F	2.895	06/24/2022	4,000	4,000	3,992
American Express		2.968	F	2.968	08/01/2022	2,000	2,000	2,001
Kraft Heinz Foods Co		3.173	F	3.172	08/10/2022	2,000	2,000	2,007
BP Capital Markets PLC		2.976	F	2.976	09/19/2022	1,000	1,000	1,011
Nissan Motor Acceptance		3.026	F	3.026	09/28/2022	3,200	3,200	3,204
Goldman Sachs Group INC		3.139	F	3.139	10/31/2022	4,000	4,000	4,001
American Honda Finance		2.800	F	2.800	11/16/2022	2,000	2,000	2,006
Anheuser-Busch		3.077	F	3.079	01/12/2024	1,885	1,885	1,902
Total Corporate Floating-Rate Bonds and Notes	20.7%						146,843	147,817
<b>Collateralized Mortgage Obligations</b>								
Holmes Master Issuer PLC		2.708	F	2.717	10/15/2054	2,400	2,400	2,400
Gosforth Funding PLC		3.043	F	3.041	02/15/2058	967	967	969
Permanent Master Issuer PLC		2.747	F	2.358	07/15/2058	2,500	2,500	2,500
Gosforth Funding PLC		2.796	F	2.806	12/19/2059	2,336	2,336	2,339
Lanark Master Issuer PLC		2.749	F	2.758	12/22/2069	3,760	3,760	3,761
Silverstone Master		2.912	F	2.922	01/21/2070	4,200	4,200	4,212
Silverstone Master		2.750	F	2.761	01/21/2070	1,900	1,900	1,900
Total Collateralized Mortgage Obligations	2.5%						18,063	18,081
<b>Commercial Mortgage-Backed Securities</b>								
Commercial Mortgage Trust		1.381		1.385	10/10/2047	422	422	421
GS Mortgage Securities Trust		1.509		1.514	09/10/2047	460	460	458
JPMBB Commercial Mortgage		2.723	F	2.739	11/15/2045	1,208	1,208	1,209
Wells Fargo RBS		3.023	F	3.042	03/15/2044	922	922	926
Total Commercial Mortgage-Backed Securities	0.4%						3,012	3,014
<b>Asset-Backed Securities</b>								
Hyundai Auto Lease Trust		1.800		1.811	12/16/2019	2,000	2,000	1,998
BMW Vehicle Lease Trust		1.570		1.578	02/20/2020	1,000	1,000	992
Drive Auto Receivables Trust		1.860		1.870	03/16/2020	128	128	128
Securitized Term Auto Receivables		1.524		1.529	03/25/2020	1,936	1,936	1,927
Drive Auto Receivables Trust		1.850		1.863	04/15/2020	1,500	1,500	1,498
Ford Credit Auto Lease Trust		2.020		2.037	06/15/2020	2,500	2,500	2,482
BMW Vehicle Lease Trust		2.180		2.190	06/22/2020	5,100	5,100	5,061
Americredit Automobile Rec		1.700		1.713	07/08/2020	273	273	273
Kubota Credit Owner Trust		1.500		1.517	07/15/2020	2,384	2,383	2,364
California Republic Auto Rec		1.560		1.571	07/15/2020	747	747	746
Capital Auto Receivables Asset		1.540		1.551	08/20/2020	844	844	841
GM Financial Auto Leasing		2.260		2.277	08/20/2020	1,650	1,650	1,638
Santander Drive Auto Rec		1.770		1.777	09/15/2020	2,250	2,250	2,246

(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.

**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>
Volvo Financial Equipment		1.890	1.900	09/15/2020	1,500	1,500	1,485
Americredit Automobile Rec		1.810	1.822	10/08/2020	509	509	508
Ford Credit Auto Lease Trust		2.170	2.181	02/15/2021	1,320	1,320	1,304
Hyundai Floorplan Master Trust		1.810	1.825	03/15/2021	2,450	2,450	2,435
PFS Financing Corp		2.653	F 2.668	03/15/2021	3,000	3,000	3,003
BMW Vehicle Lease Trust		2.190	2.214	03/22/2021	575	575	568
Hyundai Auto Lease Trust		2.130	2.144	04/15/2021	4,000	4,000	3,968
Nextgear Floorplan		3.773	F 3.803	04/15/2021	2,000	2,000	2,021
Great American Leasing Rec		2.600	2.622	06/15/2021	2,000	2,000	1,984
GM Financial Auto Leasing		2.180	2.200	06/21/2021	1,500	1,500	1,482
MMAF Equipment Finance		2.920	2.946	07/12/2021	1,075	1,075	1,074
Discover Card Master Trust		1.640	1.655	07/15/2021	2,500	2,500	2,488
Master Credit Card Trust		2.260	2.281	07/21/2021	4,000	3,999	3,955
Dell Equipment Finance Trust		1.650	1.656	07/22/2021	437	437	436
Nextgear Floorplan		2.190	2.210	09/15/2021	2,000	2,000	1,981
Hyundai Auto Lease Trust		2.210	2.225	09/15/2021	3,400	3,400	3,354
Enterprise Fleet Financing LLC		1.830	1.841	09/20/2021	854	854	853
GM Financial Auto Leasing		2.120	2.134	09/20/2021	2,000	2,000	1,973
Navistar Financial Dealer Note		3.441	F 3.466	09/27/2021	4,600	4,600	4,611
PFS Financing Corp		1.870	1.878	10/15/2021	1,250	1,250	1,232
Canadian Pacer Auto Rec		3.000	3.028	11/19/2021	5,000	4,999	4,994
AmeriCredit Automobile Rec		1.980	1.995	12/20/2021	2,400	2,400	2,377
Chrysler Capital Auto		1.960	1.970	01/18/2022	3,000	3,000	2,985
GMF Floorplan		2.220	2.237	01/18/2022	2,000	2,000	1,978
Canadian Pacer Auto Rec		2.286	2.358	01/19/2022	2,435	2,432	2,397
Santander Retail Auto Lease Trust		2.370	2.387	01/20/2022	1,500	1,500	1,479
GE Dealer Floorplan		2.734	F 2.749	01/20/2022	5,000	5,000	5,026
PFS Financing Corp		2.319	F 2.486	02/15/2022	2,900	2,900	2,897
Enterprise Fleet Financing LLC		2.040	2.057	02/22/2022	1,375	1,375	1,355
AmeriCredit Automobile Rec		1.900	1.915	03/18/2022	2,500	2,500	2,463
Penarth Master Trust		2.333	F 2.478	03/18/2022	3,000	3,000	3,000
Securitized Term Auto Receivables		2.289	2.372	03/25/2022	2,405	2,402	2,344
Nextgear Floorplan		2.540	2.556	04/18/2022	4,000	3,999	3,952
First National Master Trust		2.473	F 2.486	04/18/2022	1,200	1,200	1,201
Santander Retail Auto Lease Trust		3.060	3.081	04/20/2022	3,000	3,000	2,989
Dell Equipment Finance Trust		2.140	2.152	04/22/2022	2,650	2,650	2,637
Mercedes-Benz Auto Lease		2.333	F 2.345	05/16/2022	1,800	1,800	1,799
Honda Auto Receivables Owner		3.010	3.030	05/18/2022	1,300	1,300	1,302
Mercedes-Benz Auto Lease		1.520	1.527	06/15/2022	1,160	1,160	1,152
Capital One Multi Asset Trust		2.433	F 2.446	06/15/2022	2,600	2,600	2,607
Navistar Financial Dealer Note		2.871	F 2.888	06/27/2022	2,575	2,575	2,586
Drive Auto Receivables Trust		3.190	3.036	07/15/2022	3,176	3,186	3,181
PFS Financing Corp		2.673	F 2.688	07/15/2022	1,650	1,650	1,653
GM Financial Auto Leasing		2.320	0.000	07/18/2022	3,500	3,500	3,456
Enterprise Fleet Financing LLC		2.130	2.141	07/20/2022	1,121	1,121	1,114
Bank of America Credit Card		1.950	1.969	08/15/2022	3,000	2,999	2,954
World Omni Auto Lease Security		2.320	2.332	08/15/2022	1,500	1,500	1,487
Nissan Auto Lease Trust		2.040	2.049	09/15/2022	2,275	2,275	2,251
Verizon Owner Trust		2.344	F 2.246	09/20/2022	1,700	1,700	1,700
MMAF Equipment Finance LLC		2.210	2.221	10/17/2022	2,000	2,000	1,960
PFS Financing Corp		2.400	2.423	10/17/2022	3,400	3,399	3,337
Nextgear Floorplan		2.560	2.574	10/17/2022	4,000	4,000	3,933

(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.

**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>	
Cards II Trust		2.333	F	2.345	10/17/2022	1,800	1,800	1,800
Dell Equipment Finance Trust		2.190		2.202	10/24/2022	2,000	2,000	1,979
Volvo Financial Equipment		2.573	F	2.586	11/15/2022	3,350	3,350	3,356
Golden Credit Card Trust		2.620		2.635	01/15/2023	1,900	1,899	1,879
Mercedes-Benz Auto Lease		2.010		2.021	01/17/2023	1,750	1,750	1,735
Enterprise Fleet Financing		2.220		2.231	01/20/2023	1,800	1,800	1,765
Great American Leasing Rec		2.360		2.373	01/20/2023	4,750	4,750	4,683
Trillium Credit Card Trust II		2.348	F	2.359	02/27/2023	3,700	3,700	3,700
Cards II Trust		2.423	F	2.435	04/17/2023	3,700	3,700	3,700
Chase Issuance Trust		2.273	F	2.284	04/17/2023	4,000	4,000	3,999
World Omni Auto Lease Security		2.940		2.963	05/15/2023	3,000	3,000	2,992
BMW Floorplan Master Owner Trust		3.150		3.180	05/15/2023	1,600	1,600	1,601
Ally Master Owner Trust		3.290		3.313	05/15/2023	1,000	1,000	1,002
Barclays Dryrock Trust		2.373	F	2.385	05/15/2023	3,575	3,575	3,577
GM Financial Auto Leasing		2.060		2.075	05/16/2023	3,500	3,499	3,428
Mercedes-Benz Auto Lease		2.510		2.477	10/16/2023	1,400	1,402	1,387
First National Master Trust		2.513	F	2.526	10/16/2023	3,200	3,200	3,203
ARI Fleet Lease Trust		2.110		2.124	07/15/2024	3,000	3,000	2,970
Discover Card Master Trust		2.563	F	2.577	07/15/2024	1,250	1,250	1,260
Golden Credit Card Trust		2.593	F	2.590	07/15/2024	5,700	5,703	5,706
Master Credit Card Trust		2.578	F	2.592	07/22/2024	2,000	2,000	1,998
American Express Credit Acct		2.523	F	2.537	09/16/2024	3,300	3,300	3,329
Capital One Multi Asset Trust		2.583	F	2.597	09/16/2024	2,500	2,500	2,519
Motor PLC		2.621	F	2.635	09/25/2024	4,000	4,000	4,005
Daimler Trucks Retail Trust		3.030		3.051	11/15/2024	2,500	2,500	2,495
Citibank Credit Card Issuance		2.414	F	2.425	01/21/2025	4,000	4,000	4,005
Discover Card Master Trust		2.433	F	2.446	04/15/2025	2,000	2,000	2,005
ARI Fleet Lease Trust		2.280		2.296	04/15/2026	5,000	4,999	4,926
Chesapeake Funding II LLC		1.880		1.909	06/15/2028	2,792	2,789	2,773
Chesapeake Funding II LLC		1.990		1.999	05/15/2029	3,594	3,593	3,557
Chesapeake Funding II LLC		1.910		1.921	08/15/2029	1,790	1,790	1,769
SLMA Student Loan Trust		3.173	F	3.194	06/17/2030	2,386	2,386	2,397
Social Professional Loan Program		2.941	F	2.959	07/25/2039	1,126	1,126	1,131
Social Professional Loan Program		1.720		1.727	09/25/2040	2,256	2,255	2,240
Social Professional Loan Program		2.390		2.402	02/25/2042	3,479	3,479	3,458
<b>Total Asset Backed Securities</b>	<b>34.0%</b>						<b>243,097</b>	<b>241,784</b>
<b>Money Market Funds</b>								
BlackRock Liquidity		1.840	**			5,054	5,054	5,054
<b>Total Money Market Funds</b>	<b>0.7%</b>						<b>5,054</b>	<b>5,054</b>
<b>Total Short Term Bond Pool</b>	<b>100.00%</b>					<b>\$ 716,759</b>	<b>\$ 712,582</b>	

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.

**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2017**  
*(In thousands)*

## WEST VIRGINIA BANK 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>Certificates of Deposit</i>							
Citizens Bank of WV-Elkins		1.720 %	1.720 %	07/12/2018	5,000	\$ 5,000	\$ 5,000
Bank of Romney		1.720	1.720	07/12/2018	1,500	1,500	1,500
WesBanco Bank		1.720	1.720	07/12/2018	8,500	8,500	8,500
Bank of Romney		1.900	1.900	08/18/2018	1,000	1,000	1,000
WesBanco Bank		1.900	1.900	08/18/2018	10,000	10,000	10,000
Bank of Romney		1.980	1.980	09/13/2018	1,000	1,000	1,000
WesBanco Bank		1.980	1.980	09/13/2018	10,000	10,000	10,000
Grant County Bank		2.020	2.020	10/11/2018	3,000	3,000	3,000
Bank of Romney		2.020	2.020	10/11/2018	1,000	1,000	1,000
WesBanco Bank		2.020	2.020	10/11/2018	10,000	10,000	10,000
Citizens Bank of WV-Elkins		2.100	2.100	11/15/2018	2,000	2,000	2,000
Grant County Bank		2.100	2.100	11/15/2018	1,000	1,000	1,000
Bank of Romney		2.100	2.100	11/15/2018	2,000	2,000	2,000
WesBanco Bank		2.100	2.100	11/15/2018	10,000	10,000	10,000
Citizens Bank of WV-Elkins		2.250	2.250	12/13/2018	5,000	5,000	5,000
WesBanco Bank		2.200	2.200	12/13/2018	6,000	6,000	6,000
BcBank Inc		2.210	2.210	12/13/2018	4,000	4,000	4,000
Total Certificates of Deposit	99.9%					81,000	81,000
<i>Money Market Funds</i>							
BlackRock Liquidity		1.840 **			60	60	60
Total Money Market Funds	0.1%					60	60
<b>Total West Virginia Bank Pool</b>	<b>0.1%</b>					<b>\$ 81,060</b>	<b>\$ 81,060</b>

## 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		0.890 %			106,681	\$ 106,681	\$ 106,681
WVEDA Non-Recourse Loan		3.000			24,336	24,336	24,336
WVEDA Broadband Loan		1.300			1,480	1,480	1,480
Total Intergovernmental Loans						132,497	132,497
Reserve for uncollectable loans					23,464	23,464	23,464
Loans and Mortgages, net of reserve for uncollectable loans	100.0%					109,033	109,033
<i>Money Market Funds</i>							
BlackRock Liquidity		1.840 **			34	34	34
Total Money Market Funds	0.0%					34	34
<b>Total State Loan Pool</b>	<b>100.0%</b>					<b>\$ 109,067</b>	<b>\$ 109,067</b>

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.

**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2017**  
*(In thousands)*

**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>Depository Accounts</i>							
United National Bank		2.03% ** F	2.04%	08/31/2022	19,092	\$ 19,092	\$ 19,092
Total Depository Accounts	100.0%					19,092	19,092
<i>Money Market Funds</i>							
BlackRock Liquidity		1.840 **			1	1	1
Total Money Market Funds	0.0%					1	1
<b>Total Reserve Pool</b>	<b>0.0%</b>					<b>\$ 19,093</b>	<b>\$ 19,093</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>State and Local Government Series Securities</i>							
State & Local Governments		1.400 %	1.400 %	10/01/2018	8,874	\$ 8,874	\$ 8,874
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 State and Local Government Series Securities	100.0%					28,257	28,257
<b>Total Municipal Bond Commission Pool</b>	<b>100.0%</b>					<b>\$ 28,257</b>	<b>\$ 28,257</b>

**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>Money Market Funds</i>							
BlackRock Liquidity		1.840 **			1,252	\$ 1,252	\$ 1,252
Total Money Market Funds	100.0%					1,252	1,252
<b>Total School Fund</b>	<b>100.0%</b>					<b>\$ 1,252</b>	<b>\$ 1,252</b>

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.

**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2017**  
*(In thousands)*

<b>EDA - AW</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>U. S. Treasury Issues</i>							
United States Treasury Bond		6.250 %	4.929 %	08/15/2023	1,445	\$ 1,530	\$ 1,686
Total U. S. Treasury Issues	<u>100.0%</u>					<u>1,530</u>	<u>1,686</u>
<b>Total EDA-AW</b>	<u>100.0%</u>					<u>\$ 1,530</u>	<u>\$ 1,686</u>

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.

## **Investment Section**

## Consolidated Fund Overview at June 30, 2018

**Investment Philosophy:** It is the investment philosophy of the Board of Treasury Investments (the “BTI”) 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.

**Investment Objectives:** It is the investment objective of the BTI to provide focused investment services for the Consolidated Fund, reduce costs for and increase returns to its participants.

**Total Investments at June 30, 2018:** \$ 4,429,361,000.

**Description of the Consolidated Fund:** The Consolidated Fund under the management of the BTI consisted of nine investment pools and single participant accounts during the year. The 2005 West Virginia Legislature established the BTI, effective July 8, 2005, as a public corporation of the State of West Virginia to make short-term operating funds of the state more accessible to state government. The BTI employs a top-down approach to developing its investment strategy for the management of its funds. Starting with the objectives of the fund, the BTI considers constraints outlined in its investment policy, which includes among other parameters: safety, liquidity, and maximization of rate of return. The Investment Policy is summarized on Pages 94 – 99 of this Investment Section.

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 Consolidated Fund pools and accounts are described in detail following this overview.

**Expense Ratios:** The Board annually adopts a budget and fee schedule, which describes how fees are charged to each pool and account. The fees charged to the Consolidated Fund are categorized into direct or indirect expenses as follows:

- (a). Direct Expenses - All investment advisor and custodian expenses will be charged directly to the pools and accounts as they are incurred.
- (b). Indirect Expenses - All indirect expenses such as insurance, staff costs, investment consultant fees, and rent shall be allocated based upon the percentage of net position under management.

Expense ratios for the pools and accounts are detailed in Table 2: Financial Highlights on Page 107 in the Statistical Section.

**Basis of Presentation:** Rates of return use a time-weighted rate of return methodology based upon market values.

**Economic Environment:** Data throughout the fiscal year indicated that U.S. economy experience strong growth throughout the fiscal year. Growth remained above 2.0% during the year; with a fourth quarter fiscal year 2018 reading coming in especially strong at 4.2%. The Federal Reserve (the “Fed”) continued their program of policy normalization, hiking rates three times during the fiscal year in addition to beginning their balance sheet normalization. The Fed funds target rate ended the fiscal year 75 basis points higher, at a range of 1.75% to 2.00%. Looking forward, markets are expecting two more rate hikes by the Fed before the end of calendar year 2018.

Bond yields were disappointing again in fiscal year 2018 as the Fed continued on their policy normalization campaign. The U.S. bond market, as measured by the Barclays Aggregate Bond Index, was almost flat for the fiscal year, returning a negative 40 basis points for the year. Domestically, equity returns were strong for fiscal year 2018. The broad U.S. equity market, as measured by the Russell 3000 index, returned 14.77% for the fiscal year. Smaller or emerging markets equity performance was lower than fiscal year 2017 and fell short of domestic equity performance. Foreign equity returns, as measured by the MSCI Emerging Markets Index, posted a return of 8.5% for the fiscal year. Commodity markets experienced a massive turnaround as markets posted huge gains during fiscal year 2018. Commodity market performance, as measured by the S&P GSCI Total Return Index, returned 30.04% for the fiscal year.

**Pool and Account Overviews:** The following pages present overviews of the investment pools and accounts of the Consolidated Fund.

The reports on the investment activities of each pool and account are prepared by staff of the BTI with assistance from pool and account managers and the BTI's investment consultant.

The Schedule of Investments in Securities is presented in the Financial Section on Pages 48-64, and Participant Net Asset Values are presented in the Statistical Section on Page 117.

## **West Virginia Money Market Pool**

### **□ Investment Objectives and Policy Guidelines**

#### Objectives

The West Virginia Money Market Pool was created to invest participants' operating funds. The objective of the pool is to maintain sufficient liquidity to meet the daily disbursements of participants while striving to earn a return above inflation. The pool is structured as a money market fund with the goal of preservation of principal. The pool risk factor is low, and the pool is managed under numerous maturity restrictions, diversification guidelines, and credit limits.

Participants include state agencies and local governments throughout the state.

#### Benchmarks

The performance of the West Virginia Money Market Pool (net of external investment manager fees) will be measured against a blended benchmark of 15% iMoneyNet Treasury & Repo Institutional Average + 85% iMoneyNet First Tier Institutional Average.

#### Investment Managers

The West Virginia Money Market Pool is managed by Federated Investors and UBS Asset Management.

#### Maturity Restrictions, Diversification Guidelines and Credit Limits

All restrictions are based upon total dollar percentages of pool holdings using an amortized cost basis. Securities that fall out of compliance may be held to maturity based upon recommendation of the investment manager and investment consultant. The Board may require the investment manager to sell non-compliant securities. Where noted, the date of purchase shall mean the settlement date.

- Weighted average maturity of the West Virginia Money Market Pool shall not exceed 60 days.
- Weighted average final maturity of the pool shall not exceed 90 days.
- Maximum maturity of individual securities cannot exceed 397 days from the date of purchase except for certain variable rate and floating rate U.S. Government securities.
- Variable rate and floating rate securities shall be based on a money market index and shall not have a final maturity longer than 762 days if they are U.S. Government securities, or 397 days if they are not U.S. Government securities.
- Minimum 15% of the pool must be in U.S. Treasury obligations or obligations guaranteed as to payment of interest and principal by the United States of America (inclusive of U.S. Treasury collateralized repurchase agreements and money market funds that invest substantially all of their assets in securities issued by the U.S. Treasury and in related repurchase agreements).
- Repurchase agreements must comply with the requirements of the Repurchase Agreement Policy.
- Money market funds utilized by the pool must be approved in advance by the Board.
- Maximum 5% of the pool may be invested in any one corporate name.
- Maximum 5% of the pool may be invested in any one supranational name.
- Maximum exposure in money market funds is limited to 10% of any individual rated fund at the pool level. The aggregate exposure at the pool level may not exceed 30%.

- Maximum 75% of the pool may be invested in notes with floating rates.
- All corporate securities must be rated A+ or higher (or its equivalent) if long term and A-1 or higher (or its equivalent) if short term.
- All supranational securities must be rated AA or higher (or its equivalent) if long term and A-1 or higher (or its equivalent) if short term.
- Maximum of 20% of the pool may be invested in asset-backed and mortgage-backed securities. Asset-backed commercial paper is not considered an asset-backed security under this limitation.
- Asset-backed and mortgage-backed securities must be rated AAA (or its equivalent).
- Asset-backed commercial paper programs that are eligible for purchase should be fully or partially supported programs that provide adequate diversification by asset type (trade receivables, credit card receivables, auto loans, etc.)
- The pool may not hold inverse floaters.
- The pool may not be leveraged in any manner.
- The pool may not hold unregistered securities or private placements with the exception of securities issued pursuant to the SEC Rule 144A and commercial paper issued pursuant to Rule 4(2) of the Securities Act of 1933.
- The pool shall not acquire any illiquid security if, after acquisition, more than 5% of the pool would be invested in illiquid securities.
- The pool shall not acquire any other security other than daily liquid assets if the fund would have less than 10% of its total assets in daily liquid assets.
- The pool shall not acquire any other security other than weekly liquid assets if the fund would have less than 30% of its total assets in weekly liquid assets.
- If the pool is rated by a nationally recognized statistical rating organization (“NRSRO”), each investment manager is required to comply with any additional maturity, concentration, credit or other restrictions or requirements of the NRSRO for maintenance of the rating.

#### **□ BTI Role**

The role of the BTI for the West Virginia Money Market Pool is as follows:

- Develop investment guidelines.
- Select and oversee investment managers.
- Prohibit commingling of funds with any other account in the Consolidated Fund.
- Distribute daily earnings to participants.
- Calculate monthly net income and net asset value.
- Prepare monthly a statement of net position, a statement of changes in net position, and a detailed list of securities.

#### **□ Income Allocation**

Net investment income and realized gains and losses are declared as dividends and distributed daily to the participants. If the pool incurs an extraordinary loss and distributing the loss would decrease the share value below one dollar (\$1), the Investment Committee will be notified immediately for development of an action plan.

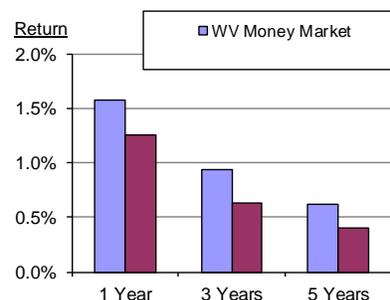
❑ **Asset Allocation – Permissible vs. Actual**

Security Type	Permissible Allocation Maximum Percent of Pool	Actual Allocation June 30, 2018	
		Carrying Value (Thousands)	Percent of Pool
U.S. Treasury obligations	100.0%	\$ 342,414	10.5%
U.S. government agency obligations & FDIC guaranteed obligations	85.0%	-	-
Repurchase agreements	85.0%	227,800	7.0%
Commercial paper, asset backed commercial paper, corporate debt and supranational debt (Combined)	75.0%	1,886,978	57.8%
Certificates of deposit	75.0%	663,801	20.3%
Money market funds	30.0%	143,067	4.4%
Asset-backed & mortgage-backed securities	20.0%	-	-
Municipal securities	15.0%	-	-
Depository accounts	5.0%	-	-
		<u>\$ 3,264,060</u>	<u>100.0%</u>

❑ **Actual Returns**

Actual Annualized Returns for Periods Ended June 30, 2018

	1 Year	3 Years	5 Years
Returns by Investment Manager:			
Federated Investors *	1.60%	-	-
UBS	1.56%	0.91%	0.60%
Total pool returns	1.54%	0.89%	0.58%
Benchmark:			
Custom Index **	1.25%	0.63%	0.40%



\* The pool was co-managed by JP Morgan Asset Management until August 1, 2015, when Federated Investors replaced them.

\*\* Benchmark is 15% iMoneyNet Treasury & Repo Institutional Average + 85% iMoneyNet First Tier Institutional Average. Prior to July 1, 2015, BofA Merrill Lynch 3-Month T-bill plus floating hurdle with maximum of 15 bps; prior to January 2013, Merrill Lynch 3-Month T-bill + 15 bps

Returns are calculated on a time-weighted basis.  
 Manager returns are net of manager fees.  
 Total pool returns are net of all fees.

□ **Investments**

For a detailed list of investments in the West Virginia Money Market Pool, see the Schedule of Investments in Securities in the Supplementary Information on Pages 48-53.

## **West Virginia Government Money Market Pool**

### **❑ Investment Objectives and Policy Guidelines**

#### Objectives

The West Virginia Government Money Market Pool was created to invest restricted moneys of participants in U.S. Treasury and U.S. government agency obligations. The investment objective of the pool is to preserve capital and maintain sufficient liquidity to meet the daily disbursement needs of participants, while striving to earn a return above inflation. The pool is structured as a money market fund with an emphasis on maintaining a stable dollar value. The risk factor on this pool is low and managed through maturity restrictions. The default risk is minimal due to the types of securities held.

Participants include state agencies and local governments throughout the state.

#### Benchmarks

The performance of the West Virginia Government Money Market Pool (net of external investment manager fees) will be measured against a blended benchmark of 15% iMoneyNet Treasury & Repo Institutional Average + 85% iMoneyNet Government & Agencies Institutional Average.

#### Investment Manager

The West Virginia Government Money Market Pool is managed by UBS Asset Management.

#### Maturity Restrictions, Diversification Guidelines and Credit Limits

All restrictions are based upon total dollar percentages of the pool holdings using an amortized cost basis. Securities that fall out of compliance may be held to maturity based upon recommendation of the investment manager and investment consultant. The Board may require the investment manager to sell non-compliant securities. Where noted, the date of purchase shall mean the settlement date.

- Weighted average maturity of the pool shall not exceed 60 days.
- Weighted average final maturity of the pool shall not exceed 90 days.
- Maximum maturity of individual securities held cannot exceed 397 days from the date of purchase except for certain variable rate and floating rate U.S. government securities.
- Variable rate and floating rate U.S. government securities shall be based on a money market index and shall not have a final maturity longer than 762 days.
- Minimum 15% of the pool must be in U.S. Treasury obligations or obligations guaranteed as to payment of interest and principal by the United States of America (inclusive of U.S. Treasury collateralized repurchase agreements and money market funds that invest substantially all of their assets in securities issued by the U.S. Treasury and in related repurchase agreements).
- Repurchase agreements must comply with the requirements of the Repurchase Agreement Policy.
- Money market funds utilized by the pool must be approved in advance by the Board.
- Maximum exposure in government money market funds is limited to 10% of any individual rated fund at the pool level. The aggregate exposure may not exceed 30%.
- The pool may not hold private placements, or inverse floaters, or be leveraged in any manner.

- The pool shall not acquire any illiquid security if, after acquisition, more than 5% of the pool would be invested in illiquid securities.
- The pool shall not acquire any other security other than daily liquid assets if the fund would have less than 10% of its total assets in daily liquid assets.
- The pool shall not acquire any other security other than weekly liquid assets if the fund would have less than 30% of its total assets in weekly liquid assets.
- If the pool is rated by a Nationally Recognized Statistical Rating Organization (“NRSRO”), the investment manager is required to comply with any additional maturity, concentration, credit or other restrictions or requirements of the NRSRO for maintenance of the rating.

❑ **BTI Role**

The role of the BTI for the West Virginia Government Money Market Pool is as follows:

- Develop investment guidelines.
- Select and oversee investment managers.
- Prohibit commingling of funds with any other account in the Consolidated Fund.
- Distribute daily earnings to participants.
- Calculate monthly net income and net asset value.
- Prepare monthly a statement of net position, a statement of changes in net position, and a detailed list of securities.

❑ **Income Allocation**

Net investment income and realized gains and losses are declared as dividends and distributed daily to the participants. If the pool incurs an extraordinary loss and distributing the loss would decrease the share value below one dollar (\$1), the Investment Committee will be notified immediately for development of an action plan.

❑ **Asset Allocation – Permissible vs. Actual**

Permissible Allocation		Actual Allocation June 30, 2018	
Security Type	Maximum Percent of Pool	Carrying Value (Thousands)	Percent of Pool
U.S. Treasury obligations	100.0%	\$ 34,923	16.4%
U.S. government agency obligations & FDIC guaranteed obligations	85.0%	129,034	60.8%
Repurchase agreements	85.0%	48,100	22.7%
Government money market funds	30.0%	247	0.1%
Depository accounts	5.0%	-	-
		<u>\$ 212,304</u>	<u>100.0%</u>

☐ **Actual Returns**

Actual Annualized Returns for Periods Ended June 30, 2018



\* Benchmark is 15% iMoneyNet Treasury & Repo Institutional Average + 85% iMoneyNet Government & Agencies Institutional Average. Prior to July 1, 2015, BofA Merrill Lynch 3-Month T-bill

Returns are calculated on a time-weighted basis.  
 Manager returns are net of manager fees.  
 Total pool returns are net of all fees.

☐ **Investments**

For a detailed list of investments in the West Virginia Government Money Market Pool, see the Schedule of Investments in Securities in the Supplementary Information on Pages 53-55.

## **West Virginia Short Term Bond Pool**

### **❑ Investment Objectives and Policy Guidelines**

#### Objectives

The West Virginia Short Term Bond Pool was created to invest restricted moneys of the State which have a longer term investment horizon. The goal of the pool is to earn an incremental return over the West Virginia Money Market Pool with an objective of asset growth rather than current income. The pool is structured as a mutual fund and is limited to monthly withdrawals and deposits by participants. The risk factor on this pool is higher than the West Virginia Money Market Pool.

Participants include state agencies and local governments throughout the state.

#### Benchmark

The performance of the West Virginia Short Term Bond Pool (net of external Investment Manager fees) will be measured against the BofA Merrill Lynch US Corporate & Government, 1-3 Years, A Rated and Above Index + 10 basis points.

#### Investment Manager

The West Virginia Short Term Bond Pool is managed by Federated Investors.

#### Maturity Restrictions, Diversification Guidelines and Credit Limits

All restrictions are based upon percentage of the pool holdings on a market value basis at the time of the securities purchase. Securities that fall out of compliance may be held to maturity based upon recommendation of the investment manager and investment consultant. The Board may require the investment manager to sell non-compliant securities. Where noted, the date of purchase shall mean the settlement date.

- Effective duration of the West Virginia Short Term Bond Pool shall not exceed 731 days.
- Effective duration of securities cannot exceed five years (1,827 days).
- Effective duration of commercial paper or asset backed commercial paper will not exceed 397 days.
- Minimum 15% of the pool must be in U.S. Treasury obligations or obligations guaranteed as to payment of interest and principal by the United States of America (inclusive of U.S. Treasury collateralized repurchase agreements and money market funds that invest substantially all of their assets in securities issued by the U.S. Treasury and in related repurchase agreements.)
- Maximum 5% of the pool may be invested in any one corporate name or one corporate issue.
- Maximum 5% of the pool may be invested in any one supranational name.
- All long-term corporate securities must be rated BBB- or higher (or its equivalent), provided that no more than 15% may be invested in securities rated BBB- to BBB+ (or its equivalent).
- All long-term supranational securities must be rated AA or higher (or its equivalent).
- All short-term corporate securities, short-term supranational securities, commercial paper or asset backed commercial paper must be rated A-1 or higher (or its equivalent).
- Asset backed and mortgage backed securities must be rated AAA (or its equivalent).
- Maximum 75% of the pool may be invested in floating rate notes.

- Floating rate notes shall be based on a money market index and shall not have an effective duration longer than five years.
- Maximum of 50% of the pool may be invested in asset backed and mortgage backed securities. Asset backed commercial paper is not considered an asset backed security under this limitation.
- Asset backed commercial paper programs that are eligible for purchase should be fully or partially supported programs that provide adequate diversification by asset type (trade receivables, credit card receivables, auto loans, etc.)
- The pool may not hold unregistered securities or private placements with the exception of securities issued pursuant to the SEC Rule 144A, public or municipal securities exempt from registration under Section 3(a)(4) of the Securities Act of 1933, and commercial paper issued pursuant to Rule 4(2) of the Securities Act of 1933.
- The pool may not invest in inverse floaters or be leveraged in any manner.
- Money market and fixed income funds utilized by the pool must be approved in advance by the Board.
- Repurchase agreements must comply with the requirements of the Repurchase Agreement Policy.
- If the pool is rated by a Nationally Recognized Statistical Rating Organization (“NRSRO”), the investment manager is required to comply with any additional maturity, concentration, credit or other restrictions or requirements of the NRSRO for maintenance of the rating.

❑ **BTI Role**

The role of the BTI for the West Virginia Short Term Bond Pool is as follows:

- Develop investment guidelines.
- Select and oversee investment managers.
- Prohibit commingling of funds with any other account in the Consolidated Fund.
- Distribute monthly earnings to participants.
- Calculate monthly net income and net asset value.
- Prepare monthly a statement of net position, a statement of changes in net position, and a detailed list of securities.

❑ **Income Allocation**

Net investment income and realized gains and losses are declared as dividends on the last day of the month and distributed to the participants in the pool on the first day of the following month. Gains and losses (realized and unrealized) are reflected in the net asset value calculated each month.

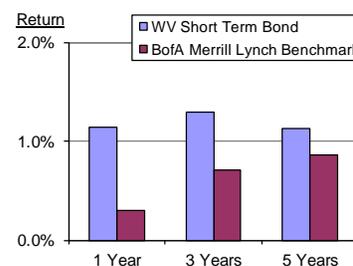
□ **Asset Allocation – Permissible vs. Actual**

Security Type	Permissible Allocation	Actual Allocation June 30, 2018	
	Maximum Percent of Pool	Carrying Value (Thousands)	Percent of Pool
U.S. Treasury obligations	100.0%	\$ 86,189	12.1%
U.S. government agency obligations & FDIC guaranteed obligations	85.0%	32,546	4.6%
Repurchase agreements	85.0%	-	-
Commercial paper, asset backed commercial paper, corporate debt and supranational debt (combined)	75.0%	325,914	45.7%
Asset backed and mortgage backed securities	50.0%	262,879	36.9%
Certificates of deposit	50.0%	-	-
Money market and fixed income funds	30.0%	5,054	0.7%
Municipal securities	15.0%	-	-
Depository accounts	5.0%	-	-
		<b>\$ 712,582</b>	<b>100.0%</b>

□ **Actual Returns**

Actual Annualized Returns for Periods Ended June 30, 2018

	1 Year	3 Years	5 Years
Total pool returns	1.14%	1.29%	1.13%
Benchmark *	0.31%	0.71%	0.85%



\* BofA Merrill Lynch US Corporate & Government, 1-3 Years, A Rated and Above Index + 10 bps.

Returns are calculated on a time-weighted basis.  
 Manager returns are net of manager fees.  
 Total pool returns are net of all fees.

□ **Investments**

For a detailed list of investments in the West Virginia Short Term Bond Pool, see the Schedule of Investments in Securities in the Supplementary Information on Pages 55-61.

## **West Virginia Bank Pool**

### **□ Investment Objectives and Policy Guidelines**

#### Objectives

The West Virginia Bank Pool is composed of certificates of deposit placed with West Virginia financial institutions that are approved state depositories. Placement of the certificates of deposit is accomplished through a competitive bidding process (West Virginia CD Program). The State is the sole participant in this pool.

#### Benchmark

The performance of the West Virginia Bank Pool will be measured against a custom benchmark of 15% iMoneyNet Treasury & Repo Institutional Average + 85% iMoneyNet First Tier Institutional Average.

#### Investment Manager

None.

#### Maturity Restrictions, Diversification Guidelines and Credit Limits

- To participate in the West Virginia CD Program, a financial institution must be designated as a State Depository in accordance with West Virginia Code §12-1-2(a) and have a branch bank in West Virginia.
- The Board shall establish rules and guidelines for the competitive bidding process. Such rules shall be made available to all interested, qualified financial institutions prior to participation. Qualified, interested financial institutions must agree to the rules and guidelines to participate.
- The minimum bid is \$100,000.00. Bids must be in increments of \$100,000.00 to a maximum of \$10,000,000.00 per parent institution per placement.
- The minimum rate will be equivalent to a the six month return on the West Virginia Money Market Pool or other rate as approved by the BTI chairman.
- Certificates of deposit in excess of insurance coverage by the Federal Deposit Insurance Corporation (FDIC) must be collateralized pursuant to West Virginia code §12-1-4 and Board of Treasury Investments Bank Account Collateral Policy.

### **□ BTI Role**

The role of the BTI for the West Virginia Bank Pool is as follows:

- Develop investment guidelines.
- Prohibit commingling of funds with any other account in the Consolidated Fund.
- Distribute monthly earnings to participants.
- Calculate monthly net income and net asset value.

- Prepare monthly a statement of net position, a statement of changes in net position, and a detailed list of securities.

**☐ Income Allocation**

Net investment income is declared as dividends and distributed on the last day of the month.

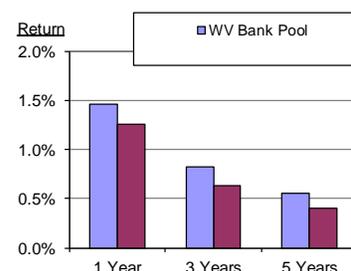
**☐ Asset Allocation – Permissible vs. Actual**

Permissible Allocation		Actual Allocation June 30, 2018	
Security Type	Maximum Percent of Pool	Carrying Value (Thousands)	Percent of Pool
Certificates of deposit	100.0%	\$ 81,000	99.9%
Money market funds	30.0%	60	0.1%
		<u>\$ 81,060</u>	<u>100.0%</u>

**☐ Actual Returns**

Actual Annualized Returns for Periods Ended June 30, 2018

	1 Year	3 Years	5 Years
Total pool returns	1.46%	0.83%	0.56%
Benchmark *	1.25%	0.63%	0.40%



\* Benchmark is 15% iMoneyNet Treasury & Repo Institutional Average + 85% iMoneyNet First Tier Institutional Average; prior to July 1, 2015, BofA Merrill Lynch 3-Month T-bill plus floating hurdle with maximum of 15 bps; prior to January 2013, Merrill Lynch 3-Month T-bill + 15 bps

Returns are calculated on a time-weighted basis.  
 Manager returns are net of manager fees.  
 Total pool returns are net of all fees.

**☐ Investments**

For a detailed list of investments in the West Virginia Bank Pool, see the Schedule of Investments in Securities in the Supplementary Information on Page 62.

## **Loan Pool**

### **□ Investment Objectives and Policy Guidelines**

#### Objectives

The State Loan Pool is composed of loans made to/by the West Virginia Economic Development Authority (the “EDA”), West Virginia Property Valuation Training and Procedures Commission (the “PVTPC”), and certain FHA/VA housing loans for single-family homes. The State is the sole participant in this pool. The Directors of the BTI Board shall bear no fiduciary responsibility with regard to any of the loans contemplated under §12-6C-11.

Under the State Code, the BTI is required to make available to EDA, subject to a liquidity determination, the following:

- A Revolving Loan up to \$175 million for business and industrial development projects; and
- A Non-Recourse Loan up to \$25 million through June 29, 2012, to fund loans for certain venture capital initiatives; and
- A Revolving Loan up to \$50,000,000 to provide loan insurance for debt instruments to expand broadband within West Virginia

#### Benchmarks

None.

#### Investment Manager

None.

#### Maturity Restrictions, Diversification Guidelines and Credit Limits

None.

### **□ BTI Role**

The role of the BTI for the overall Loan Pool is as follows:

- Receive and post loan payments.
- Open an account on behalf of the State Loan Pool.
- Develop investment guidelines.
- Prohibit commingling of funds with any other account in the Consolidated Fund.
- Provide cash flow information regarding securities held by the pool.
- Record contributions and withdrawals.
- Provide monthly statements regarding pool activity
- Calculate monthly net income and net asset value.
- Prepare monthly a statement of net position, a statement of changes in net position, and a detailed list of securities.

The role of the BTI for the EDA Industrial Development Loan is as follows:

- Provide EDA with the annual rate to be charged on the loan.
- Facilitate the transfer of funds to EDA via the State Treasurer’s Office.
- Invoice the EDA on a monthly basis for interest and principal due on outstanding loan balances

The role of the BTI for the EDA Non-Recourse Loan is as follows:

- Produce pool financial statements based on information provided by EDA
- Facilitate the transfer of funds to EDA via the State Treasurer’s Office.

The role of the BTI for the Broadband Debt Guarantee Revolving Loan is as follows:

- Provide EDA with quarterly interest rate to be charged on the loan
- Facilitate the transfer of funds to EDA via the State Treasurer’s Office
- Invoice the EDA on a quarterly basis for interest and principal due on outstanding balances

**Income Allocation**

Net investment income is declared as dividends and distributed on the last day of the month. If the pool incurs a loss resulting in negative income, the loss will be distributed to participants on the last day of the month.

**Asset Allocation – Permissible vs. Actual**

Permissible Allocation		Actual Allocation June 30, 2017	
Security Type	Maximum Percent of Pool	Carrying Value <i>(Thousands)</i>	Percent of Pool
Other investments	100.0%	\$ 109,033	100.0%
Money market funds	20.0%	34	0.0%
Depository accounts	5.0%	-	-
		<u>\$ 109,067</u>	<u>100.0%</u>

**Actual Returns**

The BTI does not maintain rates of return for the Loan Pool.

**Investments**

For a detailed list of investments in the Loan Pool, see the Schedule of Investments in Securities in the Supplementary Information on Page 62.

## **Reserve Pool**

### **□ Investment Objectives and Policy Guidelines**

#### Objectives

The Reserve Pool was created to provide an added layer of security for the West Virginia Money Market and West Virginia Government Money Market Pools. The objective of the pool is to provide support for the West Virginia Money Market and West Virginia Government Money Market Pools to ensure the net asset values do not fall below \$0.9985 per unit.

#### Benchmarks

None.

#### Investment Manager

None.

#### Maturity Restrictions, Diversification Guidelines and Credit Limits

All restrictions are based upon total dollar percentages of Pool holdings using an amortized cost basis. Securities that fall out of compliance may be held to maturity based upon recommendation of the investment manager and investment consultant. The Board may require the investment manager to sell non-compliant securities.

- Maximum maturity of individual securities cannot exceed 397 days from the date of purchase.
- Depository accounts are required to be collateralized as defined in the BTI's Bank Account Collateral Policy.

### **□ BTI Role**

The role of the BTI for the Reserve Pool is as follows:

- Develop investment guidelines.
- Provide cash flow information regarding securities held by the pool.
- Record contributions and withdrawals.
- Calculate monthly net income and net asset value.
- Prepare monthly a statement of net position, a statement of changes in net position, and a detailed list of securities.
- The BTI will monitor the net asset value of the West Virginia Money Market and West Virginia Government Money Market Pools on a daily basis in accordance with the BTI's Net Asset Value Monitoring Policy. This policy requires the Chief Financial Officer and Executive Director to

develop a formal and written action plan to address the NAV decline when it falls below \$0.9985 per unit. Board members are notified to approve the written action plan.

- If the net asset value falls below \$0.9985 per unit, the BTI will request Board approval to utilize the Reserve Pool to ensure the NAV is stabilized at \$0.9985 per unit.

**Income Allocation**

Net investment income is declared as dividends 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.

**Asset Allocation – Permissible vs. Actual**

Permissible Allocation		Actual Allocation June 30, 2017	
Security Type	Maximum Percent of Pool	Carrying Value (Thousands)	Percent of Pool
U.S. Treasury obligations	100.0%	\$ -	-
U.S. government agency obligations	100.0%	-	-
Repurchase agreements	100.0%	-	-
Government money market funds	100.0%	1	0.0%
Certificates of deposit	100.0%	-	-
Depository accounts	100.0%	19,092	100.0%
		<u>\$ 19,093</u>	<u>100.0%</u>

**Actual Returns**

The BTI does not maintain rates of return for the Reserve Pool.

**Investments**

For a detailed list of investments in the Reserve Pool, see the Schedule of Investments in Securities in the Supplementary Information on Page 63.

## **Municipal Bond Commission Account**

### **❑ Investment Objectives and Policy Guidelines**

#### Objectives

The Municipal Bond Commission Account is governed by West Virginia State Code §13-3-7 as it relates to permissible securities, limitations on purchase, sale or exchange of securities, interest; and custody of securities.

#### Benchmarks

None.

#### Investment Manager

None.

#### Maturity Restrictions, Diversification Guidelines and Credit Limits

- No security shall be purchased, sold or exchanged without the concurrence or ratification of a majority of all members of the Municipal Bond Commission (the “Commission”).
- No security shall be purchased at a price above, nor sold or exchanged at a price below, its prevailing fair market value.
- No security shall be purchased, sold or exchanged for the purpose of aiding any individual, firm or corporation by the payment of brokerage commissions or fees thereto.
- No security purchased, sold or exchanged shall benefit any member or employee of the Commission.

### **❑ BTI Role**

The role of the BTI for the Municipal Bond Commission Account is as follows:

- Open an account on behalf of the Commission.
- Develop investment guidelines.
- Prohibit commingling of funds with any other account in the Consolidated Fund.
- Provide cash flow information regarding securities held by the account.
- Provide securities information to the custodian.
- Review signature authorization from the Commission for trade activity.
- Record contributions and withdrawals based upon Commission authorization.
- Provide detailed fee invoice.
- Charge fees for management of the account.
- Calculate monthly net income and net asset value.
- Prepare monthly a statement of net position, a statement of changes in net position, and a detailed list of securities.

❑ **Income Allocation**

Net investment income and realized gains and losses are posted to the account monthly.

❑ **Asset Allocation – Permissible vs. Actual**

Asset allocations have not been established for the Municipal Bond Commission Account. Permissible securities are as follows:

- Securities of the United States or any agency thereof which are guaranteed by or for which the full faith and credit of the United States is pledged for the payment of the principal and interest.
- General obligations of the State or any of its agencies, boards or commissions, or any county, municipality or school district in the state.
- Repurchase agreements or similar banking arrangements with a member bank of the Federal Reserve System, or a bank, the deposits of which are insured by the Federal Deposit Insurance Corporation (the “FDIC”), or its successor, provided that such investments shall only be made to the extent insured by the FDIC or to the extent that the principal amount thereof shall be fully collateralized by direct obligations of or obligations guaranteed by the United States of America.

❑ **Actual Returns**

The BTI does not maintain rates of return for the Municipal Bond Commission Account.

❑ **Investments**

For a detailed list of investments in the Municipal Bond Commission Account, see the Schedule of Investments in Securities in the Supplementary Information on Page 63.

## **School Fund Account**

### **❑ Investment Objectives and Policy Guidelines**

#### Objectives

The School Fund was established by State Code §18-9-5 to contribute toward supporting state public schools. The investment objective is to maintain the irreducible \$1 million principal as defined in State Code §18-9A-16.

#### Benchmarks

None.

#### Investment Manager

None.

#### Maturity Restrictions, Diversification Guidelines and Credit Limits

Minimum 15% of the investments of the School Fund must be invested in U.S. Treasury obligations.

### **❑ BTI Role**

The role of the BTI for the School Fund Account is as follows:

- Open an account on behalf of the School Fund Board.
- Develop investment guidelines.
- Prohibit commingling of funds with any other account in the Consolidated Fund.
- Provide monthly statements regarding School Fund activity.
- Calculate monthly net income and net asset value.
- Prepare monthly a statement of net position, a statement of changes in net position, and a detailed list of securities.

### **❑ Income Allocation**

Net investment income and realized gains and losses are posted to the account monthly. Unrealized gains and losses are reflected in the net asset value calculated each month.

### **❑ Asset Allocation – Permissible vs. Actual**

The School Fund shall be invested in interest-bearing securities of the United States, or securities, the payment of which as to both principal and interest, has been guaranteed by the United States, or of West Virginia, or of any county, city, town or village, or school district of West Virginia, or if such interest-bearing securities cannot be obtained, then such fund shall be invested in such other solvent interest-bearing securities as shall be approved by the School Fund Board. At June 30, 2018, 100.0% of the School Fund

Account's securities, totaling \$1,252,000, were invested in a money market fund which invests in U.S. Treasury and agency securities.

☐ **Actual Returns**

The BTI does not maintain rates of return for the School Fund Account.

☐ **Investments**

For a detailed list of investments in the School Fund Account, see the Schedule of Investments in Securities in the Supplementary Information on Page 63.

**Economic Development Authority – American Woodmark Account**

**❑ Investment Objectives and Policy Guidelines**

Objectives

In accordance with West Virginia Code Section §31-15-23, the Economic Development Authority (the “EDA”) – American Woodmark Account invests excess funds received by appropriation or other funds which the EDA directs to be invested.

Benchmarks

None.

Investment Manager

None.

Maturity Restrictions, Diversification Guidelines and Credit Limits

None

**❑ BTI Role**

The role of the BTI for the EDA – American Woodmark Account is as follows:

- Open an account on behalf of the EDA.
- Develop investment guidelines.
- Prohibit commingling of funds with any other account in the Consolidated Fund.
- Provide cash flow information regarding securities held by the account.
- Invest earned interest not withdrawn by the EDA.
- Review signature authorization from the EDA for trade activity.
- Record contributions and withdrawals based upon EDA authorization.
- Provide monthly statements regarding EDA activity.
- Charge fees for management of the account.
- Calculate monthly net income and net asset value.
- Prepare monthly a statement of net position, a statement of changes in net position, and a detailed list of securities.

**❑ Income Allocation**

Net investment income and realized gains and losses are posted to the account monthly. Unrealized gains and losses are reflected in the net asset value calculated each month.

❑ **Asset Allocation – Permissible vs. Actual**

Permissible securities for the EDA – American Woodmark Account are as follows:

- A U.S. Treasury obligation that matures August 15, 2023.
- Money market funds

At June 30, 2018, 100.0% of the EDA – American Woodmark Account’s securities, totaling \$1,686,000, were invested in a U.S. Treasury Bond maturing August 15, 2023.

❑ **Actual Returns**

The BTI does not maintain rates of return for the EDA – American Woodmark Account.

❑ **Investments**

For a detailed list of investments in the EDA – American Woodmark Account, see the Schedule of Investments in Securities in the Supplementary Information on Page 64.

**Schedule of Investment Management Fees**  
**Consolidated Fund**  
**For the Fiscal Year Ended June 30, 2018**  
*(In Thousands)*

External fees:	
Investment advisors:	
WV Money Market Pool	\$ 719
WV Government Money Market Pool	80
WV Short Term Bond Pool	664
	<u>1,463</u>
Custodians:	
WV Money Market Pool	90
WV Government Money Market Pool	13
WV Short Term Bond Pool	31
	<u>134</u>
Total external fees	<u>1,597</u>
Internal fees:	
Investment consultant	153
Fiduciary bond	20
Administration	1,072
Total internal fees	<u>1,245</u>
Total investment management fees	<u><u>\$ 2,842</u></u>

## INVESTMENT POLICY SUMMARY

### I. PURPOSE

The investment policy of the West Virginia Board of Treasury Investments (the “BTI”) is adopted pursuant to Article 6C of Chapter 12 of the West Virginia Code and specifically outlines the investment philosophy and practices of the BTI. It has been developed to provide a fiscal administration, investment, and management plan for the assets entrusted to the Board. The Board has adopted this investment policy to serve as that plan and to provide:

- A clear direction to investment managers and consultants, staff, participants, and any other outside service provider as to the objectives, goals, and restrictions with regard to investment of assets;
- A methodology which allows assets to be structured and invested in a prudent manner; and
- A meaningful basis for the evaluation of asset classes, investment managers and the strategies used to achieve the various investment objectives.

### II. INVESTMENT PHILOSOPHY

The BTI was established by the State Legislature to provide prudent fiscal administration, investment, and management for the assets entrusted to the BTI. It is the investment philosophy of the BTI 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. Due to the short-term nature of the funds, the BTI believes it is imperative to review and adjust the policy in reaction to interest rate market fluctuations/trends on a regular basis. In order to accomplish this, the BTI has adopted the following formal review schedule:

<b>Agenda Item</b>	<b>Review Schedule</b>
Investment Performance	Quarterly
Investment Manager Rebalancing	Quarterly
Investment Policy	Annually
Fee Schedule and Budget	Annually
Select Rating Agencies	Annually
Stress Testing of Portfolios	Monthly

When required, the BTI may react to trends in the market more quickly by itself or through actions of its Investment Committee.

The BTI will employ investment managers to implement this policy. The BTI shall monitor the performance of, and supervise all investment managers.

In determining its philosophy toward risk, the BTI considers its fiduciary obligations, statutory requirements, and current market conditions. Additionally, the BTI will consider the participants’ purposes and characteristics, financial conditions, liquidity needs, sources and level of contributions, income and

general business conditions. Based upon these many factors, the BTI identifies when either a more conservative or more aggressive investment approach is warranted.

### **III. INVESTMENT OBJECTIVES**

The BTI's objective is to provide focused investment services for the funds, reduce costs for, and increase returns to its participants. Realizing the majority of the funds are for operating expenses, the policy is designed to address the short-term liquidity needs of the participants and limit risk, but still permitting for a better rate of return than participants may be able to obtain on their own.

All available funds shall be invested with the following objectives and priorities:

- Safety of principal. Investments shall be undertaken in a manner that seeks preservation of capital with reasonable investment risk in the overall portfolio.
- Liquidity requirements of anticipated and unanticipated expenditures.
- Maximization of the yield allocated to participants' investments consistent with all investment objectives.
- Recognition of differing objectives and needs of various participants.
- Conformance with state law and other pertinent legal restrictions.
- Diversification of assets by investment in various securities classifications and the use of various investment managers in order to smooth the volatility of returns.

### **IV. INVESTMENT/ADMINISTRATIVE RESPONSIBILITIES**

The BTI is responsible for the prudent investment and administration of the funds. In order to properly carry out the policy, the BTI will rely on staff and outside service providers. Due to the number of parties involved, their roles as fiduciaries must be clearly identified to ensure operational efficiency, clear lines of communication, and accountability in all aspects of operations. The following describes the parties and the roles they assume as fiduciaries.

#### **A. BOARD OF DIRECTORS**

The Board has the responsibility of establishing and maintaining the policy and determining the objectives for all aspects of BTI operations.

The Board shall adopt by-laws and delegate the implementation of the policy to the Investment Committee and staff. The Board shall focus on important policy level issues, maintaining the proper fiduciary perspective and time horizon for analysis of the progress of the policy and the investment returns on the funds, and develop, adopt, review or modify the asset rebalancing plan, investment policy, fee schedule, and budget for the funds at least annually.

The Board may establish committees of its members as required to effectively implement the policy. Currently, the Board has established the Investment, Audit, and Personnel and Governance Committees as described below. Committees shall be briefed as required on any topic or issue pertinent to the Board's operations, and shall make reports regarding those topics to the Board at its meetings.

#### **B. INVESTMENT COMMITTEE**

The primary objective of the Investment Committee is to implement this policy and to do so effectively,

prudently, and in a cost efficient manner in full compliance with all applicable laws, rules, and regulations.

The Investment Committee shall have the following specific responsibilities to be performed with the advice and assistance of staff and the investment consultant, and shall make recommendations to the Board for action as necessary regarding:

- Policies for preservation of capital, risk tolerance, credit standards diversification, rate of return, stability and turnover, liquidity, reasonable costs and fees, permissible investments, maturity ranges, internal controls, safekeeping and custody, valuation methodologies, and calculation of earnings and yields;
- Evaluation, selection, and termination of the investment managers and investment consultant;
- Regular review of and revisions to the investment policy;
- Investigate any reported investment problems or non-compliance;
- Evaluation of investment results to ensure compliance with the investment policy and to determine success of investment activities; and
- Other investment related issues as necessary for the prudent and cost effective investment of the funds.

#### **C. INVESTMENT CONSULTANT**

The investment consultant will be selected by and serve at the will and pleasure of the Board, based upon recommendations from the Investment Committee. The consultant must have and assign an employee to work directly with the BTI, who has a Chartered Financial Analyst or a Certified Treasury Professional designation. The consultant works with the Board and staff to implement this policy. This requires regular meetings with staff, the Investment Committee and/or the Board, to provide an independent perspective on various issues and make recommendations as appropriate.

#### **D. INVESTMENT MANAGERS**

Investment managers will be selected by and serve at the will and pleasure of the Board, based upon recommendations from the Investment Committee. The managers will have demonstrated expertise with the type of portfolio in their charge. The managers will be provided explicit written instructions detailing their particular assignment, and will construct and manage the portfolio consistent with the policy.

#### **E. CUSTODIAN**

The custodian holds directly, through its agents, its sub-custodians, or designated clearing systems, securities held as investments by the BTI. The custodian is accountable for registration of those securities in good delivery form, collection of income generated, and any corporate action notification. The custodian is responsible for delivery, receipt, tracking, and reporting of securities transactions. The BTI may opt to delegate other duties to the custodian.

#### **F. INTERNAL AUDITOR**

The Board shall retain an internal auditor to report directly to the Board. As minimum qualifications, the internal auditor shall be a certified public accountant with at least three years' experience as an auditor. The internal auditor shall develop an internal audit plan, with Board approval, for the testing of procedures, internal controls and security of transactions.

#### **G. EXTERNAL AUDITOR**

The BTI shall be audited annually by an independent certified public accounting firm selected by the Board. The certified public accounting firm must have a minimum staff of ten certified public accountants, be a member of the American Institute of Certified Public Accountants and, if doing business in West Virginia, a member of the West Virginia Society of Certified Public Accountants. The Board shall have financial and compliance audits of the Board's books, accounts and records with respect to its receipts, disbursements, investments, contracts and all other matters relating to its financial operations.

#### **H. NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION**

The BTI shall annually select Nationally Recognized Statistical Rating Organizations ("NRSRO") whom it deems suitable to rely upon for credit ratings. Currently the BTI has selected the following NRSRO's:

- Moody's Investor Services
- Standard & Poor's
- Fitch Ratings
- Dominion Bond Rating Service, Ltd.

#### **V. STANDARD OF CARE**

Any investment made pursuant to this policy shall be made in accordance with the "Uniform Prudent Investor Act" and shall be further subject to the following:

- The Directors shall diversify the investment of the funds so as to minimize the risk of large losses unless, under the circumstances, it is clearly prudent not to do so;
- The Directors shall defray reasonable expenses of investing and managing the funds by charging fees; and
- The Directors shall discharge their duties in accordance with the documents and instruments consistent with the State Code.

#### **VI. GENERAL INVESTMENT GUIDELINES**

The BTI recognizes that risk (i.e., the uncertainty of future events), volatility (i.e., the potential for variability of asset values), and the possibility of loss in purchasing power (due to inflation) are present to some degree in all types of investments. Due to the short-term nature of the funds, high levels of risk should be avoided, but the assumption of risk may be warranted if it is needed in order to allow the investment managers the opportunity to achieve satisfactory results consistent with the policy and the investment guidelines for the pool/portfolio they manage.

All securities must have a readily attainable market value, and must be readily marketable. Listed within the investment guidelines for each pool and account are the securities specifically permitted by the policy.

#### **VII. CONFLICT OF INTEREST AND ETHICS**

The Directors, staff, and any outside service provider shall refrain from those circumstances that could be considered a conflict of interest with BTI operations and transactions. A conflict of interest is a circumstance that creates an actual conflict with any fiduciary duty owed and a personal or business activity

that could conflict with, could give the appearance of a conflict with, or could impair the ability to make impartial decisions in matters affecting BTI operations and transactions.

Additionally, the Directors and staff shall maintain knowledge of, and shall comply with, all applicable laws, rules and regulations of any governmental or regulatory entity governing the management of the funds and shall not knowingly participate in, assist or fail to report to the BTI any acts in violation of those laws, rules and regulations. This requirement includes, but is not limited to, compliance with the “West Virginia Governmental Ethics Act” in the State Code. Any actual or perceived violation of the Ethics Act shall be reported in writing to the Personnel and Governance Committee of the Board for action.

## **VIII. AUDITOR ACCESS TO RECORDS**

An investment manager or custodian which holds securities for the account of, in trust of, in trust for, or pledged to the BTI, shall be required to allow the BTI or its agents to conduct an audit with respect to such securities or securities transactions for a period of two years after date of any trade executed on behalf of the BTI.

## **IX. OTHER BTI POLICIES**

The policy incorporates policies that govern the day-to-day practices of the BTI, including:

- Pricing Policy
- Net Asset Value Monitoring Policy
- Dividend Reinvestments Policy
- Record Retention Policy
- Outside Service Provider Policy
- Repurchase Agreement Policy
- Securities Lending Program Policy
- Bank Account Collateral Policy
- Investment Manager Due Diligence and Watch List Policy
- Securities Litigation Policy

## **X. MISCELLANEOUS PROVISIONS**

### **A. AMENDMENTS**

Any modification or amendment of this policy may be made by an action adopted at any duly constituted Board meeting; provided, however, that no such modification or amendment shall abrogate the rights and duties of then existing BTI contracts with outside service providers, unless required by operation of law or agreed to by the outside service providers.

### **B. NO RECOURSE**

No provision in this policy shall be the basis for any claim against any director or staff, in his individual or official capacity, or against the BTI itself.

**C. EFFECT UPON EXISTING CONTRACT**

This policy shall not abrogate the rights and duties of the BTI under contracts with outside service providers executed prior to the effective date of this policy, unless required by operation of law or agreed to by the outside service provider.

**D. EFFECT OF FAILURE TO COMPLY AS TO INVESTMENTS**

Failure to comply with this policy shall not invalidate any investment or affect the validity of the authorization of the Board, or their designee, to make such investments, unless required by the Board.

(This page intentionally left blank.)

## **Statistical Section**

## INTRODUCTION TO STATISTICAL SECTION

The Statistical Section of the BTI's CAFR presents information as a historical perspective and a context for understanding what the information in the financial statements, note disclosures, supplementary information, and other financial information says about the BTI's overall financial health.

### **Table 1: Schedules of Additions, Deductions, and Changes in Net Position – Consolidated Fund**

This table presents historical information showing trends in the changes in Consolidated Fund net position and the components of those changes.

### **Table 2: Financial Highlights – Consolidated Fund State Operating Pools**

This table presents historical information showing per share data and ratios for the state operating pools of the Consolidated Fund for the past ten years. The ratio of expenses to average net position represents the percentage of net position used to operate the pool. The ratio of net investment income to average net position represents financial performance of the pool, or the extent to which operations have resulted in changes in net position. The portfolio turnover rate is a measurement of how frequently assets within a fund are bought and sold by the managers.

### **Table 3: Rates of Return – Consolidated Fund State Operating Pools**

This table presents historical information showing the rates of return for the Consolidated Fund State Operating Pools for the past ten years.

### **Table 4: Participation in Consolidated Fund State Operating Pools**

This table presents historical information for the past ten years showing the participation in the Consolidated Fund State Operating Pools that are open to all state agencies and local governments in the state. Many state agencies and local governments have multiple accounts.

### **Table 5: Net Position – Consolidated Fund**

This table presents historical information showing the total net position of the Consolidated Fund for the past ten years.

### **Table 6: Net Position, Changes in Net Position, and Restatement of Net Position – Operating Fund**

This table presents historical information showing the total net position and changes in net position of the Operating Fund (a proprietary fund) for the past ten years.

### **Table 7: Schedule of Net Asset Values—Consolidated Fund Operating and Special Purpose Pools**

This table presents components of total net asset values of the Consolidated Fund Operating and Special Purpose Pools at June 30, 2018, as well as investment unit data.

### **Table 8: Portfolio Statistics – Consolidated Fund Operating Pools**

This table presents weighted average days to maturity, maximum weighted average investment maturity term per BTI investment policy, and money market yields for the Consolidated Fund Operating Pools at June 30, 2018.

**Table 9: Participant Net Asset Values—Consolidated Fund Operating Pools**

This table presents major investors in the Consolidated Fund Operating Pools at June 30, 2018.

**Glossary of Financial and Investment Terms**

A glossary of financial and investment terms is presented to help readers understand the basic concepts and information provided in this comprehensive annual financial report.

**Table 1: Schedules of Additions, Deductions, and Changes in Net Position – Consolidated Fund**

Fiscal Year Ended June 30

(In Thousands)

	2018	2017	2016	2015	2014
<b>Additions</b>					
Investment income:					
Interest	\$ 35,994	\$ 23,420	\$ 17,145	\$ 14,942	\$ 15,103
Dividends	1,648	666	402	1,575	1,653
Securities lending income	-	-	-	-	-
Net accretion (amortization)	21,465	7,470	1,069	(3,884)	(4,563)
Provision for securities lending loss	-	-	-	-	-
Provision for uncollectible loans	-	(639)	(507)	(822)	(1,251)
Total investment income	59,107	30,917	18,109	11,811	10,942
Investment expenses:					
Investment advisor fees	1,463	1,345	1,366	1,552	1,486
Custodian bank fees	134	116	126	133	129
Administrative fees	1,245	1,383	1,290	1,299	1,083
Securities lending agent fees	-	-	-	-	-
Securities lending borrower rebates	-	-	-	-	-
Total investment expenses	2,842	2,844	2,782	2,984	2,698
Net investment income	56,265	28,073	15,327	8,827	8,244
Net realized gain (loss) from investments	(583)	128	(39)	(442)	44
Net increase (decrease) in fair value of investments	(5,460)	(1,917)	2,818	(986)	2,401
Net increase in net position from operations	50,222	26,284	18,106	7,399	10,689
Participant transaction additions:					
Purchase of pool units by participants	11,558,987	11,266,082	9,864,797	10,934,435	10,832,452
Reinvestment of pool distributions	55,550	27,979	15,082	8,679	8,812
Contributions to individual investment accounts	9,307	26,512	64,252	825	356
Total participant transaction additions	11,623,844	11,320,573	9,944,131	10,943,939	10,841,620
Total additions	11,674,066	11,346,857	9,962,237	10,951,338	10,852,309
<b>Deductions</b>					
Distributions to pool participants:					
Net investment income	55,858	27,709	15,147	8,714	8,087
Net realized gain (loss) from investments	(583)	128	(39)	(442)	44
Total distributions to pool participants	55,275	27,837	15,108	8,272	8,131
Participant transaction deductions:					
Redemption of pool units by participants	10,171,762	11,141,869	10,233,163	10,977,053	11,259,270
Withdrawals from individual investment accounts	17,474	16,385	44,326	20,106	193,010
Total participant transaction deductions	10,189,236	11,158,254	10,277,489	10,997,159	11,452,280
Total deductions	10,244,511	11,186,091	10,292,597	11,005,431	11,460,411
Change in net position	\$ 1,429,555	\$ 160,766	\$ (330,360)	\$ (54,093)	\$ (608,102)

(Continued)

	2013	2012	2011	2010	2009
\$	17,579	\$ 17,094	\$ 20,410	\$ 21,499	\$ 35,328
	330	461	446	624	2,794
	-	-	-	-	2,956
	(6,351)	(3,986)	6,255	7,700	25,918
	(1,629)	(945)	(596)	(1,193)	(6,837)
	-	-	-	-	(7,117)
	<u>9,929</u>	<u>12,624</u>	<u>26,515</u>	<u>28,630</u>	<u>53,042</u>
	1,366	1,420	1,399	1,277	1,157
	132	141	134	107	86
	593	1,004	1,052	1,468	1,208
	-	-	-	-	226
	-	-	-	-	2,054
	<u>2,091</u>	<u>2,565</u>	<u>2,585</u>	<u>2,852</u>	<u>4,731</u>
	7,838	10,059	23,930	25,778	48,311
	2,850	(12)	6,527	1,576	(1,578)
	(96)	(1,946)	(11,329)	(770)	8,560
	<u>10,592</u>	<u>8,101</u>	<u>19,128</u>	<u>26,584</u>	<u>55,293</u>
	11,345,517	10,994,105	10,590,080	10,192,912	10,316,680
	8,277	10,918	21,531	19,301	48,995
	291,228	156,312	6,760	4,950	6,708
	<u>11,645,022</u>	<u>11,161,335</u>	<u>10,618,371</u>	<u>10,217,163</u>	<u>10,372,383</u>
	11,655,614	11,169,436	10,637,499	10,243,747	10,427,676
	6,727	8,862	16,264	17,989	40,788
	(370)	(114)	6,527	1,576	(1,578)
	<u>6,357</u>	<u>8,748</u>	<u>22,791</u>	<u>19,565</u>	<u>39,210</u>
	11,513,580	11,391,935	10,356,782	9,949,245	10,063,667
	223,638	21,259	10,949	13,023	26,041
	<u>11,737,218</u>	<u>11,413,194</u>	<u>10,367,731</u>	<u>9,962,268</u>	<u>10,089,708</u>
	11,743,575	11,421,942	10,390,522	9,981,833	10,128,918
\$	<u>(87,961)</u>	<u>(252,506)</u>	<u>246,977</u>	<u>261,914</u>	<u>298,758</u>

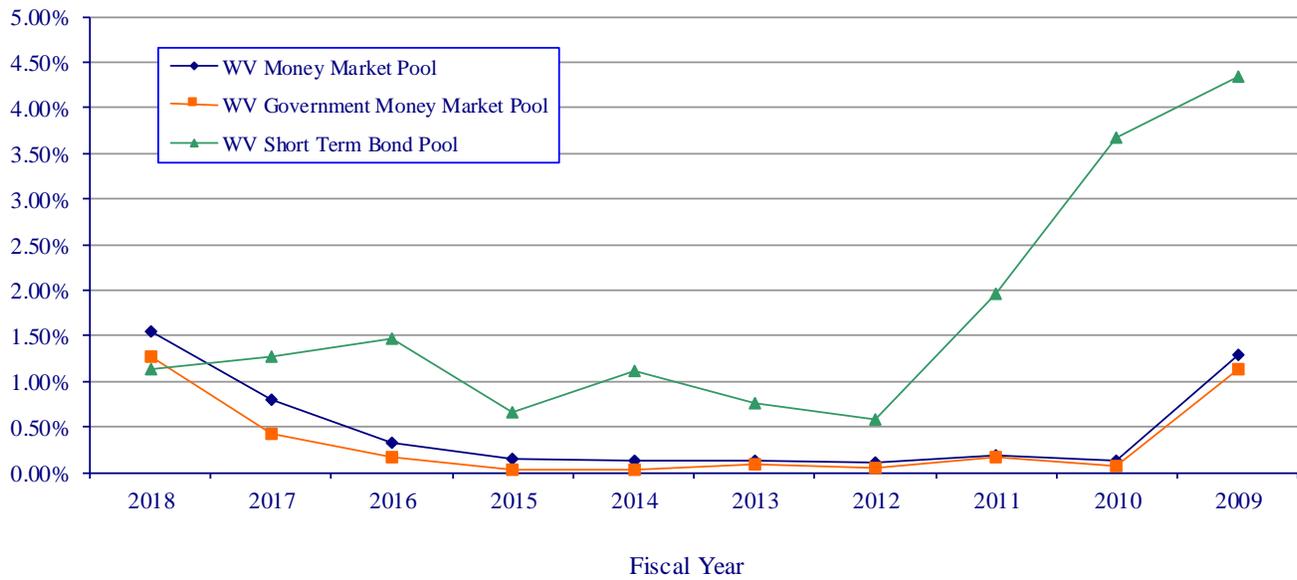
**Table 2: Financial Highlights – Consolidated Fund State Operating Pools**

	Fiscal Year Ended June 30									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>WV Money Market Pool</b>										
Per share data:										
Net asset value at beginning of year	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Net investment income (loss)	0.02	0.01	-	-	-	-	-	-	-	0.01
Net realized and unrealized gain (loss)	-	-	-	-	-	-	-	-	-	-
Net increase (decrease) from operations	0.02	0.01	-	-	-	-	-	-	-	0.01
Distributions to participants	0.02	0.01	-	-	-	-	-	-	-	0.01
Net asset value at end of year	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Shares outstanding (in thousands)	3,266,592	1,780,967	1,556,503	1,890,872	1,960,118	2,496,857	2,788,044	3,019,878	2,820,141	2,570,620
Ratio of expenses to average net assets	0.07%	0.08%	0.08%	0.08%	0.07%	0.05%	0.06%	0.06%	0.07%	0.07%
Ratio of net investment income to average net assets	1.56%	0.84%	0.27%	0.13%	0.13%	0.14%	0.11%	0.18%	0.14%	1.15%
<b>WV Government Money Market Pool</b>										
Per share data:										
Net asset value at beginning of year	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Net investment income (loss)	0.01	-	-	-	-	-	0.01	-	-	0.01
Net realized and unrealized gain (loss)	-	-	-	-	-	-	-	-	-	-
Net increase (decrease) from operations	0.01	-	-	-	-	-	0.01	-	-	0.01
Distributions to participants	0.01	-	-	-	-	-	0.01	-	-	0.01
Net asset value at end of year	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Shares outstanding (in thousands)	212,354	202,070	190,160	248,503	238,981	287,253	300,047	262,898	221,265	283,795
Ratio of expenses to average net assets	0.08%	0.09%	0.09%	0.08%	0.08%	0.06%	0.06%	0.07%	0.08%	0.07%
Ratio of net investment income to average net assets	1.32%	0.47%	0.16%	0.03%	0.02%	0.09%	0.06%	0.15%	0.10%	0.88%
<b>WV Short Term Bond Pool</b>										
Per share data:										
Net asset value at beginning of year	\$ 101.81	\$ 102.03	\$ 101.67	\$ 101.79	\$ 101.47	\$ 100.06	\$ 100.34	\$ 101.35	\$ 100.59	\$ 99.27
Net investment income (loss)	1.97	1.47	1.15	0.85	1.20	0.70	0.86	1.56	2.41	2.87
Net realized and unrealized gain (loss)	(0.83)	(0.22)	0.34	(0.19)	0.33	1.34	(0.31)	0.40	1.20	0.63
Net increase (decrease) from operations	1.14	1.25	1.49	0.66	1.53	2.04	0.55	1.96	3.61	3.50
Distributions to participants	1.88	1.47	1.13	0.78	1.21	0.63	0.83	2.97	2.85	2.18
Net asset value at end of year	\$ 101.07	\$ 101.81	\$ 102.03	\$ 101.67	\$ 101.79	\$ 101.47	\$ 100.06	\$ 100.34	\$ 101.35	\$ 100.59
Shares outstanding (in thousands)	7,020	7,403	7,754	7,490	7,600	6,083	5,040	4,746	4,496	3,251
Ratio of expenses to average net assets	0.13%	0.14%	0.14%	0.14%	0.12%	0.07%	0.10%	0.10%	0.14%	0.11%
Ratio of net investment income to average net assets	1.97%	1.47%	1.19%	0.87%	0.78%	0.50%	0.73%	1.26%	2.52%	2.37%
Portfolio turnover rate	3.45%	3.06%	6.77%	4.17%	1.10%	2.48%	11.11%	3.66%	5.07%	17.15%

**Table 3: Rates of Return – Consolidated Fund State Operating Pools**

	Fiscal Year Ended June 30									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
WV Money Market Pool	1.54%	0.80%	0.32%	0.14%	0.13%	0.13%	0.11%	0.18%	0.12%	1.29%
WV Government Money Market Pool	1.26%	0.42%	0.16%	0.03%	0.02%	0.09%	0.05%	0.16%	0.06%	1.13%
WV Short Term Bond Pool	1.14%	1.26%	1.47%	0.65%	1.11%	0.76%	0.59%	1.96%	3.67%	4.35%

Rates of return are time weighted, annualized, and net of all fees



**Table 4: Participation in Consolidated Fund State Operating Pools**

Fiscal Year Ended June 30

(Net Asset Values Expressed in Thousands)

	2018		2017		2016		2015		2014	
	Number of Accounts	Net Asset Value								
<b>WV Money Market Pool:</b>										
State agency accounts	1,037	\$ 3,087,615	1,115	\$ 1,653,945	1,196	\$ 1,462,081	1,275	\$ 1,804,995	1,336	\$ 1,869,338
Local government accounts	198	178,977	207	127,022	206	94,422	208	85,877	221	90,780
Accumulated undistributed securities lending income		-		-		-		-		-
	<u>1,235</u>	<u>\$ 3,266,592</u>	<u>1,322</u>	<u>\$ 1,780,967</u>	<u>1,402</u>	<u>\$ 1,556,503</u>	<u>1,483</u>	<u>\$ 1,890,872</u>	<u>1,557</u>	<u>\$ 1,960,118</u>
<b>WV Government Money Market Pool:</b>										
State agency accounts	23	\$ 209,783	20	\$ 198,527	24	\$ 184,246	23	\$ 202,008	20	\$ 184,523
Local government accounts	21	2,571	27	3,543	27	5,914	70	46,495	77	54,458
Accumulated undistributed securities lending income		-		-		-		-		-
	<u>44</u>	<u>\$ 212,354</u>	<u>47</u>	<u>\$ 202,070</u>	<u>51</u>	<u>\$ 190,160</u>	<u>93</u>	<u>\$ 248,503</u>	<u>97</u>	<u>\$ 238,981</u>
<b>WV Short Term Bond Pool:</b>										
State agency accounts	39	\$ 705,986	38	\$ 750,256	37	\$ 787,715	35	\$ 758,066	34	\$ 768,763
Local government accounts	8	3,493	9	3,475	9	3,434	9	3,384	9	4,837
	<u>47</u>	<u>\$ 709,479</u>	<u>47</u>	<u>\$ 753,731</u>	<u>46</u>	<u>\$ 791,149</u>	<u>44</u>	<u>\$ 761,450</u>	<u>43</u>	<u>\$ 773,600</u>
<b>2013</b>										
	Number of Accounts	Net Asset Value								
<b>WV Money Market Pool:</b>										
State agency accounts	1,347	\$ 2,427,230	1,282	\$ 2,708,359	1,239	\$ 2,956,372	1,118	\$ 2,746,279	1,059	\$ 2,474,600
Local government accounts	222	69,627	222	79,685	226	63,506	217	73,862	252	96,020
Accumulated undistributed securities lending income		-		-		-		14		255
	<u>1,569</u>	<u>\$ 2,496,857</u>	<u>1,504</u>	<u>\$ 2,788,044</u>	<u>1,465</u>	<u>\$ 3,019,878</u>	<u>1,335</u>	<u>\$ 2,820,155</u>	<u>1,311</u>	<u>\$ 2,570,875</u>
<b>WV Government Money Market Pool:</b>										
State agency accounts	17	\$ 189,828	18	\$ 178,519	15	\$ 184,473	26	\$ 193,292	17	\$ 231,772
Local government accounts	80	97,425	80	121,528	84	78,425	48	27,973	61	52,023
Accumulated undistributed securities lending income		-		-		-		-		63
	<u>97</u>	<u>\$ 287,253</u>	<u>98</u>	<u>\$ 300,047</u>	<u>99</u>	<u>\$ 262,898</u>	<u>74</u>	<u>\$ 221,265</u>	<u>78</u>	<u>\$ 283,858</u>
<b>WV Short Term Bond Pool:</b>										
State agency accounts	12	\$ 611,495	14	\$ 499,402	14	\$ 474,511	14	\$ 454,793	10	\$ 326,516
Local government accounts	10	5,756	9	4,890	10	1,676	8	904	7	460
	<u>22</u>	<u>\$ 617,251</u>	<u>23</u>	<u>\$ 504,292</u>	<u>24</u>	<u>\$ 476,187</u>	<u>22</u>	<u>\$ 455,697</u>	<u>17</u>	<u>\$ 326,976</u>

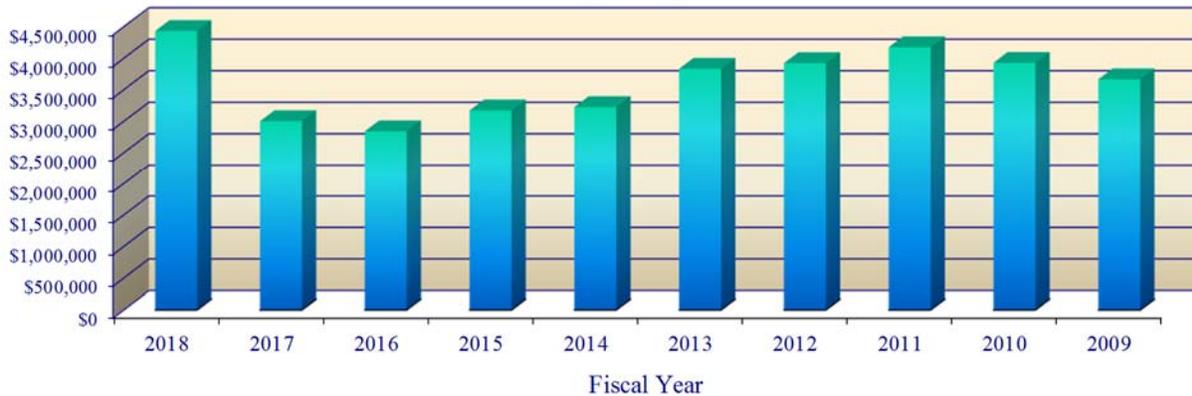
(This page intentionally left blank.)

**Table 5: Net Position – Consolidated Fund**

Fiscal Year Ended June 30  
(In Thousands)

	2018	2017	2016	2015
WV Money Market Pool	\$ 3,266,592	\$ 1,780,967	\$ 1,556,503	\$ 1,890,872
WV Government Money Market Pool	212,354	202,070	190,160	248,503
WV Short Term Bond Pool	709,479	753,731	791,149	761,450
WV Bank Pool	81,448	79,774	129,294	116,111
Loss Amortization Pool	-	-	-	-
Loan Pool	109,145	125,400	124,438	125,210
Reserve Pool	19,126	18,854	18,767	18,716
Municipal Bond Commission Account	28,364	35,881	25,296	4,565
School Fund Account	1,254	1,418	1,584	2,174
EDA-AW Account	1,720	1,832	1,970	1,920
	<u>\$ 4,429,482</u>	<u>\$ 2,999,927</u>	<u>\$ 2,839,161</u>	<u>\$ 3,169,521</u>

**Total Consolidated Fund Net Position**  
(In Thousands)



(Continued)

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 1,960,118	\$ 2,496,857	\$ 2,788,044	\$ 3,019,878	\$ 2,820,155	\$ 2,570,875
238,981	287,253	300,047	262,898	221,265	283,858
773,600	617,251	504,292	476,187	455,697	326,976
73,060	70,042	52,590	60,067	60,082	100,215
-	-	-	188,544	187,726	184,107
129,264	118,366	106,825	132,181	132,918	127,728
20,757	21,920	19,041	19,179	30,147	44,792
24,538	216,728	145,150	9,997	13,916	21,640
1,356	1,327	1,555	1,385	1,393	1,307
1,940	1,972	2,133	1,867	1,907	1,794
<u>\$ 3,223,614</u>	<u>\$ 3,831,716</u>	<u>\$ 3,919,677</u>	<u>\$ 4,172,183</u>	<u>\$ 3,925,206</u>	<u>\$ 3,663,292</u>

**Table 6: Net Position, Changes in Net Position, and Restatement of Net Position – Operating Fund**

Fiscal Year Ended June 30  
(In Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><u>Changes in Net Position</u></b>					
<b>Operating revenues</b>					
Management services	\$ 1,245	\$ 1,383	\$ 1,290	\$ 1,297	\$ 1,353
Advisor services	1,463	1,345	1,366	1,553	1,486
Custodian services	134	116	126	132	129
Total operating revenues	<u>2,842</u>	<u>2,844</u>	<u>2,782</u>	<u>2,982</u>	<u>2,968</u>
<b>Operating expenses</b>					
Advisor fees	1,463	1,345	1,366	1,553	1,486
Management fees	670	637	642	613	591
Professional service fees	244	265	231	229	254
Fiduciary bond	20	19	19	18	44
Custodian fees	131	119	126	132	129
General and administrative expenses	256	280	266	258	216
Depreciation	2	2	1	2	3
Total operating expenses	<u>2,786</u>	<u>2,667</u>	<u>2,651</u>	<u>2,805</u>	<u>2,723</u>
<b>Operating income (loss)</b>	<u>56</u>	<u>177</u>	<u>131</u>	<u>177</u>	<u>245</u>
Change in net position	<u>\$ 56</u>	<u>\$ 177</u>	<u>\$ 131</u>	<u>\$ 177</u>	<u>\$ 245</u>
<b><u>Net Position at Year-End</u></b>					
Investment in capital assets	\$ 5	\$ 4	\$ 4	\$ 1	\$ 3
Unrestricted	1,042	987	810	682	503
Total net position	<u>\$ 1,047</u>	<u>\$ 991</u>	<u>\$ 814</u>	<u>\$ 683</u>	<u>\$ 506</u>
<b><u>Restatements of Net Position</u></b>					
Net position at beginning of year	\$ 991	\$ 814	\$ 683	\$ 506	\$ 261
Effect of change in accounting principle	-	-	-	-	-
Net position at beginning of year, restated	<u>\$ 991</u>	<u>\$ 814</u>	<u>\$ 683</u>	<u>\$ 506</u>	<u>\$ 261</u>

(Continued)

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 955	\$ 1,004	\$ 1,052	\$ 1,468	\$ 1,210
1,366	1,420	1,399	1,277	1,158
<u>132</u>	<u>141</u>	<u>134</u>	<u>107</u>	<u>85</u>
<u>2,453</u>	<u>2,565</u>	<u>2,585</u>	<u>2,852</u>	<u>2,453</u>
1,364	1,420	1,399	1,276	1,158
625	647	623	637	598
222	212	222	202	319
158	155	155	155	155
133	141	134	107	85
222	214	217	205	231
<u>3</u>	<u>2</u>	<u>2</u>	<u>3</u>	<u>6</u>
<u>2,727</u>	<u>2,791</u>	<u>2,752</u>	<u>2,585</u>	<u>2,552</u>
<u>(274)</u>	<u>(226)</u>	<u>(167)</u>	<u>267</u>	<u>(99)</u>
<u>\$ (274)</u>	<u>\$ (226)</u>	<u>\$ (167)</u>	<u>\$ 267</u>	<u>\$ (99)</u>
\$ 5	\$ 7	\$ 6	\$ 1	\$ 4
<u>256</u>	<u>528</u>	<u>755</u>	<u>927</u>	<u>657</u>
<u>\$ 261</u>	<u>\$ 535</u>	<u>\$ 761</u>	<u>\$ 928</u>	<u>\$ 661</u>
\$ 535	\$ 761	\$ 928	\$ 661	\$ 760
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 535</u>	<u>\$ 761</u>	<u>\$ 928</u>	<u>\$ 661</u>	<u>\$ 760</u>

**Table 7: Schedule of Net Asset Values — Consolidated Fund Operating and Special Purpose Pools**

**June 30, 2018**

*(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	\$ 3,266,592	\$ 212,354	\$ 713,655	\$ 81,448	\$ 109,145	\$ 19,126
Accumulated undistributed net investment income (loss)	-	-	-	-	-	-
Accumulated undistributed net realized gain (loss)	-	-	-	-	-	-
Unrealized net appreciation (depreciation) of investments	-	-	(4,176)	-	-	-
Net position at value	<u>\$ 3,266,592</u>	<u>\$ 212,354</u>	<u>\$ 709,479</u>	<u>\$ 81,448</u>	<u>\$ 109,145</u>	<u>\$ 19,126</u>
Investment unit data:						
Units outstanding	3,266,592,581	212,354,426	7,019,939	81,447,577	109,144,794	19,126,396
Net position, unit price	\$ 1.00	\$ 1.00	\$ 101.07	\$ 1.00	\$ 1.00	\$ 1.00

**Table 8: Portfolio Statistics — Consolidated Fund Operating Pools**

**June 30, 2018**

	<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	34 days	21 days	N/A
Maximum Weighted Average Investment Maturity Term Per Board Guidelines	60 days	60 days	N/A
Effective Duration	N/A	N/A	372 days
Maximum Effective Duration Per Board Guidelines	N/A	N/A	731 days
Money Market Yield - Monthly	2.06%	1.76%	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.

**Table 9: Participant Net Asset Values — Consolidated Fund Operating Pools**

**June 30, 2018**

(In Thousands)

<b>WV Money Market Pool</b>			
State Agencies:		Local Governments:	
WV State Treasurer's Office:		Mercer County Board of Education	25,994
State Participation	\$ 283,266	Fayette County Board of Education	16,593
Banking Services	500,874	Boone County Commission	5,809
Safekeeping	32,673	Marshall County Board of Education	10,624
Safe Road Bonds	57	Fayette County Commission	2,290
Veterans Lottery	1,281	Roane County Board of Education	2,788
Total WV State Treasurer's Office	<u>818,151</u>	Kanawha County Emergency Ambulance Authority	2,037
Higher Education Policy Commission	251,019	City of Parkersburg	3,784
Department of Environmental Protection	103,159	Wyoming County Board of Education	1,058
Department of Health and Human Resources	89,507	Braxton County Board of Education	4,335
WV Lottery Commission	104,129	Kanawha EOC	4,289
Public Employees Insurance Agency	82,472	Lincoln County Board of Education	2,814
Department of Transportation	1,278,101	Wood County Board of Education	48,282
Regional Jail Authority	16,611	Tyler County Board of Education	6,090
Water Development Authority	27,156	Richie County Board of Education	1,366
Division of Natural Resources	63,311	Lewis County Board of Education	3,029
WV Municipal Pension Oversight Board	29,691	Weirton Financial Stabilization	2,516
Board of Risk and Insurance Management	41,142	Berkeley Co PSD	2,510
WV Economic Development Authority	30,200	Pleasants Co PCBOE Money Market	5,036
Performance and wage bond accounts	43,493	Greenbrier Co Board of Education	1,229
WVU	18,484	City of Charleston Investments	12,056
WV Housing	22,559	Pleasants Co Commission General Fund	1,003
Department of Commerce	41,511	Mason County Board of Education	2,004
Insurance Commission	11,298	Other	11,442
Other	15,621	Total net asset value	<u>178,977</u>
Total State Agencies	<u>3,087,615</u>		<u>\$ 3,266,592</u>

<b>WV Government Money Market Pool</b>	
State Agencies:	
Municipal Bond Commission	\$ 189,069
WV Economic Development Authority	7,450
West Virginia Housing Development Fund	6,616
Other	6,648
Total State Agencies	<u>209,783</u>
Local Governments:	
Hancock County Commission	1,119
Other	1,452
Total Local Governments	<u>2,571</u>
Total net asset value	<u>\$ 212,354</u>

<b>WV Short Term Bond Pool</b>	
State Agencies:	
WV State Treasurer's Office:	
State Participation	\$ 289,003
Banking Services	169,355
Prepaid Tuition Escrow	22,302
Total WV State Treasurer's Office	<u>480,660</u>
Department of Environmental Protection	153,861
WV Economic Development Authority	17,539
Higher Education Policy Commission	5,822
WV Court of Claims	4,142
WV Parkways Authority	3,283
Department of Transportation	2,152
Division of Culture and History	1,016
WV Lottery Commission	31,344
DHHR - Children's Health Ins	4,354
Other	1,813
Total State Agencies	<u>705,986</u>
Local Governments:	
City of Charleston	2,857
Other	636
Total Local Governments	<u>3,493</u>
Total net asset value	<u>\$ 709,479</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.



STATE OF WEST VIRGINIA  
DEPARTMENT OF HEALTH AND HUMAN RESOURCES  
Bureau for Public Health  
Commissioner's Office

Bill J. Crouch  
Cabinet Secretary

Catherine C. Slemp, MD, MPH  
Commissioner & State Health Officer (Interim)

December 17, 2018

The Honorable Jim Justice, Governor  
Office of the Governor  
State Capitol Complex  
1900 Kanawha Boulevard, East  
Charleston, West Virginia 25305

Dear Governor Justice:

As required by West Virginia Code §16-40-8, enclosed is the West Virginia Birth Defects report for calendar years 2016 and 2017. This report is provided by the West Virginia Department of Health and Human Resources, Bureau for Public Health, through the Office of Maternal, Child and Family Health.

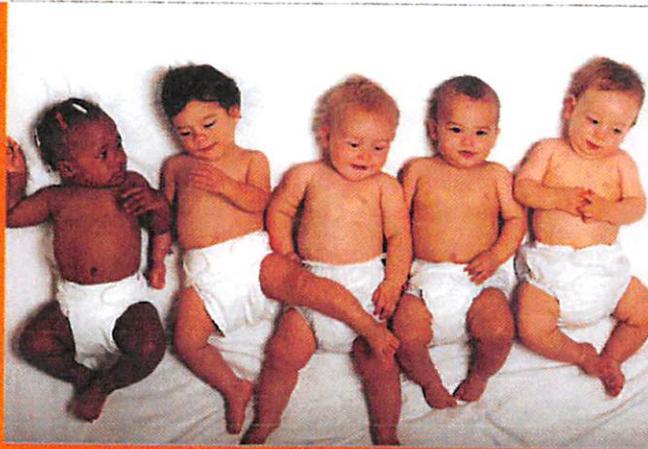
If additional information is needed, you may contact Mr. James (Jim) Jeffries, Interim Director, Office of Maternal, Child and Family Health, at (304) 356-4425 or via e-mail at [james.e.jeffries@wv.gov](mailto:james.e.jeffries@wv.gov).

Sincerely,

A handwritten signature in blue ink that reads "Catherine C. Slemp".

Catherine C. Slemp, MD, MPH  
Commissioner and State Health Officer, Interim

Enclosure



# West Virginia Birth Defects

Calendar Years 2016 and 2017  
(January –December)

## **West Virginia Birth Defects**

The West Virginia Birth Defects Surveillance System (BDSS) is administered by the West Virginia Department of Health and Human Resources, Bureau for Public Health, Office of Maternal, Child and Family Health (OMCFH) to monitor the occurrence of birth defects among the State's children. West Virginia Code §16-40-1 *et seq.* and West Virginia Code of State Rules §64-81 mandate the reporting of infants and minors up to the age of six identified with a birth defect. These laws were implemented to enhance the mechanism in place for timeliness of reports, assurance of confidentiality and verifying reportable diagnostic codes. The purpose of the BDSS is to ensure an effective early identification system, use this information to facilitate intervention, prevention and access to treatment for congenital anomalies, stillbirths and abnormal conditions of newborns, provide public education awareness on prevention of heritable birth defects and create epidemiological studies using the collected data.

Although the process is mandated, no state funds are designated for BDSS. From September 2003 to March 2005 the BDSS received funding from the Centers for Disease Control and Prevention (CDC) and was an active system, i.e. actual chart abstractions were conducted by nurse abstractors and information was entered into the data system. Currently, the BDSS is a passive system, which means data collection relies upon reporting from participating birthing facilities – not actual chart abstractions or diagnostic confirmation. Infants born with birth defects are identified using specific ICD 10 codes and reported to the BDSS by various methods on a monthly basis by participating birthing facilities. Demographic information from the birth certificate is used to verify an infant is a West Virginia resident at time of birth. Of the current birthing facilities in the State, only eight facilities reported birth defects to OMCFH during calendar year 2016. Consequently since 2005, there has not been accurate reporting of birth defects across the State due to the lack of consistent participation by all birthing facilities. Beginning with calendar year 2017, a new process was implemented to increase the number of facilities reporting birth defects to the BDSS. The introduction of the Zika virus in the United States and the potential for adverse birth outcomes associated with the virus, including microcephaly,

resulted in CDC recommendations highlighting the need for surveillance of birth defects and efforts to maximize the state's opportunity for early identification and subsequent medical intervention. Efforts to increase surveillance included updating agreements with birthing facilities around the state to provide for the submission of monthly birth defects reports to the BDSS.

A birth defect is a condition that occurs during the baby's development. It could affect how the body looks, works or both. It may be found during pregnancy, at birth or a few years after birth. Some birth defects are easily recognized, while others can only be identified by specialized testing. The abnormality can range from mild to severe, or even result in death. The following table lists the reportable conditions that are to be submitted to the BDSS and the number of cases reported by year.

Condition	Code	Number of Cases 2016	Number of Cases 2017
Anencephaly	Q00.0-Q00.1	3	5
Anophthalmia/microphthalmia	Q11.0-Q11.2	2	0
Anotia/microtia	Q16.0, Q17.2	0	3
Aortic valve stenosis	Q23.0	3	1
Atrial septal defect	Q21.1	246	331
Atrioventricular septal defect (AVSD)	Q21.2	2	4
Biliary atresia	Q44.2-Q44.3	1	1
Bladder exstrophy	Q64.10, Q64.19	0	0
Choanal atresia	Q30.0	3	2
Cleft lip with cleft palate	Q37.0-Q37.9	4	9
Cleft lip without cleft palate	Q36.0-Q36.9	3	7
Cleft palate without cleft lip	Q35.1-Q35.9	18	12
Cloacal exstrophy	Q64.12	0	0
Clubfoot	Q66.0, Q66.89	17	36
Coarctation of aorta	Q25.1	8	10
Common truncus	Q20.0	1	0
Congenital cataract	Q12.0	1	4
Congenital posterior urethral valves	Q64.2	0	1
Craniosynostosis	Q75.0	8	11
Dextro-transposition of great arteries	Q20.3	6	4
Diaphragmatic hernia	Q79.0, Q79.1	1	2
Double outlet right ventricle (DORV)	Q20.1	2	4

Condition	Code	Number of Cases 2016	Number of Cases 2017
Ebstein anomaly	Q22.5	2	1
Encephalocele	Q01.0-Q01.9	2	5
Esophageal atresia/tracheoesophageal fistula	Q39.0-Q39.4	3	9
Gastroschisis	Q79.3	6	7
Holoprosencephaly	Q04.2	3	1
Hypoplastic left heart syndrome	Q23.4	3	2
Hypospadias	Q54.0-Q54.9 excluding Q54.4	27	59
Interrupted aortic arch (IAA)	Q25.2, Q25.4	4	0
Limb deficiencies (reduction defects)	Q71.0-Q71.9, Q72.0-Q72.9, Q73.0-Q73.8	6	6
Microcephaly	Q02	35	35
Omphalocele	Q79.2	2	2
Pulmonary valve atresia	Q22.0, Q22.1	2	3
Pulmonary valve atresia and stenosis	Q22.0, Q22.1	10	20
Rectal and large intestinal atresia/stenosis	Q42.0-Q42.9	2	11
Renal agenesis/hypoplasia	Q60.0-Q60.6	4	19
Single ventricle	Q20.4	6	3
Small intestinal atresia/stenosis	Q41.0-Q41.9	7	8
Spina bifida without anencephaly	Q05.0-Q05.9; Q07.01; Q07.03	2	8
Tetralogy of Fallot	Q21.3	5	14
Total anomalous pulmonary venous connection	Q26.2	0	0
Transposition of great arteries	Q20.3, Q20.5	6	4
Tricuspid valve atresia	Q22.4	1	2
Tricuspid valve atresia and stenosis	Q22.4	1	2
Trisomy 13 (Patau syndrome)	Q91.4-Q91.7	0	1
Trisomy 18 (Edwards syndrome)	Q91.0-Q91.3	2	4
Trisomy 21 (Down syndrome)	Q90.0-Q90.9	6	20
Turner syndrome	Q96.0-Q96.9	0	0
Ventricular septal defect	Q21.0	53	94
<b>Total</b>		<b>529</b>	<b>787</b>

There were 19,070 resident births in 2016 and preliminary data for 2017 shows 18,675 resident births. There were 529 reportable birth defects reported to the BDSS in 2016, an estimated rate of 27.7 defects per 1,000 births. There were 787 reportable birth

defects reported to the BDSS in 2017, an estimated rate of 42.1 defects per 1,000 births. As expected, the rate of birth defects reported increased as the number of facilities reporting birth defects increased. The rates are estimated due to the limitations of the passive system as explained previously and defects are counted by condition, not by children. According to the CDC, birth defects affect 1 in every 33 babies, or 3% of all U.S. births (<https://www.cdc.gov/ncbddd/birthdefects/data.html>).

Many birth defects occur before a woman even realizes she is pregnant. While not all birth defects can be prevented, a woman can increase her chance of having a healthy baby by visiting a doctor before becoming pregnant, controlling existing medical concerns such as obesity and diabetes, not smoking, not using alcohol or illegal drugs and taking 400 mg of folic acid daily. Since almost half of all pregnancies are unplanned, birth defects prevention measures should be in place at all times to ensure a healthy pregnancy.



STATE OF WEST VIRGINIA  
DEPARTMENT OF HEALTH AND HUMAN RESOURCES  
Bureau for Public Health  
Commissioner's Office

Bill J. Crouch  
Cabinet Secretary

Catherine C. Slemp, MD, MPH  
Commissioner & State Health Officer (Interim)

December 17, 2018

The Honorable Jim Justice, Governor  
Office of the Governor  
State Capitol Complex  
1900 Kanawha Boulevard, East  
Charleston, West Virginia 25305

Dear Governor Justice:

As required by West Virginia Code §16-41-6, regarding the Oral Health Improvement Act, please find enclosed the 2018 Annual Report. This report is provided by the West Virginia Department of Health and Human Resources, Bureau for Public Health, through the Office of Maternal, Child and Family Health.

If additional information is needed, you may contact Mr. James (Jim) Jeffries, Interim Director, Office of Maternal, Child and Family Health, at (304) 356-4425 or via e-mail at [james.e.jeffries@wv.gov](mailto:james.e.jeffries@wv.gov).

Sincerely,

A handwritten signature in cursive script that reads "Catherine C. Slemp".

Catherine C. Slemp, MD, MPH  
Commissioner and State Health Officer, Interim

Enclosure



# WEST VIRGINIA ORAL HEALTH IMPROVEMENT ACT 2018 ANNUAL REPORT

December 2018

# West Virginia Oral Health Improvement Act 2018 Annual Report

---

## Introduction

The mission of the West Virginia Department of Health and Human Resources (DHHR), Bureau for Public Health (BPH), Office of Maternal, Child and Family Health (OMCFH), Oral Health Program (OHP) is to promote and improve the oral health of all West Virginians. Led by the State Dental Director, Jason Roush, DDS, the OHP functions to: 1) provide the leadership and consultation necessary to enable oral health education and promotion; and 2) improve accessibility to and quality of oral healthcare for all West Virginians. The major components of the OHP include: adult services, oral disease prevention and dental workforce. The OHP is currently staffed with 7 positions including that of the State Dental Director. All other positions are funded through federal grant awards totaling \$7.128 million since fiscal year (FY) 2012.

The West Virginia Oral Health Improvement Act (§16-41-1 et seq.) has facilitated a tremendous amount of growth over the last seven years. Through state funding and receipt of five federal grant awards, the OHP is achieving success and recognition both statewide and nationally. One of the strengths of the OHP is its focus on continuous quality improvement. For example, the collaborative efforts of medical and dental providers enable fluoride varnish services in non-dental settings to flourish and thus promote optimal oral health of the infant/early childhood population in our state. Efforts have been well supported by collaborating with multiple partners who share the same goal of improving oral health throughout West Virginia. Other efforts included policy changes within both WV Medicaid and the WV Children's Health Insurance Program (CHIP).

## Summary of Accomplishments in FY2018

- Dr. Jason Roush was selected as president for the Association of State and Territorial Dental Director (ASTDD).
- West Virginia University (WVU) School of Dentistry began offering Certified Tobacco Treatment Specialist (CTTS) Training Program courses.
- In collaboration with the West Virginia Department of Education (WVDE), recommending dental examinations for public school children as part of a comprehensive approach to student well-being.
- More than 1,400 clients were referred to the Pre-Employment Project during the 2018 fiscal year, and more than 900 clients received both vision and dental services. Out of 918 applications received, a total of 816 clients were approved to receive dentures and/or partials through the Donated Denture Project;
- Expanding and enhancing school-based dental services, now available in over 40 counties statewide.
- Eleven grants were awarded through the OHP's Health Resources and Services Administration (HRSA) grant to enhance and expand access to preventive services in dental health professional shortage areas to support rural dental workforce throughout the state.
- In collaboration with the Mountains of Hope Cancer Coalition, facilitating two continuing education courses to oral health providers to increase awareness of oral cancer.

*West Virginia Oral Health Improvement Act – 2018 Annual Report*

- OHP staff received awards from the West Virginia Immunization Network for the ongoing efforts to improve the vaccination rates of West Virginians.
- WV Medicaid and WV CHIP began reimbursing for Silver Diamine Fluoride (SDF), a medicament used to arrest dental caries;
- The OHP was awarded a five-year grant from the Center for Disease Control and Prevention (CDC) totaling \$1,850,000.
- OHP staff members partnered with the National MCH Workforce Development Center to present in Phoenix, Arizona regarding medical/dental collaborative efforts to include fluoride varnish in non-dental settings throughout the WV.



*Monongalia County Health Department received funding from the West Virginia Oral Health Program HRSA Workforce grant to expand services in dental shortage areas. Pictured above left to right: Dr. Dan Carrier, DDS; Samuel Chico III, Chair of Monongalia County Board of Health; Dr. Jason Roush, DDS, WV State Dental Director; Dr. Lee Smith, Executive Director of Monongalia County Health Department, County Health Officer participating in the floss cutting ceremony.*

**Number of employees, both full and part time, who devote time to the  
West Virginia Oral Health Program**

<b>State-funded employees</b>	
<b>Title/position</b>	<b>Full-time employee (FTE)</b>
State Dental Director	.75
Oral Health Coordinator, Marshall County, WV	0.125
Community Oral Health Team Lead, Marshall University	0.18
Data Manager, Marshall University	0.08
<b>Total (N=4)</b>	<b>1.135 FTE</b>

<b>Federally-funded employees</b>	
<b>Title/position</b>	<b>Full-time employee (FTE)</b>
State Dental Director	.25
Program Manager	1.0
Adult Services Supervisor	1.0
Adult Services Specialist	1.0
Adult Services Assistant	1.0
Prevention Coordinator	1.0
Outreach Worker	1.0
Workforce Coordinator	1.0
Dentist	0.5
Administrative Services Assistant	0.5
<b>Total (N=11)</b>	<b>8.25 FTE</b>

**Estimated number of citizens served by the West Virginia Oral Health Program annually**

<b>Project</b>	<b>Estimated # of citizens served (FY2018)</b>	
<b>Fluoride Mouth Rinse Project</b> Target population: Students in grades K – 6	0 <sup>1</sup>	
<b>Fluoride Varnish Project<sup>2</sup></b> Target population: Children ages 0 – 6	Dental Providers (D1206)	1,850
	Medical Providers (99188)	480
<b>Fluoride Water Testing</b> Target population: Children ages 0 – 12	90	
<b>School-based Oral Health Services</b> Target population: Students in grades K – 12	6,641	
<b>Donated Dental Project</b> Target population: Low-income adults 65+ or ≤ 64 and receiving SSI	816	
<b>Pre-Employment Project</b> Target population: TANF-eligible adults re-entering the workforce	1,450	
<b>General Oral Health Education</b> Target population: WV Citizens (children and adults)	4,500	
<b>Estimated total served</b>	<b>15,827</b>	

<sup>1</sup> Source: 2017/18 Oral Health Program Access Database: “Classroom Fluoride Treatment” Report. The decrease in student participation is due to inability to purchase supplies in FY2018 (no vendors provided quotations to multiple requests for quotations (RFQs).

<sup>2</sup> Source: DHHR, Bureau for Medical Services Data Report for FY2018 (July 1, 2017 – June 30, 2018).

Any fees or revenue generated by the program or commission

Since 2012, the West Virginia Oral Health Program has been awarded federal grants totaling \$7,128,000.

**Whether any of these programs or commissions are required by federal law**

Oral health and dental services are required within the compliment of services required by the Medicaid Early and Periodic Screening, Diagnostic and Treatment (EPSDT) benefit [Section 1905(r) of the Social Security Act]. The West Virginia Oral Health Program works in collaboration with and supports the WV HealthCheck Program (state EPSDT Program) within the Office of Maternal, Child and Family Health.

Whether any of the services offered by these programs and commissions are duplicated in state government or offered by private entities or associations

To the best of the Program’s knowledge, no services offered by the West Virginia Oral Health Program are duplicated in state government or offered by private entities or associations without support of the state program.

**Whether these services could be privatized**

At this time, the Program does not believe these services could be privatized:

- Federally-awarded funding requires application from and oversight by a state dental director in conjunction with a state oral health program within the state health department.
- Without the Oral Health Program and state dental director, West Virginia would forfeit the opportunity for grant-funded initiatives dealing with oral health from the Centers for Disease Control and Prevention (CDC) and/or the Health Resources and Services Administration (HRSA).

**Accomplishments of the West Virginia Oral Health Program (2010-Present)**

Through adoption of the West Virginia Oral Health Improvement Act (§16-41-1 et seq.), the West Virginia Oral Health Program has accomplished the following:

- Hired first full-time state dental director (Jason Roush, DDS – 2010 to present).
- Developed the first ever state oral health plan (2010-2015).
- Received funding from the DentaQuest Foundation to support hiring of an oral health epidemiologist and develop oral health surveillance (2011).
- Developed a regional model for oral health coordination (2011), which supports education, training and the following nationally-recognized oral health surveillance system in accordance with the basic screening survey (BSS) from the Association of State and Territorial Dental Directors (ASTDD):
  - Perinatal (Nationally, West Virginia was the first state to ever complete basic screening survey (BSS) for this population – 2014);
  - Pre-K;
  - 3<sup>rd</sup> Grade;
  - Adult;
  - Older adult/senior; and
  - Dental workforce (dentist and dental hygienists).
- Partnered with West Virginia Oral Health Coalition and other strategic partners to develop language and support adoption of expanded scope of practice for dental hygienists with public health permits (2011).

- Developed the first ever state burden document for oral health (2014).
- Developed a second oral health state plan (2016-2020).
- Jason Roush, DDS selected as President-elect (2018-2019) of American Association of State and Territorial Dental Directors (ASTDD).
- Established the first Certified Tobacco Treatment Specialist (CTTS) Training Program in West Virginia in collaboration with the West Virginia University (WVU) School of Dentistry and Office of Inter-professional Education. This accreditation from the Council for Tobacco Treatment Training Programs (CTTTP; Madison, WI) makes the WVU School of Dentistry one of only 18 education and health institutions, only two of which are schools of dentistry, that can implement this program. This application examples a true partnership to enhance medical and dental collaboration in current and future healthcare professionals and emphasizes joint efforts to address chronic disease and risk factors.

Through work with the 2012-2015 and 2015-2018 HRSA Dental Workforce grants:

- Retained 18 graduates to provide service in dental health professional shortage areas (dHPSAs). These 18 dental professionals now provide service to up to 90,000 citizens (based on dHPSA ratio of 1 dentist:5000 patients), greatly improving access to dental care in rural areas of the state. In 2011, only 12.5% of WVU School of Dentistry graduates chose to practice in the state. Graduate retention rates since 2012 have averaged between 45-50%.
- Partnered with the West Virginia Higher Education Policy Commission to create sustainability through loan reimbursement to new dental school graduates. To date, five additional dental professionals are working in West Virginia as a result of this loan reimbursement, providing service to a potential 25,000 additional citizens.
- Partnered with the Center for Rural Health Development to fund 30 projects to expand dental services in rural areas of West Virginia where there is a shortage of dental providers.

#### SUCCESS STORY

*“The HRSA grant funding provided through the West Virginia DHHR’s Oral Health Program has allowed us to set up a new operatory by modifying an unused room in our building. The new operatory is handicap accessible. We expanded the doorways to allow easier access for wheelchairs and stretchers. The room is spacious, allowing for movement of the wheelchairs and stretchers as well as the caretakers that bring the patients to the appointments. In addition to the new operatory, our office could purchase a new digital panoramic x-ray machine, upgrading from our old film system. The new machine provides a clearer image, allowing for better diagnosis. This also allows us to print or email x-rays as needed for referrals and insurance purposes. The new panoramic x-ray machine is also installed in a more convenient area in our office allowing easier access for all patients.”*

**STEWART, BARR AND THORNE PLLC**

Through work with the 2013-2018 CDC Oral Disease Prevention grant:

- As part of a comprehensive approach to overall student health, partnered with the West Virginia Board of Education to create and support Policy 2423, which recommends and documents dental examinations for students at school entry and grades 2, 7 and 12.
- Partnered with the WVDE and the WVSIIIS to develop an oral health service module to create a centralized reporting location for Policy 2423 dental examination data.
- Partnered with WVDE and Marshall University to develop an oral health curriculum (Pre-K – 12<sup>th</sup> grade) that aligns with WVDE educational content standards and objectives (CSOs) for use by classroom instructors.
- Supported efforts in 24 counties to provide school-based dental services to children ages 6-9, including evidence-based dental sealants.

**SUCCESS STORY**

*“SPONSORED BY THE MID-OHIO VALLEY HEALTH DEPARTMENT, WOOD COUNTY ORAL DISEASE PREVENTION PROGRAM IS ONE OF THE MANY WEST VIRGINIA PROJECTS TO RECEIVE SUPPORT FROM NUMEROUS FEDERAL, STATE AND LOCAL AGENCIES, AND INDIVIDUALS WITH A FOCUS ON CHILDREN’S ORAL HEALTH.*

*DURING THE 2017—2018 SCHOOL YEAR, MOVHD OFFERED ORAL HEALTH SERVICES IN 25 SCHOOLS AND ONE HEAD START PROGRAM IN WOOD COUNTY. WITH PARENTAL CONSENT, STUDENTS WITHOUT A DENTAL HOME, OR THOSE WHO HAD NOT SEEN A DENTIST IN THE PAST 12 MONTHS, RECEIVED PREVENTIVE ORAL HEALTH SERVICES INCLUDING CLEANING, FLUORIDE TREATMENTS AND SEALANTS.*

*ONE-ON-ONE ORAL HYGIENE INSTRUCTION AND ORAL HEALTH SUP-PLIES WERE PROVIDED TO EACH OF THE PROGRAM PARTICIPANTS.”*

*MID-OHIO VALLEY HEALTH DEPARTMENT*

Through work with the 2013-2017 HRSA Perinatal and Infant Oral Health Quality Improvement (PIOHQI) Project grant:

- Completed the first ever perinatal Basic Screening Survey (BSS) in the nation.
- Supported the West Virginia Oral Health Coalition, which established as a 501(c)3 in January 2016.
- Educated managed care organizations (MCOs) about the importance of perinatal oral health services to encourage development of benefits or incentives (value ads). Since June 2015, three MCOs (Coventry, The Health Plan, West Virginia Family Health Plan) have added incentives for pregnant women to receive dental checkups and cleanings during pregnancy.
- Worked within the Office of Maternal, Child and Family Health’s home visitation programs to train staff and include oral health education in offerings to families, as well as working with Division of Perinatal and Women’s Health to improve quality of completion and collection of the Pregnancy Risk Screening Instrument (PRSI) with prenatal care providers.
- Worked toward completion of a perinatal and infant oral health strategic plan with Medicaid and the State’s MCOs to address education and service needs of our high-risk populations.

## Existing Barriers and Recommendations Addressing Removal of Barriers

Despite the growth, reach and impact of the OHP and its current projects, the program still faces ongoing barriers to recommended preventive oral healthcare and much-needed restorative dental services. These barriers can be summarized within three major areas: integration, children's services and adult services.

### **Integration**

#### *Existing barriers*

- Limited success at increasing oral health expertise among state partners.

#### *Recommendations*

- Integrate oral health into all programs within the DHHR and BPH pursuant to the provisions in WV Code §16-41-3 for administration by the Commissioner of the Bureau for Public Health and State Dental Director.

### **Access – Children's Services**

#### *Existing barriers*

- More than 80% of West Virginia children have some form of dental insurance, but utilization rates for high-risk populations (Medicaid-eligible) are below 50%.
  - Both medical and dental healthcare providers are not regularly promoting the recommended age 1 dental visit.
  - Fluoride varnish services are not reimbursed consistently among insurers when provided by pediatric healthcare providers.
  - Despite ongoing efforts to the contrary, dental providers are reluctant to establish a dental home and/or provide service to children under the age of 3.

#### *Recommendations*

- Enhance education for both medical and dental healthcare providers to establish dental homes, provide bi-directional referrals and provide oral health services for children ages 0 to 3.
- Create a standard operating procedure for reimbursement of fluoride varnish services among insurers.

### **Access – Adult Services**

#### *Existing barriers*

- There is a lack of coverage for preventive and restorative oral health services for adults.
  - Adults do not prioritize oral health for their children when not prioritized for themselves, despite coverage for children's oral health services.

#### *Recommendation*

- In collaboration with DHHR's Bureau for Medical Services and Medicaid MCOs, create an adult preventive and restorative oral health service pilot project consistent with oral disease prevention priorities.



STATE OF WEST VIRGINIA  
DEPARTMENT OF HEALTH AND HUMAN RESOURCES  
Bureau for Public Health  
Commissioner's Office

Bill J. Crouch  
Cabinet Secretary

Catherine C. Slemp, MD, MPH  
Commissioner & State Health Officer (Interim)

December 18, 2018

The Honorable Jim Justice, Governor  
Office of the Governor  
State Capitol Complex  
1900 Kanawha Boulevard, East  
Charleston, West Virginia 25305

Dear Governor Justice:

As required by West Virginia Code §16-33-7(c), regarding the operation and status of the West Virginia Breast and Cervical Cancer Diagnostic and Treatment Fund, please find the enclosed report for Fiscal Year 2018. This report is provided by the West Virginia Department of Health and Human Resources, Bureau for Public Health, Office of Maternal, Child and Family Health.

If additional information is needed, you may contact James Jeffries, Interim Director, Office of Maternal, Child and Family Health, at (304) 356-4425 or email at [james.e.jeffries@wv.gov](mailto:james.e.jeffries@wv.gov).

Sincerely,

A handwritten signature in blue ink that reads "Catherine C. Slemp".

Catherine C. Slemp, MD, MPH  
Commissioner and State Health Officer, Interim

Enclosure



# WEST VIRGINIA BREAST AND CERVICAL CANCER DIAGNOSTIC AND TREATMENT FUND FISCAL YEAR 2018

November 2018

## **Purpose**

West Virginia Code §16-33-7(c), passed by the Legislature in 1996, established the Breast and Cervical Cancer Diagnostic and Treatment Fund for the purpose of assisting medically indigent patients with certain diagnostic and treatment costs for breast and cervical cancer.

## **Accessing the Fund**

The West Virginia Breast and Cervical Cancer Diagnostic and Treatment Fund provides services to women through physicians, hospitals, and laboratories. Applications may be obtained through the West Virginia Department of Health and Human Resources, Bureau for Public Health, Office of Maternal, Child and Family Health, West Virginia Breast and Cervical Cancer Screening Program (WVBCCSP). Prior to performing the procedure, the provider must complete the application and submit it to the WVBCCSP. Applications are reviewed and approved based upon eligibility and availability of funds.

Should a patient be diagnosed with breast or cervical cancer, she would then be eligible for medical coverage under Title XIX as a special option through the Breast and Cervical Cancer Prevention and Treatment Act, funded through the West Virginia Department of Health and Human Resources, Bureau for Medical Services.

## **Diagnostic and Treatment Fund Eligibility**

To be eligible for covered procedures, the patient must:

- Be a resident of West Virginia.
- Have an income at or below 250% of the Federal Poverty Level.
- Have no health insurance including Medicaid and Medicare.
- Have a condition strongly suspicious for cancer which requires diagnostic services to confirm the preliminary diagnosis or have a positive pathology report indicating diagnostic or treatment services are needed.
- Have been screened or evaluated for breast cancer, cervical cancer, or both by a WVBCCSP contracted provider or a West Virginia licensed physician, hospital, or laboratory.

### **Procedures Covered by the Fund During Fiscal Year (FY) 2018**

<b>Type of Service</b>	<b>Breast or Cervical</b>
General anesthesia	Both
High-risk mammograms for women 40-49 years of age	Breast
Loop Electrode Excision Procedure (LEEP)	Cervical
Biopsy of excision of lesion	Cervical
Endocervical curettage	Cervical
Cryocautery of cervix	Cervical
Laser surgery of cervix	Cervical
Conization of cervix with or without repair	Cervical
Conization with LEEP	Cervical
Dilation & curettage – diagnostic and/or therapeutic	Cervical
Paracervical nerve block	Cervical
Pathology	Cervical

### **Financial Support for the Fund**

State fiscal support for the Fund during FY 2018 was \$400,000. The Fund's legislation allows for supplementing state funding with individual, organization, and foundation donations or grants. Fundraising efforts have been generously supported by various community groups, medical providers, and individuals. Two of the most successful fundraising efforts are Walks for Women and Quilts of Hope. Approximately 1,000 people participated in activities held throughout West Virginia during October 2017 as part of Breast Cancer Awareness Month activities. Quilting groups from around West Virginia work in two-year cycles to complete quilts for the Quilts of Hope project. Together, volunteers spend thousands of hours completing quilted masterpieces. Each quilt illustrates a message of hope in the fight against cancer and celebrates West Virginia's proud quilting heritage. Fiscal Year 2018 volunteer efforts raised a total of \$83,479.00 for the Fund.

### **Fund Status**

From July 1, 2017 through June 30, 2018, the West Virginia Breast and Cervical Cancer Diagnostic and Treatment Fund provided 133 diagnostic and treatment procedures for 66 women. When compared to the previous fiscal year, the number of women who benefited from the Fund increased by more than 15.7% and the number of procedures provided nearly doubled.

Between FY 1997 and FY 2003, the Fund experienced increased utilization by women. In order to fully utilize all available funds for breast and cervical cancer screening services and benefit West Virginia women, the WVBCCSF changed several of its policies to reduce expenditures from the Fund. The policy changes included moving breast biopsies from the Fund to the federal screening program. The Fund began paying for much needed cervical procedures that the federal program is not allowed to cover and mammograms for high-risk women between the ages of 40-49 (the federal program only pays for mammograms for women aged 50-64 years). The effects of these policies correlate with the data trends shown in Figure 1. For example, the decrease seen in 2004 is reflective of the Fund no longer covering breast biopsies. The growth seen in 2007 and 2008 correlates with the Program's planned temporary policy change to provide colposcopy for women aged 18 to 24 years with a Pap test result of Low-grade Squamous Intraepithelial Lesion.

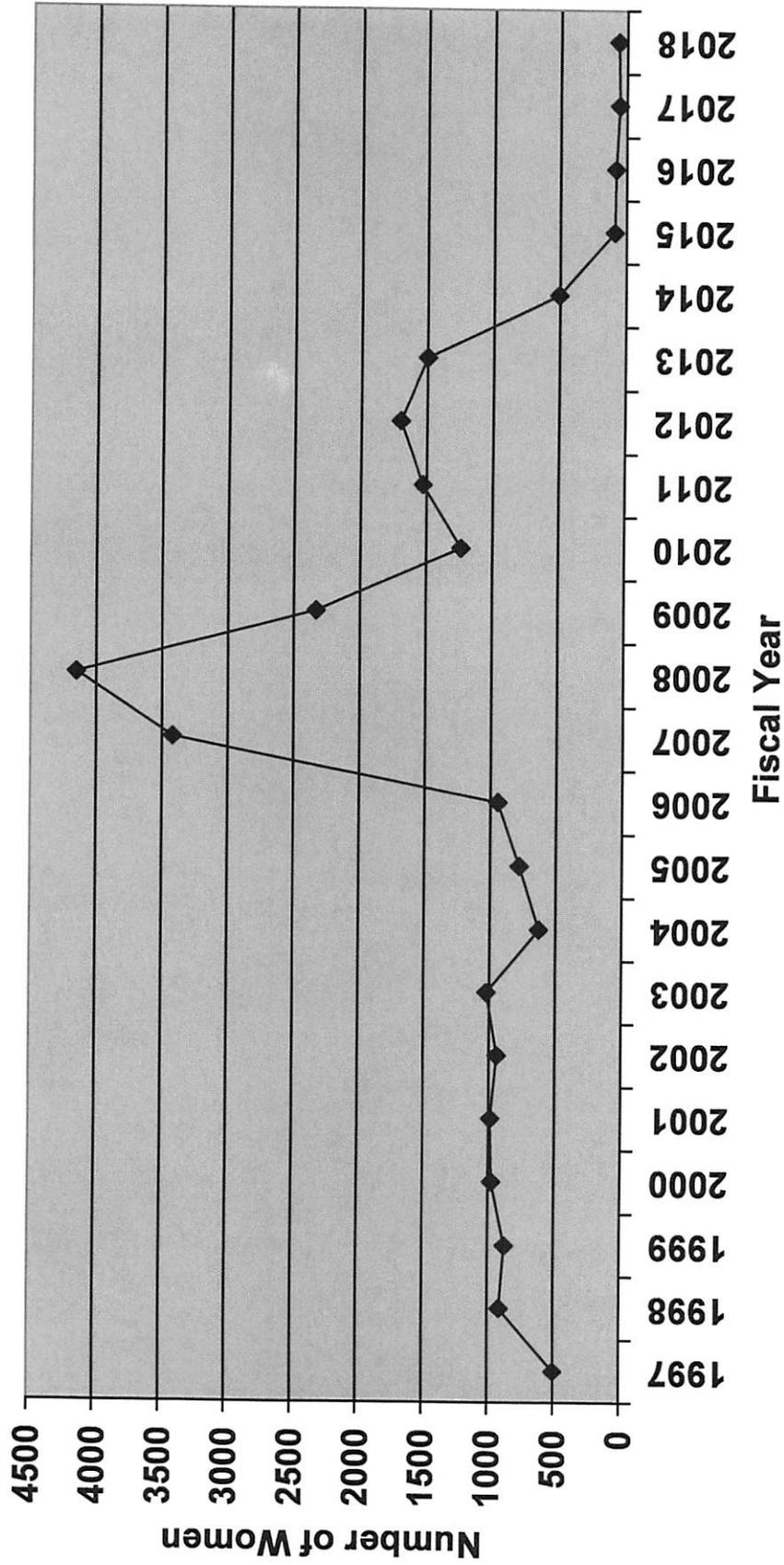
The impact of the Affordable Care Act (ACA) and expanded Medicaid is evident when looking at data for FY 2014 and 2015. In FY 2014, numbers during the first half of the year remained comparatively strong, with sharp declines beginning in January 2014 when many people who would have accessed the Fund became enrolled in expanded Medicaid. Even more dramatic decreases were seen in FY 2015, the first full year of ACA implementation and expanded Medicaid. The ACA and Medicaid expansion continue to impact numbers. The WVBCCSF is looking to update policy to determine what additional services may need to be provided/covered by the Fund to ensure that healthcare gaps are being met and that policy is current with modern medical recommendations.

### **Conclusion**

While numbers have declined over the past several years, the West Virginia Breast and Cervical Cancer Diagnostic and Treatment Fund continues to serve West Virginia's most vulnerable populations and remains true to its goal of improving the health of West Virginia's women. Despite the implementation of the ACA and expanded Medicaid, data shows that women are still accessing the Fund for medical issues. During FY 2018, 66 women received 133 potentially life-saving procedures that they otherwise would not have been able to afford. There are still women who are falling through

healthcare/insurance gaps - their income is too high for Medicaid, but too low to afford a plan in the Health Insurance Marketplace. Other issues that are becoming more commonplace include women with subpar insurance plans that have high deductibles or co-pays and plans that do not cover diagnostic and treatment services. Anecdotal information from healthcare providers have noted an increase in the number of uninsured women. This trend is believed to be caused by the lack of penalty at tax time for not having insurance. Preliminary 2018 Health Insurance Marketplace enrollment data for West Virginia is reported to be down and has been attributed to this policy change.

Figure 1. Number of women receiving services through the West Virginia Breast and Cervical Cancer Diagnostic and Treatment Fund from 1997 through 2018.





West Virginia University®

Purchasing, Contracts and Payment Services

Date: December 21, 2018

To: The Joint Committee on Government and Finance  
Mitch Carmichael, Chair  
Roger Hanshaw, Chair  
State Capital Complex  
Charleston, WV 25305

From: West Virginia University Department of Procurement, Contracting, and Payment Services

Pursuant to West Virginia Code §5A-3B-2(j), and the university's Request for Proposals 90001100, West Virginia University provides this "thirty days' written notice" of its intent to award an energy savings contract to Siemens Industries, Inc.

A copy of the proposal returning a minimum of \$412,087 annually in guaranteed energy savings is attached, as referenced in paragraph (b) of the West Virginia Code.

Please contact me if you have any questions regarding this notice.

Sincerely,

*Robert A. Beck*

Robert A. Beck

Director of Procurement

LEGISLATIVE MANAGER

JAN 2 2019

RECEIVED

**WVU PHIID - Multi Campus**

Cash Flow	FIM ID	Building or Facility	Description	Simple Payback	Total Savings	Project Costs	On-going Support
2	x	1.11 HSC - North	LED Lighting Upgrades	11.5 \$	140,681 \$	1,620,421 \$	- \$
4	x	1.21 HSC - MBRCC	LED Lighting Upgrades	10.0 \$	20,182 \$	200,982 \$	- \$
6	x	1.31 HSC - BioMed BMRC	LED Lighting Upgrades	9.4 \$	20,291 \$	191,519 \$	- \$
8	x	1.41 HSC - Chiller Plant	LED Lighting Upgrades	9.8 \$	9,373 \$	92,255 \$	- \$
10	x	2.11 EVN - CAC	LED Lighting Upgrades	9.5 \$	37,232 \$	353,637 \$	- \$
14	x	2.31 EVN - ERB	LED Lighting Upgrades	7.8 \$	18,701 \$	146,607 \$	- \$
16	x	2.41 EVN - ESB	LED Lighting Upgrades	8.0 \$	53,272 \$	427,425 \$	- \$
18	x	2.51 EVN - Greenhouse	LED Lighting Upgrades	9.0 \$	3,240 \$	29,141 \$	- \$
20	x	2.61 EVN - MRB	LED Lighting Upgrades	8.4 \$	23,944 \$	201,036 \$	- \$
22	x	2.71 EVN - NRCCE	LED Lighting Upgrades	8.2 \$	14,090 \$	116,185 \$	- \$
30	x	3.11 DNT - Mountlair Garage	LED Lighting Upgrades	6.6 \$	6,576 \$	43,572 \$	- \$
32	x	3.21 DNT - Library	LED Lighting Upgrades	9.7 \$	38,729 \$	376,365 \$	- \$
38	x	6.11 POC - Chilled Water Supply	Metering of POC Chilled Water Supply	0.3 \$	20,667 \$	5,882 \$	- \$
42	x	8.11 HSC - Emergency Generators	High Eff Generator Heaters	11.7 \$	5,110 \$	59,980 \$	- \$
91	x	15.10 Project Development	0	n/a \$	- \$	195,663 \$	- \$
92	x	15.20 Project Implementation	0	n/a \$	- \$	499,671 \$	- \$
96	x	15.50 Performance Assurance Setup	Initial Project M&V Setup	n/a \$	- \$	14,989 \$	- \$
97	x	15.60 Measurement & Verification	Annual M&V Services and Report	n/a \$	- \$	- \$	13,736 \$
98	x	15.70 Project Implementation	Morgantown B&O Tax	n/a \$	- \$	140,046 \$	- \$

**Total**

11.4 \$	412,087 \$	4,715,377 \$	13,736 \$
---------	------------	--------------	-----------