



JOINT COMMITTEE ON GOVERNMENT AND FINANCE

MATERIALS DISTRIBUTED
JULY 23, 2019

AGENDA
JOINT COMMITTEE ON GOVERNMENT AND FINANCE
July 23, 2019

3:00 pm – 4:00 pm

Senate Finance Room

1) **Approval of June 18, 2019 minutes:**

President Carmichael: “The Committee will come to order. The first item on the agenda is the approval of the June 18, 2019. Speaker Hanshaw is recognized.”

Speaker Hanshaw: “I move the minutes of the June 18, 2019 meeting of the Joint Committee on Government and Finance as contained in the members packets be approved.”

President Carmichael: “Speaker Hanshaw moves that the minutes be approved. Discussion? All in favor say aye, opposed no. The ayes appear to have it, the ayes do have it. The minutes are approved.”

2. **Committee Reports/Requests:**

President Carmichael: “The Parks, Recreation and Natural Resources Subcommittee has requested approval to tour North Bend State Park on August 11 – 13, 2019. The approval would cover per diem costs and expenses for the staff and legislators of the Parks, Recreation and Natural Resources Subcommittee.”

Speaker Hanshaw: “I move the Parks, Recreation and Natural Resources Subcommittee be approved to tour North Bend State Park on August 11 – 13, 2019.”

President Carmichael: “Speaker Hanshaw moves that the Parks, Recreation and Natural Resources Subcommittee be approved to tour North Bend State Park. Discussion? All in favor say aye, opposed no. The ayes appear to have it, the ayes do have it. The Parks, Recreation and Natural Resources Subcommittee tour of North Bend State Park is approved.

3. **Monthly/Quarterly Reports Received:**

President Carmichael: The next order of business before the Committee are the Monthly/Quarterly Reports. Members will find in their packets the reports from each Agency.

Status Reports on Lottery, Unemployment Compensation Fund, General Revenue Fund & State Road Fund

(No one available to attend this month’s meeting)

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
(*Allan McVey, Secretary, Department of Administration*)

Department of Health & Human Resources, Medicaid Report & Medicaid Waiver Report
(*Cindy Beane, Commissioner, West Virginia Bureau for Medical Services*)

Children's Health Insurance Program Report
(*Jean Kranz, CHIP Executive Director, WVCHIP*)

Investment Management Board Distribution
(*Rod Livingston, Sr. Investment Officer, West Virginia Investment Management Board*)

Workers Compensation
(*James Dodrill, Insurance Commissioner, West Virginia Offices of the Insurance Commissioner*)

Board of Treasury Report Distribution

4. Other Business

(*Byrd White, Cabinet Secretary, WV Department of Transportation, regarding DOH worker pay*)

5. Adjournment:

President Carmichael: "Any further business to come before the Committee? If not, I recognize Speaker Hanshaw for a motion to adjourn."

Speaker Hanshaw: "Mr. Speaker, I move that we adjourn."

President Carmichael: "All those in favor say aye, opposed no. The ayes appear to have it, the ayes do have it, the meeting is adjourned."

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1. Approval of June 18, 2019 minutes

2. Committee Reports/Requests

Parks, Recreation and Natural Resources Subcommittee approval of expenses for upcoming site visitation

3. Monthly/Quarterly Reports Received

Status Reports on Lottery, Unemployment Compensation Fund, General Revenue Fund & State Road Fund

Status Reports on Lottery

(John Myers, Director, West Virginia Lottery Commission)

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Board of Treasury Report Distribution

4. Other Business

(Byrd White, Cabinet Secretary, WV Department of Transportation, regarding DOH worker pay)

5. Adjournment

JOINT COMMITTEE ON GOVERNMENT AND FINANCE
(Speaker Hanshaw)

June 18, 2019

5:00 p.m. – 6:00 p.m.

Senate	House
Carmichael, Chair	Hanshaw, Chair
Blair	Bates
Plymale	Cowles (absent)
Prezioso	Householder
Takubo (absent)	Miley
Trump	Shott
Weld (absent)	Summers

Speaker Hanshaw: “Okay, looks like we do have a quorum. Let’s call this month’s meeting of the Joint Committee to order. The chair recognizes President Carmichael for a motion.”

President Carmichael: “Thank you, Mr. Speaker. I move the minutes of May 20, 2019, meeting of the Joint Committee on Government and Finance as contained in the members’ packets be approved.”

Speaker Hanshaw: “President Carmichael moves that the meeting ... the minutes of the meeting of the May 20th meeting of this committee be approved as distributed. Is there discussion? If not, those in favor will say aye, any opposed, no. Ayes have it. The Chair declares the motion adopted. The first business in order today are the reports of the various agencies. We’ll start with Lottery, Unemployment and General Revenue, Mr. Spencer.”

William Spencer: “Thank you Mr. President, Mr. Speaker, and members of the subcommittee. My name is William Spencer. I’m the Director of the Legislative Budget Division here to answer any questions about the monthly status reports.

Speaker Hanshaw: “Mr. Spencer is here for Lottery, Unemployment Compensation, General Revenue Fund and the State Road Fund. Questions of Mr. Spencer about anything contained in any of his reports or his contribution to the packet? Okay, if not, Mr. Spencer, thank you for being here.

The Lottery, Mr. Myers? Anyone here from the Lottery? No one is here from the Lottery today, okay?

That brings us to General Revenue Fund and State Road Fund, Mr. Muchow.”

Mark Muchow: “Mark Muchow, WV Department of Revenue. For the month of May the state ran a surplus of \$46.4 million. Collections were for General Revenue are 15.8% ahead of the prior year. So, very impressive growth on General Revenue. A big part of that was in the income taxes. The personal income taxes exceeded estimate by \$25.8 million. That was up 19.3% from the prior year. The biggest portion of which was what I would refer to as annual return type payments, a bit of a carry-over from April, and certainly symptomatic of the impact of federal tax reform. Which has been very positive among all the states for the most part.

Now, federal tax revenues are down, particularly the corporate tax revenues. But some of the ... some of that revenue got picked up by the states because of the behavioral reaction on the part of tax payers associated with the federal tax reductions.

Withholding tax for the month of May was ahead of last year by 5.3%. Year to date, up 9.6%. On the corporate side, same situation there. We have tax payer behavioral reactions to federal tax reductions, and in that situation revenues in May more than doubled. We were \$8.8 million ahead of estimate, and year to date we're ahead of last year by 75.3%. So, that's a tremendous amount of growth.

A lot of incentive for corporations to move income in 2018 when the tax rates are lower and maybe to some extent shift expenses to periods prior, when tax rates were higher. So, that's ... the impact. Again, at the federal level, negative but the state level is positive.

The severance tax continues to do fairly well. We were up 17.9% in April, \$6.2 million ... or, in May, \$6.2 million surplus. Year to date, we're still running for General Revenue purposes, 32.2% ahead of last year. The numbers show increases across the board. The biggest increase percentage wise is in oil and the other natural gas liquid categories were up more than 90% from the prior year. A little bit less increase by 28% natural gas and about 22% in coal for the latest complete periods. Tobacco products tax actually exceeded estimate in May, but by \$2.5 million was 13.2% ahead of last year. But that's simply a timing of when cigarette stamps are purchased. You would look ... I would look to the year to date numbers more so than a single month for cigarette tax or tobacco taxes, and year to date, we're running 2.4% below last years. So, there's continuing decline in consumption of tobacco related products in the state. So, that's one source of revenue that's going down.

Overall, general revenue was ahead of estimate by \$81 million at the end of May. Year to date, 11.8% growth. A tremendous amount of growth on the revenue side. Again, income taxes, sales tax, and severance tax are basically the contributing factors there.

Of course, the Governor recently revised his revenue estimates up by \$98 million. We need revenue growth for the whole year of about 11.7% to get to the \$98 million. So,

June should be a continuation of a reasonably good month to get to those year end estimates.

On the road fund, in May overall collections were \$2.1 million ahead of estimate. Compared to the prior year, down 15.6%. But a lot of that had to do with federal reimbursements. Federal reimbursements were down by over 50% from the prior year. If you look at state only revenue, state only revenues were \$78.4 million. The estimate was \$72.6. We are about \$5.8 million ahead of estimate on state only revenues. Also, 6.9% ahead of last year. The biggest headline there is registration fees. Registration fees did really well in May. We were \$7.3 million ahead of estimate for the month.

Year to date, overall collections are ahead of ... or are actually slightly behind last year by 0.9%. But if you look at only the state source revenues, we're ahead by 1.4%. State only source revenues are also \$26.6 million ahead of last year. Headlined by registration fees, which are running \$25 million ahead of estimate, 17% ahead of last year. Motor vehicle sales tax, about \$3.2 million ahead of estimate, 3.9% ahead of last year. Motor fuel tax, \$4.2 million below estimate, but 3.7% ahead of last year and by the end of the year the motor fuel tax should be pretty much on estimate.

Federal reimbursements are coming in and we'll be in the neighborhood of where they were last year by the end of the year. There was recently a supplemental appropriation of \$50.4 million of general revenue. It's in the State Road Fund. That will show up in the miscellaneous line item in June. In addition, there is another supplemental appropriation for a little over \$50 million that's under consideration right now. So, both of those are enacted. The total General Revenue Fund amounts provided to the State Road Fund would be in excess of \$104 million. Which would, again be in the miscellaneous revenue category for state funds. If you have any questions, feel free to entertain them."

Speaker Hanshaw: "Thank you very much, Mark. Questions for Mr. Muchow? Yes, Delegate Shott."

Delegate Shott: "Thank you, Mr. Speaker. I'm wondering, this phenomenon that you describe regarding the effect of the federal tax changes, is it likely to continue to have a major impact on West Virginia collections of state or income tax, either corporate or individual? Or do you think that'll sort of even out over time?"

Mark Muchow: "I think things will ... they will be positive, a bit positive for the long term, but not nearly as positive as it has been in the short term. So, I think things will ease back a little bit over time. One indication that I looked at, usually when people make a lot of payments on their annual returns they'll also up their payment for estimated income tax. The estimated income tax payment for the quarter was down about 8.6% from the prior year. So, not seeing people contribute extra to the estimated payment for outsource suggested on that side that things are relatively flat. Now a significant amount of the income tax coming in, at least the last couple of months is also coming from, what I refer to as pass-through entities, business entities. So, we're seeing a big pickup in

nonresident withholding taxes. Which are typical taxes that come in from pass-through entities. Which are, again, possibly effected. Just like the C corporations in terms of the federal tax reductions.”

Delegate Shott: “In terms of planning for what we will expect next year, is this going to have ... do you think ... because you said it’s likely not to be as positive. Are we talking about a significant change? If everything else stayed the same, we would receive a substantially lesser amount of income taxes, either corporate or personal? Or do you think it’s just insignificant, the difference?”

Mark Muchow: “I think a lesser amount of growth or a more static situation might emerge sometime in the future. Of course, the revenue estimates for next fiscal year’s budget are a bit less than what we think is going to come in this year. So, we’ve lined up the estimates and the budget for that purpose. The Legislature enacted the budget that did not spend the whole entire estimate.

For a more conservative outlook going forward, in the event that things kind of unwind a little bit, and it’ll be difficult for the state to have huge growth rates and revenues next fiscal year coming off such a huge ... it doesn’t mean it won’t happen. I’ve been proven wrong many times, but it’ll be just a little more difficult next year to obtain the type of growth that we’ve seen this year in the collections.”

Delegate Shott: “But in terms of the current budget estimates for next year, you think they’re pretty safe?”

Mark Muchow: “Right now they appear to be pretty safe. But in recent years in West Virginia, we’ve seen extremes. Just a couple of years ago, we were down 7.5%. This year we’re up, you know, close to 12%. So, just be prepared for that potential type movements.

We’re getting a lot of ... if you look at the economic data, a lot of the gains in personal income and wage and salary. In GDP, it’s coming from the construction sector. In fact, the last ... estimates by Bureau of Economic Analysis at the federal level would peg of over half of our growth, and in terms of income ... I’m talking about wage and salary income, and in terms of GDP and the construction sector itself. Which related a lot to the pipeline sector last year, and this year we get a little extra kick coming in from the public infrastructure side, particularly roads. I expect that to be a little more helpful in coming months. The pipelines, and I’m not sure we’re going to grow a whole lot from last year on the pipelines. Last year was a great year. It’s going to also depend upon what happens in some court cases that are pending. Some pipelines are not ... basically held back a little bit on the construction side right now.”

Delegate Shott: “Thank you. Thank you, Mr. Speaker.”

Speaker Hanshaw: “Other questions for Mr. Muchow? Okay, if not, Senator

Blair.”

Senator Blair: “Thank you. Last month, Mr. Speaker, I requested the Department of Transportation come in. I see that they’re here, and I think this is probably the appropriate point in this agenda, here, that we could get them to the podium and have them give us an update on the Roads to Prosperity and secondary roads and things like that.”

Speaker Hanshaw: “Okay, the Chair does see that Secretary White is present. Is there objection to having Secretary White take the podium to respond to questions? Okay, if not, Mr. Muchow, thank you very much. Mr. Secretary we welcome you to the podium at this time if you’re willing.”

Byrd White: “I’ll do the best I can do. I partnered Jimmy with me. So, if I don’t know, he might.”

Speaker Hanshaw: “Very good. Senator, you’re recognized to start.”

Senator Blair: “Thank you. Thank you for being here. Hopefully this is a monthly event or every meeting that you come in and give us a little bit of an update, what’s going on. You can start out with the Roads of Prosperity. The bond, how much it was sold for, what the debt service is on that, and how many contracts that’s been issued out there, and how much has been paid out, and anything else that you want to say about Roads to Prosperity. Then we’ll go into secondary roads.”

Byrd White: “I think in general I can tell you that we sold the bonds at a premium, we will have put out all of the Roads to Prosperity projects that were stated for the first bond by August. We think that we’ll be able to take care getting all those projects done. Even though they came in, the bids are coming in much higher than the original estimates were. What we’ve done is sure that up with some federal funding and federal match that ... we’ll be able to get all those projects done. We’re looking at, late this calendar year, or early next year to sell a second set of bonds and we’re getting those projects lined up so that we’ve got a good list and a better estimate of what we think it’s going to cost.”

Senator Blair: “Okay. The debt service on that first bond is \$55 million. Is that correct?”

Byrd White: “That is correct, yes sir, 55.”

Senator Blair: “And it was supposed to be \$800 million that was let on that first bond. What was it actually?”

Byrd White: “It was \$913, I believe.”

Senator Blair: “Nine thirteen. So, does that \$913 actually cover the difference

on the increased ... when you're saying the contracts are coming in for more?"

Byrd White: "No sir, it didn't. We've taken the ..."

Senator Blair: "Can you go into more detail on that, then, for us, to help us understand?"

Byrd White: "I can give you some detail, is that many of those estimates were kind of pulled off the shelf and they were two, three years old, and inflation got them. And some of them were just ... the project grew. The scope of the project grew. So, I think the total is going to be in the neighborhood of 1.1 ... about \$1.1 billion. So, what we've done is take some of our money and used federal match to the projects that we were short on, to come up where we finished the projects."

Senator Blair: "Okay. I failed to thank you for being here. As you're answering these questions, I know some of these things can be ... you might not have all the information in front of you and you can be thinking about it, and next month you can sure up the questions that I'm asking, or anybody else would ask as well. So, we go month to month. As you know, roads have been a hot issue and that's one of the reasons why I brought this up, so that we could actually be informed about what's going on from the source itself and if you can't answer today, just say so. Because come back next month, you can fill that in. Is there anything I didn't ask that maybe I should have asked on the Roads to Prosperity?"

Byrd White: "Not that I can think of, no sir."

Senator Blair: "Okay, going on to the secondary roads, where it's another issue on that. Talk to us about that. I've made speeches to this fact, and you've probably heard them. Where we're talking about that, you know, we increase the taxes on the licensing, the registrations, and 1% increase on the automobiles, and it was supposed to generate roughly \$135 million. It's my understanding that it's generating about \$140 - \$142 million a year. Okay, that debt service that I talked about a while ago, for \$55 million extracted off and you've got \$80, \$85, \$87 million, something like that in that ballpark that is pay as you go. And that was one of the things that was talked about a lot, especially in the House of Delegates when we were moving the Roads to Prosperity through was, is that a lot of the folks wanted to do pay as you go. And so, that money is available now and one of the things it was is that, from my recollection, was that we were freeing up money by the Roads of Prosperity to be able to do more work on secondary roads, and I've been trying to get to the bottom of that number because we're getting supplementals, two \$50 million supplementals for additional money into the road. So, I'm trying to get my mind wrapped around how much money is actually going to secondary roads above what it was, say pre tax increases and pre Roads to Prosperity? So that we can see where we're getting results. Do you see what I'm saying? Results isn't the right word, but ... know whether we're taking the right action."

Byrd White: “The results is what we count. Not how much money we spent, what we get done. We’re trying to change some of the paradigm on that to where people are looking at more, “Okay, here’s what you got done.” What you spend is what you had. The money that you all gave us, here a couple of months ago, we will spend almost all of it. It depends on how some of our purchase order paving comes in. Some of our invoices, whether they get in this year or they get pushed over to next year, whether they get the job done. But, basically all that money went to maintenance.

And then the increase that you gave us for next year, we intend to do that ... the one you’ve already given us. We intend to use that to maintain the level of maintenance, to try to catch up on decades of being behind. Most of it, basic maintenance, putting in drainage, putting in pipes, ditching roads, spot paving, filling pot holes, all of the constant ... the typical maintenance work. Now, the \$50 million which you all have under consideration today, or the 52 something, the ... that money we intend to use roughly 50/50 on bridges and slips, slips and slides and bridges. We’ve got 1,700 slips and slides in our state which need to be addressed. We’ve got about 7,000 bridges in this state and according to the Federal Highways Commission, about 40% of them are what they call deficient. Now, that’s not dangerous, that’s deficient. They may need some paint, they may need the deck replaced. It’s a lot of different stuff. But if 40% of our bridges are deficient, we’ve got 2,800 bridges to work on. We intend to ... we can’t do it all, even with \$50 million. That’s a lot of money but we can’t get it all done. We intend to address the worst bridges and the worst slips to try to get a hold of it.”

Senator Blair: “One more question on this, and ... are there enough contractors out here right now, or is that driving the price up on what we’re doing on some of this work, because of lack of competition, so to speak on it, and then you don’t have it ... it’s driving our price up because you don’t have enough people?”

Byrd White: “It is absolutely a problem. That’s one of the reasons ... one of the reasons that we’re moving to this different type of work, because it is different contractors that do the things like slips and slides and bridges. That’s a different set of contractors than the ones who are out paving roads and that sort of thing.”

Senator Blair: “I’m going to say one more thing before I relinquish the mic. There’s things that you probably notice that you might need help on legislatively, or make awareness that needs to be given to us. Next month, when you come back, please do that. Make a list to be able to share these things with us that ... because I’m asking a few questions here, but we’ll have more next month from me, or whatever. But, you can anticipate some of them. We’re wanting to help. Being able to ... if there’s something ... like the hiring practices was an issue, and you probably still have somewhat of a problem with that, correct?”

Byrd White: “We do. We hired 50 people last month, a net 50 last month. So, we’re starting to make end roads on that. But it’s still a problem.”

Senator Blair: “Well, come prepared to be able to tell us these things, and say, “this is why we’re having problems hiring,” and what’s going on. Make us aware of that so that we can actually come back, and if it’s something that is statutory in issue, that we may be able to come in and address that, and make it so that you can do your job more efficiently. That’s why I’m extending my hand out for that. Because I’d be more than willing to be able to help with that if it’s possible.”

Byrd White: “Thank you. Thank you, we’ll take all the help we can get.”

Senator Blair: “Well, bring your laundry list.”

Byrd White: “I will try to do that next month, bring to you more information. I’m still learning this job. But we’ll get there.”

Senator Blair: “Well, my point that I was trying to make is, I’m not here to interrogate you, and I want a two way conversation on what’s going on. So that we can actually ... you’ve got all the leaders of the Legislature here, where we can try to be able to help if you’ve got issues especially statutory issues, that we’re aware of it. That way we’re not trying to draft legislation in January. We can be doing it in September, October and preparing for this, and making our members aware of what’s going on and developing that consensus to be able to get things across the line.”

Byrd White: “Yes sir, and I don’t take this as an interrogation. You all have the right to know what we’re doing. We want to be as transparent as we can. Just right now I don’t know what I need to know. But I’m learning every day. They’re trying to teach me.”

Senator Blair: “Thank you for being here, I appreciate it.”

Byrd White: “Yes sir.”

Speaker Hanshaw: “Do any members have *brief* questions for the Secretary? If not, Mr. Secretary, we thank you for being here today.”

Byrd White: “Thank you.”

Speaker Hanshaw: “That brings us to Connie Kirk, Workforce WV for an update on the Compensation Trust Fund.”

Connie Kirk: “Good evening 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 a trust fund update. The actual June projection is ... the trust fund is \$206,708,825. I actually pulled the balance today for you. As of today, the trust fund has \$207,782,993. The national unemployment rate at this point is 3.6. West Virginia’s rate dropped by 0.1 and is 4.8 this month.

I don't really have anything else unless you have some questions that you would like me to answer."

Speaker Hanshaw: "Thank you very much. Questions of Ms. Kirk? Mr. President."

President Carmichael: "Yes, thank you. Last month we discussed briefly about the trigger at which point the rates would be reduced. Did you ... were you able to look into that and ...?"

Connie Kirk: "Yes, I sent an email with the information. Did you not receive an email?"

President Carmichael: "I may have, but I don't ..."

Connie Kirk: "That's okay, that's okay. I've got it with me. What I did is I pulled it out of the law, and what it actually is, as in the law, it states that on the 15th of February of any year, you can actually at that point in time, the Legislature will look at the Trust Fund balance. If the Trust Fund balance ... in the law it states, is \$220 million at that point, will be up to the Legislature, they can actually change the threshold back from \$12,000 to \$9,000 and then once that is taken care of, at that point, it increases by percentage every year based on the state's average wage increase or decrease."

President Carmichael: "Is it ... do you in your educated analysis project that it will be at that level on February 15th?"

Connie Kirk: "The actual projection for the end of the year is actually \$240 million. Based on what I'm seeing right now, unless we have some type of downward swing in something that I'm not aware of, I would think that it would be at the \$220."

President Carmichael: "And so it's ... the way it's written in statute, it's a permissive statute that the Legislature *may*, if it ..."

Connie Kirk: "That's the way I understand it, but I'm not a lawyer. So, I don't know that. But it does state, once it is actually reduced, that every year, that it will be looked at, and if the threshold of the wages increases or decreases by a percentage, that will increase or decrease too."

President Carmichael: "Alright, thank you very much."

Connie Kirk: "But the other thing too, to remember too, is once we change it from the \$220 million and we actually decrease it to \$9,000, we have not ... we have frozen the weekly benefit amount since this went into Legislation. So, it has been frozen all those years, and that will unfreeze that as well. So, that might be something you want to take into consideration. Because, I don't have it with me at the ... if memory serves me right,

it's \$424 right now, for 26 weeks, if you make the maximum. I think it goes up to over \$500 if we reduce it down to the \$9,000.”

President Carmichael: “Thank you Mr. Speaker.”

Speaker Hanshaw: “Senator Plymale.”

Senator Plymale: “Thank you. I’ve got a real lengthy question. No, just educate again. I know that I’ve gone through this before, but in December we always have the ... less receipts than we do disbursements and what ... is there a reason for that?”

Connie Kirk: “There is. The first quarter of the year, every employer pretty much pays on every employee. Because they pay up to the \$12,000. As the year goes along, once they ... if they ... if the employees make a lot of money, at like the third quarter, the second or third quarter, some of those employees have already made \$12,000. So, the employer has already paid their unemployment taxes on that individual. So, that’s why it keeps decreasing as the year goes along.”

Senator Plymale: “Okay, I just wanted to make sure I ... I remember the explanation before, but I couldn’t recall it. Thank you.”

Speaker Hanshaw: “Senator Blair.”

Senator Blair: “I’d like to ask the same question again as the Senate President.”

Speaker Hanshaw: “And with that, we’ll thank Ms. Kirk for being here today.”

Connie Kirk: “Thank you so much. You’ve made my evening.”

Speaker Hanshaw: “That brings us to PEIA, BRIM, and the Real Estate report. Mr. McVey.”

Allan McVey: “Thank you Mr. President, Mr. Speaker, esteemed members of the committee. You have our reports. I would be happy to entertain any questions, and I also have representatives from each of our divisions here as well.”

Speaker Hanshaw: “Questions from the committee on Mr. McVey’s reports on PEIA, BRIM, and the Real Estate report? Okay, if none, Mr. Secretary, we thank you and your team for being here today.”

Allan McVey: “Thank you very much, we appreciate it.”

Speaker Hanshaw: “Let’s move on to DHHR, for Medicaid and Medicaid Waiver.”

Cindy Beane: “Thank you Mr. President, Mr. Speaker, members of the committee. You have the reports before you. Are there any questions?”

Speaker Hanshaw: “Questions from any committee members? Medicaid and the Medicaid Waiver report. Okay, if none, we thank you very much. Stacey Shamblin for CHIP.”

Stacey Shamblin: “Good evening Mr. Speaker, Mr. President, members of the committee. You have the CHIP reports. I’ll be happy to answer any questions.

Just to make you aware, in case you are not, we have a new director starting July 1st. Her name is Jean Kranz, and we’re excited.”

Speaker Hanshaw: “Okay, if there are no questions, Stacey, we thank you very much. That brings us to the Investment Management Board, Mr. Livingston.”

Rod Livingston: “I’m Rod Livingston from Investment Management Board. I’m standing in for Craig today. I’ll just make a couple of really quick comments. You’ve got the April report. I would be very surprised if we got 7.5% this fiscal year. You know, you saw we didn’t make it in April. I will point out that for the three-year period, we’ve averaged above that. For the 10-year period, the same thing. Five-year period, we’re pretty close to it. So, I mean, it’s just variable on a year to year basis.

A quick update on what’s happened since April. I mean, May was a bad month in equities. That benefited fixed income returns as people sought safer investments. Which helped the insurance plans. But the DV plans suffered. The real root cause of that seemed to be, the market had expected that the U.S. and China would work out a trade deal, and so additional tariffs would not be imposed. They were. Also U.S. and ... talked about adding tariffs to Mexican imports. That was a big effect for the economy. The economy markets just dove at that point. They recovered somewhat when the fed chairman came out and said that they would be willing to review what’s going on in the economy in terms of their rates. The market interpreted that as a rate cut expected. They’re now looking at 100 basis points this year. Obviously, if that doesn’t happen that would be another effect for the market, but we’ll see.

We have seen some recovery additionally in June after we started in May, with the Mexican tariffs being suspended. The possibility of Mexican tariffs being suspended, that helped the markets.

I cannot tell you what’s going to happen going forward. You know, I couldn’t have told you last year what happened this last year ... this last year what was going to happen, so ... but there are some issues out there. It appears that the UK exit from the EU is more likely to happen with no agreement than what was previously expected. That could affect trade in a lot of different ways that people haven’t really got their mind around. The US and Iran are having issues in the Gulf of Roman ... Oman, sorry. Which even if it doesn’t lead to armed conflict, you know, it’s going to affect the oil prices.

The Hong Kong protest, you know, China is a big economy. They have historically come down very strictly on any kind of protest. They're more engaged globally now. We'll see if it changes, but that could lead to some hiccup. On the good side, the U.S. and China are the two largest economies in the world, and all this ... although there are some signs of slow ups, they're both doing really well. They're both growing still well, at good rates. So, I mean, there are a lot of positive things out there. If there's any questions I'd be happy to try to answer them."

Speaker Hanshaw: "Okay, questions for Mr. Livingston from any member of the committee about Brexit or international relations, investments? Okay, if not, Mr. Livingston, thank you very much. Mr. Dodrill, Workers' Compensation."

James Dodrill: "Good evening Mr. Speaker, Mr. President, members of the committee. I believe you have our report which is really, virtually unchanged from last month. I'll be happy to answer any questions if there are any."

Speaker Hanshaw: "Are there questions for Mr. Dodrill about the report? The chair sees none. Mr. Dodrill, we thank you very much."

Is there any other business to come before the committee today? The Chair will note for the record that West Virginia University has notified us of a \$1.7 million property purchase as required by WV Code 18B-19-13. Okay if there are ... if there's no ... yes, Delegate Shott."

Delegate Shott: "I have one, or perhaps two questions that I'd like to ask the committee. We had a proposed amendment offered yesterday in the House dealing with the Opportunity Zone Tax Incentive, which reported to request or direct a study be done by WVU regarding the effects of that program and I think there was some concern expressed during the questioning as to whether ... who pays the cost of that and it was a report that would ... if the amendment had been adopted, it would have directed that the report be filed with this committee. So, my question is, 1) How is that handled from the standpoint of who pays for those types of reports? And, 2) If we feel as a committee that this would be useful information. My understanding is that we don't have to have legislation, we can actually direct, as a committee, that such a report be filed. So, that's my questions. Hopefully somebody can answer."

Speaker Hanshaw: "The Chair did make inquiry to that effect, Delegate, after our exchange this morning to that effect, and the Chair is advised that the President and Speaker as Joint Chairs of this committee can make such a request of our staff."

Delegate Shott: "And in terms of the payment, is that done as part of the University's service to the state or is that something they bill us for?"

Speaker Hanshaw: "Well, the cost would be absorbed by the Joint Committee,

by our budget.”

Delegate Shott: “Is there a ... I’m sorry to keep following up, is there a way to put something like that out to bid among the various higher education institutions?”

Speaker Hanshaw: “The Chair is being advised by the Legislative Auditor that the answer is yes, there is.”

Delegate Shott: “Okay, thank you.”

Speaker Hanshaw: “Other business to come before the committee? If not, the Chair recognizes President Carmichael.”

President Carmichael: “Thank you Mr. Speaker. I move the committee be adjourned.”

Speaker Hanshaw: “President Carmichael moves the committee adjourn. Those in favor will please say aye. Any opposed will please say no. The ayes have it, the Chair declares the committee 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

July 16, 2019

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

- West Virginia Lottery as of April 30, 2019:
Gross profit year to date was \$434.7 million. Gross profit for fiscal year 2018 was \$416.5 million.
- West Virginia Unemployment Compensation Fund as of June 30, 2019:
Total disbursements were \$ 18 million higher than in fiscal year 2018. Overall ending trust fund balance was \$68.5 million higher on June 30, 2019 than on June 30, 2018.
- General Revenue Fund as of June 30, 2019:
The general revenue collections ended the final month of fiscal year 2019 at 100% of the estimate for the year.
- State Road Fund as of June 30, 2019:
The state road fund collections ended the final month of fiscal year 2019 at 104% 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: June 07, 2019

Re: Review of West Virginia Lottery Financial Information
As of April 30, 2019

We performed an analysis of the Statement of Revenues, Expenses and Changes in Fund Net Position for April 30, 2019, 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, video lottery, table games, historic resort, and sports wagering. These gross receipts totaled \$949.2 million for July - April 2019. Table games accounted for \$29.4 million of this total. Historic Resort Hotel accounted for \$6.2 million of total gross receipts. Gross lottery revenue has increased by 5% when compared with July - April 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 - April 2019 was \$434.7 million; for July - April of last fiscal year it was \$416.5 million. Expressed as a percentage, gross profit is 4.4% higher for fiscal year 2019 than for fiscal year 2018.

Lottery continued

Operating Transfers to the State of West Virginia:

A total of \$416,562,000.00 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:

Community and Technical College	\$4,997,000.00
Bureau of Senior Services	\$45,169,000.00
Department of Education	\$18,527,000.00
Library Commission	\$11,454,000.00
Higher Education-Policy Commission	\$7,084,000.00
Tourism	\$6,550,000.00
Department of Natural Resources	\$3,196,000.00
Division of Culture and History	\$4,078,000.00
Department of Education and Arts	\$250,000.00
Educational Broadcast Authority	\$7,359,000
General Revenue Fund	\$0.00
Economic Development Authority	\$9,993,000.00
School Building Authority	\$18,000,000.00
<u>SUBTOTAL BUDGETARY TRANSFERS</u>	\$136,657,000.00

Lottery continued

Excess Lottery Fund

Economic Development Fund	\$21,020,000.00
Higher Education Improvement Fund	\$15,000,000.00
General Purpose Fund	\$55,970,000.00
Higher Education Improvement Fund	\$24,971,000.00
State Park Improvement Fund	\$4,305,000.00
School Building Authority	\$18,989,000.00
Refundable Credit	\$3,155,000.00
WV Racing Commission	\$1,722,000.00
WV DHHR	\$0.00
Teacher's Retirement Savings	\$0.00
Division of Human Services	\$8,000,000.00
WV Lottery Statutory Transfers	\$43,073,000.00
General Revenue	\$0.00
Office of Technology	\$18,425,000.00
Excess Lottery Surplus	\$0.00
WV Infrastructure Council Fund	\$40,445,000.00
Total State Excess Lottery Revenue Fund	\$255,075,000.00

Total Budgetary Distributions:	\$391,732,000.00
Veterans Instant Ticket Fund	\$396,000.00
TOTAL TRANSFERS	*\$392,128,000.00

* CASH BASIS

Lottery continued

Total Accrued last FY 2018:	\$120,860,000.00
Total Cash Distributions FY 2019:	\$392,128,000.00
Applied to FY 2018:	\$120,860,000.00
Applied to FY 2019:	\$271,268,000.00
Accrued for FY 2019 as of April 30:	\$145,294,000.00



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 April 30, 2019

DATE: May 16, 2019

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

Financial statements of the Lottery for the month ending April 30, 2019 are attached. Lottery revenue, which includes on-line, instant, video lottery sales, table games, and historic resort, was \$96,107,140 for the month of April.

Transfers of lottery revenue totaling \$61,908,414 made for the month of April 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 April 30, 2019 was 1,482 and 1,260 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 April 30, 2019

DATE: May 16, 2019

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Attachment

pc: Honorable Jim Justice, Governor
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J. B. McCuskey, Auditor
Members of the West Virginia Lottery Commission

WEST VIRGINIA LOTTERY

STATE OF WEST VIRGINIA

**FINANCIAL STATEMENTS
-UNAUDITED-**

April 30, 2019

WEST VIRGINIA LOTTERY

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

ASSETS	April 30, 2019	June 30, 2018
Current Assets:		
Cash and cash equivalents	\$ 164,729	\$ 146,661
Accounts receivable	35,453	32,136
Inventory	574	529
Other assets	<u>1,529</u>	<u>1,175</u>
Total Current Assets	<u>202,285</u>	<u>180,501</u>
Capital assets	61,552	61,552
Less accumulated depreciation and amortization	<u>(14,900)</u>	<u>(13,505)</u>
Net Capital Assets	<u>46,652</u>	<u>48,047</u>
Total Noncurrent Assets	<u>46,652</u>	<u>48,047</u>
Total Assets	<u>\$ 248,937</u>	<u>\$ 228,548</u>
Deferred outflows of resources	<u>\$ 1,339</u>	<u>\$ 1,339</u>
Total assets and deferred outflows	<u>\$ 250,276</u>	<u>\$ 229,887</u>
Current Liabilities:		
Accrued nonoperating distributions to the State of West Virginia	\$ 145,294	\$ 120,860
Estimated prize claims	14,974	15,783
Accounts payable	2,086	1,581
Other accrued liabilities	<u>31,349</u>	<u>35,090</u>
Total Current Liabilities	<u>193,703</u>	<u>173,314</u>
Deferred inflows	<u>\$ 1,374</u>	<u>1,374</u>
Net Position:		
Net Investment in capital assets	46,652	48,047
Unrestricted	<u>8,547</u>	<u>7,152</u>
Total Net Position	<u>55,199</u>	<u>55,199</u>
Total net position, liabilities, and deferred inflows	<u>\$ 250,276</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 TEN MONTH PERIOD ENDED APRIL 30, 2019

(In Thousands)

-Unaudited-

	CURRENT MONTH		YEAR TO DATE	
	FY 2019	FY 2018	FY 2019	FY 2018
Lottery revenues				
On-line games	\$ 5,407	\$ 4,968	\$ 72,145	\$ 66,891
Instant games	10,525	8,753	95,465	81,170
Racetrack video lottery	42,614	42,385	419,075	416,670
Limited video lottery	34,093	32,584	325,912	304,857
Table games	2,815	2,760	29,367	29,529
Historic resort	591	446	6,184	5,329
Sports Wagering	62	-	1,070	-
	<u>96,107</u>	<u>91,896</u>	<u>949,218</u>	<u>904,446</u>
Less commissions				
On-line games	383	356	5,053	4,680
Instant games	735	613	6,669	5,682
Racetrack video lottery	20,682	20,483	219,714	217,922
Limited video lottery	16,706	15,966	159,697	149,380
Table games	1,194	1,171	12,457	12,520
Historic resort	338	234	3,236	2,830
	<u>40,038</u>	<u>38,823</u>	<u>406,826</u>	<u>393,014</u>
Less on-line prizes	2,596	2,544	35,819	33,854
Less instant prizes	7,027	5,823	63,888	53,559
Less ticket costs	199	105	1,075	1,051
Less vendor fees and costs	638	563	6,894	6,463
	<u>10,460</u>	<u>9,035</u>	<u>107,676</u>	<u>94,927</u>
Gross profit	<u>45,609</u>	<u>44,038</u>	<u>434,716</u>	<u>416,505</u>
Administrative expenses				
Advertising and promotions	657	305	4,407	4,265
Wages and related benefits	887	831	8,939	8,368
Telecommunications	86	75	759	678
Contractual and professional	538	195	5,880	4,014
Rental	22	9	173	130
Depreciation and amortization	139	104	1,395	1,026
Other administrative expenses	115	211	1,194	1,422
	<u>2,444</u>	<u>1,730</u>	<u>22,747</u>	<u>19,903</u>
Other Operating Income	<u>8,221</u>	<u>7,833</u>	<u>11,223</u>	<u>11,818</u>
Operating Income	<u>51,386</u>	<u>50,141</u>	<u>423,192</u>	<u>408,420</u>
Nonoperating income (expense)				
Investment income	329	132	3,016	1,077
Distributions to municipalities and counties	(668)	(639)	(6,388)	(5,975)
Distributions -capital reinvestment	(830)	(843)	(3,258)	(3,376)
Distributions to the State of West Virginia	(50,217)	(48,791)	(416,562)	(400,146)
	<u>(51,386)</u>	<u>(50,141)</u>	<u>(423,192)</u>	<u>(408,420)</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 TEN MONTH PERIOD ENDED APRIL 30, 2019

(In Thousands)

-Unaudited-

	2019	2018
Cash flows from operating activities:		
Cash received from customers and other sources	\$ 957,124	\$ 906,047
Cash payments for:		
Personnel costs	(8,939)	(8,368)
Suppliers	(12,453)	(10,208)
Other operating costs	(513,951)	(485,870)
Cash provided by operating activities	<u>421,781</u>	<u>401,601</u>
Cash flows from noncapital financing activities:		
Nonoperating distributions to the State of West Virginia	(392,128)	(413,569)
Distributions to municipalities and counties	(6,332)	(5,884)
Distributions to racetrack from racetrack cap. reinv. fund	(7,890)	(6,933)
Cash used in noncapital financing activities	<u>(406,350)</u>	<u>(426,386)</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>2,637</u>	<u>1,287</u>
Cash provided by investing activities	<u>2,637</u>	<u>1,287</u>
Increase (decrease) in cash and cash equivalents	18,068	(25,060)
Cash and cash equivalents - beginning of period	<u>146,661</u>	<u>156,550</u>
Cash and cash equivalents - end of period	<u>\$ 164,729</u>	<u>\$ 131,490</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 423,192	\$ 408,420
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation and amortization	1,395	1,026
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(3,317)	(10,217)
(Increase) decrease in inventory	(45)	(46)
(Increase) decrease in other assets	25	82
Increase (decrease) in estimated prize claims	(809)	200
Increase (decrease) in accounts payable	505	5
Increase (decrease) in other accrued liabilities	835	2,131
Cash provided by operating activities	<u>\$ 421,781</u>	<u>\$ 401,601</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 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
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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 April 30, 2019 the carrying amounts of deposits (overdraft) with financial institutions were \$494 thousand with a bank balance (overdraft) of \$513 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):

	April 30, 2019	June 30, 2018
Deposits with financial institutions	\$ 494	\$ 489
Cash on hand at the Treasurer's Office	19,942	5,022
Investments with BTI reported as cash equivalents	144,293	141,150
	\$ 164,729	\$ 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
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NOTE 4 – CAPITAL ASSETS

A summary of capital asset activity for the month ended April 30, 2019 is as follows (in thousands):

Capital Assets:

	Historical Cost At June 30, 2018	Additions	Deletions	Historical Cost At April 30, 2019
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 April 30, 2019
Buildings	\$ 6,466	\$ 1,027	\$ -	\$ 7,493
Equipment	7,039	368	-	7,407
	<u>\$ 13,505</u>	<u>\$ 1,395</u>	<u>\$ -</u>	<u>\$ 14,900</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 April 30, 2019 and fiscal year-to-date is as follows:

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

<u>Revenues</u>	<u>Month</u>	<u>Y-T-D</u>
Powerball	\$ 1,903,199	\$ 28,652,016
Lotta America	450,185	4,333,958
Mega Millions	<u>1,242,566</u>	<u>21,279,466</u>
Total	\$ 3,595,950	\$ 54,265,440
<u>Expenses (Prizes)</u>	<u>Month</u>	<u>Y-T-D</u>
Powerball	\$ 965,118	\$ 14,362,769
Lotta America	225,160	2,167,378
Mega Millions	<u>621,314</u>	<u>10,980,706</u>
Total	\$ 1,811,592	\$ 27,510,853

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 April 30, 2019, the Lotteries share of the prize reserve fund balances were as follows:

Game	<u>Total Prize Reserve</u>	<u>Lottery Share</u>
Powerball	\$ 121,374,340	\$ 1,553,687
Lotto America	2,861,735	209,245
Mega Millions	<u>91,304,155</u>	<u>1,034,093</u>
Total	<u>\$ 215,540,230</u>	<u>\$ 2,797,025</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
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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 \$14,521,769 at April 30, 2019, of which the Lottery's share was \$1,325,326.

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 11 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
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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 11.

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 April 30, 2019 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2019	2018	2019	2018
Total credits played	\$ 446,539	\$ 478,485	\$ 4,579,359	\$ 4,661,430
Credits (prizes) won	(399,253)	(429,417)	(4,101,368)	(4,181,039)
Promotional credits played	(5,900)	(6,683)	(60,144)	(63,695)
MWAP Contributions	1,228	-	1,228	(26)
Gross terminal income	42,614	42,385	419,075	416,670
Administrative costs	(815)	(782)	(13,232)	(12,981)
Net Terminal Income	41,799	41,603	405,843	403,689
Less distribution to agents	(20,682)	(20,483)	(219,714)	(217,922)
Racetrack video lottery revenues	<u>\$ 21,117</u>	<u>\$ 21,120</u>	<u>\$ 186,129</u>	<u>\$ 185,767</u>

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

	April 30, 2019	Year-to-Date
State Lottery Fund	\$ 5,869	\$ 96,476
State Excess Lottery Revenue Fund	14,441	86,602
Capital Reinvestment Fund	807	3,051
Total nonoperating distributions	<u>\$ 21,117</u>	<u>\$ 186,129</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
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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 April 30, 2019 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2019	2018	2019	2018
Total credits played	\$ 432,310	\$ 408,037	\$ 4,137,396	\$ 3,786,532
Credits (prizes) won	(398,217)	(375,453)	(3,811,484)	(3,481,675)
Gross terminal income	\$ 34,093	\$ 32,584	\$ 325,912	\$ 304,857
Administrative costs	(682)	(652)	(6,518)	(6,097)
Gross Profit	33,411	31,932	319,394	298,760
Commissions	(16,706)	(15,966)	(159,697)	(149,380)
Municipalities and Counties	(668)	(639)	(6,388)	(5,975)
Limited video lottery revenues	<u>\$ 16,037</u>	<u>\$ 15,327</u>	<u>\$ 153,309</u>	<u>\$ 143,405</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
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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 11- Nonoperating Distributions to the State of West Virginia. The table games adjusted gross receipts for the month and year ended April 30, 2019 were \$8,042,904 and \$83,906,437, 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	\$ 2,815	\$ 2,760	\$ 29,367	\$ 29,529
Interest on Table Games Fund	5	5	55	34
Administrative costs	(241)	(237)	(2,517)	(2,531)
Total Available for Distribution	<u>2,579</u>	<u>2,528</u>	<u>26,905</u>	<u>27,032</u>
<u>Less Distributions:</u>				
Racetrack Purse Funds	181	177	1,888	1,898
Thoroughbred & Greyhound Development Funds	145	142	1,510	1,519
Racing Association Pension Plan	71	70	741	744
Municipalities/ Counties	797	782	8,318	8,359
Total Distributions	<u>1,194</u>	<u>1,171</u>	<u>12,457</u>	<u>12,520</u>
Excess Lottery Fund	<u>\$ 1,385</u>	<u>\$ 1,357</u>	<u>\$ 14,448</u>	<u>\$ 14,512</u>

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
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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 April 30, 2019 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2019	2018	2019	2018
Total credits played	\$ 6,333	\$ 5,109	\$ 71,672	\$ 63,592
Credits (prizes) won	(5,699)	(4,741)	(66,346)	(59,080)
Promotional credits played	(137)	(49)	(912)	(602)
Gross terminal income	497	319	4,414	3,910
Capital reinvestment	(23)	(15)	(207)	(184)
Excess Lottery Fund	(5)	(3)	(40)	(35)
Administrative costs	(27)	(17)	(238)	(211)
Hotel commissions	(210)	(135)	(1,867)	(1,654)
Net terminal income	232	149	2,062	1,826
Historic Resort Hotel Fund	147	95	1,312	1,161
Human Resource Benefit Fund	85	54	750	665

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
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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 April 30, 2019 were \$269,574 and \$5,058,344, 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	\$ 94	\$ 127	\$ 1,770	\$ 1,419
Administrative Costs	<u>(12)</u>	<u>(16)</u>	<u>(228)</u>	<u>(182)</u>
Total Available for Distribution	82	111	1,542	1,237
Historic Resort Hotel Fund	69	93	1,289	1,034
Human Resource Benefit Fund	13	18	253	203

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	\$ 147	\$ 1,312
Historic Resort Table Games	69	1,289
Interest on Historic Resort Hotel Fund	<u>1</u>	<u>9</u>
Historic Resort Hotel Fund Net Income	217	2,610
Municipalities/ Counties	30	366
Excess Lottery Fund	187	2,244
Total Distributions	<u>\$ 217</u>	<u>\$ 2,610</u>

**WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
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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 April 30, 2019 were \$624,169 and \$10,700,054, 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	\$ 62	\$ -	\$ 1,070	\$ -
Interest on Sports Waging Fund	-	-	-	-
Administrative Costs	<u>(9)</u>	<u>-</u>	<u>(160)</u>	<u>-</u>
Total Available for Distribution	53	-	910	-

WEST VIRGINIA LOTTERY
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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 April 30, 2019 the Lottery has accrued additional distributions of \$145,294,090. 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>April 30, 2019</u>	<u>Year-to-Date</u>
<u>State Lottery Fund:</u>		
Community and Technical College	\$ 500	\$ 4,997
Bureau of Senior Services		45,169
Department of Education		18,527
Library Commission		11,454
Higher Education-Policy Commission		7,084
Tourism		6,550
Natural Resources		3,196
Division of Culture & History		4,078
Department of Education & Arts		250
Educational Broadcast Authority	7,359	7,359
Economic Development Authority	999	9,993
School Building Authority	1,800	18,000
Total State Lottery Fund	<u>\$ 10,658</u>	<u>\$ 136,657</u>

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
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State Excess Lottery Revenue Fund:

Economic Development Fund	\$ 2,102	\$ 21,020
Higher Education Improvement Fund	1,500	15,000
General Purpose Account	9,077	55,970
Higher Education Improvement Fund	4,050	24,971
State Park Improvement Fund	698	4,305
School Building Authority	1,899	18,989
Refundable Credit	-	3,155
WV Racing Commission	279	1,722
WV Department of Health and Human Resources		
Teacher's Retirement Savings		
Division of Human Services		8,000
WV Lottery Statutory Transfers	6,985	43,073
General Revenue		-
Office of Technology	18,425	18,425
Excess Lottery Surplus		-
West Va. Infrastructure Council	6,186	40,445
Total State Excess Lottery Revenue Fund	\$ 51,201	\$ 255,075
Total Budgetary distributions:	\$ 61,859	\$ 391,732
Veterans Instant Ticket Fund	\$ 49	\$ 396
Total nonoperating distributions to the State of West Virginia (cash basis)	\$ 61,908	\$ 392,128
Accrued nonoperating distributions, beginning	(156,985)	(120,860)
Accrued nonoperating distributions, end	145,294	145,294
	\$ 50,217	\$ 416,562

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 April 30, 2019 and April 30, 2018 approximated \$172,975 and \$129,932 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 April 30, 2019 and April 30, 2018 approximated \$854,504 and \$860,651 respectively.

WEST VIRGINIA LOTTERY
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-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 April 30, 2019 and fiscal year-to-date are as follows (in thousands):

	April 30, 2019	Year-to-Date
Employee contributions	\$ 27	\$ 309
Lottery contributions	135	748
Total contributions	\$ 162	\$ 1,057

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 57th 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 SIX MONTH PERIOD ENDED APRIL 30, 2019
 (In Thousands)**

	Current Month		FISCAL YEAR	
	Actual	Projected	Actual	Projected
Gross Revenues				
Instant games	10,525	7,500	95,464	75,000
On-line games	5,407	5,033	72,146	50,333
Racetrack video lottery	42,613	36,939	419,176	368,393
Limited video lottery	34,093	29,767	325,912	291,435
Racetrack table games	2,815	2,449	29,367	24,404
Historic resort	591	360	6,184	3,673
Sports wagering	62	-	1,032	-
Total gross revenues	96,106	82,048	949,281	813,238
Net Revenues - Lottery Fund and Excess Lottery Fund				
Lottery Fund				
Instant games	1,416	870	11,447	8,705
On-line games	1,697	1,445	21,415	14,445
Racetrack Video Lottery	5,908	4,744	96,911	86,141
Sports wagering	53	-	1,414	-
Total Lottery Fund net revenues	9,074	7,059	131,187	109,291
Excess Lottery Fund				
Racetrack Video Lottery	14,531	13,010	87,079	74,235
Limited Video Lottery	16,188	14,002	154,935	137,091
Limited Video Lottery Fees	8,116	8,500	9,099	8,500
Racetrack table games	1,385	1,201	14,449	11,971
Historic resort	191	116	2,283	1,345
Total Excess Lottery Fund Net Revenues	40,411	36,829	267,845	233,142
Total Net Revenues	49,485	43,888	399,032	342,433

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: July 3, 2019

Re: Status of General Revenue Fund and State Road Fund as of
June 30, 2019 (FY 19)

We have reviewed the cash flow of the West Virginia general revenue fund as of June 30, 2019 which is the final month of the fiscal year. The status of the fund collections for the month is as follows:

The net collections were 100% of the estimate for the fiscal year. Total collections were \$4.3 million above the estimate for the fiscal year.

Personal Income Tax collections were \$4.8 million above the estimate for the fiscal year.

Consumer sales and use tax collections were \$2.2 million above the estimate for the year.

Severance Tax was \$11.5 million above the estimate for the fiscal year.

Corporate Income and Business Franchise Tax collections were \$8 million below the estimate for the fiscal year.

State Road Fund

The state road fund collections were 104% of the estimate for the fiscal year. Total collections were \$36.2 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 \$298,481,420.30 as of June 30, 2019.

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	11,450,805.35
Balance June 30, 2019	298,481,420.30

Revenue Shortfall Reserve **Fund B** (Tobacco Settlement Monies) had a cash balance of \$454,257,811.92 as of June 30, 2019.

Balance July 1, 2018	440,709,603.60
Earnings	13,548,208.32
Balance June 30, 2019	454,257,811.92

The **Personal Income Tax Reserve** Fund had a \$11 million cash balance as of June 30, 2019.

Balance July 1, 2018	11,000,000.00
Balance June 30, 2019	11,000,000.00

STATE OF WEST VIRGINIA
REVENUE COLLECTIONS
FISCAL YEAR 2019
as of JUNE 30, 2019

GENERAL REVENUE FUND

	MONTH ESTIMATES	ACTUAL MONTH COLLECTIONS	MONTHLY COLLECTIONS OVER ESTIMATES		YTD ESTIMATES	ACTUAL YTD COLLECTIONS	FINAL YTD COLLECTIONS OVER ESTIMATES		YTD PERCENT COLLECTED
			ESTIMATES	OVER ESTIMATES			ESTIMATES	OVER ESTIMATES	
Personal Income Tax	\$ 203,300,000	\$ 200,481,263	\$ (2,818,737)	\$ 2,092,000,000	\$ 2,096,807,291	\$ 4,807,291	100%		
Consumer Sales Tax & Use Tax	149,105,000	151,251,320	2,146,320	1,368,000,000	1,370,156,717	2,156,717	100%		
Severance Tax	42,100,000	51,860,808	9,760,808	451,000,000	462,451,099	11,451,099	103%		
Corporate Net Income Tax	45,792,000	36,545,315	(9,246,685)	206,038,000	198,031,543	(8,006,457)	96%		
Insurance Tax	480,000	614,049	134,049	128,500,000	129,111,390	611,390	100%		
Tobacco Products Tax	15,500,000	12,881,457	(2,618,543)	179,700,000	171,223,757	(8,476,243)	95%		
Business and Occupation	12,914,000	11,155,323	(1,758,677)	124,500,000	124,522,937	22,937	100%		
Liquor Profit Transfers	2,800,000	3,467,375	667,375	20,800,000	23,039,469	2,239,469	111%		
Departmental Collections	1,400,000	1,276,836	(123,164)	23,600,000	22,756,031	(843,969)	96%		
Property Transfer Tax	1,000,000	1,166,538	166,538	13,000,000	12,852,830	(147,170)	99%		
Property Tax	85,000	126,673	41,673	6,900,000	7,038,597	138,597	102%		
Beer Tax and Licenses	860,000	1,006,527	146,527	7,500,000	7,627,625	127,625	102%		
Miscellaneous Transfers	60,000	70,915	10,915	1,000,000	2,124,236	1,124,236	212%		
Interest Income	4,000,000	4,139,998	139,998	26,000,000	27,775,939	1,775,939	107%		
Refundable Credit Reimb Liability	0	1,711,704	1,711,704	10,000,000	9,456,073	(543,927)	95%		
HB 102 - Lottery Transfers	5,000,000	-	(5,000,000)	65,000,000	65,000,000	-	100%		
Miscellaneous	2,500,000	133,613	(2,366,387)	10,700,000	8,096,167	(2,603,833)	76%		
Business Franchise Fees	49,000	63,424	14,424	670,000	766,943	96,943	114%		
Estate & Inheritance Tax	0	-	-	0	-	-	0%		
Liquor License Renewal	0	-	-	0	-	-	0%		
Special Revenue Transfers	0	-	-	13,250,000	17,123,327	3,873,327	129%		
Charter Tax	0	1,149	1,149	0	10,102	10,102	0%		
Video Lottery Transfers	0	40,548	40,548	0	363,780	363,780	0%		
July-Dec Retro Rev Adj	0	-	-	0	-	-	0%		
Cash Flow Transfer	0	-	-	0	-	-	0%		
SUBTOTALS	\$ 486,945,000	\$ 477,994,836	(\$ 8,950,164)	\$ 4,748,158,000	\$ 4,756,335,853	\$ 8,177,853			
Less: Cash Flow Transfer	0	0	0	0	0	0			
Less: Special Revenue Transfer	0	0	0	13,250,000	17,123,327	3,873,327			
TOTALS	\$ 486,945,000	\$ 477,994,836	(\$ 8,950,164)	\$ 4,734,908,000	\$ 4,739,212,526	\$ 4,304,526			

Percent of Estimates 98%

Collections 6-28-19 \$ (2,923,417)

STATE OF WEST VIRGINIA
COMPARISON OF REVENUE
JUNE 2018 vs JUNE 2019

GENERAL REVENUE FUND

	Actual Collections June 2018		Actual Collections June 2019		Actual Collections 12 Months July 2017-June 2018		Actual Collections 12 Months July 2018-June 2019		YTD Increase (Decrease) over prior period		YTD % Increase (Decrease) over prior period	
Personal Income Tax	182,870,479	\$	200,481,263		1,919,570,132	\$	2,096,807,291	\$	177,237,159		9%	
Consumer Sales Tax & Use Tax	143,749,667		151,251,320		1,247,030,837		1,370,156,717		123,125,881		10%	
Severance Tax	35,384,101		51,860,808		345,913,518		462,451,099		116,537,581		34%	
Corporate Net Income Tax	17,961,666		36,545,315		110,068,206		198,031,543		87,963,337		80%	
Insurance Tax	728,123		614,049		124,229,559		129,111,390		4,881,831		4%	
Tobacco Products Tax	15,532,859		12,881,457		177,839,164		171,223,757		(6,615,407)		-4%	
Business and Occupation	10,011,603		11,155,323		115,003,005		124,522,937		9,519,933		8%	
Liquor Profit Transfers	1,575,500		3,467,375		21,119,926		23,039,469		1,919,543		9%	
Departmental Collections	1,413,570		1,276,836		22,554,135		22,756,031		201,896		1%	
Property Transfer Tax	1,235,058		1,166,538		12,036,497		12,852,830		816,334		7%	
Property Tax	343,009		126,673		7,315,437		7,038,597		(276,840)		-4%	
Beer Tax and Licenses	1,041,341		1,006,527		7,463,136		7,627,625		164,489		2%	
Miscellaneous Transfers	249,125		70,915		2,512,685		2,124,236		(388,449)		-15%	
Interest Income	1,509,800		4,139,998		7,845,596		27,775,939		19,930,342		254%	
Refundable Credit Reimb Liability	0		1,711,704		10,000,000		9,456,073		(543,927)		-5%	
HB 102 - Lottery Transfers	2,663,235		-		65,000,000		65,000,000		0		0%	
Miscellaneous	3,119,903		133,613		22,194,993		8,096,167		(14,098,827)		-64%	
Business Franchise Fees	56,709		63,424		698,079		766,943		68,864		10%	
Estate & Inheritance Tax	0		-		100		-		(100)		-100%	
Liquor License Renewal	0		-		0		-		0		0%	
Special Revenue Transfers	4,950		-		26,395,257		17,123,327		(9,271,930)		-35%	
Charter Tax	2,417		1,149		10,701		10,102		(599)		-6%	
Video Lottery Transfers	59,970		40,548		456,585		363,780		(92,805)		-20%	
July-Dec Retro Rev Adj	0		-		0		-		0		0%	
Cash Flow Transfer	0		-		0		-		0		0%	
SUBTOTALS	\$ 419,513,086	\$	477,994,836	\$	4,245,257,547	\$	4,756,335,853	\$	511,078,306			
Less: Cash Flow Transfer	0		0		0		0		0			
Less: Special Revenue Transfer	4,950		0		26,395,257		17,123,327		(9,271,930)			
TOTALS	\$ 419,508,136	\$	477,994,836	\$	4,218,862,290	\$	4,739,212,526	\$	520,350,236			

Increase/Decrease over Prior Period

\$ 58,486,700

\$ 520,350,236

% Increase/Decrease over Prior Period

14%

12%

Source: WV OASIS
Prepared by: Legislative Auditor's Office, Budget Division
July 3, 2019

STATE OF WEST VIRGINIA
COMPARISON OF REVENUE
JUNE 2018 vs JUNE 2019

STATE ROAD FUND

	Actual Collections June 2018	Actual Collections June 2019	Actual Collections 8 Months July 2017-June 2018	Actual Collections 8 Months July 2018-June 2019	YTD Increase (Decrease) over prior period	YTD % Increase (Decrease) over prior period
Gasoline & Motor Carrier Rd Tax	16,509,604	25,572,289	419,644,096	443,427,743	\$ 23,783,647	6%
Privilege Tax	19,161,533	19,838,982	227,417,987	236,137,401	8,719,414	4%
Licenses & Registration	22,793,741	21,690,796	148,545,830	168,784,961	20,239,131	14%
Miscellaneous	1,628,312	104,844,209	52,470,638	122,671,298	70,200,659	134%
Highway Litter Control	156,923	207,020	1,480,363	1,665,591	185,227	13%
Federal Reimbursement	25,986,338	26,598,416	388,159,794	366,919,938	-21,239,856	-5%
SUBTOTALS	\$ 86,236,450	\$ 198,751,712	\$ 1,237,718,708	\$ 1,339,606,932	\$ 101,888,224	
Less: Federal Reimbursement	25,986,338	26,598,416	388,159,794	366,919,938	-21,239,856	
TOTALS	\$ 60,250,112	\$ 172,153,296	\$ 849,558,914	\$ 972,686,994	\$ 123,128,080	

Increase/Decrease over Prior Period \$ 111,903,184

% Increase/Decrease over Prior Period 185.7%

Increase/Decrease over Prior Period \$ 123,128,080

% Increase/Decrease over Prior Period 14.5%

Source: WV OASIS
Prepared by: Legislative Auditor's Office, Budget Division
July 3, 2019

STATE OF WEST VIRGINIA
REVENUE COLLECTIONS
FISCAL YEAR 2019
as of June 30, 2019

STATE ROAD FUND

	MONTH ESTIMATES	NET MONTH COLLECTIONS	FINAL COLLECTIONS OVER ESTIMATES	YTD ESTIMATES	NET YTD COLLECTIONS	FINAL YEARLY COLLECTIONS OVER ESTIMATES	YTD PERCENT COLLECTED
Motor Fuel Tax	\$ 21,800,000	\$ 25,572,289	\$ 3,772,289	\$ 443,900,000	\$ 443,427,743	\$ (472,257)	99.6%
Sales/Privilege Tax	17,821,000	19,838,982	2,017,982	230,930,000	236,137,401	5,207,401	102%
Licenses & Registration	20,103,000	21,690,796	1,587,796	142,196,000	168,784,961	26,588,961	119%
Miscellaneous	105,505,000	104,844,209	(660,791)	120,695,000	122,671,298	1,976,298	102%
Highway Litter Control	(2,707,000)	207,020	2,914,020	(1,281,000)	1,665,591	2,946,591	-130%
Federal Reimbursement	42,302,000	26,598,416	(15,703,584)	471,500,000	366,919,938	(104,580,062)	78%
SUBTOTALS	\$204,824,000	\$ 198,751,712	\$ (6,072,288)	\$ 1,407,940,000	\$ 1,339,606,932	\$ (68,333,069)	
Less: Federal Reimbursement	42,302,000	26,598,416	(15,703,584)	471,500,000	366,919,938	(104,580,062)	
TOTALS	\$162,522,000	\$ 172,153,296	\$ 9,631,296	\$ 936,440,000	\$ 972,686,994	\$ 36,246,994	

Percent of Estimates 106%

Collections 6-28-19 \$ 56,778,338

REVENUE SHORTFALL RESERVE FUND 7005, Part A as of May 31, 2019 : \$ 295,652,332.45

\$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 May 31, 2019: \$456,182,176.58

PERSONAL INCOME TAX REFUND RESERVE FUND as of May 31, 2019: \$11,000,000.00

Source: WV OASIS
Prepared by: Legislative Auditor's Office, Budget Division
July 01, 2019

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: July 16, 2019

Re: West Virginia Unemployment Compensation Trust Fund

We have reviewed the June 30, 2019 monthly report of the Unemployment Compensation Trust Fund we received from WorkForce West Virginia.

As of June 30, 2019 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	\$ 233,712,943.70
Disbursements July 1, 2018 thru June 30, 2019	\$ 165,169,619.77
Balance June 30, 2019	\$ 205,761,370.82

ITEMS OF NOTE:

Regular benefits paid for July - June 2019 were \$ 18 million more than July - June 2018.

Federal emergency benefits totaled -\$35 thousand for July - June 2019. For July - June 2018, federal emergency benefits totaled -\$48 thousand.

Total disbursements were \$ 18 million more in July - June 2019 than the preceding July - June 2018.

Receipts as of July - June 2019, were \$ 17.7 million more than in July - June 2018. Overall ending trust fund balance was \$68.5 million higher on June 30, 2019 than on June 30, 2018.

Seasonally adjusted unemployment rates for June 2019 were 4.7 percent for West Virginia and 3.7 percent nationally.

Since June 2018, employment has increased by 12,000. Employment gains included 3,000 in educational and health services, 8,100 in construction, 1,600 in manufacturing, 1,600 in leisure and hospitality, 600 in trade, transportation, and utilities, 200 in financial activities, and 300 in mining and logging. Employment declines included 400 in other services, 1,300 in professional and business services, 1,100 in government, and 600 in information.

July 10, 2019

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 June 2019.

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.

Sincerely,



Scott A. Adkins
Acting Commissioner

SAA/gew

Enclosure

pc: Jim Justice

**MONTHLY STATUS REPORT FOR THE JOINT COMMITTEE ON GOVERNMENT AND FINANCE
FOR THREE MONTHS STARTING APRIL 2018 AND APRIL 2019**

APRIL 2018 MAY 2018 JUNE 2018 APRIL 2019 MAY 2019 JUNE 2019 THREE MONTH
TOTAL VARIANCE*

Balance Forward	\$62,041,198.92	\$115,215,751.65	\$144,363,635.32	\$142,633,817.90	\$195,954,840.83	\$216,717,879.89	\$232,686,052.74
Add Receipts:							
1. Bond Assessment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2. Regular Contributions:	\$67,564,637.08	\$39,605,123.32	\$1,127,178.73	\$71,994,976.86	\$34,731,821.41	\$1,210,564.23	(\$349,567.83)
3. Federal Emergency Benefits (EUCOB)	\$0.00	\$0.00	(\$45,000.00)	\$0.00	\$0.00	\$0.00	\$45,000.00
4. Federal Share Extended Benefits (EB)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5. Temp Federal Additional Comp (FAC)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
6. UCFE (Federal Agencies)	\$74,690.16	\$87,965.12	\$64,049.38	\$75,641.44	\$47,495.34	\$39,198.16	(\$44,461.72)
7. Special Administrative Transfer**	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
8. Reed Act Funds**	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
9. UC Modernization Incentive	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10. Treasury Interest Credits	\$0.00	\$0.00	\$659,995.06	\$0.00	\$0.00	\$1,163,015.15	\$493,020.09
11. UCX (Military Agencies)	\$63,276.12	\$61,437.67	\$81,542.31	\$28,293.74	\$27,877.63	\$36,344.45	(\$83,039.28)
12. WV Senate Bill 558	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
13. CMIA Receipts	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Monthly Receipts	\$67,692,592.38	\$39,734,526.11	\$1,857,766.48	\$72,098,812.04	\$34,807,294.38	\$2,439,109.99	\$80,331.46

Total Monthly Disbursements	\$14,518,039.63	\$10,586,742.44	\$9,003,254.91	\$18,777,789.11	\$15,044,255.32	\$12,395,619.08	\$12,109,626.51
Trust Fund Balance	\$115,215,751.65	\$144,363,635.32	\$137,218,046.89	\$185,954,840.83	\$216,717,879.89	\$206,761,370.82	\$220,636,767.69

Less Disbursements:							
Debt Bond Repayment							(Retired)
Regular Benefits:	\$14,364,360.37	\$10,462,794.48	\$8,881,708.71	\$18,710,901.19	\$14,986,395.86	\$12,205,934.78	\$12,174,388.27
Federal Emergency Benefits (EUCOB)	(\$3,205.00)	(\$2,679.13)	(\$1,985.00)	(\$1,602.00)	(\$7,209.52)	(\$1,290.00)	(\$2,232.39)
Federal Share Extended Benefits (EB)	(\$65.00)	(\$65.00)	(\$15.00)	\$0.00	\$0.00	\$0.00	\$145.00
Emergency Benefits (TEUC)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Temp Federal Additional Comp (FAC)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
UCFE (Federal Workers) Benefits	\$65,594.15	\$70,471.61	\$68,977.72	\$45,911.93	\$34,247.24	\$42,677.86	\$82,308.45
UCX (Military Workers) Benefits	\$71,355.11	\$66,220.48	\$64,568.48	\$22,677.99	\$30,821.74	\$43,286.47	\$85,457.87
Reed Act Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$105,109.95	\$105,109.95
Special Administrative Transfer**	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Monthly Disbursements	\$14,518,039.63	\$10,586,742.44	\$9,003,254.91	\$18,777,789.11	\$15,044,255.32	\$12,395,619.08	\$12,109,626.51
Trust Fund Balance	\$115,215,751.65	\$144,363,635.32	\$137,218,046.89	\$185,954,840.83	\$216,717,879.89	\$206,761,370.82	\$220,636,767.69

* 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: UJ Trust Fund Balance Includes Trust Fund Loan from the Revenue Shortfall Reserve Fund per Senate Bill 558 passed March 9, 2016:
 Borrowed on 3/11/2016 38,000,000.00
 Repaid on 5/17/2016 (38,000,000.00)
 Borrowed on 12/5/2016 50,000,000.00
 Repaid on 5/4/2017 (50,000,000.00)
 Outstanding Loan from Revenue Shortfall Reserve Fund \$0.00

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

UC TRUST FUND PROJECTIONS – 2019

July 15, 2019

Month	Receipts	Disbursements	Trust Fund Balance
2018			
Balance 1/1/2018			\$ 82,800,186
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	\$ 2,114,666	\$ 13,470,105	\$ 169,778,480
Totals - 2018	\$ 228,717,450	\$ 141,739,156	\$ 169,778,480
2019			
January	\$ 18,647,223	\$ 18,646,454	\$ 169,779,249
February	\$ 9,889,316	\$ 20,023,154	\$ 159,645,411
March	\$ 2,774,046	\$ 19,785,639	\$ 142,633,818
April	\$ 72,098,812	\$ 18,777,789	\$ 195,954,841
May	\$ 34,807,294	\$ 15,044,255	\$ 215,717,880
June	\$ 2,439,110	\$ 12,395,619	\$ 205,761,371
July	\$ 31,343,000	\$ 16,110,600	\$ 220,993,771
August	\$ 20,167,951	\$ 12,460,859	\$ 228,700,863
September	\$ 2,016,641	\$ 10,862,324	\$ 219,855,180
October	\$ 26,344,518	\$ 11,475,161	\$ 234,724,537
November	\$ 10,943,046	\$ 13,089,562	\$ 232,578,021
December	\$ 2,111,705	\$ 18,331,466	\$ 216,358,260
Totals - 2019	\$ 233,582,662	\$ 187,002,882	\$ 216,358,260

Benefits and Technical Support Section • Unemployment Compensation Division
 1900 Kanawha Blvd., East • Building 3, Room 300 • Charleston, West Virginia 25305
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PEIA July Interim Talking Points

- **PEIA and RHBT preliminary financial results for May 2019 are available for your review.**
- **PEIA year to date statements indicate PEIA is ahead of plan by \$38 million. This is primarily due to lower than forecast prescription drug claim expenses.**
- **RHBT year to date statements indicate RHBT is behind plan by \$7 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 \$167 and \$52 million respectively.**
- **These reserve levels represent 24% and 37% of the respective funds' expenses. The required reserve for the State Fund is 14% of expenses.**

West Virginia Public Employees Insurance Agency
Statement of Changes in Plan Net Position
For the Eleven Months Ending Friday, May 31, 2019
(Dollars in Thousands)

(Unaudited-For Internal Use Only)

	ACTUAL	BUDGET	PRIOR YR	BUDGET VARIANCE		PRIOR YR VARIANCE	
				\$	%	\$	%
OPERATING REVENUE							
Premium Revenue							
Health Insurance - State Gov. - Employers	\$337,801	\$350,658	\$343,163	(\$12,857)	(4%)	(\$5,362)	(2%)
Health Insurance - State Gov. - Employees	112,415	116,501	116,364	(4,086)	(4%)	(3,949)	(3%)
Health Insurance - Local Gov. - All	91,110	89,432	91,774	1,678	2%	(664)	(1%)
Administrative Fees, Net of Refunds	4,347	4,146	4,356	201	5%	(9)	(0%)
Other Premium Revenue	1,276	2,042	2,135	(766)	(38%)	(859)	(40%)
Total Operating Revenue	546,949	562,779	557,792	(15,830)	(3%)	(10,843)	(2%)
NON-OPERATING REVENUE							
Life Insurance	1,251	1,186	1,236	65	5%	15	1%
Direct Transfer	28,417	28,417	9,167	0	0%	19,250	210%
Interest and Investment Income	6,781	4,040	8,096	2,741	68%	(1,315)	(16%)
WV RHBT Pay Go Premiums	139,724	141,167	136,494	(1,443)	(1%)	3,230	2%
Total Non-Operating Revenue	176,173	174,810	154,993	1,363	1%	21,180	14%
TOTAL REVENUE	723,122	737,589	712,785	(14,467)	(2%)	10,337	1%
EXPENSES							
Claims Expense - Medical	353,521	362,457	347,614	8,936	2%	(5,907)	(2%)
Claims Expense - Drugs	125,822	168,919	121,957	43,097	26%	(3,865)	(3%)
Payments to Managed Care Org.	42,779	41,948	39,612	(831)	(2%)	(3,167)	(8%)
Administrative Service Fees	10,717	10,540	10,145	(177)	(2%)	(572)	(6%)
Wellness and Disease Management	301	958	440	657	69%	139	32%
Other Operating Expenses	4,493	4,499	4,422	6	0%	(71)	(2%)
Life Insurance Expense	1,125	994	1,135	(131)	(13%)	10	1%
ACA Comparative Effectiveness Fee	294	294	296	0	0%	2	1%
WV RHBT Pay Go Premiums	139,724	141,167	136,494	1,443	1%	(3,230)	(2%)
TOTAL EXPENSES	678,776	731,776	662,115	53,000	7%	(16,661)	(3%)
YTD Surplus (Deficit)	44,346	5,813	50,670	38,533	663%	(6,324)	(12%)
End of Period Net Position, Actuarially Required Reserve							
Total Net Position, Beginning of Period	194,554	194,554	149,044	0	0%	45,510	31%
End of Period Net Position, Actuarially Required Reserve	116,127	116,127	114,295	0	0%	1,832	0%
End of Period Net Position, PEIA PSR	122,773	84,240	85,419	0	0%	37,354	0%
Total Net Position, End of Period	\$238,900	\$200,367	\$199,714	\$38,533	16%	\$39,186	20%

West Virginia Board of Risk and Insurance Management
Unaudited Statement of Net Position and
Statement of Revenues, Expenses and Changes in Net Position
For the Eleven Months Ending May 31, 2019

Talking Points for July 2019 Joint Committee on Government and Finance

1. **Premium Revenue** thru May reflects the premiums earned for the first eleven months of the fiscal year. Premium revenue has increased by about \$4.2 million for FY'19 based on the actuarially projected increase in loss pics for the current year.
2. **Claims Expense** reflects all claims payments made thru May plus reserve increases. Net claims payments for the current fiscal year to date are approximately the same as last year. Claims reserves and IBNR provisions have increased claims expense by \$10.1 million for the current year vs. a \$1.8 increase last year. The net result is claims expense is \$8.3 million higher for the current year.
3. **Investment Income** for fiscal year 2019 reflects net earnings of \$14.9 million for the first eleven months and is \$7.4 million more than last year due to much better overall returns on fixed income holdings this fiscal 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 Eleven Months Ended May 31st

	2019	2018
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	\$ 33,242	\$ 28,964
Advance deposits with insurance company and trustee	222,498	200,783
Receivables	7,265	8,695
Prepaid insurance	521	558
Restricted cash and cash equivalents	17,053	13,918
Premiums due from other entities	878	643
Total current assets	281,457	253,562
Noncurrent assets:		
Equity position in internal investments pools	97,990	96,458
Restricted investments	56,589	55,704
Total noncurrent assets	154,579	152,162
Total assets	436,036	405,724
Deferred Outflows of Resources		
Deferred Outflows of Resources - OPEB	438	458
	44	0
Liabilities		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	50,453	47,713
Unearned premiums	16,724	16,538
Agent commissions payable	1,224	990
Claims Payable	03	459
Accrued expenses and other liabilities	3,466	3,464
Total current liabilities	71,870	69,164
Estimated unpaid claims and claims adjustment expense net of current portion	132,075	124,709
Compensated absences	122	107
Net pension liability	331	766
Total noncurrent liabilities	132,528	125,582
Total liabilities	204,398	194,746
Deferred Inflows of Resources		
Deferred Inflows of Resources - OPEB	330	37
	73	0
Net position:		
Restricted by State code for mine subsidence coverage	66,866	61,063
Unrestricted	149,745	138,265
Net Assets (Deficiency)	15,106	12,070
Net position	\$ 231,717	\$ 211,398

Unaudited

West Virginia Board of Risk and Insurance Management
 Statements of Revenues, Expenses, and Changes in Net Position

For the Eleven Months Ended May 31st

	2019	2018
	<i>(In Thousands)</i>	
Operating revenues		
Premiums	\$ 76,775	\$ 72,436
Less coverage/reinsurance programs	(6,106)	(5,960)
Net operating revenues	70,669	66,476
 Operating expenses		
Claims and claims adjustment expense	66,316	58,049
General and administrative	4,171	3,880
Total operating expenses	70,487	61,929
 Operating income (loss)	182	4,547
 Nonoperating revenues		
Investment income	14,924	7,523
Net nonoperating revenues	14,924	7,523
Changes in net position	15,106	12,070
 Total net position, beginning of year	216,611	199,328
 Total net position, end of period	\$ 231,717	\$ 211,398

Unaudited

Department of Administration Real Estate Division Leasing Report
For the period of June 1 - 30, 2019

There are 26 leasing changes for this period and they are as follows:

- 2 – New Contract of Lease – DOA Owned
- 4 – New Contract of Lease
- 5 – Straight Renewal – DOA Owned
- 9 – Straight Renewal
- 4 – Renewal with Increase in Rent
- 1 – Increase in Square Feet
- 1 – Cancellation

Department of Administration Real Estate Division Leasing Report
For the period of June 1, 2019 through June 30, 2019

NEW CONTRACT OF LEASE – DOA OWNED

REAL ESTATE DIVISION

RED-008-622 New Contract of Lease for 3 years and 1 month consisting of 360 square feet of guard house space at the annual per square foot rate of \$5.00, annual cost \$1,800.00, full service, known as the Piedmont Street Guard House, in the City of Charleston, Kanawha County, West Virginia.

RED-009-622 New Contract of Lease for 3 years and 1 month consisting of 116 square feet of guard house space at the annual per square foot rate of \$5.00, annual cost \$580.00, full service, known as the Greenbrier Street Guard House, in the City of Charleston, Kanawha County, West Virginia.

NEW CONTRACT OF LEASE

WEST VIRGINIA PUBLIC EMPLOYEES GRIEVANCE BOARD

EGB-016 New Contract of Lease for 10 years consisting of 5,352 square feet of office space at the annual per square foot rate of \$13.50 for years one through five, annual cost \$72,252.00 and \$14.00 for years six through ten, annual cost \$74,928, full service, 1701 5th Avenue, in the City of Charleston, Kanawha County, West Virginia.

DEPARTMENT OF ENVIRONMENTAL PROTECTION

DEP-192 New Contract of Lease for 10 years consisting of 960 square feet of air monitoring space at the annual rate of \$1.00, Mahan Lane, in the City of Follansbee, Brooke County, West Virginia.

WEST VIRGINIA STATE AUDITOR'S OFFICE

SAO-006 New Contract of Lease for 3 years consisting of 14,400 square feet of office/warehouse space at the annual per square foot rate of \$3.83, annual cost \$55,152.00, 4916 Kanawha Boulevard, in the City of Rand, Kanawha County, West Virginia.

STATE TREASURER'S OFFICE

STO-004 New Contract of Lease for 11 years consisting of 17,000 square feet of office/warehouse space at the annual per square foot rate of \$6.00, annual cost \$102,000.00, 7300 MacCorkle Avenue, in the City of Charleston, Kanawha County, West Virginia.

STRAIGHT RENEWAL – DOA OWNED

NORTHERN PANHANDLE WORKFORCE DEVELOPMENT BOARD

NPW-001 Renewal for 1 year consisting of 776 square feet of office space at the current annual per square foot rate of \$17.00, annual cost \$13,192.00, full service, Building #34, 100 Municipal Plaza, in the City of Weirton, Hancock County, West Virginia.

DIVISION OF REHABILITATION SERVICES

DRS-128 Renewal for 3 years consisting of 12,786 square feet of office and storage space at the current annual per square foot rate of \$19.00, annual cost \$242,934.00, full service, Building #53, 153 West Main Street, in the City of Clarksburg, Harrison County, West Virginia.

DRS-120 Renewal for 3 years consisting of 4,285 square feet of office space at the current annual per square foot rate of \$12.00, annual cost \$51,420.00, full service, Building #55, 130 Stratton Street, in the City of Logan, Logan County, West Virginia.

PURCHASING DIVISION SURPLUS PROPERTY

SRP-001 Renewal for 3 years consisting of 29,217 square feet of office, storage, and warehouse space at the current monthly rate of \$4,525.33, annual cost \$54,303.96, Building #27, 2700 Charles Avenue, in the City of Dunbar, Kanawha County, West Virginia.

PROSECUTING ATTORNEYS INSTITUTE

PAI-003 Renewal for 3 years consisting of 2,075 square feet of office and storage space at the current annual per square foot rate of \$12.72, annual cost \$26,400.00, full service, Building #86, 1124 Smith Street, in the City of Charleston, Kanawha County, West Virginia.

STRAIGHT RENEWAL

COAL HERITAGE HIGHWAY AUTHORITY

CHH-001 Renewal for 3 years consisting of 450 square feet of storage space at the current monthly rate \$127.05, annual cost \$1,524.60, full service, 704 Bland Street, in the City of Bluefield, Mercer County, West Virginia.

WORKFORCE WEST VIRGINIA

WWV-017 Renewal for 1 year consisting of 224 square feet of office space at the current monthly rate of \$750.00, annual cost \$9,000, full service, 404 Main Street, in the City of Point Pleasant, Mason County, West Virginia.

WEST VIRGINIA LOTTERY

LOT-007 Renewal for 1 year consisting of 120 square feet of office space at the current monthly rate of \$80.00, annual cost \$960.00, full service, located at Hollywood Casino at Charles Town Races, Charles Town, Jefferson County, West Virginia.

CONSOLIDATED PUBLIC RETIRMENT BOARD

CPR-006 Renewal for 2 years and 11 months consisting of 3,000 square feet of office space at the current annual per square foot rate of \$10.95, annual cost \$32,850.00, 4112 MacCorkle Avenue, Southeast, in the City of Charleston, Kanawha County, West Virginia.

STRAIGHT RENEWAL - CONTINUED

DEPARTMENT OF ENVIRONMENTAL PROTECTION

DEP-127 Renewal for 5 years consisting of 300 square feet of air monitoring space at the current annual rate of \$1.00 dollar located at the Morgantown Airport, in the City of Morgantown, Monongalia County, West Virginia.

DIVISION OF CORRECTIONS AND REHABILITATION, BUREAU OF JUVENILE SERVICES

BJS-003 Renewal for 3 years consisting of 12,266 square feet of office/classroom space at the current annual per square foot rate of \$10.49, annual cost \$128,670.34, full service, 1121 Quarrier Street, in the City of Charleston, Kanawha County, West Virginia.

BJS-033 Renewal for 3 years consisting of 3,324 square feet of office space at the current annual per square foot rate of \$10.00, annual cost \$33,240.00, full service without janitorial, 113 Randolph Street, in the City of Beckley, Raleigh County, West Virginia.

WEST VIRGINIA STATE POLICE

PSA-012 Renewal for 5 years consisting of a tract of land for a communications tower at the current annual rate of \$1,200.00, annual cost \$1,200.00, Millers Fork in Stonewall District, in Wayne County, West Virginia.

PSA-078 Renewal for 5 years consisting of 2,670 square feet of office space at the current annual per square foot rate of \$3.00, annual cost \$8,010.00, Lick Creek Road, in the City of Danville, Boone County, West Virginia.

RENEWAL WITH INCREASE IN RENT

WEST VIRGINIA CONSERVATION AGENCY

SCC-008 Renewal for 3 years consisting of 3,043 of office space with an increase in the annual per square foot rate from \$8.37 to \$9.18, annual cost \$27,934.74, full service, 2361 Northwestern, in the Romney, Hampshire County, West Virginia.

DIVISION OF FORESTRY

FOR-094 Renewal for 1 year consisting of 156 square feet of office space with an increase in the annual monthly rate from \$250.00 to \$300.00, full service 89 Richard D. Minnich Drive, in the City of Sutton, Braxton County, West Virginia.

DEPARTMENT OF HEALTH AND HUMAN RESOURCES

HHR-233 Renewal for 5 years consisting of 14,718 square feet of office space with an increase in the annual per square foot rate from \$6.25 to \$6.50 in years 1 and 2 and an increase from \$6.50 to \$6.75 in years 3, 4 and 5, annual cost \$95,667.00/\$99,346.56, 1234 North State Route 2, in the City of New Martinsville, Wetzel County, West Virginia.

HHR-214 Renewal for 3 years consisting of 747 square feet of office space with an increase in the annual per square foot rate from \$14.00 to \$18.00, annual cost \$13,446.00, full service, 1000 Elmer Prince Drive, in the City of Morgantown, Monongalia County, West Virginia.

INCREASE IN SQUARE FEET

WEST VIRGINIA STATE AUDITOR'S OFFICE

SAO-008 Increase of square footage from 11,372 square feet to 14,672 square feet of office/storage space at the current annual rate of \$12.00, annual cost from \$136,464.00 to \$176,064.00, 200 West Main Street, in the City of Clarksburg, Harrison County, West Virginia.

CANCELLATION

DEPARTMENT OF HEALTH AND HUMAN RESOURCES

HHR-250 Lease cancellation consisting of 300 square feet of office space, at the monthly rate of \$400.00, annual cost \$4,800.00, full service, 312 West King Street, in the City of Martinsburg, Berkeley County, West Virginia.

Real Estate Division
 Monthly Summary of Lease Activity
 June 1 - 30, 2019

# of Transactions	Agency	Lease #	County	Square Feet	Rental Rate	Annual Rent	Term in years	Total Aggregate
1	Real Estate Division	RED-008	Kanawha	360	5.00	1,800	3.08	5,544
2	Real Estate Division	RED-009	Kanawha	116	5.00	580	3.08	1,786
3	West Virginia Public Employees Grievance Board	EGB-016	Kanawha	5,352	13.50	72,252	5	361,260
	West Virginia Public Employees Grievance Board	EGB-016	Kanawha	5,352	14.00	74,928	5	374,640
4	Department of Environmental Protection	DEP-192	Brooke	960	1.00/yr	1	10	10
5	West Virginia Auditor's Office	SAO-006	Kanawha	14,400	3.83	55,152	3	165,456
6	State Treasurer's Office	STO-004	Kanawha	17,000	6.00	102,000	11	1,122,000 *
7	Northern Panhandle Workforce Development Board	NPW-001	Hancock	776	17.00	13,192	1	13,192
8	Division of Rehabilitation Services	DRS-128	Harrison	12,786	19.00	242,934	3	728,802
9	Division of Rehabilitation Services	DRS-120	Logan	4,285	12.00	51,420	3	154,260
10	Purchasing Division, Surplus Property	SRP-001	Kanawha	29,217	1.86	54,304	3	162,912
11	Coal Heritage Highway Authority	CHH-001	Mercer	450	3.39	1,525	3	4,574
12	Workforce West Virginia	WWV-017	Mason	224	40.18	9,000	1	9,000
13	Prosecuting Attorney's Institute	PAI-003	Kanawha	2,075	12.72	26,400	5	132,000
14	West Virginia Lottery	LOT-007	Jefferson	120	8.00	960	1	960
15	Consolidated Public Retirement Board	CPR-006	Kanawha	3,000	10.95	32,850	2.9166	95,810
16	Department of Environmental Protection	DEP-127	Monongalia	300	1.00	1	5	5
17	DOCR, Bureau of Juvenile Services	BJS-003	Kanawha	12,266	10.49	128,670	3	386,011
18	DOCR, Bureau of Juvenile Services	BJS-033	Raleigh	3,324	10.00	33,240	3	99,720
19	West Virginia State Police	PSA-012	Wayne	Land	1,200/yr	1,200	5	6,000
20	West Virginia State Police	PSA-078	Boone	2,670	3.00	8,010	5	40,050
21	West Virginia Conservation Agency	SCC-008	Hampshire	3,043	9.18	27,935	3	83,804
22	Division of Forestry	FOR-094	Braxton	156	1.92	300	1	300
23	Department of Health and Human Resources	HHR-233	Wetzel	14,718	6.50	95,667	2	191,334
	Department of Health and Human Resources	HHR-233	Wetzel	14,718	6.75	99,347	3	298,040
24	Department of Health and Human Resources	HHR-214	Monongalia	747	18.00	13,446	3	40,338
25	West Virginia State Auditor's Office	SAO-008	Harrison	14,672	12.00	176,064	2.5	440,160

251.27
Total Rentable Square Feet 163,087
Average Annual Rental Rate 6.77
Total Annual Rent 1,323,177

*Indicates the total will be over \$1,000,000.00 during the term of the lease.

CANCELLATIONS

# of Transactions	Agency	Lease #	County	Square Feet	Rental Rate	Annual Rent
1	Department of Health and Human Resources	HHR-250	Berkeley	300	16.00	4,800

Total Rentable Square Feet 300
Total Annual Rent 4,800

Joint Committee on Government and Finance

July 2019

Department of Health and Human Resources

**MEDICAID REPORT
May 2019 Data**

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

MONTH OF MAY 2019

	ACTUALS SFY2018	TOTAL SFY2019	ACTUALS Current Month Ended 05/31/19	ESTIMATE Current Month ended 05/31/19	ACTUALS Year To-Date Thru 05/31/19	PROJECTED 6/1/19 Thru 06/30/19
EXPENDITURES:						
Inpatient Hospital - Reg. Payments	94,761,538	96,410,403	6,389,517	7,416,185	82,354,067	14,056,336
Inpatient Hospital - DSH	53,388,507	53,789,156	13,238,325	13,447,289	52,868,297	920,859
Inpatient Hospital - Supplemental Payments	18,315,895	-	-	-	-	-
Inpatient Hospital - GME Payments	9,637,536	11,659,921	2,914,907	2,914,980	11,267,867	392,054
Mental Health Facilities	42,213,663	50,384,207	3,233,556	3,875,708	36,379,364	14,004,844
Mental Health Facilities - DSH Adjustment Payments	18,875,284	18,867,767	4,721,761	4,716,942	18,881,836	(14,069)
Nursing Facility Services - Regular Payments ⁽³⁾	671,659,070	689,519,663	59,304,631	57,459,972	649,115,135	40,404,528
Nursing Facility Services - Supplemental Payments	-	-	-	-	-	-
Intermediate Care Facilities - Public Providers	-	-	-	-	-	-
Intermediate Care Facilities - Private Providers	68,595,148	71,463,278	5,923,370	5,955,273	65,613,015	5,850,263
Intermediate Care Facilities - Supplemental Payments	-	-	-	-	-	-
Physicians Services - Regular Payments	39,370,539	43,038,020	3,201,861	3,310,617	35,871,725	7,166,295
Physicians Services - Supplemental Payments	5,241,246	-	-	-	(3)	3
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	3,705,344	3,296,628	42,824,737	31,428
Outpatient Hospital Services - Supplemental Payments	21,123,658	-	-	-	-	-
Prescribed Drugs	620,504,383	720,618,600	55,914,142	55,432,200	631,106,235	89,512,365
Drug Rebate Offset - National Agreement	(226,683,504)	(407,000,000)	(5,175,229)	(15,381,704)	(420,686,094)	13,686,094
Drug Rebate Offset - State Sidebar Agreement	(15,371,390)	(24,000,000)	(6,495,605)	(4,552,752)	(33,535,252)	9,535,252
Drug Rebate Offset - MCO National	(149,057,165)	(11,000,000)	(156,125)	(8,564)	(13,916,929)	2,916,929
Drug Rebate Offset - MCO State Sidebar Agreement	(11,602,345)	-	(3,714)	-	(86,536)	86,536
Dental Services	10,677,304	11,217,737	974,301	862,903	10,186,253	1,031,484
Other Practitioners Services - Regular Payments	4,145,198	4,940,938	551,426	380,072	5,179,564	(238,626)
Other Practitioners Services - Supplemental Payments	-	-	-	-	-	-
Clinic Services	1,514,622	1,638,650	169,585	126,050	1,546,669	91,981
Lab & Radiological Services	8,989,515	9,500,531	693,596	730,810	7,152,875	2,347,656
Home Health Services	25,275,940	28,416,781	2,372,287	2,185,906	22,544,912	5,871,869
Hysterectomies/Sterilizations	55,843	65,026	1,756	5,002	25,565	39,461
Pregnancy Terminations ⁽²⁾	346,043	370,405	2,437	28,493	177,419	192,986
EPSDT Services	1,411,597	1,472,595	108,355	113,277	1,337,143	135,452
Rural Health Clinic Services	4,514,194	4,167,233	337,802	320,556	3,859,043	308,191
Medicare Health Insurance Payments - Part A Premiums	20,115,325	21,934,452	1,823,134	1,827,871	19,422,483	2,511,969
Medicare Health Insurance Payments - Part B Premiums	114,914,746	124,130,622	9,599,459	10,344,219	104,887,392	19,243,230
120% - 134% Of Poverty	9,100,320	9,229,482	718,557	709,960	8,866,118	363,364
135% - 175% Of Poverty	-	-	-	-	-	-
Coinurance And Deductibles	11,432,888	11,469,643	1,075,337	882,280	11,737,797	(268,154)

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

MONTH OF MAY 2019

	ACTUALS SFY2018	TOTAL SFY2019	ACTUALS Current Month Ended 05/31/19	ESTIMATE Current Month ended 05/31/19	ACTUALS Year To-Date Thru 05/31/19	PROJECTED 6/1/19 Thru 06/30/19
Medicaid Health Insurance Payments: Managed Care Organizations (MCO)	1,592,796,041	1,909,119,745	141,399,835	159,093,312	1,598,571,789	310,547,956
Medicaid MCO - Evaluation and Management	-	-	-	-	-	-
Medicaid MCO - Vaccine Codes	-	-	-	-	-	-
Medicaid Health Insurance Payments: Prepaid Ambulatory Health Plan	306,244,186	326,961,878	24,363,994	25,150,914	276,085,931	50,875,947
Medicaid Health Insurance Payments: Prepaid Inpatient Health Plan	99,410,189	111,621,217	10,050,493	8,586,247	103,549,824	8,071,394
Medicaid Health Insurance Payments: Group Health Plan Payments	659,533	712,510	106,533	54,808	955,671	(243,161)
Medicaid Health Insurance Payments: Coinsurance	-	-	-	-	-	-
Medicaid Health Insurance Payments: Other	-	-	-	-	-	-
Home & Community-Based Services (MR/DD)	306,244,186	326,961,878	24,363,994	25,150,914	276,085,931	50,875,947
Home & Community-Based Services (Aged/Disabled)	99,410,189	111,621,217	10,050,493	8,586,247	103,549,824	8,071,394
Home & Community-Based Services (Traumatic Brain Injury)	1,500,251	1,962,566	128,581	150,967	1,592,041	370,525
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	5,481,914	5,586,995	61,930,500	10,700,435
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	296,179	219,454	2,243,878	609,026
Primary Care Case Management Services	-	-	-	-	-	-
Hospice Benefits	28,742,764	27,296,696	2,211,154	2,099,746	27,275,417	21,279
Emergency Services Undocumented Aliens	660,126	757,363	30,146	58,259	270,193	487,170
Federally Qualified Health Center	9,878,997	10,234,965	1,071,529	787,305	12,667,858	(2,432,893)
Non-Emergency Medical Transportation	34,217,803	34,042,483	2,758,198	2,618,653	30,378,340	3,664,143
Physical Therapy	999,248	1,063,603	95,484	81,816	926,636	136,968
Occupational Therapy	632,758	603,289	58,688	46,407	481,668	121,621
Services for Speech, Hearing & Language	336,441	318,750	32,121	24,519	308,943	9,808
Prosthetic Devices, Dentures, Eyeglasses	859,918	922,875	71,651	70,990	914,639	8,236
Diagnostic Screening & Preventive Services	169,078	201,488	9,186	15,499	79,733	121,755
Nurse Mid-Wife	112,942	153,959	13,456	11,843	120,481	33,478
Emergency Hospital Services	-	-	-	-	-	-
Critical Access Hospitals	24,242,329	25,303,451	3,265,674	1,946,419	21,922,273	3,381,178
Nurse Practitioner Services	2,263,595	2,755,598	310,662	211,969	2,922,423	(166,826)
School Based Services	34,971,816	35,000,000	318,003	2,692,308	31,040,462	3,959,539
Rehabilitative Services (Non-School Based)	59,129,439	63,204,418	10,025,702	4,861,878	56,218,035	6,986,384
2a) Opioid Treatment Program (OTP) - Methadone services	2,303,658	52,071,349	857,612	575,400	8,734,267	43,337,082
2a) Opioid Treatment Program (OTP) - Peer Recovery Support Services	-	-	313,250	1,033,200	938,952	(938,952)
2a) Opioid Treatment Program (OTP) - Residential Adult Services	-	-	1,322,975	2,396,888	5,985,825	(5,985,825)
2a) Opioid Treatment Program (OTP) - Other	-	-	15,052	-	137,831	(137,831)
Private Duty Nursing	5,533,239	5,709,872	469,598	439,221	4,765,235	944,637
Freestanding Birth Centers	-	-	-	-	1,092	(1,092)
Health Home for Enrollees w Chronic Conditions	883,711	983,085	132,929	75,622	1,690,190	(707,105)
Other Care Services	15,448,541	25,766,900	2,511,891	1,982,069	20,272,674	5,494,225
Less: Recoupments	-	-	(586,127)	-	(671,757)	671,757
NET EXPENDITURES:	3,809,413,601	4,297,413,175	372,281,136	377,272,881	3,627,290,220	670,122,955

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

MONTH OF MAY 2019

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)

NET EXPENDITURES and CMS-64 ADJUSTMENTS:

Plus: Medicaid Part D Expenditures
 Plus: State Only Medicaid Expenditures
 Plus: Money Follow the Person Expenditures

TOTAL MEDICAID EXPENDITURES

Plus: Reimbursables ⁽¹⁾
 Plus: NATCEP/PASARR/Eligibility Exams
 Plus: HIT Incentive Payments

TOTAL EXPENDITURES

(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 \$18,326,390.07 is the amount paid to State Facilities year to date.

ACTUALS	TOTAL	ACTUALS Current Month Ended 05/31/19	ESTIMATE Current Month ended 05/31/19	ACTUALS Year To-Date Thru 05/31/19	PROJECTED 6/1/19 Thru 06/30/19
SFY2018	SFY2019				
(6,012,117)	-	-	-	(7,207,215)	7,207,215
(512,319)	-	-	-	(82,371)	82,371
(213,356)	-	-	-	(122,292)	122,292
(17,039,628)	-	-	-	(9,884,609)	9,884,609
3,785,636,180	4,297,413,175	372,281,136	377,272,881	3,609,993,732	687,419,443
43,197,126	42,983,609	3,363,858	3,581,967	37,974,302	5,009,306
628,208	250,000	12,059	19,231	194,744	55,256
2,101,617	2,100,000	113,618	161,538	1,534,112	565,888
\$ 3,831,563,132	\$4,342,746,783	\$375,770,671	\$381,035,618	\$3,649,696,891	\$693,049,893
4,491,826	-	421,153	-	4,493,271	(4,493,271)
223,954	239,990	35,715	18,461	301,845	(61,855)
2,074,212	3,000,000	965,444	230,769	2,326,523	673,477
\$3,838,353,124	\$4,345,986,773	\$377,192,984	\$381,284,848	\$3,656,818,530	\$689,168,243

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

11 Months Actuals 1 Month Remaining

	MONTH OF MAY 2019			
	ACTUALS	ACTUALS	ACTUALS	PROJECTED
	SFY2018	Current Month Ended 5/31/19	Year-To-Date Thru 5/31/19	6/1/2019 Thru 6/30/19
REVENUE SOURCES				
Beg. Bal. (5084/1020 prior mth)	86,992,634	68,946,009	121,710,366	121,710,366
MATCHING FUNDS				
General Revenue (0403/189)	368,772,081	48,447,709	348,625,135	65,332,228
MRDD Waiver (0403/466)	88,753,483	9,762,883	78,990,600	9,762,883
Rural Hospitals Under 150 Beds (0403/940)	2,596,000	216,333	2,379,666	216,334
Tertiary Funding (0403/547)	6,356,000	529,667	5,826,334	529,666
Traumatic Brain Injury (0403/835)	800,000	88,000	712,000	88,000
Title XIX Waiver for Seniors (0403-533)	13,593,620	1,495,298	12,098,321	1,495,299
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	1,003,875	4,015,503	4,015,503
Lottery Waiver (0420/539)	21,583,766	7,487,738	29,950,955	29,950,955
Lottery Transfer (5405/871)	14,502,312	3,625,578	14,502,312	14,502,312
Excess Lottery (5365/189)	34,406,170	-	-	28,202,960
Lottery Surplus (5405/68199)	15,500,000	-	-	6,000,000
Lottery Surplus (5365/68100)	26,900,000	4,595,066	-	8,000,000
Trust Fund Appropriation (5185/189)	8,914,540	-	-	68,882,839
Provider Tax (5090/189)	213,058,153	4,595,066	193,537,029	30,125,422
NSGO UPL (5084/6717)	68,035	-	-	1,241,403
Certified Match	16,157,488	608,901	14,565,850	(560,949)
Reimbursables - Amount Reimbursed	4,371,388	-	2,079,627	(2,079,627)
Other Revenue (MWIN, Escheated Warrants, etc.) 5084/4010 & 4015	956,436	57,369	647,952	252,048
CHIP State Share	-	-	-	-
CMS - 64 Adjustments	(80,352)	278,310	278,310	(278,310)
TOTAL MATCHING FUNDS	\$ 966,606,216	\$ 146,864,426	\$ 840,515,025	\$ 211,210,195
FEDERAL FUNDS	2,991,755,848	301,451,853	2,886,824,887	528,588,055
TOTAL REVENUE SOURCES	\$ 3,958,362,065	\$ 448,316,279	\$ 3,727,339,913	\$ 739,798,250
TOTAL EXPENDITURES:				
Provider Payments	\$ 3,838,353,124	\$ 377,192,984	\$ 3,656,818,530	\$ 689,168,243
TOTAL	\$ 120,008,941	\$ 71,123,295	\$ 70,521,383	\$ 121,151,390

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

Joint Committee on Government and Finance

July 2019

Department of Health and Human Resources

MEDICAID WAIVER REPORT

May 2019 Data

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

Aged & Disabled Waiver Reported May 31, 2019	FY 2018	Jul 18	Aug 18	Sep 18	Oct 18	Nov 18	Dec 18	Jan 19	Feb 19	Mar 19	Apr 19	May 19	Jun 19	FY 2019 YTD
Slots Approved By CMS (1)	5,752	6,192	6,192	6,192	6,192	6,192	6,192	6,192	6,192	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	6,102	6,102	6,102	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	90	90	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	5,949	6,001	6,120	6,135	6,193	6,343	6,539	6,657	6,747	6,747	6,747
Applicants determined eligible this month and added to MEL (3)	1,401	93	99	94	96	127	128	103	82	86	86	189	189	1,183
Applicants determined ineligible	96	7	3	8	4	4	11	1	4	2	7	8	8	59
ACTIVE MEMBERS														
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	5,812	5,809	5,843	5,812	5,801	5,877	5,973	6,000	5,978	5,978	5,978
Active members enrolled during the calendar month	1,264	279	120	24	103	118	31	98	151	183	143	92	92	1,342
-Total Active Traditional members enrolled during the calendar month	1,178	277	115	22	96	110	22	94	150	181	139	87	87	1,293
-Total Active TMH-WV members enrolled during the calendar month	86	2	5	2	7	8	9	4	1	2	4	5	5	49
Members discharged during the calendar month	952	88	94	90	106	84	62	109	75	87	116	114	114	1,025
ADW Members whose case was closed by reason	533	40	54	43	57	46	35	62	39	37	61	50	50	524
Member is deceased														
Other (4)	419	48	40	47	49	38	27	47	36	50	55	64	64	501
MANAGED ENROLLMENT LIST (MEL)														
# Eligible applicants closed during the calendar month (removed from MEL)	2,134	22	21	37	195	39	18	350	73	183	86	8	8	1,032
ADW Applicants removed from the MEL	1,963	8	13	15	161	6	0	294	54	90	52	1	1	694
Applicant offered a slot (Traditional + MFP)														
Applicant became deceased	100	9	6	22	13	7	12	13	9	15	17	5	5	128
Other (5)	71	5	2	0	21	26	6	43	10	78	17	2	2	210
Applicants on the MEL who are in a nursing facility YTD Column reflects average # members in setting	1	5	8	2	4	3	1	0	0	0	0	0	0	2
Applicants on the MEL receiving Personal Care YTD Column reflects average # members in setting	7	18	29	1	15	33	33	0	0	0	0	0	0	12
Applicants on the MEL at the end of the month	30	101	179	236	137	225	335	88	97	0	0	181	181	181
Days -Longest time spent on the MEL to date (6) YTD Column reflects average # of days	156	33	63	90	71	65	94	99	111	142	145	176	176	99

(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 May 31, 2019	FY 2018	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	4,696	4,796	4,796	4,796	4,896	4,896	4,896	4,896
Traditional Slots approved by CMS	4,634	4,684	4,684	4,684	4,684	4,684	4,684	4,784	4,784	4,784	4,888	4,888	4,888	4,888
Ben H. Slots approved for Adults by CMS	0	0	0	6	6	6	6	6	6	6	6	6	6	6
Ben H. Slots approved for Children by CMS	0	0	0	6	6	6	6	6	6	6	2	2	2	2
Total number of members served YTD (unduplicated slots used) (1)	4,634	4,629	4,629	4,628	4,656	4,668	4,671	4,743	4,752	4,756	4,854	4,875	4,875	4,875
Total number of members served YTD in Traditional Slots	4,634	4,629	4,629	4,628	4,652	4,662	4,665	4,737	4,745	4,749	4,847	4,868	4,868	4,868
Total number of members served YTD in Adult Ben H. slots (unduplicated)	0	0	0	0	4	4	4	6	6	6	6	6	6	6
Total number of members served YTD in Children Ben H. slots (unduplicated)	0	0	0	0	0	0	0	0	1	1	1	1	1	1
Applicants determined eligible (2)	218	17	22	13	20	21	6	27	16	17	19	14	14	192
Applicants determined ineligible (3)	194	10	20	24	12	21	13	16	19	11	28	34	34	208
ACTIVE MEMBERS														
# of active members at the end of the month (unduplicated slots active) (1)	4,536	4,621	4,612	4,603	4,621	4,625	4,617	4,680	4,678	4,663	4,750	4,760	4,760	4,760
Discharged members at the end of the calendar month	106	10	12	11	10	9	12	11	14	19	11	11	11	130
Deceased	52	4	2	4	4	8	4	3	3	11	5	4	4	52
Left program to enter a facility	22	1	3	2	1	1	2	4	2	1	2	0	0	19
a. Hospital	0	0	0	0	0	0	0	0	0	0	0	0	0	0
b. ICF/IID	11	0	2	1	0	0	0	0	0	1	1	1	1	6
c. Nursing Facility	11	1	1	1	1	1	2	4	2	0	1	0	0	14
d. Psychiatric Facility	0	0	0	0	0	0	0	0	0	0	0	0	0	0
e. Rehabilitation Facility	0	0	0	0	0	0	0	0	0	0	0	0	0	0
f. Other Facility	0	0	0	0	0	0	0	0	0	0	0	0	0	1
Other (6)	31	5	7	5	5	0	6	4	9	7	4	5	5	57
MANAGED ENROLLMENT LIST (MEL)														
Total number of applicants on the MEL at the end of the month	1,343	1,256	1,274	1,283	1,271	1,275	1,272	1,220	1,212	1,219	1,129	1,117	1,117	1,117
Number of applicants added to the MEL (4)	218	17	22	13	20	21	6	27	16	17	19	14	14	192
Applicants enrolled (removed from the MEL)	139	95	3	2	28	13	4	74	12	4	98	21	21	354
Applicants removed from the MEL due to Death (5)	10	1	0	0	0	0	0	0	0	2	1	0	0	4
Applicants removed from the MEL due to Other (6)	43	8	1	2	4	4	5	5	12	4	10	5	5	60
Applicants on the MEL who are in a Nursing Facility (9)	2	5	3	6	3	4	3	5	3	5	4	2	2	2
Applicants on the MEL who are in an ICF/IID Group Home (9)	112	113	113	113	114	117	117	116	116	117	112	111	111	111
Applicants on the MEL receiving Personal Care Services each month (8) (9)	87	87	83	85	88	93	93	89	90	89	74	76	76	76
Longest on the MEL to date (7)	1634	1,624	1,635	1,663	1,582	1,607	1,638	1,589	1,590	1,607	1,552	1,583	1,583	1,583

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

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

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

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

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

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

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

Traumatic Brain Injury Waiver Reported	May 31, 2019	FY 2018	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	FY 2019 YTD
Slots Approved By CMS (1)		66	82	82	82	82	82	82	82	82	82	82	82		82
-Slots Available for Traditional (non TMH-WV) enrollees		56	78	78	78	78	78	78	78	78	78	78	82		82
-Slots reserved for Take Me Home-WV (TMH-WV) enrollees		10	4	4	4	4	4	4	4	4	4	4	0		0
Total number of members served YTD (unduplicated slots used) (2) YTD Column reflects most recent month's count		84	73	76	78	82	81	81	81	81	81	81	82		82
Applicants determined eligible this month and/or added to MEL (3)		14	0	2*	3*	1*	1	2	2	1	1	0	1		8
Applicants determined ineligible		4	0	0	0	1	0	0	1	0	0	0	0		2
ACTIVE MEMBERS															
Active members at the end of the month (unduplicated slots active) YTD Column reflects most recent month's count		71	73	76	75	78	77	76	76	76	76	75	75		75
Active members enrolled during the calendar month		24	2	3	2	4	0	0	0	0	0	0	1		12
-Total Active Traditional members enrolled during the calendar month		20	2	3	2	4	0	0	0	0	0	0	1		12
-Total Active TMH-WV members enrolled during the calendar month		4	0	0	0	0	0	0	0	0	0	0	0		0
Members discharged during the calendar month		14	0	0	3	1	1	1	0	0	0	1	1		8
TBIW Members whose case was closed by reason		6	0	0	0	0	0	0	0	0	0	1	1		2
Other (4)		8	0	0	3	1	1	1	0	0	0	0	0		6
MANAGED ENROLLMENT LIST (MEL)															
# Eligible applicants closed during the calendar month (removed from MEL)		21	3	0	0	0	0	0	0	0	0	0	1		4
TBIW Applicants removed from the MEL		20	3	0	0	0	0	0	0	0	0	0	1		4
Applicant offered a slot		0	0	0	0	0	0	0	0	0	0	0	0		0
Applicant became deceased		2	0	0	0	0	0	0	0	0	0	0	0		0
Other (5)		0	0	0	0	0	0	0	0	0	0	0	0		0
Applicants on the MEL who are in a nursing facility		0	0	0	0	0	0	0	0	0	0	0	0		0
Applicants on the MEL receiving Personal Care		0	0	0	0	0	0	0	0	0	0	0	0		0
Applicants on the MEL at the end of the month		3	0	0	0	0	1	3	5	6	7	7	7		7
Days -Longest time spent on the MEL to date (6) YTD Column reflects average # of days		226	0	0	0	0	15	46	77	105	136	166	197		106

(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

JULY 2019

Department of Health and Human Resources

State Children's Health Insurance Program
UPDATE



West Virginia Children's Health Insurance Program
Comparative Statement of Revenues, Expenditures, Changes in Fund Balance, and Budget-to-Actual
For the Ten Months Ending April 30, 2019 and April 30, 2018

	Annual	Budget	Actual	Actual	Actual		Budget	
	Budget 2019	Year-to-Date	April 30, 2019	April 30, 2018	\$	%	\$	%
Beginning Operating Fund Balance			\$5,541,320	\$6,049,877	(\$508,557)	-8%		
Revenues								
Federal Grants			\$41,657,254	\$41,212,956	\$444,298	1%		
State Appropriations								
Premium Revenues	\$1,525,752	\$1,271,460	\$1,322,163	\$1,231,506	\$90,657	7%	\$50,703	4%
Investment Earnings (Interest)			\$149,986	\$47,720	\$102,266	214%		
Total Operating Fund Revenues			\$43,129,403	\$42,492,181	\$637,222	1%		
Expenditures:								
Claims Expenses:								
Physicians & Surgical			\$11,633,306	\$11,104,438	\$528,868	5%		
Prescribed Drugs			\$7,783,240	\$7,429,996	\$353,244	5%		
Outpatient Services			\$6,781,119	\$6,570,552	\$210,567	3%		
Dental			\$6,209,687	\$5,634,570	\$575,117	10%		
Inpatient Hospital Services			\$3,216,282	\$3,217,755	(\$1,473)	0%		
Other Services			\$2,483,684	\$1,917,602	\$566,082	30%		
Therapy			\$1,661,398	\$1,669,596	(\$8,198)	0%		
Inpatient Mental Health			\$511,922	\$641,195	(\$129,273)	-20%		
Vision			\$575,644	\$581,091	(\$5,447)	-1%		
Durable & Disposable Med. Equip.			\$353,295	\$340,203	\$13,092	4%		
Medical Transportation			\$380,176	\$324,586	\$55,590	17%		
Outpatient Mental Health			\$305,059	\$389,049	(\$83,990)	-22%		
Less: Other Collections**			(\$133,412)	(\$15,495)	(\$117,918)	761%		
Drug Rebates	(\$1,440,966)	(\$1,200,805)	(\$1,695,346)	(\$1,032,033)	\$663,312	64%	\$627,953	-52%
Total Claims Expenses	\$48,725,436	\$40,604,530	\$40,066,054	\$38,773,105	\$1,292,949	3%	(\$538,476)	-1%
Administrative Expenses:								
Salaries and Benefits			\$0	\$0	\$0			
Program Administration	\$2,822,417	\$2,352,014	\$1,706,306	\$2,648,378	(\$942,072)	-36%	(\$645,708)	-27%
Eligibility			\$1,688	\$9,980	(\$8,292)	100%		
Outreach & Health Promotion	\$100,000	\$83,333	\$320	\$10,190	(\$9,870)	-97%	(\$83,013)	-100%
Current	\$326,676	\$272,230	\$194,089	\$44,015	\$150,074	341%	(\$78,141)	-29%
Total Administrative Expenses in Operating Fund	\$3,249,093	\$2,707,577	\$1,902,403	\$2,712,563	(\$810,160)	-30%	(\$805,174)	-30%
Total Operating Fund Expenditures	\$51,974,529	\$43,312,108	\$41,968,457	\$41,485,668	\$482,789	1%	(\$1,343,651)	-3%
Adjustments			(\$80,135)	(\$164,122)				
Ending Operating Fund Balance			\$6,782,401	\$7,220,512	(\$438,111)	-6%		
Money Market			\$1,052,665	\$1,030,721	\$21,944	2%		
Bond Pool			\$4,492,992	\$4,337,808	\$155,184	4%		
Cash on Deposit			\$1,236,745	\$1,851,983	(\$615,239)	-33%		
Unrealized Gain/Loss on Investment			\$52,635	(\$32,737)	\$85,371	-261%		
Ending Fund Balance (Accrued Basis)			\$6,835,036	\$7,187,776	(\$352,740)	-5%		
Program Expenses outside of Operating Funds:								
Salaries and Benefits	\$702,625	\$585,521	\$450,141	\$479,681	(\$29,540)	-6%	(\$135,380)	-23%
Eligibility	\$326,676	\$272,230	\$31,588	\$37,185	(\$5,597)	-15%	(\$238,954)	-88%
Total Administrative Expenses:	\$4,278,384	\$3,565,328	\$2,384,132	\$3,229,429	(\$845,297)	-26%	(\$1,181,196)	-33%
Total WVCHIP Expenditures	\$53,003,830	\$44,169,858	\$42,450,186	\$42,002,534	\$447,652	1%	(\$1,719,672)	-4%

Footnotes:

- 1) Statement is on cash basis
- 2) Estimate of Incurred but Not Reported (IBNR) claims on April 30, 2019 is \$4,790,000. The April 30, 2018 estimate was \$4,240,435
- 3) Administrative Accounts Payable balance on April 30, 2019 is \$550,260. The April 30, 2018 balance is \$412,934
- 4) 2018 and 2017 adjustments to fund balance represent timing issues between the payment of expense and the draw-down of federal revenues
- 5) Revenues are primarily federal funds. During State Fiscal Years 2019 and 2018 WVCHIP's Federal Matching Assistance Percentage (FMAP) was 100%.
- 6) Other Collections are primarily provider refunds and subrogations (amounts received from other insurers responsible for bill WVCHIP paid - primarily auto).
- 7) Physician & Surgical services include physicians, clinics, lab, Federally Qualified Health Centers (FQHC), and vaccine payments.
- 8) Other Services include home health, chiropractors, psychologists, podiatrists, and nurse practitioners

Unaudited - For Management Purposes Only

WVCHIP Enrollment Report

ATTACHMENT 1

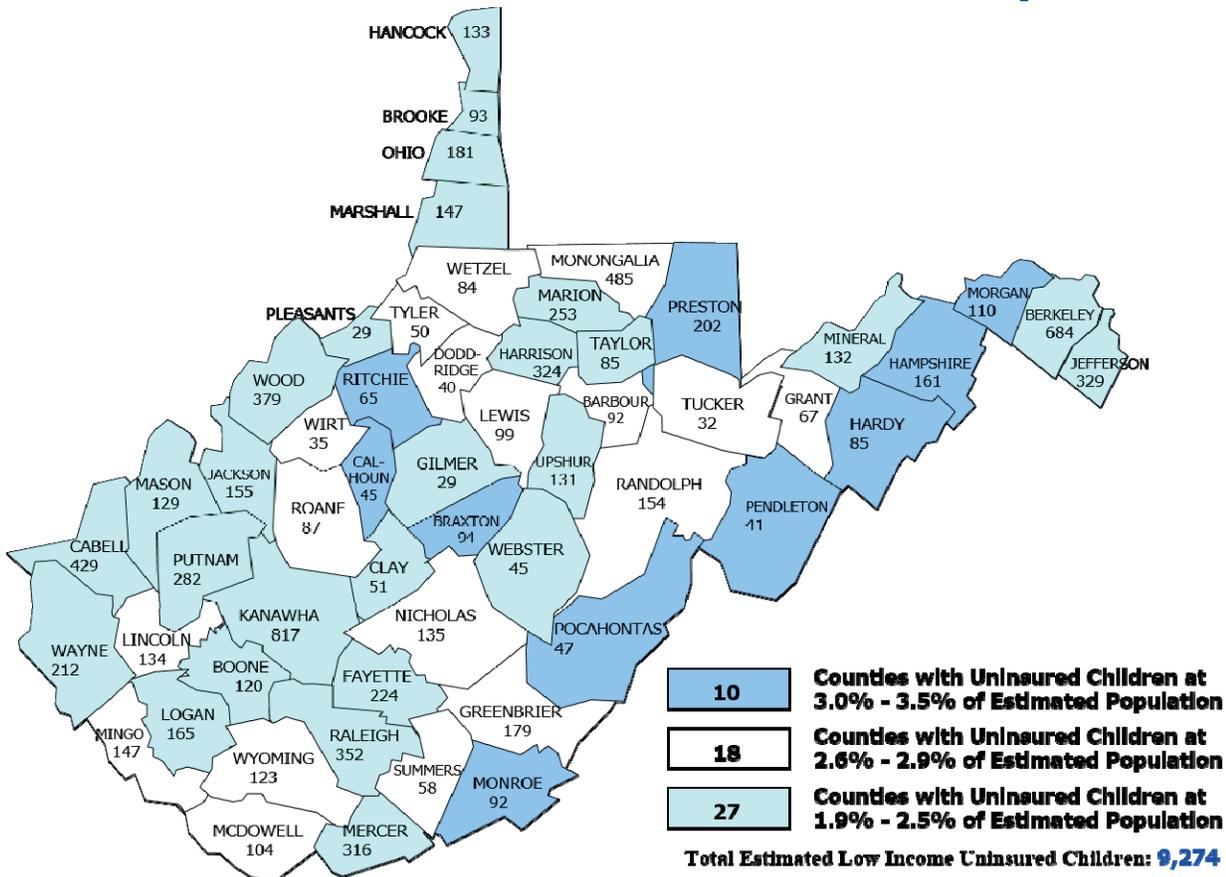
JUNE 2019

County	County Pop.	Total CHIP	Total Medicaid	Total	CHIP/Medicaid	2016	2016
	2016 Est. (0-18 Yrs)	Enrollment Jun-19	Enrollment Jun-19	CHIP/Medicaid Enrollment	Enrollment % of Population	Est. Uninsured 3%	# Children Uninsured Ranking*
Barbour	3,470	240	1,729	1,969	56.7%	104	33
Berkeley	27,800	1,861	11,775	13,636	49.1%	834	2
Boone	5,087	260	2,972	3,232	63.5%	153	27
Braxton	2,947	156	1,516	1,672	56.7%	88	39
Brooke	4,185	1	78	79	1.9%	126	31
Cabell	19,601	864	9,149	10,013	51.1%	588	3
Calhoun	1,427	103	822	925	64.8%	43	51
Clay	2,041	137	1,306	1,443	70.7%	61	44
Doddridge	1,479	94	652	746	50.4%	44	49
Fayette	9,297	708	5,117	5,825	62.7%	279	12
Gilmer	1,212	92	581	673	55.5%	36	54
Grant	2,343	125	1,154	1,279	54.6%	70	42
Greenbrier	7,018	585	3,642	4,227	60.2%	211	16
Hampshire	4,619	278	2,298	2,576	55.8%	139	30
Hancock	5,876	560	4,151	4,711	80.2%	176	20
Hardy	2,847	218	1,586	1,804	63.4%	85	40
Harrison	15,199	882	6,240	7,122	46.9%	456	7
Jackson	6,506	327	2,996	3,323	51.1%	195	18
Jefferson	13,304	678	3,941	4,619	34.7%	399	9
Kanawha	38,824	2,131	19,093	21,224	54.7%	1,165	1
Lewis	3,432	255	1,862	2,117	61.7%	103	35
Lincoln	4,849	277	2,915	3,192	65.8%	145	28
Logan	7,095	394	4,361	4,755	67.0%	213	15
Marion	11,654	667	5,250	5,917	50.8%	350	11
Marshall	6,478	296	2,561	2,857	44.1%	194	19
Mason	5,798	256	2,841	3,097	53.4%	174	21
McDowell	3,994	198	2,939	3,137	78.5%	120	32
Mercer	12,774	834	8,053	8,887	69.6%	383	10
Mineral	5,626	251	2,228	2,479	44.1%	169	23
Mingo	5,632	260	3,774	4,034	71.6%	169	22
Monongalia	17,905	926	5,406	6,332	35.4%	537	5
Monroe	2,781	263	1,220	1,483	53.3%	83	41
Morgan	3,367	264	1,504	1,768	52.5%	101	36
Nicholas	5,271	346	2,905	3,251	61.7%	158	25
Ohio	8,365	387	3,825	4,212	50.4%	251	14
Pendleton	1,269	95	589	684	53.9%	38	52
Pleasants	1,473	82	602	684	46.4%	44	50
Pocahontas	1,517	114	783	897	59.1%	46	48
Preston	6,658	393	2,930	3,323	49.9%	200	17
Putnam	13,446	656	4,504	5,160	38.4%	403	8
Raleigh	16,494	1,053	9,030	10,083	61.1%	495	6
Randolph	5,586	430	2,920	3,350	60.0%	168	24
Ritchie	2,034	99	1,092	1,191	58.6%	61	45
Roane	3,116	260	1,721	1,981	63.6%	93	38
Summers	2,225	168	1,439	1,607	72.2%	67	43
Taylor	3,449	200	1,676	1,876	54.4%	103	34
Tucker	1,199	110	530	640	53.4%	36	55
Tyler	1,848	91	730	821	44.4%	55	46

WVCHIP Enrollment Report

JUNE 2019

County	County Pop. 2016 Est. (0-18 Yrs)	Total CHIP Enrollment Jun-19	Total Medicaid Enrollment Jun-19	Total CHIP/Medicaid Enrollment	CHIP/Medicaid % of Population	2016 Est. Uninsured 3%	2016 # Children Uninsured Ranking*
Upshur	5,197	341	2,943	3,284	63.2%	156	26
Wayne	8,809	412	4,853	5,265	59.8%	264	13
Webster	1,787	99	1,275	1,374	76.9%	54	47
Wetzel	3,255	151	1,835	1,986	61.0%	98	37
Wirt	1,245	68	657	725	58.2%	37	53
Wood	18,641	1,053	8,942	9,995	53.6%	559	4
Wyoming	4,707	278	2,643	2,921	62.1%	141	29
Totals	384,058	22,327	184,136		0.0%	11,522	

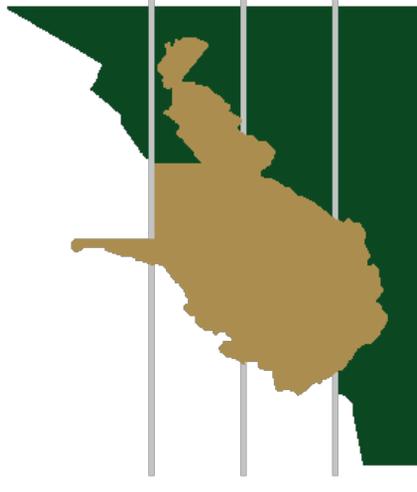


The above map shows the most recent 2016 county level data provided by the U.S. Census Bureau Small Area Health Insurance Estimates (SAHIE) for children under 19 years. While the statewide average for children under 19 is now about 3%, the SAHIE data reflects more accurately the variation from county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

May 31, 2019



Participant Plans Allocation & Performance Net of Fees

Period Ending: May 31, 2019

	6/30/2018		5/31/2019		Performance %							
	Asset (\$000)	%	Asset (\$000)	%	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year	20 Year
WVIMB Fund Assets	19,506,228	100.0	19,186,741	100.0								
Pension Assets	15,795,451	81.0	15,459,251	80.6								
Public Employees' Retirement System	6,718,698	34.5	6,623,728	34.5	(2.5)	0.3	1.6	2.0	9.0	6.4	9.8	6.7
Teachers' Retirement System	7,691,788	39.5	7,466,050	38.9	(2.4)	0.3	1.6	2.0	9.0	6.3	9.7	6.5
EMS Retirement System	78,921	0.4	80,897	0.4	(2.5)	0.2	1.5	1.9	9.0	6.4	9.8	6.7
Public Safety Retirement System	682,799	3.5	649,823	3.4	(2.5)	0.3	1.5	1.9	9.0	6.4	9.8	6.7
Judges' Retirement System	204,484	1.0	203,895	1.1	(2.5)	0.3	1.6	2.0	9.0	6.4	9.8	6.7
State Police Retirement System	188,912	1.0	197,878	1.0	(2.5)	0.2	1.6	2.0	9.0	6.4	9.8	6.6
Deputy Sheriffs' Retirement System	219,368	1.1	222,708	1.2	(2.5)	0.2	1.6	1.9	9.0	6.4	9.8	6.7
Municipal Police & Firefighter Retirement System	7,843	0.0	10,333	0.1	(2.4)	0.3	1.7	2.1	8.8	6.3		
Municipal Model A	1,514	0.0	2,802	0.0	(2.4)	0.3	2.0	2.4	9.2	6.4		
Municipal Model C	1,124	0.0	1,137	0.0	(2.4)	0.2	1.4	1.3				
Insurance Assets	2,785,522	14.3	2,768,895	14.4								
Workers' Compensation Old Fund	1,185,505	6.0	1,088,203	5.6	(1.3)	0.9	2.1	1.7	5.4	3.7	6.0	
Workers' Comp. Self-Insured Guaranty Risk Pool	33,908	0.2	33,437	0.2	(1.3)	0.9	2.0	1.6	5.5	3.7	4.3	
Workers' Comp. Self-Insured Security Risk Pool	53,204	0.3	51,183	0.3	(1.4)	0.9	1.9	1.5	5.5	3.7		
Workers' Comp. Uninsured Employers' Fund	12,881	0.1	13,198	0.1	(1.4)	0.8	1.7	1.4	5.3	3.5	4.0	
Pneumoconiosis	245,797	1.3	233,908	1.2	(1.4)	0.9	1.9	1.5	5.4	3.6	6.2	5.5
Board of Risk & Insurance Management	151,588	0.8	154,579	0.8	(1.3)	0.9	2.0	1.6	5.4	3.6	6.3	
Public Employees' Insurance Agency	198,826	1.0	234,931	1.2	(0.9)	1.3	2.6	2.3	5.5	3.7	6.3	
WV Retiree Health Benefit Trust Fund	903,813	4.6	959,456	5.0	(2.5)	0.2	1.7	2.0	9.0	6.4	8.8	
Endowment Assets	925,255	4.7	958,595	5.0								
Berkeley County Development Authority	7,742	0.0	5,918	0.0	(2.5)	0.2	1.5	1.9	9.0			
Wildlife Fund	63,823	0.3	62,225	0.3	(2.5)	0.2	1.6	2.0	9.0	6.4	9.8	7.1
Prepaid Tuition Trust	42,256	0.2	34,110	0.2	1.1	2.7	5.5	5.2	7.5	5.6	8.9	
Revenue Shortfall Reserve Fund	167,666	0.9	195,016	1.0	1.4	3.4	5.0	5.0	3.1	2.3	4.8	
Revenue Shortfall Reserve Fund - Part B	438,711	2.3	454,257	2.5	(0.4)	1.8	3.5	3.1	5.5	3.7	6.6	
WV DEP Trust	9,658	0.0	8,860	0.0	(3.8)	(1.0)	(0.8)	(1.7)	7.4	4.8		
WV DEP Agency	195,399	1.0	198,209	1.0	(2.1)	0.3	1.4	0.8	6.2	4.1		

Composite Asset Allocation & Performance Net of Fees

Period Ending: May 31, 2019

	Asset (\$000)	%	Performance %												
			1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year	20 Year					
Investment Pools Composite	19,192,608	100.00													
Total Equity Composite	8,925,694	46.51	(6.01)	(2.66)	(3.07)	(4.56)	9.18	5.51	11.07	6.62					
+/- Total Equity Base Index (b)			(0.16)	(1.33)	(1.79)	(2.64)	(0.23)	(0.13)	0.88	0.92					
Domestic Equity Composite	4,421,120	23.04	(6.23)	(1.42)	0.55	0.46	10.98	8.84	14.04	7.17					
+/- Russell 3000 Index			0.24	(0.10)	(1.28)	(2.04)	(0.57)	(0.40)	0.11	0.97					
International Equity Composite	4,504,574	23.47	(5.79)	(3.87)	(6.54)	(9.30)	7.31	2.12	7.95	6.83					
+/- MSCI AC World ex US IMI Index (c)			(0.55)	(1.75)	(1.72)	(2.62)	0.30	0.21	1.59	1.90					
Fixed Income Composite	3,306,251	17.23	1.04	2.87	6.08	5.71	4.21	3.30	5.32	5.47					
+/- Bloomberg Barclays Capital Universal (d)			(0.49)	(0.64)	(0.49)	(0.70)	1.25	0.38	1.01	0.43					
Core Fixed Income Composite	1,009,974	5.26	1.95	4.01	7.01	6.88	2.88	3.14	4.49						
+/- Bloomberg Barclays Capital Aggregate			0.17	0.25	0.48	0.48	0.38	0.44	0.66						
Total Return Fixed Income Composite (k)	2,296,277	11.97	0.64	2.38	5.67	5.20	4.79	3.36	5.62	5.91					
+/- Bloomberg Barclays Capital Universal			(0.89)	(1.13)	(0.90)	(1.21)	1.83	0.44	1.31	0.80					
TIPS Composite	402,697	2.10	1.65	3.87	4.01	4.45	2.53	1.65							
+/- Bloomberg Barclays Capital U.S. TIPS			0.00	0.00	0.06	0.09	0.04	0.01							
Cash Composite	112,852	0.59	0.20	0.62	2.04	2.21	1.30	0.84	0.49	1.94					
+/- Citigroup 90 Day T-Bill (e)			(0.01)	0.00	(0.05)	(0.03)	0.01	0.04	(0.03)	(0.02)					
Private Equity Composite	1,828,412	9.52	3.85	7.64	13.94	23.42	19.79	15.91	15.56						
+/- Russell 3000 + 3% (f, g)								3.67	(2.01)						
Real Estate Composite	1,879,474	9.79	0.56	2.02	5.50	7.94	8.66	9.31	9.30						
+/- NCREIF + 1% (f)								(0.88)	0.14						
Hedge Fund Composite	2,148,391	11.19	(0.26)	1.54	1.51	2.23	4.32	3.09	5.28						
+/- HFR/ FOF + 1% (h)			0.51	0.31	0.84	1.93	(0.29)	(0.01)	1.59						
Opportunistic Income Composite	588,837	3.07	2.09	2.72	5.53	7.43	5.35								
+/- CS Leveraged Loan + 2.5%			2.11	0.87	(0.68)	0.91	(2.51)								

Participant Plans Allocation vs. Strategy

Period Ending: May 31, 2019

	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 %
Pension Assets														
Public Employees' Retirement System	50.0	55.0	13.1	15.0	11.1	10.0	11.4	10.0	10.7	10.0	3.6	0.0	0.1	0.0
Teachers' Retirement System	49.7	55.0	12.9	15.0	11.1	10.0	11.4	10.0	10.8	10.0	3.6	0.0	0.5	0.0
EMS Retirement System	50.0	55.0	13.7	15.0	10.9	10.0	11.2	10.0	10.4	10.0	3.5	0.0	0.3	0.0
Public Safety Retirement System	50.1	55.0	12.5	15.0	11.3	10.0	11.6	10.0	10.8	10.0	3.6	0.0	0.1	0.0
Judges' Retirement System	50.0	55.0	13.3	15.0	11.0	10.0	11.3	10.0	10.6	10.0	3.6	0.0	0.2	0.0
State Police Retirement System	49.9	55.0	13.9	15.0	10.8	10.0	11.1	10.0	10.3	10.0	3.5	0.0	0.5	0.0
Deputy Sheriffs' Retirement System	50.0	55.0	13.6	15.0	10.9	10.0	11.2	10.0	10.5	10.0	3.5	0.0	0.3	0.0
Municipal Police & Firefighter Retirement System	48.5	55.0	14.8	15.0	10.4	10.0	10.7	10.0	9.9	10.0	3.3	0.0	2.4	0.0
Municipal Model A	49.4	55.0	13.5	15.0	10.7	10.0	11.0	10.0	10.0	10.0	3.4	0.0	2.0	0.0
Municipal Model C	46.9	50.0	28.5	30.0	5.3	5.0	5.4	5.0	10.1	10.0	1.7	0.0	2.1	0.0
Insurance Assets														
Workers' Compensation Old Fund	29.5	30.0	50.1	50.0	0.0	0.0	0.0	0.0	16.9	15.0	0.0	0.0	3.5	5.0
Workers' Comp. Self-Insured Guaranty Risk Pool	28.8	30.0	44.9	45.0	0.0	0.0	0.0	0.0	21.7	20.0	0.0	0.0	4.6	5.0
Workers' Comp. Self-Insured Security Risk Pool	29.2	30.0	44.5	45.0	0.0	0.0	0.0	0.0	22.1	20.0	0.0	0.0	4.2	5.0
Workers' Comp. Uninsured Employers Fund	28.9	30.0	39.9	40.0	0.0	0.0	0.0	0.0	21.0	20.0	0.0	0.0	10.2	10.0
Pneumococcosis	29.3	30.0	44.3	45.0	0.0	0.0	0.0	0.0	22.2	20.0	0.0	0.0	4.2	5.0
Board of Risk & Insurance Mgmt.	29.0	30.0	44.8	45.0	0.0	0.0	0.0	0.0	21.1	20.0	0.0	0.0	5.1	5.0
Public Employees' Insurance Agency	24.1	25.0	55.8	55.0	0.0	0.0	0.0	0.0	20.1	20.0	0.0	0.0	0.0	0.0
WV Retiree Health Benefit Trust Fund	50.0	55.0	14.3	15.0	10.8	10.0	11.1	10.0	10.2	10.0	3.5	0.0	0.1	0.0
Endowment Assets														
Berkeley County Development Authority	50.0	55.0	14.5	15.0	10.8	10.0	11.1	10.0	10.1	10.0	3.5	0.0	0.0	0.0
Wildlife Fund	49.9	55.0	13.6	15.0	10.9	10.0	11.2	10.0	10.6	10.0	3.5	0.0	0.3	0.0
Prepaid Tuition Trust	0.0	0.0	80.1	80.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	19.9	20.0
Revenue Shortfall Reserve Fund	0.0	0.0	99.9	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0
Revenue Shortfall Reserve Fund - Part B	21.6	22.5	78.4	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	63.7	65.0	14.5	15.0	0.0	0.0	0.0	0.0	21.6	20.0	0.0	0.0	0.2	0.0
WV DEP Agency	38.9	40.0	39.9	40.0	0.0	0.0	0.0	0.0	21.2	20.0	0.0	0.0	0.0	0.0

- (a) As of January 2019, the PERS Base is 60% MSCI ACWI Gross and 40% Bloomberg Barclays Capital Universal. From January 2014 to December 2018, the PERS Base was 30% Russell 3000, 30% MSCI ACWI ex USA (IMI), and 40% Bloomberg Barclays Capital Universal. From April 2008 to December 2013, the PERS Base was 30% Russell 3000, 30% MSCI ACWI ex USA (Standard), and 40% Bloomberg Barclays Capital Universal. Prior periods were 42% Russell 3000, 18% MSCI ACWI ex USA, and 40% Bloomberg Barclays Capital Aggregate.
- (b) As of January 2019, the Total Equity Base Index is 100% MSCI ACWI Gross. From January 2014 to December 2018, the Total Equity Base Index was 50% Russell 3000 and 50% MSCI ACWI ex USA (IMI). From April 2008 to December 2013, the Total Equity Base Index was 50% Russell 3000 and 50% MSCI ACWI ex USA (Standard). Prior periods were 40% S&P 500, 30% Russell 2500, and 30% MSCI ACWI 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 GBIE M 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.

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WEST VIRGINIA OFFICES OF THE INSURANCE COMMISSIONER

James A. Dodrill
Insurance Commissioner

Status Report:
Workers' Compensation
Joint Committee on Government & Finance

JULY 2019

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Introduction

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

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

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

Definitions:

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

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

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

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

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

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

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

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

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

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

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

Med Only: claim under which only the payment of medical benefits 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.

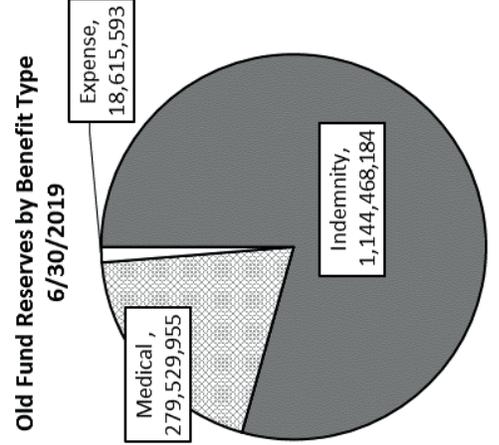
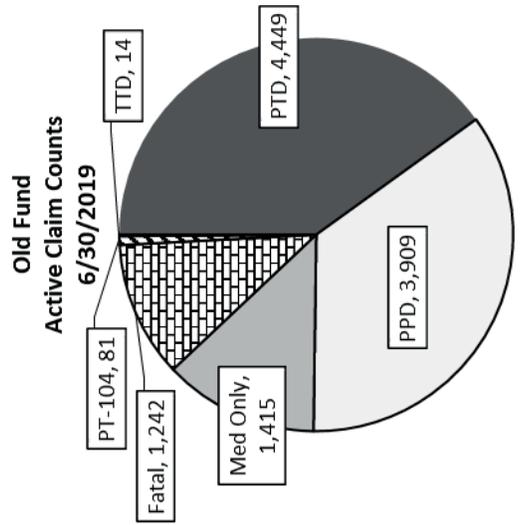
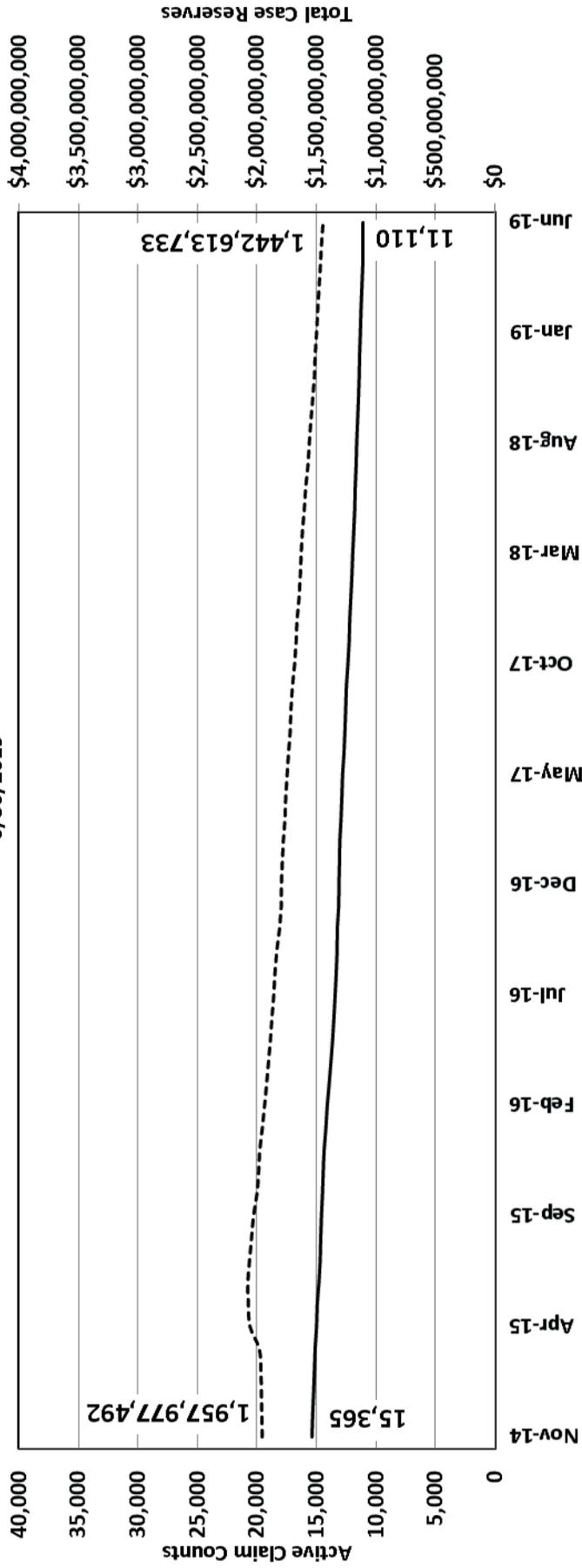
Self-Insured Security Fund: State managed fund consisting of those funds paid into it thru the WVOIC's administration of 85 CSR §19 (2004), and out of which workers' compensation benefits may be paid. Covers claims liabilities of bankrupt or defaulted self-insured employers with dates of injury or last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

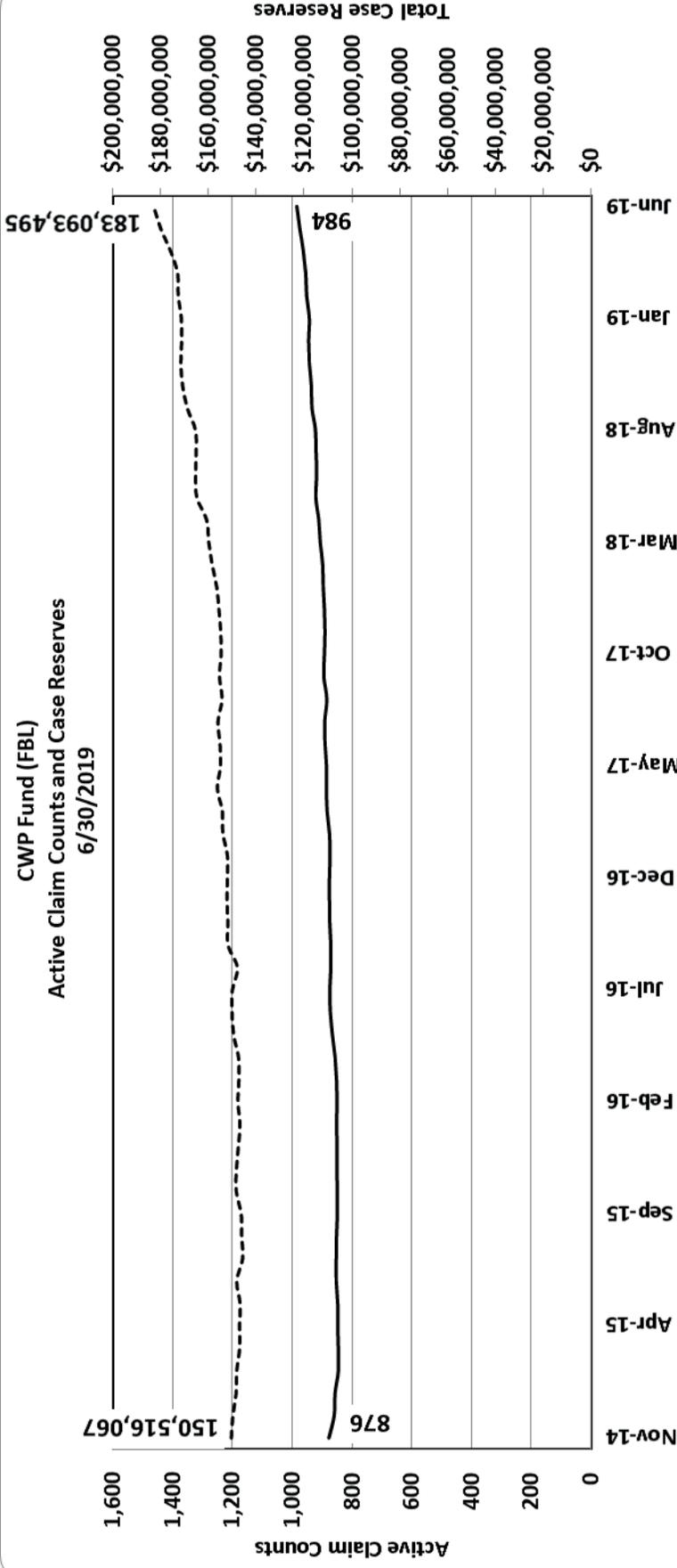
TTD: (Temporary Total Disability) an inability to return to substantial gainful employment requiring skills or activities comparable to those of one's previous gainful employment during the healing or recovery period after the injury. In order to receive TTD benefits, the injured worker must be certified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

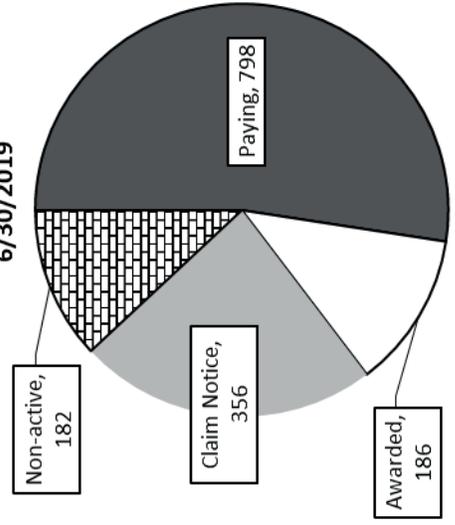
Old Fund
Active Claim Counts and Case Reserves
6/30/2019



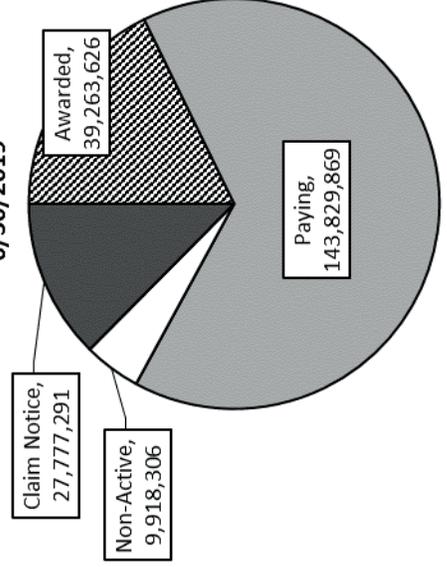
**CWP Fund (FBL)
Active Claim Counts and Case Reserves
6/30/2019**



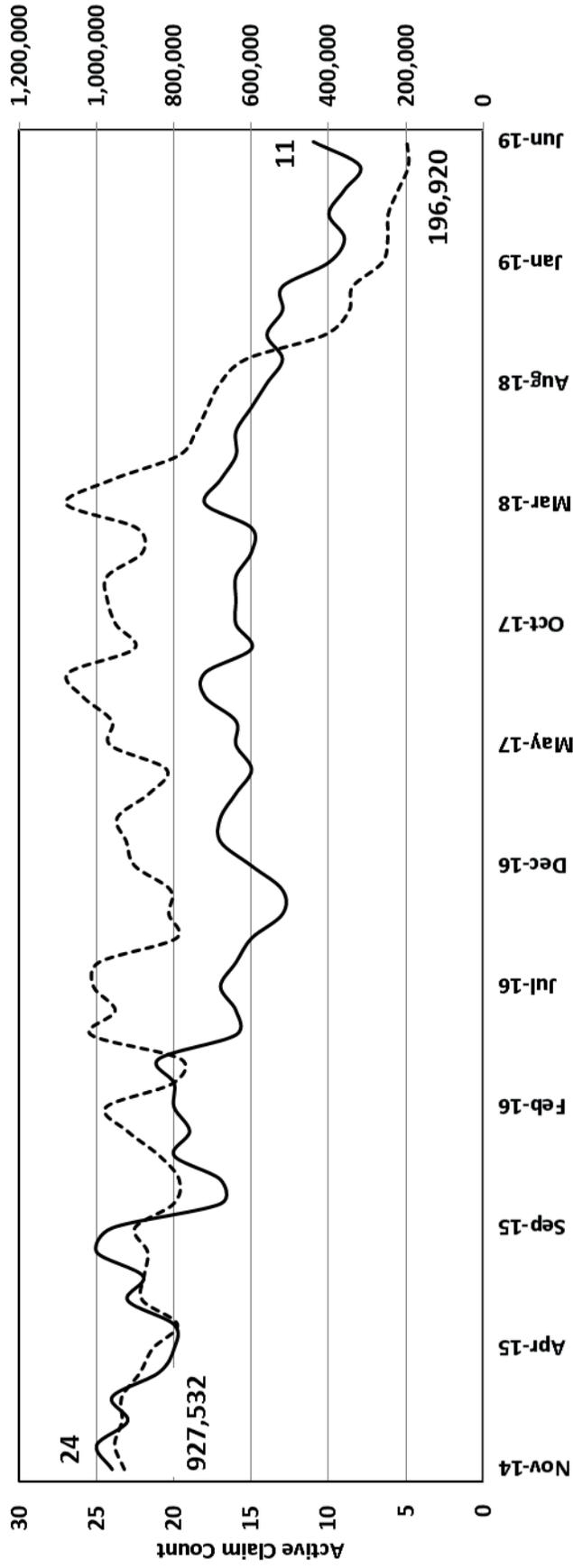
**CWP Fund (FBL)
Active and Inactive Claims
6/30/2019**



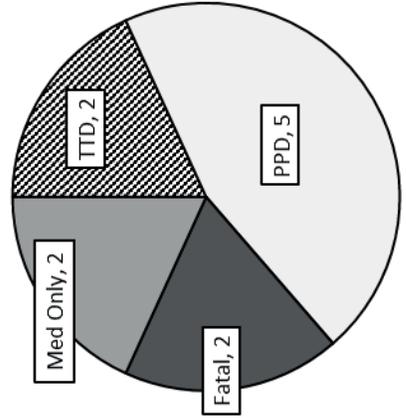
**CWP Fund Reserves by Benefit Type
6/30/2019**



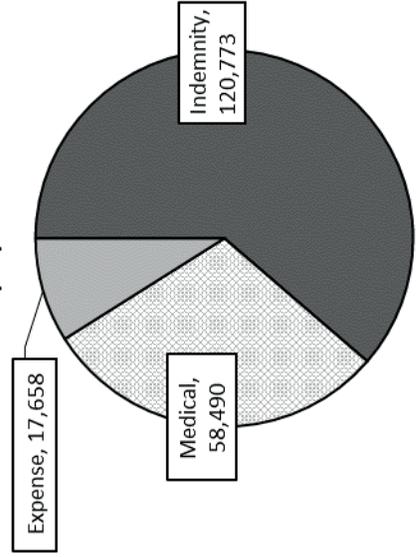
**Uninsured Fund
Active Claim Counts and Case Reserves
6/30/2019**



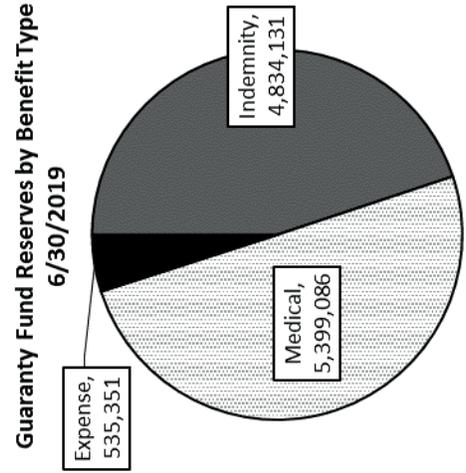
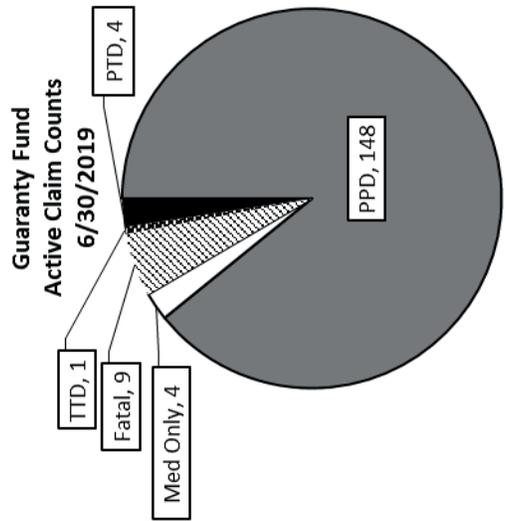
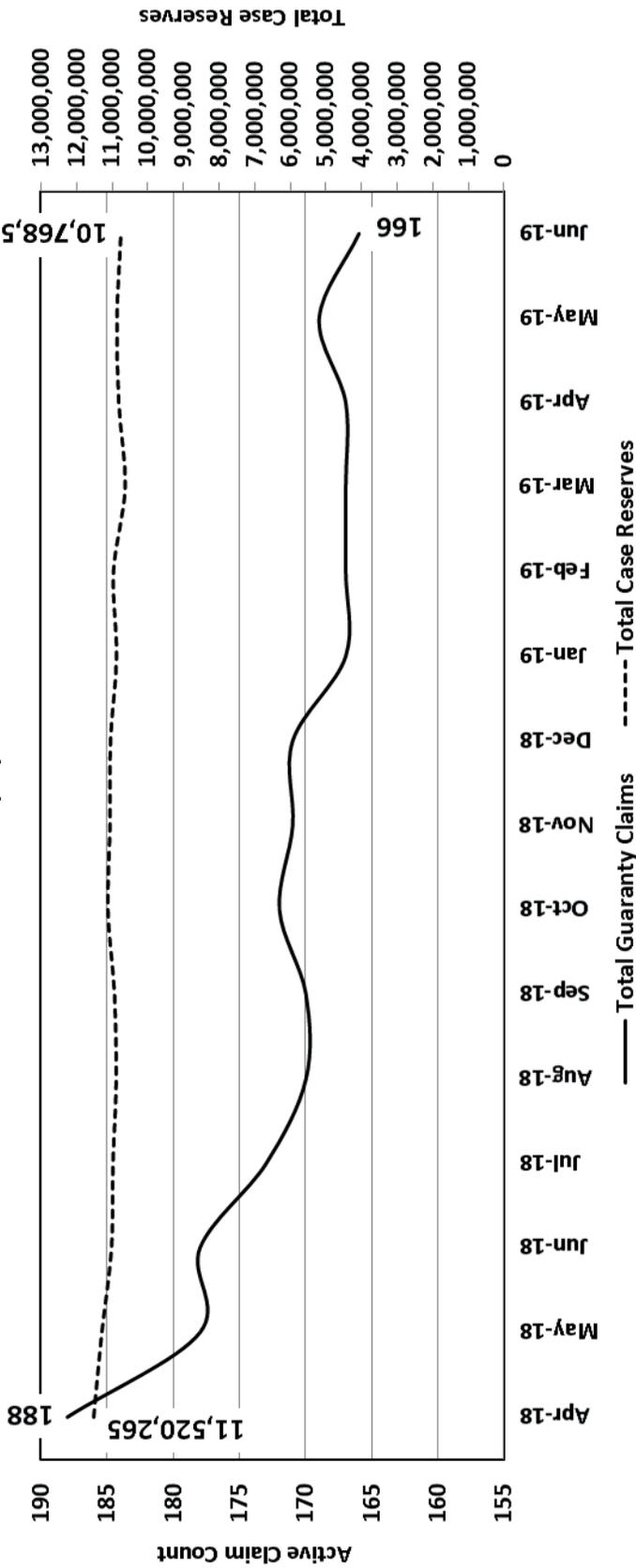
**Uninsured Fund
Active Claim Counts
6/30/2019**



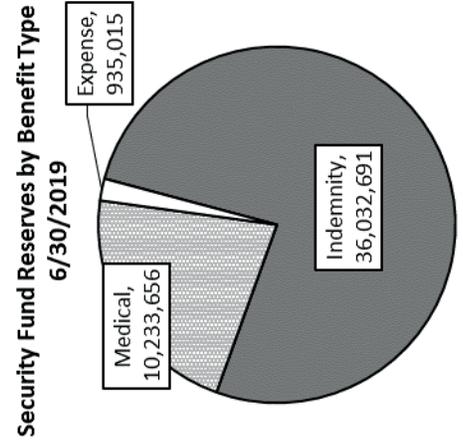
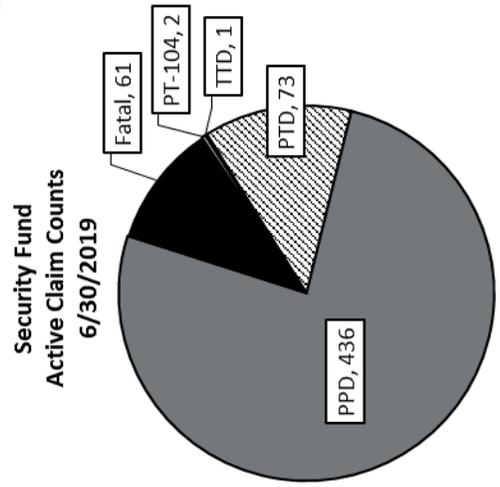
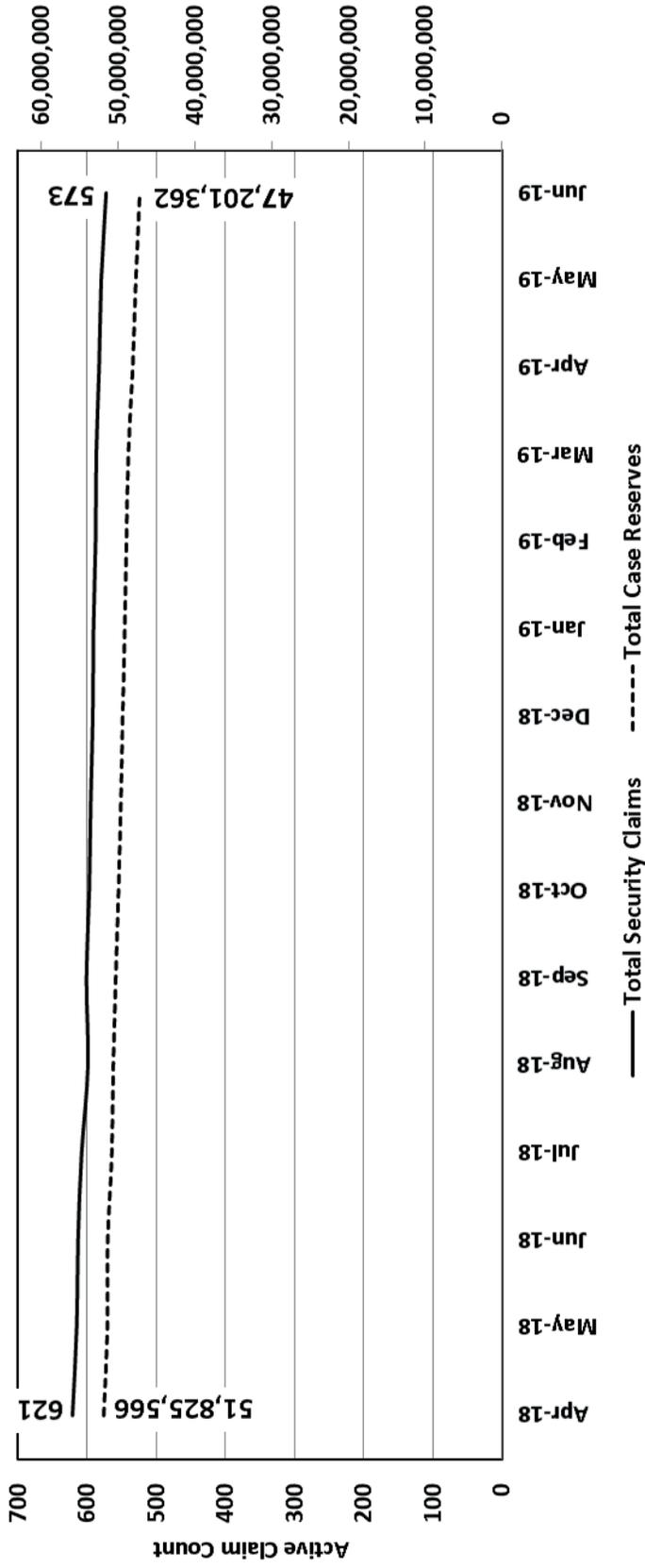
**Uninsured Fund Reserves by Benefit Type
6/30/2019**



Guaranty Fund
Active Claim Counts and Case Reserves
6/30/2019



Security Fund
Active Claim Counts and Case Reserves
6/30/2019



OLD FUND CASH STATEMENT
June 30, 2019

Three Year History for years ended:

	YTD FY2019	YTD FY2018	Change	FY2018	FY2017	FY2016
Cash Beginning Balances	1,190,163,510	1,263,372,448	(73,208,938)	1,263,372,448	1,280,647,632	1,311,653,269
Revenues						
Personal Income Tax	-	-	-	-	-	42,400,000
Severance Tax	812,164	-	812,164	-	13,887,551	73,068,796
Debt Reduction Surcharge	4,078,894	6,668,291	(2,589,396)	6,668,291	12,336,645	25,211,458
Self-Insured Debt Reduction Surcharge	1,628,881	2,130,127	(501,245)	2,130,127	4,346,111	6,209,330
Video Lottery	-	2,750,000	(2,750,000)	2,750,000	5,500,000	6,734,934
Employer Premium	70,302	513,387	(443,085)	513,387	62,806	111,955
Other Income - Return of Unclaimed Property	-	273,871	(273,871)	273,871	354,423	184,888
Operating Revenues	6,590,241	12,335,675	(5,745,434)	12,335,675	36,487,535	153,921,361
Investment / Interest Earnings (Losses)	17,915,993	67,551,779	(49,635,785)	67,551,779	112,116,554	(5,981,504)
Total Revenues	24,506,234	79,887,454	(55,381,219)	79,887,454	148,604,089	147,939,857
Expenditures						
Claims Benefits Paid:						
Medical	21,861,357	25,531,399	(3,670,042)	25,531,399	27,437,375	26,890,541
Permanent Total Disability	81,018,639	86,779,468	(5,760,829)	86,779,468	92,140,733	98,784,921
Permanent Partial Disability	120,930	301,824	(180,894)	301,824	336,015	232,699
Temporary Disability	49,001	18,268	30,733	18,268	-	8,554
Fatals	20,440,045	21,608,332	(1,168,288)	21,608,332	22,990,499	24,098,586
104 weeks death benefit	4,630,636	5,182,930	(552,294)	5,182,930	5,825,439	6,990,581
Settlements	3,688,819	7,058,622	(3,369,803)	7,058,622	11,716,131	12,718,425
Loss Adjustment Expenses	1,400,225	1,324,887	75,338	1,324,887	1,446,808	1,970,779
Total	133,209,653	147,805,732	(14,596,079)	147,805,732	161,893,000	171,695,087
Less: Claims credits and overpayments	2,443,869	2,912,784	(468,915)	2,877,784	5,080,389	3,044,395
Total Benefits Paid	130,765,784	144,892,948	(14,127,164)	144,927,948	156,812,611	168,650,692
Administrative Expenses	6,260,677	7,455,284	(1,194,607)	8,168,444	9,066,663	10,294,801
Total Expenditures	137,026,461	152,348,232	(15,321,771)	153,096,392	165,879,274	178,945,493
Excess (Deficiency) of Revenues over Expenditures	(12,520,227)	(72,460,779)	(40,059,448)	(73,208,938)	(17,275,184)	(31,005,636)
Cash Ending Balances	1,077,643,283	1,190,911,669	(113,268,386)	1,190,163,510	1,263,372,448	1,280,647,632

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

June 30, 2019

Three Year History for years ended:

	YTD FY2019	YTD FY2018	Change	FY2018	FY2017	FY2016
Cash Beginning Balances	246,768,365	251,313,328	(4,544,963)	251,313,328	245,945,240	264,657,327
Revenues						
Investment Earnings (Losses)	3,546,660	13,912,317	(10,365,657)	13,912,317	22,100,417	(5,091,164)
Other Income - Return of Unclaimed Property	-	645	(645)	645	8,353	3,797
Total Revenues	3,546,660	13,912,961	(10,366,302)	13,912,961	22,108,770	(5,087,367)
Expenditures						
Claims Benefits Paid:						
Medical	4,623,840	6,709,112	(2,085,272)	6,709,112	4,032,649	2,830,426
PTD and Fatal Indeminty	8,683,360	7,945,389	737,970	7,945,389	8,174,289	7,548,752
Loss Adjustment Expenses	3,620,512	3,165,542	454,970	3,165,542	3,783,923	2,629,468
Total	16,927,711	17,820,043	(892,332)	17,820,043	15,990,861	13,008,646
Less: Claims Credits and Overpayments	85,884	268,646	(182,762)	268,646	125,895	130,620
Total Benefits Paid	16,841,827	17,551,397	(709,570)	17,551,397	15,864,966	12,878,025
Administrative Expenses	987,312	906,527	80,785	906,527	875,715	746,696
Total Expenditures	17,829,139	18,457,924	(628,785)	18,457,924	16,740,681	13,624,721
Excess (Deficiency) of Revenues over Expenditures	(14,282,479)	(4,544,963)	(9,737,517)	(4,544,963)	5,368,089	(18,712,088)
Cash Ending Balances	232,485,887	246,768,365	(14,282,478)	246,768,365	251,313,328	245,945,240

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

June 30, 2019

Three Year History for years ended:

	YTD FY2019	YTD FY2018	Change	FY2018	FY2017	FY2016
Cash Beginning Balances	34,042,831	33,836,322	206,509	33,836,322	33,462,454	16,014,340
Revenues						
Guaranty Risk Pool Assessments	(354)	-	(354)	-	-	18,684
Collateral Proceeds	252,925	-	252,925	-	-	19,422,025
Investment Earnings (Losses)	523,349	1,873,190	(1,349,842)	1,873,190	3,012,508	(155,883)
Total Revenues	775,921	1,873,190	(1,097,270)	1,873,190	3,012,508	19,284,826
Expenditures						
Claims Benefits Paid:						
Medical	496,368	239,490	256,878	239,490	503,912	309,470
Permanent Total Disability	102,389	181,821	(79,433)	181,821	63,717	43,638
Permanent Partial Disability	260,557	522,798	(262,241)	522,798	972,712	612,823
Temporary Disability	13,148	56,649	(43,501)	56,649	375,328	303,724
Fatals	226,808	253,055	(26,248)	253,055	277,011	257,806
104 Weeks Death Benefit	-	-	-	-	-	-
Settlement Agreements	125,000	170,000	(45,000)	170,000	3,800	-
Non Awarded Partial Disability	-	10,904	(10,904)	10,904	4,407	9,377
Loss Adjustment Expenses	112,306	123,706	(11,400)	123,706	255,219	163,819
Total	1,336,576	1,558,423	(221,847)	1,558,423	2,456,105	1,700,657
Less: Claims Credits and Overpayments	205	12,868	(12,664)	12,868	2,723	17,176
Total Benefits Paid	1,336,371	1,545,555	(209,184)	1,545,555	2,453,382	1,683,481
Administrative Expenses	100,176	112,768	(12,592)	121,127	185,258	153,231
Total Expenditures	1,436,547	1,658,323	(221,776)	1,666,682	2,638,640	1,836,711
Excess (Deficiency) of Revenues over Expenditures	(660,626)	214,868	(875,494)	206,509	373,868	17,448,114
Cash Ending Balances	33,382,205	34,051,190	(668,985)	34,042,831	33,836,322	33,462,454

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.

UNINSURED EMPLOYERS FUND

June 30, 2019

Three Year History for years ended:

	YTD FY2019	YTD FY2018	Change	FY2018	FY2017	FY2016
Cash Beginning Balances	12,989,971	12,760,544	229,426	12,760,544	11,864,792	12,125,188
Revenues						
Fines and Penalties	588,767	436,728	152,039	436,728	595,742	625,093
Investment Earnings (Losses)	179,479	660,537	(481,058)	660,537	962,646	(205,615)
Total Revenues	768,246	1,097,265	(329,019)	1,097,265	1,558,387	419,478
Expenditures						
Claims Benefits Paid:						
Medical	129,612	164,187	(34,576)	164,187	30,783	47,718
Permanent Total Disability	-	-	-	-	-	-
Permanent Partial Disability	30,633	33,025	(2,393)	33,025	51,760	4,738
Temporary Disability	35,751	104,582	(68,831)	104,582	25,414	113,212
Fatals	50,030	50,030	-	50,030	50,030	52,164
104 Weeks Death Benefit	-	-	-	-	-	-
Settlement Agreements	106,000	344,000	(238,000)	344,000	255,715	228,577
Loss Adjustment Expenses	52,714	5,846	46,868	5,846	6,969	5,868
Total	404,740	701,671	(296,931)	701,671	420,672	452,276
Less: Claims Credits and Overpayments	50,676	12,333	38,343	47,333	33,341	1,558
Total Benefits Paid	354,064	689,338	(335,274)	654,338	387,331	450,719
Administrative Expenses	191,149	213,463	(22,314)	213,501	275,304	229,156
Total Expenditures	545,213	902,801	(357,588)	867,839	662,635	679,875
Excess (Deficiency) of Revenues over Expenditures	223,033	194,464	28,569	229,426	895,753	(260,397)
Cash Ending Balances	13,213,004	12,955,009	257,995	12,989,971	12,760,544	11,864,792

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
August 8, 2019

OPERATING REPORT

MAY 2019

Board of Treasury Investments

315 70th 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,
CGIP

Chief Financial
Officer

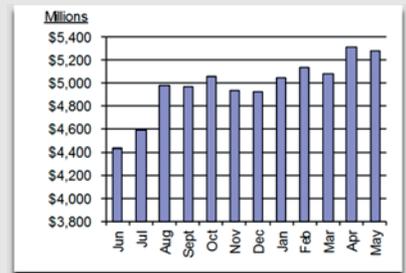
Karl Shanholtzer,
CFA, CPA, CIA

Total Net Assets Under Management

\$5,271,897,000

Last Month
\$5,305,721,000

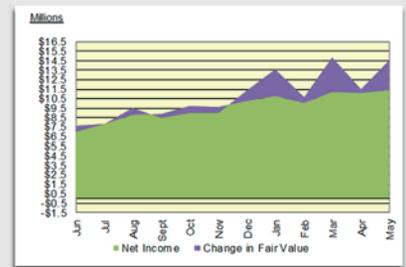
Beginning of Fiscal Year
\$4,429,483,000



Net Assets for the Past 12 Months

Total Net Income & Changes in Fair Value

Fiscal Year
\$120,314,000



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

Money Market Pools

As of May 31, 2019

<u>Pool</u>	<u>30-Day Avg. Yield *</u>	<u>W.A.M. **</u>	<u>Net Assets</u>
WV Money Market	2.5187%	40 Days	\$4.1 Billion
WV Gov't Money Market	2.3502%	26 Days	\$246.8 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

MAY 2019

Stay Committed to Balanced Risk

Market Results

It appears markets were ready to take off for the summer as the “sell in May and go away” adage took effect. Equities declined across the board amid renewed concerns around US trade policy. The S&P 500 Index came off its record high, losing 6.4% in May; emerging market equities lost even more, falling 7.3%, according to the MSCI Emerging Markets Index, as a stronger US dollar also took a bite out of returns.

The flight-to-quality led to a decline in global yields and a subsequent rally in safe-haven assets. In the US, 10- and 30-year Treasuries declined 36 and 35 basis points, respectively. The movement in longer-dated yields caused parts of the yield curve to invert – specifically at the 10-year, 3-month and 10-year, 1-year points. As a result, the Barclays US Treasury Index and Barclays Long Treasury Index increased 2.4% and 6.5%, respectively, during the month. In credit, spreads widened with the Barclays US High Yield Index experiencing the largest change, increasing 75 basis points to 4.33%, leading to a monthly decline of 1.2%.

Within real assets, spot WTI Crude Oil reversed recent gains, falling 16.2% to \$54 amid concerns on the potential impact of tariffs on the demand for oil. Despite its losses in May, WTI Crude Oil is up 18.5% for the year.

Market Outlook

We believe volatility is likely here to stay as the US administration revisits the issue of tariffs and the economy advances to the late stage of the market cycle. To this end, we remind clients to stay committed to a risk-balanced approach and to evaluate market opportunities should larger short-term dislocations occur.

West Virginia Board of Treasury Investments Financial Highlights as of May 31, 2019

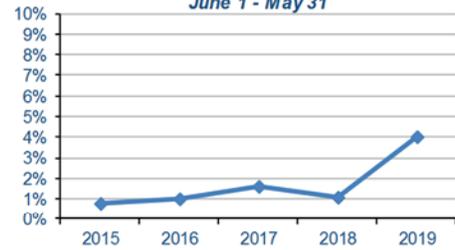
WV Short Term Bond Pool

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

June 1 - May 31	Return	Net Assets At May 31 <i>(In Millions)</i>
2019	4.0%	\$ 733.3
2018	1.1%	\$ 708.9
2017	1.6%	\$ 750.5
2016	1.0%	\$ 790.3
2015	0.8%	\$ 769.0

WV Short Term Bond Pool Rates of Return

*Past 12 Months
June 1 - May 31*

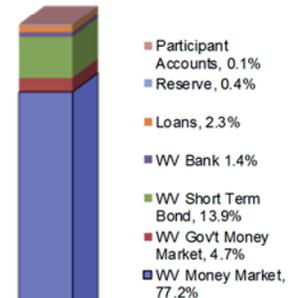


Prior to July 2007, the WV Short Term Bond Pool was known as the Enhanced Yield Pool

Summary of Value and Earnings *(In Thousands)*

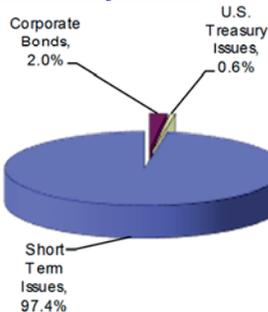
Pool	Net Asset Value	May Net Income <i>(Loss)</i>	Fiscal YTD Net Income <i>(Loss)</i>
WV Money Market	\$ 4,071,074	\$ 8,812	\$ 83,862
WV Gov't Money Market	246,801	527	4,777
WV Short Term Bond	733,294	4,781	27,823
WV Bank	77,610	173	1,762
Loans	120,524	161	1,404
Reserve	19,547	41	421
Participant Accounts	3,047	28	265
	\$ 5,271,897	\$ 14,523	\$ 120,314

Percent of Total Net Asset Value

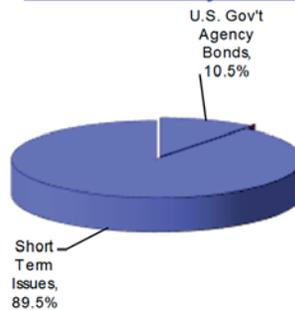


Securities by Type for Operating Pools *(Percentage of Asset Value)*

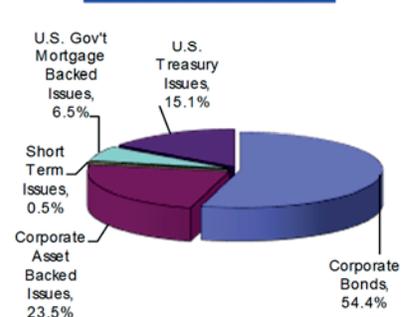
WV Money Market



WV Gov't Money Market



WV Short Term Bond



WEST VIRGINIA BOARD OF TREASURY INVESTMENTS
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – UNAUDITED
MAY 31, 2019
(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>
Assets							
Investments:							
At amortized cost	\$ 4,090,985	\$ 246,825	\$ -	\$ 77,038	\$ 139,870	\$ -	\$ 4,554,718
At fair value	-	-	734,343	-	-	3,019	737,362
Other assets	3,334	37	3,723	577	208	28	7,907
Total assets	<u>4,094,319</u>	<u>246,862</u>	<u>738,066</u>	<u>77,615</u>	<u>140,078</u>	<u>3,047</u>	<u>5,299,987</u>
Liabilities							
Accrued expenses, dividends payable & payables for investments purchased							
	23,245	61	4,772	5	7	-	28,090
Total liabilities	<u>23,245</u>	<u>61</u>	<u>4,772</u>	<u>5</u>	<u>7</u>	<u>-</u>	<u>28,090</u>
Net Position							
Held in trust for investment pool participants	4,071,074	246,801	733,294	77,610	140,071	-	5,268,850
Held in trust for individual investment account holders	-	-	-	-	-	3,047	3,047
Total net position	<u>\$ 4,071,074</u>	<u>\$ 246,801</u>	<u>\$ 733,294</u>	<u>\$ 77,610</u>	<u>\$ 140,071</u>	<u>\$ 3,047</u>	<u>\$ 5,271,897</u>
Additions							
Investment income:							
Interest and dividends	\$ 4,048	\$ 146	\$ 1,748	\$ 175	\$ 205	\$ 11	\$ 6,333
Net (amortization) accretion	4,985	397	49	-	-	(2)	5,429
Provision for uncollectible loans	-	-	-	-	-	-	-
Total investment income	<u>9,033</u>	<u>543</u>	<u>1,797</u>	<u>175</u>	<u>205</u>	<u>9</u>	<u>11,762</u>
Investment expenses:							
Investment advisor, custodian bank & administrative fees	230	17	61	2	3	-	313
Total investment expenses	<u>230</u>	<u>17</u>	<u>61</u>	<u>2</u>	<u>3</u>	<u>-</u>	<u>313</u>
Net investment income	8,803	526	1,736	173	202	9	11,449
Net realized gain (loss) from investments	9	1	49	-	-	-	59
Net increase (decrease) in fair value of investments	-	-	2,996	-	-	19	3,015
Net increase (decrease) in net position from operations	8,812	527	4,781	173	202	28	14,523
Participant transaction additions:							
Purchase of pool units by participants	788,056	79,611	-	176	41	-	867,884
Reinvestment of pool distributions	8,812	527	1,867	173	202	-	11,581
Contributions to individual investment accounts	-	-	-	-	-	-	-
Total participant transaction additions	<u>796,868</u>	<u>80,138</u>	<u>1,867</u>	<u>349</u>	<u>243</u>	<u>-</u>	<u>879,465</u>
Total additions	805,680	80,665	6,648	522	445	28	893,988
Deductions							
Distributions to pool participants:							
Net investment income	8,803	526	1,736	173	202	-	11,440
Net realized gain (loss) from investments	9	1	49	-	-	-	59
Total distributions to pool participants	<u>8,812</u>	<u>527</u>	<u>1,785</u>	<u>173</u>	<u>202</u>	<u>-</u>	<u>11,499</u>
Participant transaction deductions:							
Redemption of pool units by participants	856,806	39,015	100	176	1,047	-	897,144
Withdrawals from individual investment accounts	-	-	-	-	-	19,168	19,168
Total participant transaction deductions	<u>856,806</u>	<u>39,015</u>	<u>100</u>	<u>176</u>	<u>1,047</u>	<u>19,168</u>	<u>916,312</u>
Total deductions	<u>865,618</u>	<u>39,542</u>	<u>1,885</u>	<u>349</u>	<u>1,249</u>	<u>19,168</u>	<u>927,811</u>
Net increase (decrease) in net position from operations	(59,938)	41,123	4,763	173	(804)	(19,140)	(33,823)
Inter-pool transfers in	3,150	-	-	-	-	-	3,150
Inter-pool transfers out	-	-	-	(3,150)	-	-	(3,150)
Net inter-pool transfers in (out)	<u>3,150</u>	<u>-</u>	<u>-</u>	<u>(3,150)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	(56,788)	41,123	4,763	(2,977)	(804)	(19,140)	(33,823)
Net position at beginning of period	4,127,862	205,678	728,531	80,587	140,875	22,187	5,305,720
Net position at end of period	<u>\$ 4,071,074</u>	<u>\$ 246,801</u>	<u>\$ 733,294</u>	<u>\$ 77,610</u>	<u>\$ 140,071</u>	<u>\$ 3,047</u>	<u>\$ 5,271,897</u>



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
RE: Monthly Report on Lottery Operations
Month Ending June 30, 2019

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

DATE: July 18, 2019

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

Financial statements of the Lottery for the month ending June 30, 2019 are attached. Lottery revenue, which includes on-line, instant, video lottery sales, table games, and historic resort, was \$94,000,066 for the month of June.

Transfers of lottery revenue totaling \$17,477,664 made for the month of June 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 June 30, 2019 was 1,447 and 1,189 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-**

June 30, 2019

WEST VIRGINIA LOTTERY

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STATEMENTS OF CASH FLOWS	5
NOTES TO FINANCIAL STATEMENTS	6 – 22
SCHEDULE OF NET REVENUES.....	23

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

ASSETS	June 30, 2019	June 30, 2018
Current Assets:		
Cash and cash equivalents	\$ 190,837	\$ 146,661
Accounts receivable	33,581	32,136
Inventory	641	529
Other assets	<u>1,790</u>	<u>1,175</u>
Total Current Assets	<u>226,849</u>	<u>180,501</u>
Capital assets	61,552	61,552
Less accumulated depreciation and amortization	<u>(15,179)</u>	<u>(13,505)</u>
Net Capital Assets	<u>46,373</u>	<u>48,047</u>
Total Noncurrent Assets	<u>46,373</u>	<u>48,047</u>
Total Assets	<u>\$ 273,222</u>	<u>\$ 228,548</u>
Deferred outflows of resources	<u>\$ 1,172</u>	<u>\$ 1,339</u>
Total assets and deferred outflows	<u>\$ 274,394</u>	<u>\$ 229,887</u>
Current Liabilities:		
Accrued nonoperating distributions to the State of West Virginia	\$ 161,954	\$ 120,860
Estimated prize claims	14,918	15,783
Accounts payable	2,260	1,581
Other accrued liabilities	<u>38,422</u>	<u>35,090</u>
Total Current Liabilities	<u>217,554</u>	<u>173,314</u>
Deferred inflows	<u>\$ 1,456</u>	<u>1,374</u>
Net Position:		
Net Investment in capital assets	46,373	48,047
Unrestricted	<u>9,011</u>	<u>7,152</u>
Total Net Position	<u>55,384</u>	<u>55,199</u>
Total net position, liabilities, and deferred inflows	<u>\$ 274,394</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 TWELVE MONTH PERIOD ENDED JUNE 30, 2019

(In Thousands)
- Unaudited -

	CURRENT MONTH		YEAR TO DATE	
	FY 2019	FY 2018	FY 2019	FY 2018
Lottery revenues				
On-line games	\$ 5,656	\$ 5,356	\$ 84,501	\$ 77,840
Instant games	9,679	8,237	115,596	99,195
Racetrack video lottery	43,097	44,195	506,647	504,295
Limited video lottery	32,112	31,241	392,330	368,067
Table games	2,901	2,888	35,530	35,152
Historic resort	511	560	7,350	6,624
Sports Wagering	44	-	1,193	-
	<u>94,000</u>	<u>92,477</u>	<u>1,143,147</u>	<u>1,091,173</u>
Less commissions				
On-line games	385	369	5,910	5,436
Instant games	677	575	8,076	6,938
Racetrack video lottery	20,582	21,364	261,875	260,243
Limited video lottery	15,735	15,308	192,242	180,353
Table games	1,230	1,225	15,070	14,905
Historic resort	255	284	3,787	3,511
	<u>38,864</u>	<u>39,125</u>	<u>486,960</u>	<u>471,386</u>
Less on-line prizes	2,790	2,712	41,909	39,639
Less instant prizes	6,462	5,496	77,337	65,557
Less ticket costs	104	213	1,447	1,373
Less vendor fees and costs	776	884	8,328	7,958
	<u>10,132</u>	<u>9,305</u>	<u>129,021</u>	<u>114,527</u>
Gross profit	<u>45,004</u>	<u>44,047</u>	<u>527,166</u>	<u>505,260</u>
Administrative expenses				
Advertising and promotions	289	196	4,714	4,771
Wages and related benefits	634	278	10,374	9,433
Telecommunications	95	103	887	869
Contractual and professional	953	262	6,798	4,662
Rental	17	20	203	168
Depreciation and amortization	139	422	1,674	1,552
Other administrative expenses	240	122	1,574	1,938
	<u>2,367</u>	<u>1,403</u>	<u>26,224</u>	<u>23,393</u>
Other Operating Income	<u>399</u>	<u>510</u>	<u>11,774</u>	<u>12,513</u>
Operating Income	<u>43,036</u>	<u>43,154</u>	<u>512,716</u>	<u>494,380</u>
Nonoperating income (expense)				
Investment income	475	207	3,964	1,573
Distributions to municipalities and counties	(629)	(612)	(7,689)	(7,214)
Distributions -capital reinvestment	(10,309)	(9,195)	(14,427)	(13,455)
Distributions to the State of West Virginia	(32,388)	(32,218)	(494,379)	(473,948)
	<u>(42,851)</u>	<u>(41,818)</u>	<u>(512,531)</u>	<u>(493,044)</u>
Net income	<u>185</u>	<u>1,336</u>	<u>185</u>	<u>1,336</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>\$ 55,384</u>	<u>\$ 54,355</u>	<u>\$ 55,384</u>	<u>\$ 54,355</u>

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

WEST VIRGINIA LOTTERY
STATEMENTS OF CASH FLOWS
FOR THE TWELVE MONTH PERIOD ENDED JUNE 30, 2019

(In Thousands)
- Unaudited -

	2019	2018
Cash flows from operating activities:		
Cash received from customers and other sources	\$ 1,153,476	\$ 1,099,083
Cash payments for:		
Personnel costs	(10,350)	(10,301)
Suppliers	(14,217)	(10,543)
Other operating costs	<u>(616,563)</u>	<u>(584,596)</u>
Cash provided by operating activities	<u>512,346</u>	<u>493,643</u>
Cash flows from noncapital financing activities:		
Nonoperating distributions to the State of West Virginia	(453,285)	(483,255)
Distributions to municipalities and counties	(7,672)	(7,149)
Distributions to racetrack from racetrack cap. reinv. fund	<u>(9,878)</u>	<u>(9,110)</u>
Cash used in noncapital financing activities	<u>(470,835)</u>	<u>(499,514)</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	<u>-</u>	<u>(5,820)</u>
Cash flows from investing activities:		
Investment earnings received	<u>3,330</u>	<u>1,802</u>
Cash provided by investing activities	<u>3,330</u>	<u>1,802</u>
Increase (decrease) in cash and cash equivalents	44,841	(9,889)
Cash and cash equivalents - beginning of period	<u>146,661</u>	<u>156,550</u>
Cash and cash equivalents - end of period	<u>\$ 191,502</u>	<u>\$ 146,661</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 512,716	\$ 494,380
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation and amortization	1,674	1,552
Pension Expense	666	(117)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(1,445)	(4,603)
(Increase) decrease in inventory	(112)	24
(Increase) decrease in other assets	19	78
(Increase) decrease in deferred outflow of resources	166	(808)
Increase (decrease) in estimated prize claims	(865)	162
Increase (decrease) in accounts payable	679	177
Increase (decrease) in other accrued liabilities	(1,234)	2,798
Increase (decrease) in deferred inflows	<u>82</u>	<u>-</u>
Cash provided by operating activities	<u>\$ 512,346</u>	<u>\$ 493,643</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 \$654,712 and \$631,080 at June 30, 2019 and 2018, 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 June 30, 2019 the carrying amounts of deposits (overdraft) with financial institutions were \$448 thousand with a bank balance (overdraft) of \$477 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):

	June 30, 2019	June 30, 2018
Deposits with financial institutions	\$ 448	\$ 489
Cash on hand at the Treasurer's Office	12,689	5,022
Investments with BTI reported as cash equivalents	177,700	141,150
	\$ 190,837	\$ 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 June 30, 2019 is as follows (in thousands):

Capital Assets:

	Historical Cost At June 30, 2018	Additions	Deletions	Historical Cost At June 30, 2019
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 June 30, 2019
Buildings	\$ 6,466	\$ 1,233	\$ -	\$ 7,699
Equipment	7,039	441	-	7,480
	<u>\$ 13,505</u>	<u>\$ 1,674</u>	<u>\$ -</u>	<u>\$ 15,179</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 June 30, 2019 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	\$ 2,131,964	\$ 33,340,489
Lotta America	514,105	5,351,712
Mega Millions	1,363,869	24,482,131
Total	\$ 4,009,938	\$ 63,174,332

<u>Expenses (Prizes)</u>	<u>Month</u>	<u>Y-T-D</u>
Powerball	\$ 1,070,246	\$ 16,716,469
Lotta America	257,052	2,676,265
Mega Millions	681,939	12,582,122
Total	\$ 2,009,237	\$ 31,974,856

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 June 30, 2019, the Lotteries share of the prize reserve fund balances were as follows:

<u>Game</u>	<u>Total Prize Reserve</u>	<u>Lottery Share</u>
Powerball	\$ 120,323,672	\$ 1,536,432
Lotto America	3,323,459	242,550
Mega Millions	93,382,689	1,034,093
Total	\$ 217,029,820	\$ 2,813,075

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 \$14,137,327 at June 30, 2019, of which the Lottery's share was \$1,331,935.

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 11 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 11.

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 June 30, 2019 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2019	2018	2019	2018
Total credits played	\$ 466,712	\$ 485,894	\$ 5,536,265	\$ 5,623,559
Credits (prizes) won	(417,109)	(435,125)	(4,957,776)	(5,043,140)
Promotional credits played	(6,506)	(6,574)	(73,070)	(76,098)
MWAP Contributions	-	-	1,228	(26)
Gross terminal income	43,097	44,195	506,647	504,295
Administrative costs	(659)	(818)	(14,740)	(14,590)
Net Terminal Income	42,438	43,377	491,907	489,705
Less distribution to agents	(20,582)	(21,364)	(261,875)	(260,243)
Racetrack video lottery revenues	<u>\$ 21,856</u>	<u>\$ 22,013</u>	<u>\$ 230,032</u>	<u>\$ 229,462</u>

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

	June 30, 2019	Year-to-Date
State Lottery Fund	\$ 5,147	\$ 107,736
State Excess Lottery Revenue Fund	15,793	117,486
Capital Reinvestment Fund	916	4,810
Total nonoperating distributions	<u>\$ 21,856</u>	<u>\$ 230,032</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 June 30, 2019 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2019	2018	2019	2018
Total credits played	\$ 411,387	\$ 391,327	\$ 4,991,127	\$ 4,580,347
Credits (prizes) won	(379,275)	(360,086)	(4,598,797)	(4,212,280)
Gross terminal income	\$ 32,112	\$ 31,241	\$ 392,330	\$ 368,067
Administrative costs	(642)	(625)	(7,847)	(7,361)
Gross Profit	31,470	30,616	384,483	360,706
Commissions	(15,735)	(15,308)	(192,242)	(180,353)
Municipalities and Counties	(629)	(612)	(7,689)	(7,214)
Limited video lottery revenues	<u>\$ 15,106</u>	<u>\$ 14,696</u>	<u>\$ 184,552</u>	<u>\$ 173,139</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 11- Nonoperating Distributions to the State of West Virginia. The table games adjusted gross receipts for the month and year ended June 30, 2019 were \$8,289,005 and \$101,514,818, 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	\$ 2,901	\$ 2,888	\$ 35,530	\$ 35,152
Interest on Table Games Fund	5	5	65	45
Administrative costs	(249)	(247)	(3,045)	(3,013)
Total Available for Distribution	<u>2,657</u>	<u>2,646</u>	<u>32,550</u>	<u>32,184</u>
<u>Less Distributions:</u>				
Racetrack Purse Funds	186	186	2,284	2,260
Thoroughbred & Greyhound Development Funds	149	149	1,827	1,808
Racing Association Pension Plan	73	73	896	886
Municipalities/ Counties	822	817	10,063	9,951
Total Distributions	<u>1,230</u>	<u>1,225</u>	<u>15,070</u>	<u>14,905</u>
Excess Lottery Fund	<u>\$ 1,427</u>	<u>\$ 1,421</u>	<u>\$ 17,480</u>	<u>\$ 17,279</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 June 30, 2019 and fiscal year-to-date follows (in thousands):

	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Total credits played	\$ 6,491	\$ 6,563	\$ 82,927	\$ 78,759
Credits (prizes) won	(6,029)	(6,123)	(76,698)	(73,188)
Promotional credits played	(128)	(64)	(1,134)	(726)
Gross terminal income	<u>334</u>	<u>376</u>	<u>5,095</u>	<u>4,845</u>
Capital reinvestment	(16)	(18)	(239)	(228)
Excess Lottery Fund	(3)	(3)	(46)	(43)
Administrative costs	(18)	(20)	(275)	(262)
Hotel commissions	<u>(141)</u>	<u>(159)</u>	<u>(2,155)</u>	<u>(2,049)</u>
Net terminal income	156	176	2,380	2,263
Historic Resort Hotel Fund	100	112	1,513	1,439
Human Resource Benefit Fund	56	64	867	824

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 June 30, 2019 were \$505,670 and \$6,443,834, 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:

	2019	2018	2019	2018
Table games privilege tax	\$ 177	\$ 184	\$ 2,255	\$ 1,779
Administrative Costs	(23)	(24)	(290)	(229)
Total Available for Distribution	154	160	1,965	1,550
Historic Resort Hotel Fund	129	134	1,643	1,296
Human Resource Benefit Fund	25	26	322	254

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):

	Current Month	Year-to-Date
Historic Resort Hotel Video Lottery	\$ 100	\$ 1,513
Historic Resort Table Games	129	1,643
Interest on Historic Resort Hotel Fund	1	10
Historic Resort Hotel Fund Net Income	230	3,166
Municipalities/ Counties	33	443
Excess Lottery Fund	197	2,723
Total Distributions	<u>\$ 230</u>	<u>\$ 3,166</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 June 30, 2019 were \$435,053 and \$11,934,024, 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	
	2019	2018	2019	2018
Sports Wagering Privilege Tax	\$ 44	\$ -	\$ 1,193	\$ -
Interest on Sports Waging Fund	-	-	-	-
Administrative Costs	(7)	-	(179)	-
Total Available for Distribution	37	-	1,014	-

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 June 30, 2019 the Lottery has accrued additional distributions of \$161,954,215. 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>June 30, 2019</u>	<u>Year-to-Date</u>
<u>State Lottery Fund:</u>		
Community and Technical College	\$	\$ 4,997
Bureau of Senior Services		45,169
Department of Education		18,527
Library Commission		11,454
Higher Education-Policy Commission		7,084
Tourism		6,550
Natural Resources		3,196
Division of Culture & History		4,078
Department of Education & Arts		250
Educational Broadcast Authority		7,359
Economic Development Authority		9,993
School Building Authority		18,000
Total State Lottery Fund	\$ -	\$ 136,657

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

State Excess Lottery Revenue Fund:

Economic Development Fund	\$	\$	21,020
Higher Education Improvement Fund			15,000
General Purpose Account			65,000
Higher Education Improvement Fund			29,000
State Park Improvement Fund			5,000
School Building Authority			18,989
Refundable Credit	1,711		9,456
WV Racing Commission			2,000
WV Department of Health and Human Resources			
Teacher's Retirement Savings			
Division of Human Services	15,717		36,203
WV Lottery Statutory Transfers			50,022
General Revenue			-
Office of Technology			18,425
Excess Lottery Surplus			-
West Va. Infrastructure Council			46,000
Total State Excess Lottery Revenue Fund	\$	\$	316,115
Total Budgetary distributions:	\$	\$	452,772
Veterans Instant Ticket Fund	\$	\$	513
Total nonoperating distributions to the State of West Virginia (cash basis)	\$	\$	453,285
Accrued nonoperating distributions, beginning	(147,044)		(120,860)
Accrued nonoperating distributions, end	161,954		161,954
	\$	\$	494,379

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 June 30, 2019 and June 30, 2018 approximated \$203,388 and \$167,948 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 June 30, 2019 and June 30, 2018 approximated \$1,099,449 and \$1,043,190 respectively.

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 13 – COMMITMENTS

For the years ended June 30, 2019 and 2018 the Lottery Commission has not designated any unexpended administrative funds for the acquisition of capital assets. As of June 30, 2019 and 2018, \$8,535,120 and \$9,414,970, 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 June 30, 2019 and fiscal year-to-date are as follows (in thousands):

	<u>June 30, 2019</u>	<u>Year-to-Date</u>
Employee contributions	\$ 28	\$ 364
Lottery contributions	59	866
Total contributions	<u>\$ 87</u>	<u>\$ 1,230</u>

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.

**SCHEDULE OF REVENUES AND NET REVENUES OF THE
 LOTTERY FUND AND EXCESS LOTTERY FUND
 FOR THE TWELVE MONTH PERIOD ENDED JUNE 30, 2019
 (In Thousands)**

	Current Month		FISCAL YEAR	
	Actual	Projected	Actual	Projected
Gross Revenues				
Instant games	9,679	7,500	115,596	90,000
On-line games	5,656	5,033	84,501	60,400
Racetrack video lottery	43,097	35,348	506,647	444,000
Limited video lottery	32,112	27,921	392,330	349,600
Racetrack table games	2,901	2,259	35,530	29,300
Historic resort	511	318	7,350	4,400
Sports wagering	44	-	1,193	-
Total gross revenues	94,000	78,379	1,143,147	977,700
Net Revenues - Lottery Fund and Excess Lottery Fund				
Lottery Fund				
Instant games	1,175	870	13,877	10,445
On-line games	1,720	1,445	25,153	17,335
Racetrack Video Lottery	5,185	4,529	108,252	95,528
Sports wagering	37	-	1,519	-
Total Lottery Fund net revenues	8,117	6,844	148,801	123,308
Excess Lottery Fund				
Racetrack Video Lottery	15,903	12,466	118,167	101,333
Limited Video Lottery	15,367	13,134	186,719	164,452
Limited Video Lottery Fees	12	-	9,036	8,500
Racetrack table games	1,427	1,108	17,480	14,374
Historic resort	200	114	2,768	1,598
Total Excess Lottery Fund Net Revenues	32,909	26,822	334,170	290,257
Total Net Revenues	41,026	33,666	482,971	413,565

West Virginia Lottery
Comparison of Revenues and Expenses
Stated in 000's

	Current Month to Prior Month			Current Month to Current Month(Prior Yr)			Current Y-T-D to Prior Year Y-T-D			
	June 2019	April 2019	% Change	June 2019	June 2018	% Change	Year-to-Date 2019	Year-to-Date 2018	Increase (Decrease)	% Change
Lottery Revenues										
On-line games	5,656	6,700	(15.56%)	5,656	5,356	5.60%	84,501	77,840	6,661	8.56%
Instant games	9,679	10,452	(7.40%)	9,679	8,237	17.51%	115,596	99,195	16,401	16.53%
Racetrack Video games	43,097	44,474	(3.10%)	43,097	44,195	(2.48%)	506,647	504,295	2,352	0.47%
Limited Video games	32,112	34,305	(6.39%)	32,112	31,241	2.79%	392,330	388,067	4,263	6.59%
Table games	2,901	3,262	(11.07%)	2,901	2,888	0.45%	35,530	35,152	378	1.08%
Historic Resort	511	655	(21.98%)	511	560	(8.75%)	7,350	6,624	726	10.96%
Sports Wagering	44	80	(45.00%)	44	-	-	1,193	-	1,193	-
Total Revenue	94,000	99,928	(5.93%)	94,000	92,477	1.65%	1,143,147	1,091,173	51,974	4.76%
Commissions										
On-line games	385	473	(18.60%)	385	369	4.34%	5,910	5,436	474	8.72%
Instant games	677	729	(5.2%)	677	575	17.74%	8,076	6,938	1,138	16.40%
Racetrack video lottery	20,582	21,579	(4.82%)	20,582	21,364	(3.66%)	261,875	260,243	1,632	0.63%
Limited video lottery	15,735	16,810	(6.40%)	15,735	15,308	2.79%	192,242	180,353	11,889	6.59%
Table games	1,230	1,383	(11.06%)	1,230	1,225	0.41%	15,070	14,905	165	1.11%
Historic Resort	255	296	(13.85%)	255	284	(10.21%)	3,787	3,511	276	7.86%
Total Commissions	38,864	41,270	(5.93%)	38,864	39,125	(0.67%)	486,960	471,386	15,574	3.30%
Prizes										
On-line prizes	2,790	3,300	(15.45%)	2,790	2,712	2.88%	41,909	39,639	2,270	5.73%
Instant prizes	6,462	6,996	(7.50%)	6,462	5,496	17.58%	77,337	66,557	11,780	17.97%
Total Prizes	9,252	10,296	(10.05%)	9,252	8,208	12.72%	119,246	105,196	14,050	13.36%
Vendor Fees & Ticket Costs										
Ticket costs	104	269	(61.34%)	104	213	(51.17%)	1,447	1,373	74	5.39%
Vendor fees and costs	776	658	17.93%	776	884	(12.22%)	8,328	7,968	370	4.65%
Total Vendor Fees and Ticket Costs	880	927	(5.07%)	880	1,097	(19.78%)	9,775	9,331	444	4.76%
Total Direct Costs	48,996	52,483	(6.64%)	48,996	48,430	1.17%	615,981	585,913	30,068	5.13%
Gross Profit	45,004	47,445	(5.14%)	45,004	44,047	2.17%	527,166	505,260	21,906	4.34%
Less Operating Expenses:										
Advertising and promotions	289	19	1,421.05%	289	196	47.45%	4,714	4,771	(57)	(1.19%)
Wages and related benefits	634	801	(20.85%)	634	278	128.06%	10,374	9,433	941	9.98%
Telecommunications	95	33	187.88%	95	103	(7.77%)	887	869	18	2.07%
Contractual and professional	953	(36)	(2,747.22%)	953	262	263.74%	6,798	4,662	2,136	45.82%
Rental	17	14	21.43%	17	20	(15.00%)	203	188	35	20.83%
Depreciation and amortization	139	139	-	139	422	(67.06%)	1,674	1,652	22	7.86%
Other general and administrative	240	140	71.43%	240	122	96.72%	1,574	1,938	(364)	(18.78%)
Total Operating Expense	2,367	1,110	113.24%	2,367	1,403	68.71%	26,224	23,393	2,831	12.10%
Plus Other Operating Income	399	152	162.50%	399	510	(111)	11,774	12,513	(739)	(5.91%)
Total Operating Income	43,036	46,487	(7.42%)	43,036	43,154	(0.27%)	512,716	494,380	18,336	3.71%
Plus Nonoperating Income(expense):										
Interest income	475	473	0.42%	475	207	129.47%	3,964	1,573	2,391	152.00%
Limited Distributions- City/County	(629)	(672)	(6.40%)	(629)	(612)	2.78%	(7,689)	(7,214)	(475)	6.58%
Distributions-Cap.Reinv.	(10,309)	(859)	1,100.12%	(10,309)	(9,195)	12.12%	(14,427)	(13,455)	(972)	7.22%
Total Nonoperating Income(Expense)	(10,463)	(1,058)	888.94%	(10,463)	(9,600)	8.99%	(18,152)	(19,096)	944	(4.94%)
Income Before Operating Transfers	32,573	45,429	(28.30%)	32,573	33,554	(2.92%)	494,564	475,284	19,280	4.06%
Operating Transfers to the State	32,388	45,429	(28.71%)	32,388	32,218	170	494,379	473,948	20,431	4.31%
Net Income	185	-	-	185	1,336	(1,151)	185	1,336	(1,151)	(86.15%)