



West Virginia State Treasurer's  
Fiscal 2009

# Annual Report

John D. Perdue, State Treasurer



# West Virginia State Treasurer's Fiscal 2009 Annual Report



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## State Treasurer

John D. Perdue, the state's 24th Treasurer, has 36 years of experience serving the people of West Virginia.

From his days working for the Department of Agriculture to serving as a senior aide in the Governor's office during the Caperton Administration, John Perdue has placed a high premium on public service. For nearly four decades, Perdue has worked hard to make West Virginia a better place for its small businesses, senior citizens, families, and young people.

Perdue, who was first elected to statewide office in 1996, has taken the State Treasurer's Office to new heights with a more modernized office that not only restored the public's faith and confidence with the state's bank, but also successfully created a transparent office that dutifully serves the West Virginia taxpayer.

The banker of state government, Treasurer Perdue manages more than \$13 billion annually in state dollars, as well as oversees the Board of Treasury Investment (BTI), West Virginia's 457 Deferred Compensation Plan, Unclaimed Property, and the SMART 529 College Education Savings Plan, among other programs.

Treasurer Perdue has made a strong commitment to improving access to education for all West Virginians. Teaming with Hartford Financial, Perdue has successfully created more than 17,000 SMART 529 accounts to help families save money to send their children to college and open the doors of opportunity for every West Virginia child. The Treasurer is a strong supporter of financial education in the classroom as well, beginning in elementary school. He is teaming with the West Virginia Department of Education to integrate practical financial uses, a program known as NetWorth, into pre-existing curriculum. The comprehensive financial education program will have instruction spread over all grades from kindergarten through 12th grade statewide.

John Perdue is past president of the National Association of State Treasurers and the Northeast Region of the National Association of State Treasurers. He has also served as president of the National Association of Unclaimed Property Administrators. In addition, he has served on the board of the College Savings Plan Network.

State Treasurer John Perdue is a native of Dog Fork Hollow at Manila in Boone County. He is the son of Mary and the late Glen Perdue. He is a graduate of Scott High School and earned his Bachelor's of Science degree from West Virginia University in 1972. He is the chairman of the WVU College of Agriculture and Forestry Visiting Committee. Perdue also serves on the West Virginia Board of Trustees of the Leukemia Society of America. He is also a member of the West Virginia Technology Enterprise Investment Council.

John Perdue and his wife Robin are the proud parents of two daughters. They reside in Kanawha County.

# West Virginia State Treasurer's Fiscal 2009 Annual Report

**John D. Perdue**  
*State Treasurer*

**Paul Hill**  
*Assistant State Treasurer*

**Becky McClure**, *Senior Executive Assistant*

**Malissa Hohmann**, *Internal Auditor*

**Richard Fisher**, *Investigator*

**Diana Stout**, *General Counsel*

**Shirley Hooker**, *Executive Secretary*

**Carol Crites**, *Receptionist*

**Tina Queen**, *Executive Administration*

**Blair Taylor**  
*Deputy Treasurer of Administration*

**Matt Ellison**  
*Deputy Treasurer of Information Technology*

**Sarah Long**  
*Deputy Treasurer of Cash Management and Unclaimed Property*

**Carolyn Atkinson**, *Assistant General Counsel*

**Jennifer Taylor**, *Assistant General Counsel*

**Nelson Sorah**  
*Deputy Treasurer of Communications*

**Jack Roop**  
*Deputy Treasurer of Local Government Specialists*

**Tazuer Smith**  
*Deputy Treasurer of College Savings Plans & Financial Education*

**John Fisher**  
*Deputy Treasurer of West Virginia Retirement Plus*

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**West Virginia  
State Treasurer's Office  
Overview**

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## A History Of The Treasurer's Office

The Office of State Treasurer was established at the Constitutional Convention held in Wheeling in 1863 after the western counties of Virginia split to become West Virginia. The First Constitution of West Virginia, Article V, Section 7, Executive Department, stated: "A Secretary of the State, a Treasurer, and an Auditor shall be elected at the same time, and for the same term, as the Governor. Their duties shall be prescribed by law. The Secretary of the State shall receive thirteen hundred, the Treasurer fourteen hundred, and the Auditor fifteen hundred dollars, per annum.

Campbell Tarr of Brooke County was appointed and elected the first treasurer in 1863 and 1864, respectively, with no opposition.

The office of Treasurer has changed over the ensuing years because of additional demands of state law, but the section of the State Constitution that authorizes the Office of Treasurer has been amended only a couple of times.

### WEST VIRGINIA STATE TREASURERS

**Campbell Tar** (R-Brooke) 1863-1866

**E. Leslie Long** (R-McDowell) 1908-1916

**Jacob H. Brister** (R-Taylor) 1866-1868

**W. S. Johnson** (R-Fayette) 1916-1932

**James A. Macauley** (R-Ohio) 1868-1870

**Richard E. Talbott** (D-Barbour) 1932-1950

**John S. Burdette** (D-Taylor) 1870-1876

**William H. Ansel Jr.** (D-Hampshire) 1950-1956

**Sobieski Brady** (D-Ohio) 1876

**Orel J. Skeen** (D-Jackson) 1956-1960

**Thomas J. West** (D-Harrison) 1876-1880

**John D. Kelly** (D-Kanawha) 1960-1975

**Thomas O'Brien** (Ohio) 1880-1884

**Ronald G. Pearson** (R-Marion) 1975-1976

**William T. Thompson** (D-Cabell) 1884-1892

**Larrie Bailey** (D-Marion) 1976-1984

**John M. Rowan** (D-Monroe) 1892-1896

**A. James Manchin** (D-Marion) 1984-1989

**M. A. Kendall** (R-Wood) 1896-1900

**Thomas E. Loehr** (D-Wetzel) 1989-1990

**Peter Silman** (R-Kanawha) 1900-1904

**Larrie Bailey** (D-Marion) 1990-1996

**Newton Ogden** (R-Pleasants) 1904-1908

**John D. Perdue** (D-Kanawha) 1996

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## Constitutional Office

The importance of the State Treasurer's Office was easily recognized by the framers of the state Constitution when the Mountain State was established during the Civil War. The office is one of six constitutionally mandated.

Article VII, Section 1 of the West Virginia Constitution states: "The executive department shall consist of a governor, secretary of state, auditor, treasurer, commissioner of agriculture and attorney general, who shall be ex officio reporter of the court of appeals. Their terms of office shall be four years, and shall commence on the first Monday after the second Wednesday of January next after their election. They shall reside at the seat of government during their terms of office, keep there the public records, books and papers pertaining to their respective offices, and shall perform such duties as may be prescribed by law."

## West Virginia Code

While the Constitution establishes the State Treasurer's Office, it is the West Virginia Code that is the blueprint by which the office operates.

Various sections of the state code are devoted to the many divisions in the office. The laws more clearly define what the Treasurer's Office must do. Some of the divisions and the code sections governing them are: Unclaimed Property, §36-8-1; Public Money and Securities, §12-1-1; Payment and Deposit of Taxes and Other Securities, §12-2-1; Prepaid College Plan, §18-30-1; Debt Management Act, §12-6A-1; Debt Capacity Advisory Division, §12-6B-1.

## Cash Management And Administration

The State Treasurer oversees the cash management of West Virginia government. These duties include receiving and disbursing the state budget, processing approximately 3.4 million checks per year and electronic transfers of money; filing and retaining all paid checks and various bonds issued by the state; the responsibility for collecting the crime victim's compensation, law-enforcement training, regional jail authority and litter control fund fees; disbursing coal, oil and gas severance taxes, liquor tax, wine tax and the fire and casualty insurance premium tax to local government subdivisions; issuing quarterly and annual Debt Management Reports and issuing the annual Debt Capacity Report; and handling various other banking and accounting functions that deal with state finances.

## Financial Boards

The State Treasurer is a member of the major financial decision-making boards throughout the state. These boards make decisions that affect all aspects of West Virginia's fiscal policies. The State Treasurer is a member of the West Virginia Investment Management Board; treasurer of the Municipal Bond Commission; treasurer of the West Virginia Housing Development Fund; member of the Board of Public Works, the West Virginia Lending and Credit Rate Board, the Hospital Finance Authority, the Board of the School Fund, the Council of Information Services and Communications Division, and the State Building Commission.



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## College Prepaid Tuition And Savings Plan

The State Treasurer administers the West Virginia Prepaid College Plan. Under this program, individuals or companies can purchase prepaid tuition contracts for a child to attend college. With these contracts, premiums are paid into a state managed trust and invested. During the years prior to the child's entrance into college, these investments will keep pace with the rate of inflation and the cost of college tuition. When the child is ready to enter college, his or her college tuition will be paid at an accredited state college or university, but the benefit can be used at accredited public and private institutions throughout the country. By investing in our children's future through the Prepaid College Plan, we are investing in the future of our state.

## Financial Education

NetWorth is Treasurer Perdue's flagship financial education program, providing curriculum and teacher training from kindergarten through a student's senior year of high school. Instructional guides are presently being provided to teachers across the state, to be incorporated into already existing subjects. Teachers tested a sample of 3,000 students at the beginning of the 2009-2010 school year, with follow-up testing slated at the end of the year. Those results will shed more light on what needs to be tweaked and adjusted. The goal is to fully implement NetWorth by the 2010-2011 school year. Also under the NetWorth umbrella are Women & Money conferences and the former elementary-age Bank at School program, which urges students to save money. Local banks typically cooperate in those efforts, by helping to set up savings accounts for students.

## Unclaimed Property

The State Treasurer is responsible for implementing the West Virginia Uniform Unclaimed Property Act. Under this legislation, the Treasurer is the custodian of all unclaimed property in the state. Unclaimed property includes items such as stocks, bonds, safety deposit boxes, weapons, vehicles and a wide variety of other items. Unclaimed property is collected, processed, and kept or auctioned under the Treasurer's authority. Money from this program is held indefinitely until a beneficiary for the funds can be found. Recent legislation allows state municipalities to receive some equipment and supplies from their own processing of unclaimed property. The state holds approximately \$98 million for owners.

## E-Government

The State Treasurer has been at the forefront in implementing e-government, as the financial world has turned to the Internet as an indispensable tool to transact business. The Treasurer's Office has taken the lead in providing improved service to state citizens by accepting payments for state agencies by electronic transactions over the Internet. This service includes the ability to process payments and collections for products and services.

## *West Virginia State Treasurer's Office*

### *Mission Statement*

“We, the employees of the West Virginia State Treasurer’s Office, are a team of business professionals dedicated to serving the people of West Virginia. As a contributing part of state government, we give our special talents to provide cash management services, monitor the state's debt, strive to return unclaimed property to its rightful owner, and assist parents and grandparents of the children of our state in paying for their education. We shall continually strive to provide a work environment conducive to increased productivity and effectiveness.”

# Administration

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## Administration Division

The Administration Division provides centralized office function for the State Treasurer's Office. The division is composed of four main areas: Payroll/Personnel, Procurement, Accounts Payable, and Safekeeping/Deposits. The division is responsible for the day-to-day operations of the office.

## Accomplishments

- 100% of the State Treasurer's Office employees participate in direct deposit of payroll and travel
- Distributed \$17.07 million to Policemen's and Firemen's Municipal Pension and Protection Relief funds during FY2009
- Distributed \$17.42 million to volunteer fire departments during FY2009
- Distributed \$0.36 million to the Volunteer Fire Department Audit Account during FY2009
- Distributed \$2.58 million to the Teacher's Retirement System during FY2009

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## Safekeeping Section

The Safekeeping Section of the State Treasurer's Office is charged by the West Virginia Code to safekeep securities placed with this office. WV Code §12-5-2(a) states in part:

“The treasurer of this state, unless otherwise expressly provided by law, shall be the custodian of all securities required by law to be deposited with the state or held in legal custody by the state, and all departments of this state, commissioners or agents of the state, who hold any such securities, shall transfer and deliver the same to the state treasurer to be kept and held by him as legal custodian thereof until released in the manner provided by law.”

The following page contains a summary of the securities that were held in Safekeeping as of June 30, 2009.

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## Securities Held in Safekeeping As of June 30, 2009

Agency	Items in Safekeeping	Dollar Value of Items
WV Dept. of Admin. - Purchasing Divison	26	\$145,578.35
WV Higher Education Policy Commission	114	\$38,757.71
WV Dept. of Revenue	3	\$1.16
WV Insurance Commission - Insurance	35	\$8,854,815.55
WV Insurance Commission- Self Insurance	17	\$16,956,463.50
WV DEP - Administration.	3	\$7,720.00
WV DEP - Mining & Reclamation	717	\$22,161,856.26
WV DEP - Oil & Gas	539	\$10,112,004.52
WV DEP - Solid Waste Authority	98	\$7,341,436.71
WV Labor Division	1,361	\$20,061,533.62
WV State Treasurer's Off. - Cash Man.	3	\$104,585.38
WV State Treasurer's Off. - Debt Man.	1	\$24,000,000.00
WV State Treasurer's Off. - Escrow Account	8	\$5,805,393.61
Total	2,925	\$115,590,146.37

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### **Policemen's and Firemen's Pension and Protection Relief Funds**

West Virginia code section 33-3-14d requires that an additional premium tax of 1% be levied on fire and casualty insurance policies. These funds are collected by the Insurance Commissioner and transferred to the State Treasurer's Office for distribution.

On September 1, 2009 \$16,536,714.11 (or 65% of the funds collected prior to applicable deductions totaling \$273,843.25) were allocated to Policemen's and Firemen's Pension and Protection Relief Funds. The total funds (including re-allocated funds in the amount of \$174,993.29) allocated to the pension funds represent a decrease of \$104,852.36 over September 1, 2008.

We allocated \$8,709,686 to all active employees. This year's allocation was to 1,750 employees. This amounted to \$4,976 per employee. We allocated \$7,589,185 to all retirees. This year's allocation was to 2,058 retirees. This amounted to \$3,688 per retiree.

The following pages contain the allocation of the Municipal Pension and Protection and Relief Fund on September 1, 2009.

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## State Treasurer's Office Allocation of Municipal Pension and Protection Fund Pursuant to West Virginia Code 33-3-14d Sep-09

Department	Eligible **			2006 ***	Eligible ****			Grand
	Members	Share	Subtotal	Re-allocation	Retirees	Share	Subtotal	Total
Full-Time Police Departments								
Beckley	47.83	\$4,976.42	\$238,022.17	\$4,352.81	45.92	\$3,688.03	\$169,354.34	\$411,729.32
Belle	4.00	\$4,976.42	\$19,905.68	\$371.44	4.00	\$3,688.03	\$14,752.12	\$35,029.24
Bluefield	20.67	\$4,976.42	\$102,862.60	\$2,004.38	22.50	\$3,688.03	\$82,980.68	\$187,847.66
Charleston	179.00	\$4,976.42	\$890,779.18	\$17,968.41	208.00	\$3,688.03	\$767,110.24	\$1,675,857.83
Charles Town	0.00	\$4,976.42	\$0.00	\$371.44	8.00	\$3,688.03	\$29,504.24	\$29,875.68
Chester	6.42	\$4,976.42	\$31,948.62	\$390.94	2.00	\$3,688.03	\$7,376.06	\$39,715.62
Clarksburg	43.00	\$4,976.42	\$213,986.06	\$3,938.66	41.83	\$3,688.03	\$154,270.29	\$372,195.01
Dunbar	14.42	\$4,976.42	\$71,765.25	\$1,171.92	11.00	\$3,688.03	\$40,562.13	\$113,499.30
Elkins	8.58	\$4,976.42	\$42,697.68	\$769.81	8.00	\$3,688.03	\$29,504.24	\$72,971.73
Fairmont	33.51	\$4,976.42	\$166,759.83	\$3,796.12	48.25	\$3,688.03	\$177,947.45	\$348,503.40
Grafton	6.58	\$4,976.42	\$32,744.84	\$584.09	6.00	\$3,688.03	\$22,128.18	\$55,457.11
Huntington	92.15	\$4,976.42	\$458,577.10	\$10,395.68	131.75	\$3,688.03	\$485,897.95	\$954,870.73
Logan	8.00	\$4,976.42	\$39,811.36	\$0.00	2.00	\$3,688.03	\$7,376.06	\$47,187.42
Martinsburg	45.75	\$4,976.42	\$227,671.22	\$3,760.83	35.25	\$3,688.03	\$130,003.06	\$361,435.11
Morgantown	59.58	\$4,976.42	\$296,495.10	\$5,137.94	51.08	\$3,688.03	\$188,384.57	\$490,017.61
Moundsville	16.42	\$4,976.42	\$81,712.82	\$1,381.29	13.33	\$3,688.03	\$49,161.44	\$132,255.55
Nitro	14.75	\$4,976.42	\$73,402.20	\$1,149.14	10.00	\$3,688.03	\$36,880.30	\$111,431.64
Oak Hill	12.42	\$4,976.42	\$61,807.14	\$762.38	4.00	\$3,688.03	\$14,752.12	\$77,321.64
Parkersburg	61.17	\$4,976.42	\$304,407.61	\$5,982.04	67.67	\$3,688.03	\$249,568.99	\$559,958.64
Princeton	18.58	\$4,976.42	\$92,461.88	\$1,748.55	19.08	\$3,688.03	\$70,367.61	\$164,578.04
Point Pleasant	7.83	\$4,976.42	\$38,965.37	\$0.00	6.00	\$3,688.03	\$22,128.18	\$61,093.55
Saint Albans	21.00	\$4,976.42	\$104,504.82	\$1,439.33	10.00	\$3,688.03	\$36,880.30	\$142,824.45
South Charleston	35.58	\$4,976.42	\$177,061.02	\$3,230.60	34.00	\$3,688.03	\$125,393.02	\$305,684.64
Star City	4.00	\$4,976.42	\$19,905.68	\$371.44	4.00	\$3,688.03	\$14,752.12	\$35,029.24
Vienna	17.58	\$4,976.42	\$87,485.46	\$1,311.65	10.67	\$3,688.03	\$39,351.28	\$128,148.39
Weirton	37.25	\$4,976.42	\$185,371.65	\$3,911.73	47.00	\$3,688.03	\$173,337.41	\$362,620.79
Welch	6.33	\$4,976.42	\$31,500.74	\$386.76	2.00	\$3,688.03	\$7,376.06	\$39,263.56
Weston	4.00	\$4,976.42	\$19,905.68	\$0.00	4.00	\$3,688.03	\$14,752.12	\$34,657.80
Westover	8.17	\$4,976.42	\$40,657.35	\$464.30	1.83	\$3,688.03	\$6,749.09	\$47,870.74
Wheeling	80.04	\$4,976.42	\$398,312.66	\$8,618.34	105.58	\$3,688.03	\$389,382.21	\$796,313.21
Williamson	5.75	\$4,976.42	\$28,614.42	\$591.98	7.00	\$3,688.03	\$25,816.21	\$55,022.61
Full-Time Fire Departments								
Beckley	39.17	\$4,976.42	\$194,926.37	\$4,066.80	48.42	\$3,688.03	\$178,574.41	\$377,567.58

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Bluefield	18.42	\$4,976.42	\$91,665.66	\$2,565.26	36.83	\$3,688.03	\$135,830.14	\$230,061.06
Charleston	183.92	\$4,976.42	\$915,263.17	\$18,827.37	221.58	\$3,688.03	\$817,193.69	\$1,751,284.23
Clarksburg	41.83	\$4,976.42	\$208,163.65	\$4,631.39	57.92	\$3,688.03	\$213,610.70	\$426,405.74
Fairmont	41.00	\$4,976.42	\$204,033.22	\$4,689.43	60.00	\$3,688.03	\$221,281.80	\$430,004.45
Huntington	106.75	\$4,976.42	\$531,232.84	\$13,762.78	189.67	\$3,688.03	\$699,508.65	\$1,244,504.27
Martinsburg	35.58	\$4,976.42	\$177,061.02	\$3,060.20	30.33	\$3,688.03	\$111,857.95	\$291,979.17
Morgantown	47.75	\$4,976.42	\$237,624.06	\$4,623.50	51.83	\$3,688.03	\$191,150.59	\$433,398.15
Moundsville	5.00	\$4,976.42	\$24,882.10	\$1,021.46	17.00	\$3,688.03	\$62,696.51	\$88,600.07
Parkersburg	62.83	\$4,976.42	\$312,668.47	\$7,417.19	96.92	\$3,688.03	\$357,443.87	\$677,529.53
Weirton	21.75	\$4,976.42	\$108,237.14	\$1,710.48	15.09	\$3,688.03	\$55,652.37	\$165,599.99
Wheeling	93.83	\$4,976.42	\$466,937.49	\$10,053.95	122.71	\$3,688.03	\$452,558.16	\$929,549.60

## Full-Time/Part-Time Fire Departments

Dunbar	13.92	\$4,976.42	\$69,271.77	\$1,594.41	20.42	\$3,688.03	\$75,309.57	\$146,175.75
Elkins	3.00	\$4,976.42	\$14,929.26	\$417.87	6.00	\$3,688.03	\$22,128.18	\$37,475.31
Grafton	5.92	\$4,976.42	\$29,460.41	\$460.59	4.00	\$3,688.03	\$14,752.12	\$44,673.12
Logan	7.58	\$4,976.42	\$37,721.26	\$491.23	3.00	\$3,688.03	\$11,064.09	\$49,276.58
Nitro	18.00	\$4,976.42	\$89,575.56	\$1,346.47	11.00	\$3,688.03	\$40,568.33	\$131,490.36
Princeton	12.67	\$4,976.42	\$63,051.24	\$1,281.00	14.92	\$3,688.03	\$55,025.41	\$119,357.65
Saint Albans	18.58	\$4,976.42	\$92,461.88	\$1,980.70	24.08	\$3,688.03	\$88,807.76	\$183,250.34
South Charleston	40.33	\$4,976.42	\$200,699.02	\$3,787.76	41.25	\$3,688.03	\$152,131.24	\$356,618.02
Weston	4.00	\$4,976.42	\$19,905.68	\$0.00	3.00	\$3,688.03	\$11,064.09	\$30,969.77
Williamson	8.00	\$4,976.42	\$39,811.36	\$839.45	10.08	\$3,688.03	\$37,175.34	\$77,826.15
<b>Totals</b>	<b>1,750.19</b>		<b>\$8,709,685.82</b>	<b>\$174,993.29</b>	<b>2,057.79</b>		<b>\$7,589,185.04</b>	<b>\$16,473,864.15</b>

Total Allocation	\$25,441,098.63
10% Allocation to Teachers Retirement Fund	\$2,544,109.86
25% Allocation To Volunteer Fire Departments	\$6,360,274.66
65% Allocation to Municipal Police and Fire Pension Funds	\$16,298,870.86*

65% Allocation	\$16,298,870.86	\$174,993.29	\$16,473,864.15
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FY2009 Allocation	\$8,709,685.82
FY2009 Base Share	\$4,976.42

FY2009 Retiree Allocation	\$7,589,185.04
FY2009 Retiree Base Share	\$3,688.03

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## Legend:

\* This year's allocation was decreased from \$16,536,714.11 to \$16,298,870.86. This decrease is for the 2008 calendar year services performed by Gabriel, Roeder, Smith & Company in the amount of \$237,843.25.

\*\* For FY Ended 6/30/09 from Letter B on the Required Information Report for the September 2009 Allocation (FY Ended 6/30/10).

\*\*\* Amounts from "Re-allocation Worksheet 2006"

\*\*\*\* For FY Ended 6/30/09 from Letter D on the Required Information Report for the September 2009 Allocation (FY Ended 6/30/10).



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## Volunteer Fire Departments

West Virginia Code §33-3-33 requires that policyholders of any fire and casualty insurance policy pay a surcharge of .55% on their insurance premiums. The surcharge collected from policy holders is distributed to Volunteer Fire Departments that receive certification from the State Fire Marshal each quarter.

West Virginia Code §33-3-14d requires that an additional tax of 1% be levied on fire and casualty insurance policies. These funds are collected by the Insurance Commissioner and transferred to the State Treasurer's Office for distribution. Twenty-five percent (25%) of the 1% goes to the Volunteer Fire Departments.

	Sept 2008	Dec 2008	Mar 2009	Jun 2009	Total
Total Funds Distributed to Eligible Volunteer Fire Departments (VFD) and Part-Paid/Part Volunteer Fire Departments	4,146,076	4,841,419	5,057,449	4,367,460	\$18,412,404
Average Amount per VFD	9,661	11,441	11,785	10,201	\$43,088
Total funds transferred to the Volunteer Fire Department Audit Account	166,271	91,530	47,139	132,608	\$377,548

## Tax Collections to Political Subdivisions Coal Severance Tax Distribution

West Virginia Code §11-13A-6 provides for the collection and distribution of an additional coal severance tax. Seventy-five percent (75%) of the net proceeds of this additional tax on coal is distribution by the State Treasurer to coal producing counties. The remaining 25% of the net proceeds is distributed to all counties and municipalities of the state, without regard to coal having been produced therein. All Coal Severance Taxes distributed to counties and municipalities are sent via Direct Deposit, saving the state money as bank costs are reduced.

### Coal Severance Tax Distribution Fiscal Year 2009

25% Portion to Municipalities	\$3,169,074
25% Portion to Counties	\$5,734,763
75% Portion to Coal Producing Counties	\$26,711,508
Total	\$35,615,345

# West Virginia State Treasurer's Fiscal 2009 Annual Report

## Oil and Gas Severance Tax Distribution

West Virginia Code §11-13A-5a provides for the collection and distribution of a severance tax on oil and gas production. Seventy-five percent (75%) of the net proceeds of this tax on oil and gas production is distribution by the State Treasurer to oil and gas producing counties. The remaining 25% of the net proceeds is distributed to all counties and municipalities of the state, without regard to oil and gas having been produced therein. All Oil and Gas Severance Taxes distributed to counties and municipalities are sent via Direct Deposit, saving the state money as bank costs are reduced.

### Oil and Gas Severance Tax Distribution Fiscal Year 2009

25% Portion to Municipalities	\$744,175
25% Portion to Counties	\$1,346,660
75% Portion to Oil and Gas Producing Counties	\$6,272,548
Total	\$8,363,383

## Wine, Liquor, and Private Club Tax Distribution

West Virginia Code sections §8-13-7, §60-3-9d, §60-3A-21, and §60-7-11 require the Tax Commissioner to collect various taxes on the sale of intoxicating liquors. After collection, the Tax Commissioner transfers these taxes to the State Treasurer for distribution to counties and municipalities. All Wine, Liquor, and Private Club Taxes distributed to counties and municipalities are sent via Direct Deposit, saving the state money as bank costs are reduced.

### Wine, Liquor, and Private Club Tax Distribution Fiscal Year 2009

	Wine	Liquor	Private Clubs	Total
Counties/Municipalities	\$2,336,343	\$4,024,342	\$1,053,604	\$7,414,271

# West Virginia State Treasurer's Fiscal 2009 Annual Report

## Waste Coal Tax Distribution

West Virginia Code sections §11-13A-3e provides for the collection and distribution of a waste coal tax to waste coal-producing counties for use in economic development and infrastructure improvements. The section provides for distribution of the net tax collected to waste coal-producing counties by the State Treasurer based on production tonnage in the county for the preceding year.

### Waste Coal Tax Distribution Fiscal Year 2009

County	Amount
Boone	\$61,126
McDowell	\$133,596
Mercer	\$339,012
Mingo	\$33,133
Raleigh	\$249,027
Upshur	\$68,576
Wyoming	\$76,862
Total	\$961,333

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## Regional Jail Operations Partial Reimbursement Fund

West Virginia Code §31-20-10b provides for the collection and distribution of fees collected by magistrate courts in West Virginia. Revenues deposited into this fund shall be used to reimburse those counties and municipalities participating in the regional jail system for the cost of incarceration. The fund is administered by the State Treasurer's Office in cooperation with the Regional Jail and Correctional Facility Authority. All Regional Jail Fees distributed to counties and municipalities are sent via Direct Deposit, saving the state money as bank costs are reduced.

### Regional Jail Operations Partial Reimbursement Distribution Fiscal Year 2009

	Inmate Days	% of Total Days	Total
Counties/Municipalities	885,178	1.00000	\$3,977,289

# Debt Management

# West Virginia State Treasurer's Fiscal 2009 Annual Report

## WEST VIRGINIA TAX SUPPORTED DEBT OUTSTANDING

One of the most important measurements of debt for a state, city, county, or any other municipal bond issuer is the amount of net tax supported debt outstanding. The State of West Virginia ended Fiscal Year 2009 with a net tax supported debt of \$1.53 billion. The chart below shows how this figure is calculated.

### West Virginia Net Tax Support Debt Outstanding at June 30, 2009

Type of Debt	Principal Outstanding June 30, 2009	Percentage of gross tax supported debt outstanding
<b>General Obligation Bonds</b> State Road Bonds Infrastructure Bonds	\$ 481,105,000 274,284,606	43.3%
<b>Revenue Bonds</b> School Building Authority Capital Improvement Revenue Bonds Economic Development Authority Lottery Revenue Bonds School Building Authority Lottery Revenue Bonds State Building Commission Lottery Revenue Bonds	214,125,000 206,480,000 187,795,000 16,805,000	35.8%
<b>Lease Obligations</b> All agencies	364,657,415	20.9%
<b>Gross Tax Supported Debt</b>	<b>\$ 1,745,252,021</b>	<b>100.0%</b>
Deductions for escrow accounts GO Safe Road Bonds GO Infrastructure Bonds	110,000,000 41,945,000	
Deductions for debt service reserve accounts School Building Authority Capital Improvement Revenue Bonds Economic Development Authority Lottery Revenue Bonds School Building Authority Lottery Revenue Bonds State Building Commission Lottery Revenue Bonds	23,770,263 18,990,000 14,180,000 2,400,000	
<b>Net Tax Supported Debt</b>	<b>\$ 1,533,966,758</b>	

# West Virginia State Treasurer's Fiscal 2009 Annual Report

## GENERAL OBLIGATION BONDS

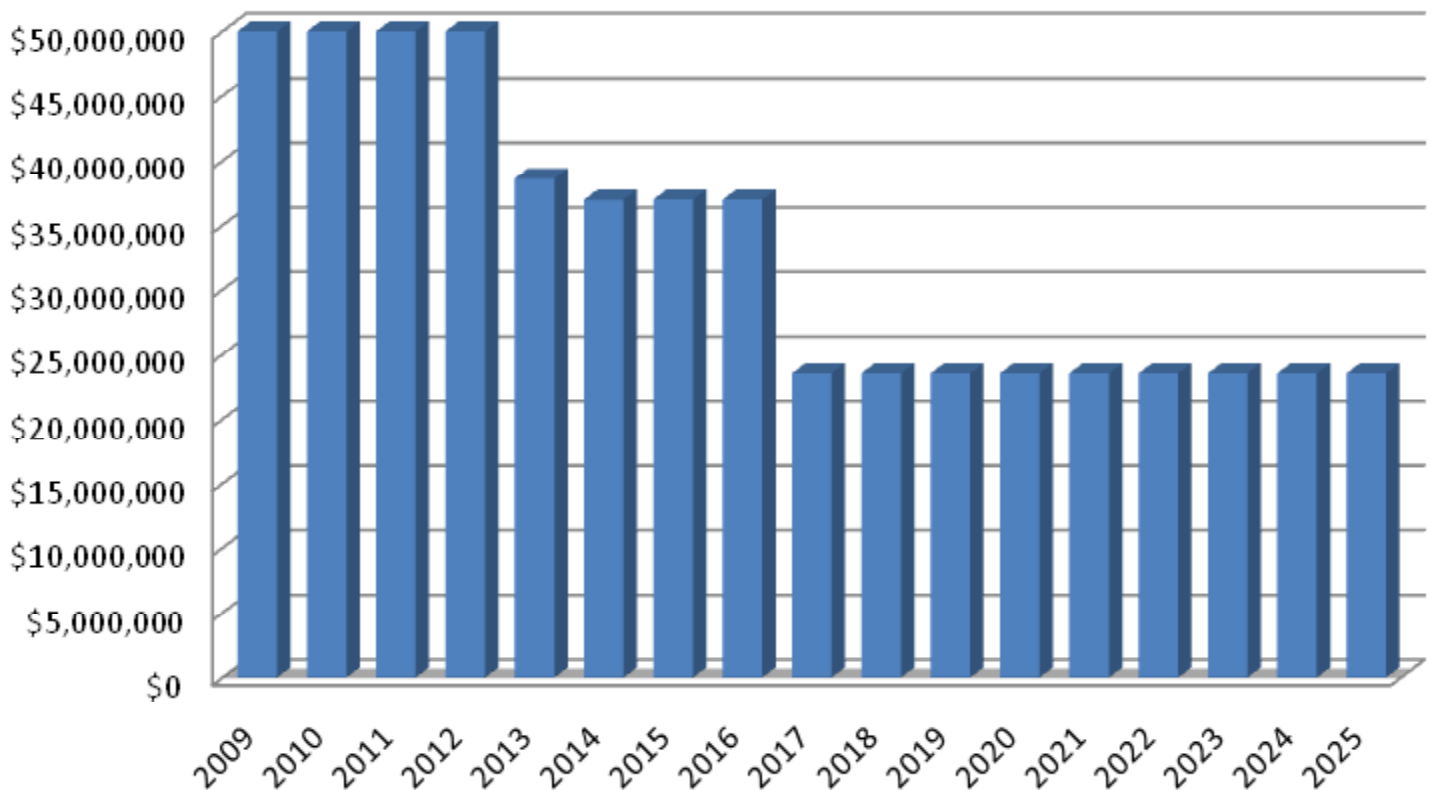
Approximately \$603 million (net of escrowed bonds) of West Virginia's \$1.53 billion in outstanding tax supported debt as of June 30, 2009 consisted of General Obligation (GO) bonds. Over the years, West Virginia's GO bonds have been issued for road construction, school construction, veterans' bonuses and infrastructure development. All of these bonds carry a pledge of the state to levy taxes if funds are insufficient to meet debt service. Outstanding GO bonds include road bonds and infrastructure improvement bonds.

### ROAD BONDS

The Safe Roads Amendment of 1996 had \$371 million outstanding (net of escrowed bonds) as of June 30, 2009. All GO road bonds that were authorized by the Safe Roads Amendment have been issued. There are currently no remaining authorizations for the issuance of GO road bonds.

The combined debt service on all Safe Road bonds is approximately \$50 million dollars through fiscal year 2012. The debt service drops to approximately \$36 million for fiscal years 2013 through 2016 and then levels out at \$23.5 million for fiscal year 2017 through the final maturity in 2025.

**General Obligation Road Bonds Debt Service  
As of June 30, 2009**



# West Virginia State Treasurer's Fiscal 2009 Annual Report

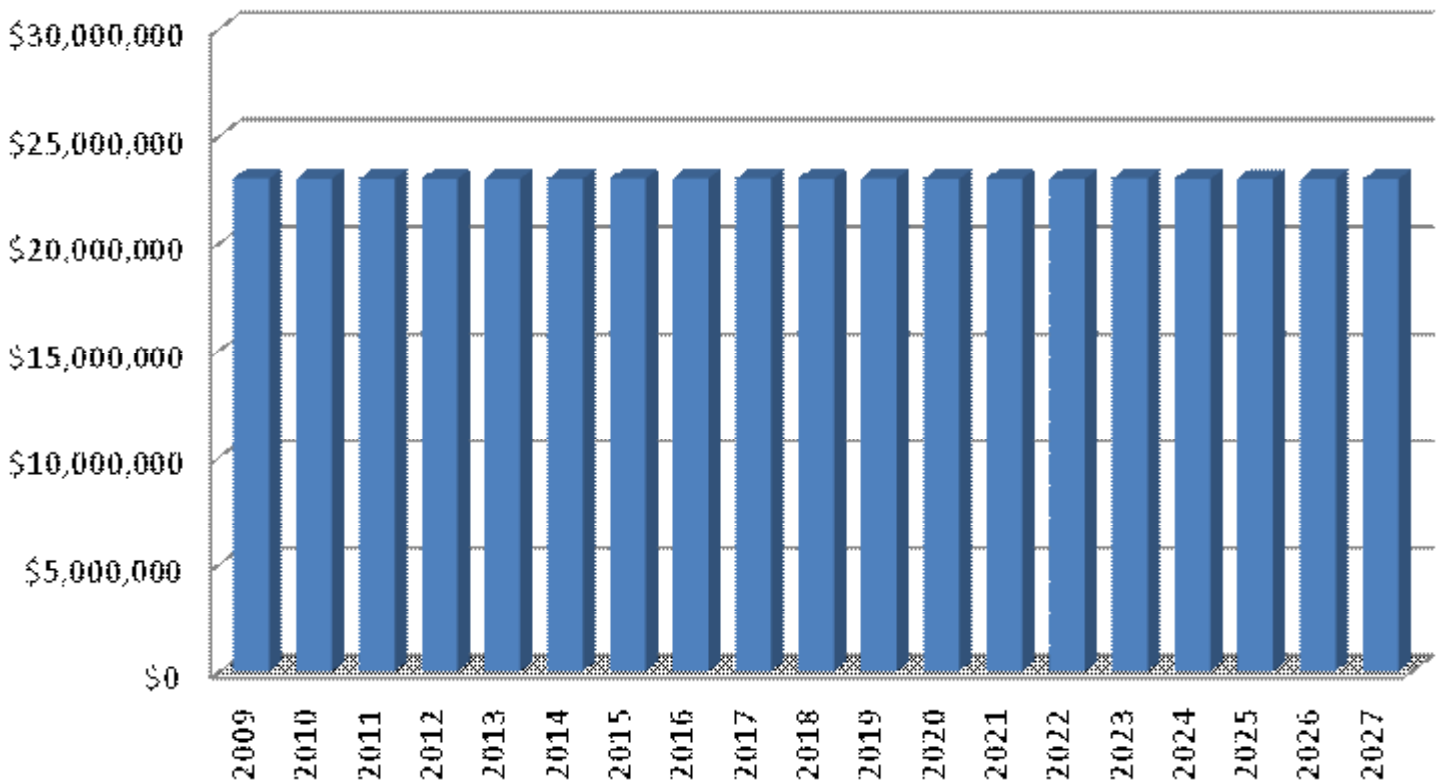
## GENERAL OBLIGATION BONDS

### INFRASTRUCTURE IMPROVEMENT BONDS

The principal outstanding at June 30, 2009, for the Infrastructure Improvement Amendment bonds was \$232 million (net of escrowed bonds). The Division of Debt Management reports these bonds on a cash basis; however, there is one series of bonds that were issued as Capital Appreciation Bonds (CABs). All of the bonds are repaid from a dedication of the first \$24 million of coal severance taxes and the taxing pledge of the state to meet any deficiencies. All GO infrastructure bonds that were authorized by the Infrastructure Improvement Amendment have been issued. There are currently no remaining authorizations for the issuance of GO infrastructure bonds.

The combined debt service on the GO infrastructure bonds is a level debt service of \$23 million through their maturity in 2027.

**General Obligation Infrastructure Improvement Bonds Debt Service  
As of June 30, 2009**



# West Virginia State Treasurer's Fiscal 2009 Annual Report

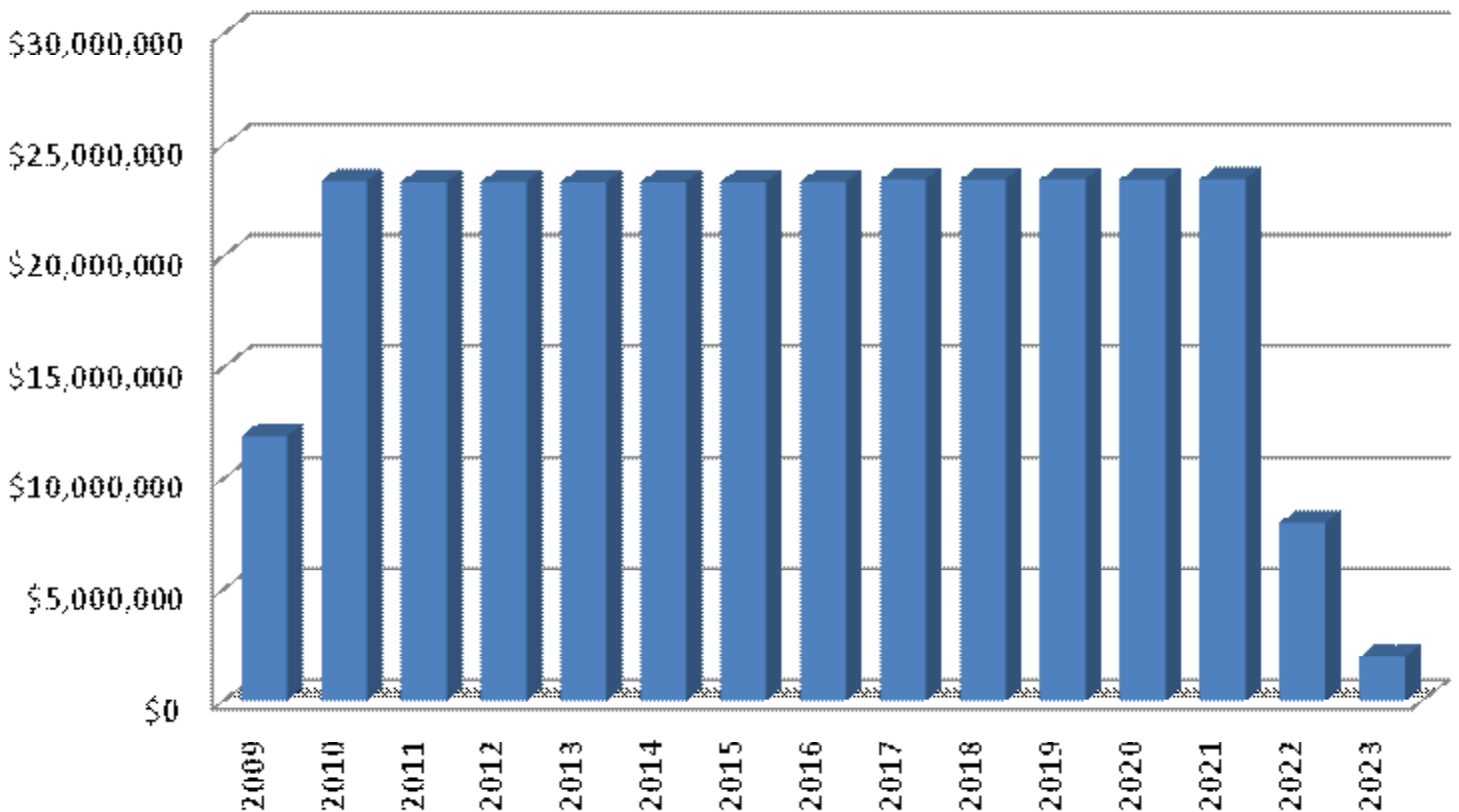
## Revenue Bonds

### SCHOOL BUILDING AUTHORITY CAPITAL IMPROVEMENT REVENUE BONDS

The School Building Authority Capital Improvement Revenue bonds which utilize General Revenue appropriations for repayment consists of two refunding issuances. The principal outstanding on these bonds totaled \$214 million as of June 30, 2009. No “new money” bonds may be issued utilizing General Revenue appropriations for repayment.

The combined debt service on the School Building Authority Capital Improvement Revenue bonds remains level at approximately \$23 million for fiscal years 2010 through 2021. The two final years of debt service, fiscal years 2022 & 2023, falls to \$8 million and \$2 million respectively.

**School Building Authority Capital Improvement Revenue Bonds Debt Service  
As of June 30, 2009**





# West Virginia State Treasurer's Fiscal 2009 Annual Report

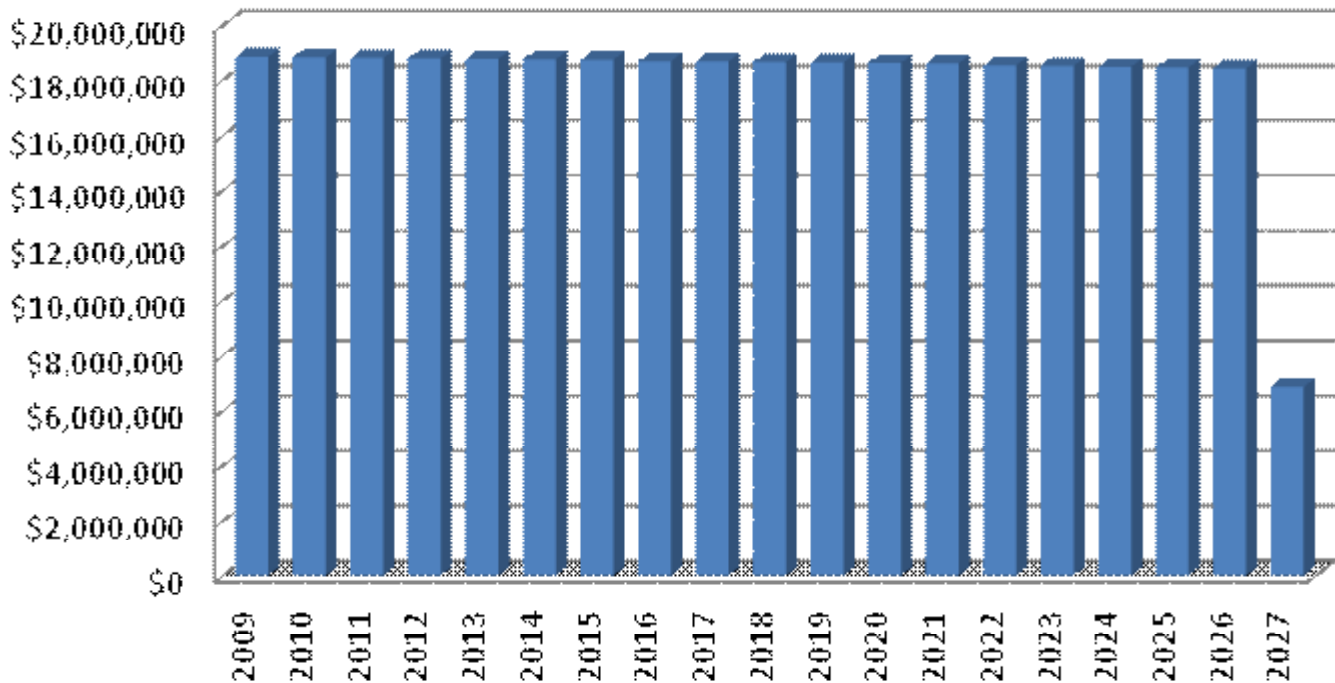
## Revenue Bonds

### ECONOMIC DEVELOPMENT AUTHORITY LOTTERY REVENUE BONDS

In January 2004, the Economic Development Authority issued more than \$249 million in Lottery Revenue Bonds (Federally Taxable) to provide funds for various economic development projects, capital improvement projects and infrastructure projects which promote economic development in West Virginia. The principal outstanding on these bonds totaled \$206 million as of June 30, 2009.

These bonds are secured through a pledge of revenues from the State Excess Lottery Revenue Fund. This \$19 million pledge is annually transferred to the Economic Development Project Fund to pay the debt service on the bonds. The bonds have a level debt service of approximately \$19 million until they mature in Fiscal Year 2027.

**Economic Development Authority Lottery Revenue Bonds Debt Service  
As of June 30, 2009**



# West Virginia State Treasurer's Fiscal 2009 Annual Report

## Revenue Bonds

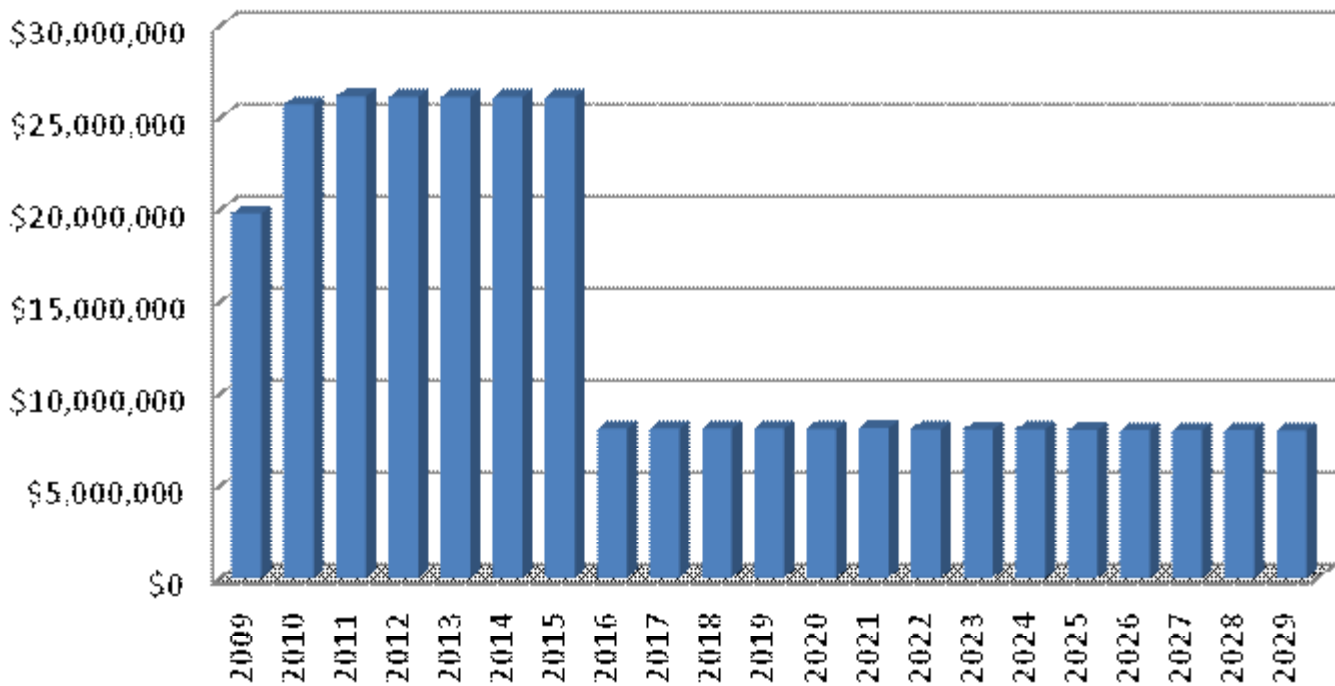
### SCHOOL BUILDING AUTHORITY LOTTERY REVENUE BONDS

The West Virginia School Building Authority was the first state agency to issue bonds backed by revenues from the West Virginia Lottery. The first Lottery Revenue Bonds were issued in 1994 in the amount of \$135.6 million. Those bonds matured in 2004. The School Building Authority then issued another series of bonds in 2004 which will mature in Fiscal Year 2015.

During Fiscal Year 2009, the School Building Authority issued \$102.1 million in revenue bonds which were backed by certain funds from the Excess Lottery Reserve Fund. Those bonds are included in the debt service chart below.

Subsequent to June 30, 2009, the School Building Authority issued \$30 million of Qualified School Construction Bonds (QSCBs). The American Recovery and Reinvestment Act of 2009 authorized the issuance of QSCBs, which are federal tax credit bonds. This means that in lieu of receiving interest, purchasers of the bonds receive a tax credit in the amount established by the Internal Revenue Service. The School Building Authority will only be repaying the principal on the bonds, not any interest. The bonds have a 15 year maturity with debt service of \$2 million per year (not included in the chart below).

**School Building Authority Lottery Revenue Bonds Debt Service  
As of June 30, 2009**



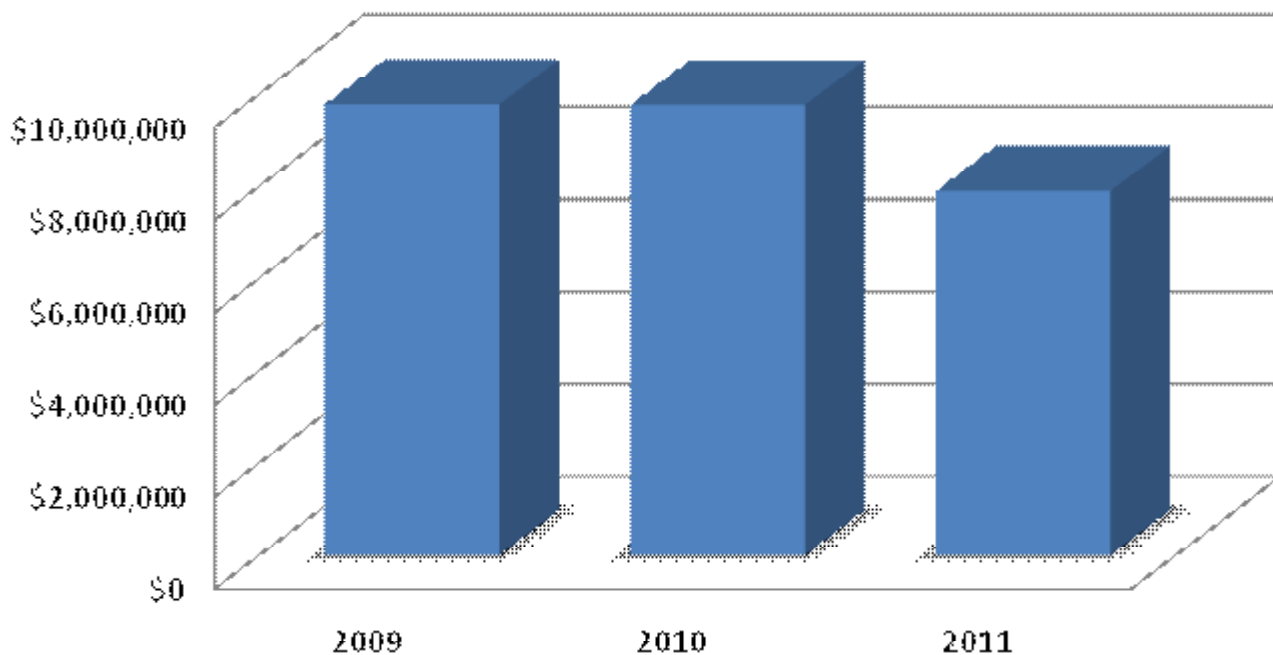
# West Virginia State Treasurer's Fiscal 2009 Annual Report

## Revenue Bonds

### STATE BUILDING COMMISSION LOTTERY REVENUE BONDS

In 1997, the State Building Commission was given the authority to issue revenue bonds which were backed by certain revenues of the West Virginia Lottery. These bonds were issued to promote education, arts, science and tourism. The bonds had a principal outstanding of \$16.8 million as of June 30, 2009.

**State Building Commission Lottery Revenue Bonds Debt Service  
As of June 30, 2009**



# West Virginia State Treasurer's Fiscal 2009 Annual Report

## Revenue Bonds

### OTHER BONDS BACKED BY FUNDS FROM THE WEST VIRGINIA LOTTERY

There have been three other Revenue Bond issues which utilize lottery funds for some percentage of their revenue stream; however, they are not classified as Lottery Revenue Bonds. They are as follows:

- The Economic Development Authority issued \$6.2 million in bonds for the construction of a parking garage at the state capitol in November 1999. This issue is secured through a lease agreement, which includes a non-funding clause, with the Secretary of Administration. Lottery funds in the amount of \$500,000 per year are appropriated to the Parking Garage Fund. This obligation is classified as a lease agreement and had an outstanding principal of \$4.4 million as of June 30, 2009. The bonds will mature on June 1, 2024.
- In August 2004, the Higher Education Policy Commission issued \$167.2 million in bonds for various capital improvements and projects at the state's colleges and universities. This 30 year obligation currently has a 2nd priority lien on certain monies of the Excess Lottery Revenue Fund (the 1st priority lien goes to the bonds of the Economic Development Grant Committee which were issued by the Economic Development Authority). Approximately 35% of the debt service on the bonds is paid from lottery funds.
- Another issue which utilizes lottery revenues for debt service is the \$10 million dollar issue of the West Virginia Hospital Finance Authority which was issued in March 2004. This issue is secured through a lease agreement, which also includes a non-funding clause, with the Secretary of Administration. The proceeds were used to construct a 120 bed long-term nursing home facility for veterans on the grounds of the Veterans Administration Medical Center in Clarksburg, West Virginia. The annual debt service on the bonds is approximately \$660,000 and is payable from net profits from of Veterans Benefit Game lottery tickets. The remaining funds needed to complete the project, approximately \$16.3 million, were provided from a grant from the United States Department of Veterans Affairs.

# West Virginia State Treasurer's Fiscal 2009 Annual Report

## Revenue Bonds

### OTHER REVENUE BONDS

There are various agencies and authorities which have statutory authority to issue Revenue bonds. Since these bonds are self-supporting and derive their debt service payments from revenues of a particular program or project, the principal amount is not included when calculating West Virginia's net tax supported debt. The following charts show each issuer and the net amount outstanding as of June 30, 2009.

<b>Fairmont State University</b>	<b>Glenville State College</b>	<b>Highways, Commissioner of</b>
<ul style="list-style-type: none"><li>•Principal outstanding at June 30, 2009 - \$64.7 million.</li><li>•Final Maturity - June 1, 2032</li><li>•Five issues for various capital and infrastructure improvements.</li></ul>	<ul style="list-style-type: none"><li>•Principal Outstanding at June 30, 2009 - \$5.3 million</li><li>•Final Maturity - October 1, 2037</li><li>•Two issues for various capital improvements.</li></ul>	<ul style="list-style-type: none"><li>•Principal Outstanding at June 30, 2009 - \$165.1 million</li><li>•Final Maturity - September 1, 2015</li><li>•Three issues for highways construction on Route 35.</li></ul>
<b>Higher Education Policy Commission</b>	<b>Marshall University</b>	<b>Regional Jail &amp; Correctional Facilities Improvement Authority</b>
<ul style="list-style-type: none"><li>•Principal Outstanding at June 30, 2009 - \$202.2 million</li><li>•Final Maturity - April 1, 2034</li><li>•Five issues for various capital improvement to West Virginia colleges and universities.</li></ul>	<ul style="list-style-type: none"><li>•Principal outstanding at June 30, 2009 - \$41.7 million.</li><li>•Final Maturity - May 1, 2031</li><li>•One issue for residence hall complex and other projects.</li></ul>	<ul style="list-style-type: none"><li>•Principal Outstanding at June 30, 2008 - \$81.6 million</li><li>•Final Maturity - July 1, 2021</li><li>•Three issues for various correctional facility projects.</li></ul>

# West Virginia State Treasurer's Fiscal 2009 Annual Report

## Revenue Bonds

### OTHER REVENUE BONDS (CONTINUED)

#### Shepherd University

- Principal Outstanding at June 30, 2009 - \$49.2 million
- Final Maturity - June 1, 2037
- Four issues for various capital and infrastructure projects.

#### West Liberty State College

- Principal outstanding at June 30, 2009 - \$12.2 million.
- Final Maturity - June 1, 2028
- Three issues for various capital improvements.

#### West Virginia State University

- Principal Outstanding at June 30, 2009 - \$6.8 million
- Final Maturity - September 1, 2026
- Two issues for dormitory renovation and the James C. Wilson College Union.

#### West Virginia University

- Principal Outstanding at June 30, 2009 - \$298.3 million
- Final Maturity - October 1, 2035
- Five issues for various capital and infrastructure projects.

#### West Virginia University - Parkersburg

- Principal outstanding at June 30, 2009 - \$432,022
- Final Maturity - April 1, 2012
- Various improvements (previously reported as debt of West Virginia University).

#### West Virginia University - Institute of Technology Community & Technical College

- Principal Outstanding at June 30, 2009 - \$6.8 million
- Final Maturity - April 1, 2012
- Various improvements (previously reported as debt of West Virginia University).

## LEASE OBLIGATIONS

The State of West Virginia depends on lease obligations to finance capital movements, large purchases of computer equipment, fleet management, and many other projects. There was approximately \$364 million in lease obligations outstanding as of June 30, 2009.

# West Virginia State Treasurer's Fiscal 2009 Annual Report

## West Virginia Non-Tax Supported Debt Outstanding

There are approximately 20 bonding authorities that may issue revenue bonds backed by various pledges of revenue. There are eight authorities or boards that had debt outstanding at June 30, 2009 that is not considered part of the state's direct debt burden. For purposes of this report, this debt is considered "non tax supported debt."

West Virginia had a non-tax supported debt of approximately \$4.3 billion outstanding as of June 30, 2009.

### Non-Tax Supported Debt Outstanding at June 30, 2009

Issuer	Principal Outstanding June 30, 2009	Percentage of Total Debt Outstanding
Economic Development Authority	\$ 880,274,618	20.2%
Hospital Finance Authority	1,349,886,470	30.9%
Housing Development Authority	718,980,000	16.5%
Infrastructure & Jobs Development Council	122,875,000	2.8%
Parkways, Economic Development and Tourism Authority	89,750,000	2.0%
Public Energy Authority	80,000,000	1.8%
Tobacco Settlement Finance Authority	878,911,503	20.1%
Water Development Authority	248,030,000	5.7%
Total	\$ 4,368,707,591	100.0%

# Cash Management



# West Virginia State Treasurer's Fiscal 2009 Annual Report

## Cash Management

The State Treasurer oversees the cash management of West Virginia government. Among these duties are receiving and disbursing the state budget which includes writing approximately two million checks per year and electronic transfers of money; filing and retaining all paid checks and various bonds issued by the state; collecting the crime victim's compensation, law enforcement training, regional jail authority and litter control fund fees; and handling various other banking and accounting functions that deal with state finances.

- In fiscal 2009, the Treasurer's office processed more than \$8.8 billion in disbursements by electronic funds transfer.
- When Treasurer Perdue took office, the state was writing 4.5 million checks. Now the number of checks is down to 1.6 million.
- ACH disbursements are also roughly 4.5 million. ACH means automated clearing house, or automatic, electronic drafts into and out of state coffers.
- Equality of checks and ACH numbers is a milestone for the office. In the future, the state will be doing more electronic business as opposed to dealing with paper checks.
- The office continues its "lock box" operation, accepting deposits on behalf of various state agencies. This amounts to keeping post office boxes open on behalf of state entities and depositing the contents daily, with the Federal Reserve in Cincinnati. Such quick turnaround earns the state valuable overnight interest.
- The Cash Management Division collected \$22.3 million in fiscal 2009, which amounts to a portion of fines collected by magistrate, circuit and municipal courts. Leading the way were three different funds collected on behalf of the Regional Jail Authority, totaling \$12 million.

# E-Government

# West Virginia State Treasurer's Fiscal 2009 Annual Report

## E-GOVERNMENT DIVISION

The West Virginia e-Government Services Program is an initiative of the State Treasurer's office to provide an electronic payment system for goods and services offered by state agencies, colleges, universities, and boards & commissions. In Fiscal Year 2009, this office allowed these services to be made available to the local governments, a program we now call L-Government. West Virginia counties, cities, school boards and public service districts can now use the State Treasurer's payment system.

Public demand for government services via the Internet is increasing dramatically. Customer service is the key to e-Government and many of our state agencies and local government entities need assistance in the development and implementation. The concept of cooperation and visionary leadership will help us to provide better, more effective service to our citizens...our customers.

In 1999, with the passage of "Financial Electronic Commerce" legislation (code §12-3A) in the legislative session, the State Treasurer's Office began to implement its provisions. The three pilot programs for accepting payments over the Internet were the State Treasurer Office's Prepaid College Program; subscriptions to the Division of Natural Resources "Wonderful West Virginia" magazine; and Marshall University tuition and fees payments until there are currently 70 state agencies and five local governments using over 100 active connections that are accepting payments through the Treasurers' Office system.

E-Government and L-Government services offer all of us the opportunity to reduce costs while providing better service to our customers, the citizens of West Virginia. To meet the problems, state and local governments must focus on these basics:

- Think customer service first – for citizens, businesses, vendors, and other governments
- Provide all state agencies and local governments with available technology expertise and tools
- Use technology to cut costs and increase savings
- Operate as a "single enterprise" not several independent services

### **Program Benefits**

- Improved Cash Management – reduced collection risks and delays associated with other payment types such as personal checks
- Lower processing costs and enhanced efficiencies over the long term
- Enhanced operational efficiencies – less paper processing and saves time
- Better customer/citizen service – convenience, easy to use and 24/7 access
- Positive public image
- Faster investment and quicker interest earnings

# West Virginia State Treasurer's Fiscal 2009 Annual Report

## What payment types are accepted?

- Credit cards – VISA, MasterCard, Discover, and American Express
- Internet and traditional point of sale (POS)
- Electronic check – electronic fund transfers (ACH debits & credits)
- Lock Box – check payments mailed to a post office box

## How are payments over the Internet occurring?

Most state agencies accepting payments over the Internet only accept credit cards. In doing so, the Treasurer's Office prepays the merchant fee which varies by card type, and the agency must reimburse the Treasurer's Office at a rate of 2.25% of the total sale. Some agencies pass this charge on to the users in the form of a convenience fee for using the website. If the agency chooses to charge a convenience fee, the charge must be the same amount regardless of the total of the sale. Depending on the activity, some agencies may also have the option of allowing their payers to use their checking account numbers to deduct the amount directly from their bank. If payment is processed by an electronic check (ACH), the agency must pay the Treasurer's Office a service fee of five cents per transaction.

Local Governments that use our system have their deposits made directly into their investment account with the Board of Treasury Investments. These funds earn interest from the day they are received, and the local government can withdraw the funds as they desire. To pay the processing costs, they either charge a convenience fee to the website user, or they allow us to deduct the entire fee from their investment account.

## 2009 Fiscal Year

The year 2009 was a year of growth and new development. Our programmers worked very hard to maintain compliance with the Payment Card Industry (PCI) security standards. We made major changes in our hardware and software and we continue to work toward a better, more efficient, and user friendly system.

The total dollar activity for the 2009 fiscal year was over \$186 million dollars, an increase of more than 37% over FY2008 figures. West Virginia University collected over \$70 million of their tuition dollars over the Internet. Another \$29 million dollars were processed for Marshall, Fairmont, and Shepherd Universities. State Agencies like the Municipal Bond Commission added \$25 million to their online activity and the Consolidated Public Retirement Board's activity generated around \$26 million dollars. DNR's Hunting and Fishing Licenses still had the highest volume with nearly 69,000 licenses sold online. We were proud to add the Department of Agriculture to our online agencies. Many of our state agencies and schools greatly expanded their Internet activity and local governments are beginning to take advantage of the services.

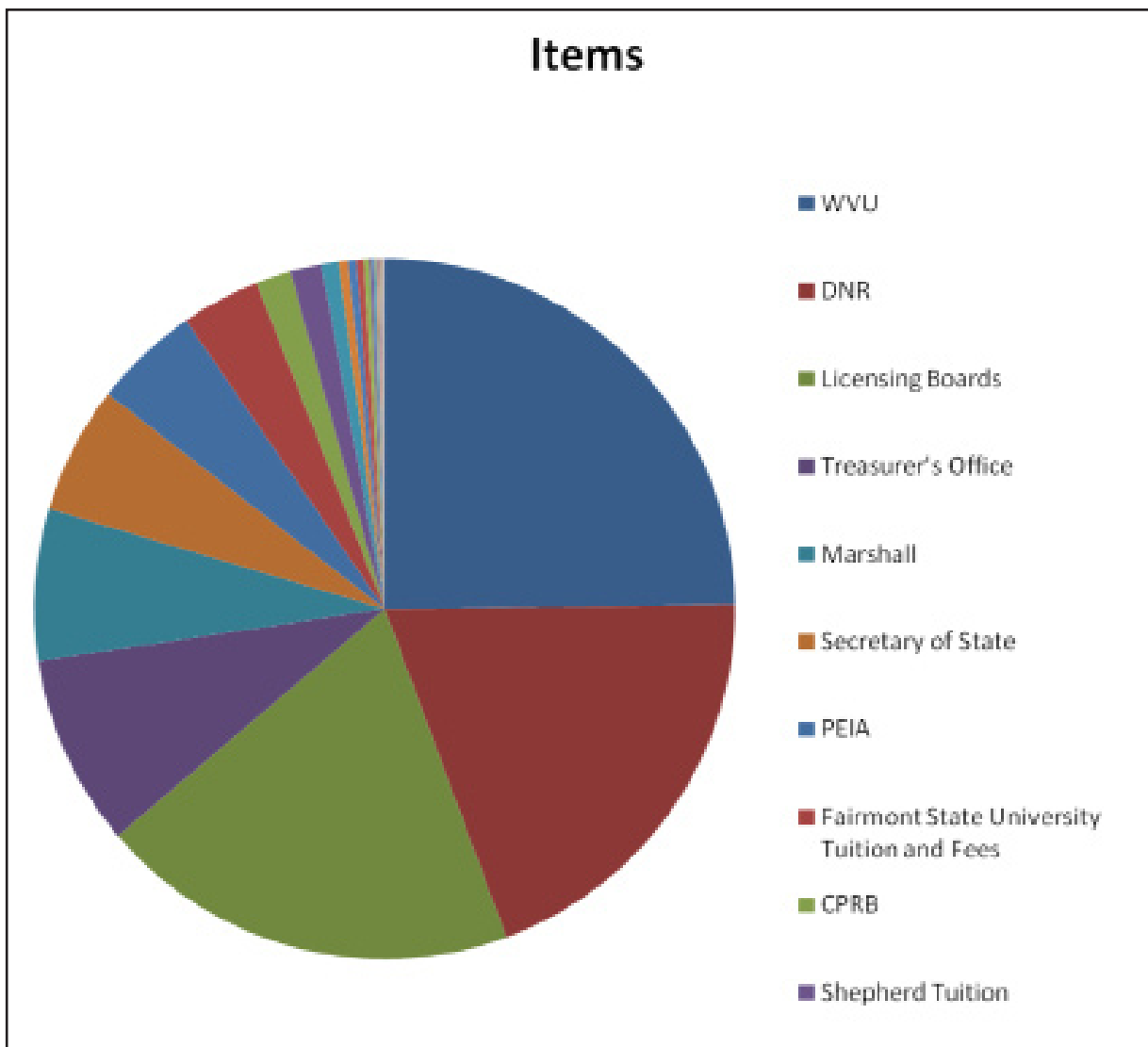
Public demand for government services via the Internet requires a major effort by the state to fulfill this demand. Customer service is the key to e-Government and many of our government agencies will need assistance in the development, implementation and improvement in websites. There is no "cookie-cutter" solution that will fit all the agency's needs. Each case must be evaluated and studied, and improvements must be

# West Virginia State Treasurer's Fiscal 2009 Annual Report

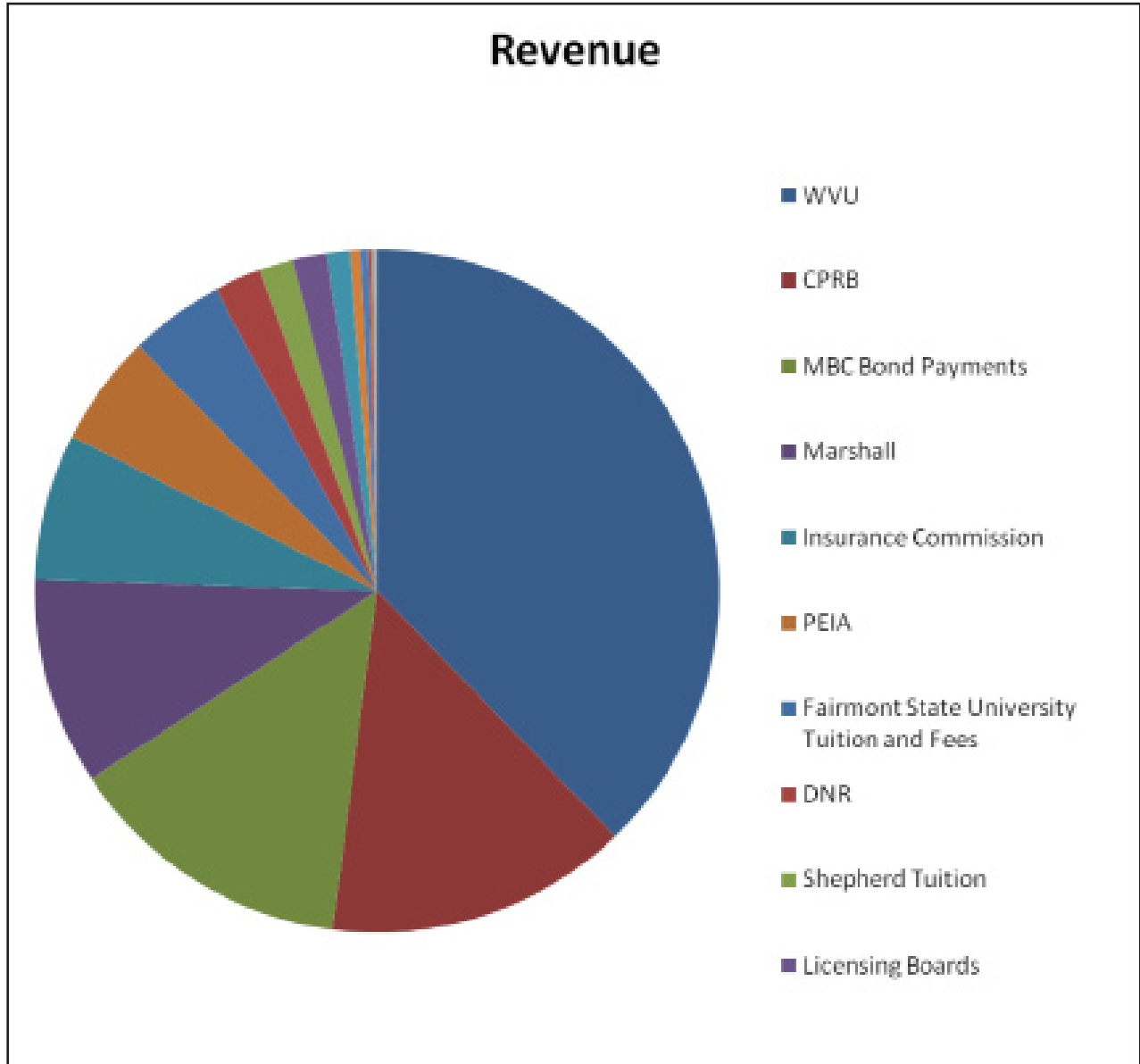
planned and programmed. Funding for these improvements will be an important factor. The success of our efforts will require additional investment in acquiring the proper infrastructure, tools and trained personnel.

The Treasurer's Office desires to expand its services by continuing to work with state agencies and local governments. We will continue to provide the service and security that the agencies and citizens have come to rely upon. Our goal and focus is to provide the best, most secure, most efficient, and least costly cash management services to all the governments and citizens of West Virginia.

**E-Government Activity by Volume  
July, 2007 to June, 2009**

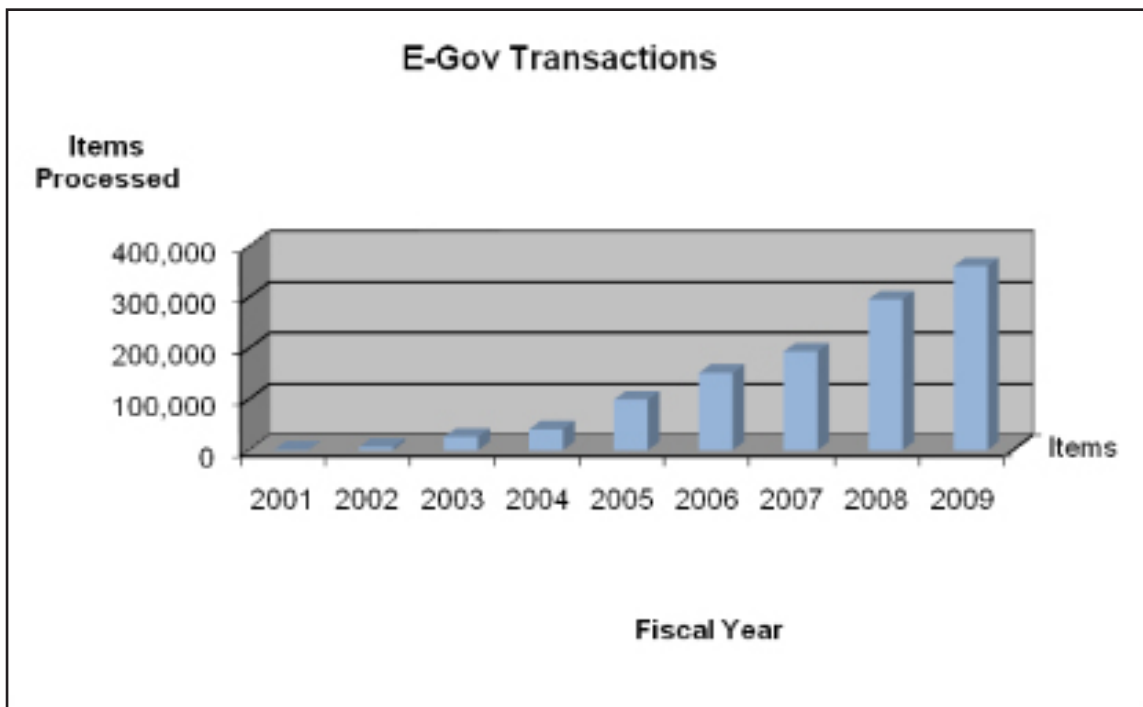
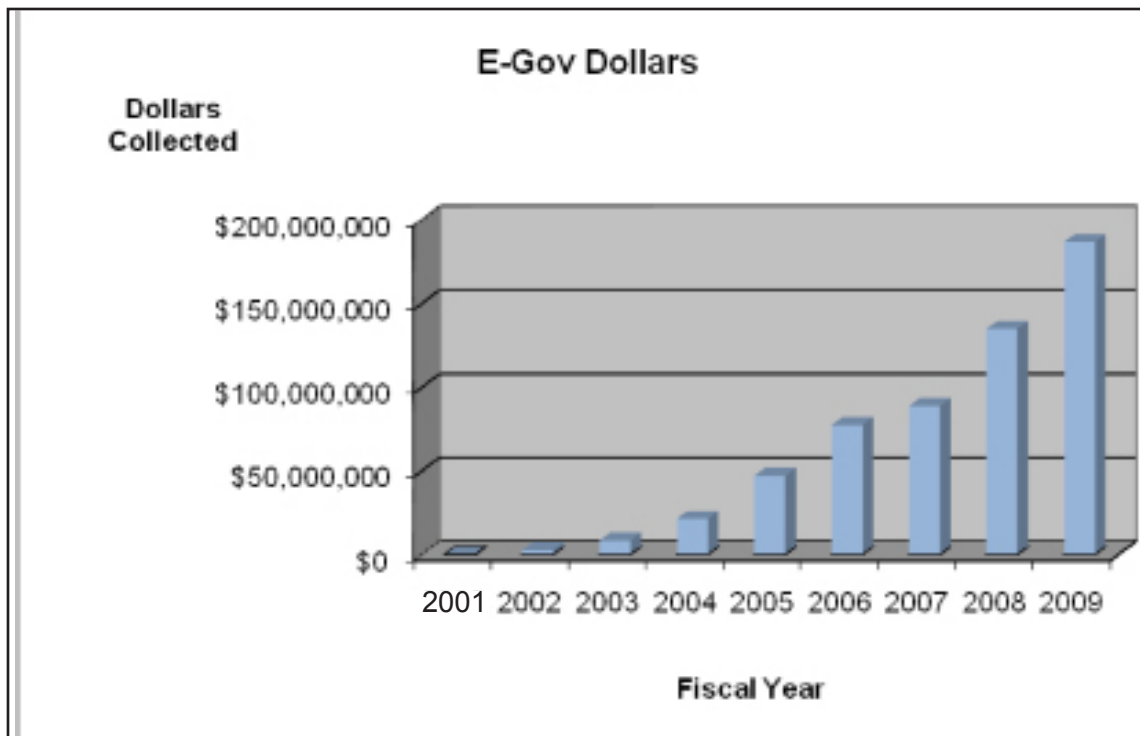


## E-Government Activity by Dollar Amounts July, 2009 to June, 2009



# West Virginia State Treasurer's Fiscal 2009 Annual Report

## Growth in E-Government Activity FY01-FY08



Note: TOTAL E-GOVERNMENT ACTIVITY to date is over \$ 586,000,000.

# Audit Division



# West Virginia State Treasurer's Fiscal 2009 Annual Report

## Audit Division

To assist the Treasurer in achieving honest, efficient management and full accountability throughout the office. Treasurer John Perdue created the position of Internal Auditor in July 1997. In May 1999, the Internal Audit Division was created with the hiring of one full-time and one part-time staff auditor. In fiscal year 2002, the role of the Internal Audit Division was expanded to include oversight of Unclaimed Property compliance audits and information security for the office. With the increase in responsibilities, the division was renamed to the Audit Division to better reflect its role. During 2008, a new Director was hired to supervise three auditors, making a total staff of four for the division.

The Audit Division has the following duties and responsibilities:

1. To review and test the effectiveness and efficiency of internal control structures
2. To review compliance with rules, regulations and internal office procedures
3. To report the results of such reviews, with related recommendations, to the Audit Committee
4. To research and report on compliance, internal control or other issues as required
5. To assist the Unclaimed Property Division in the enforcement and administration of the Uniform Unclaimed Property Act by providing audit services and oversight of six contract field audit vendors. Also, provide educational opportunities to comply with the act to holders including state agencies, membership associations, WV businesses, National Association of State Treasurers and National Association of Unclaimed Property Administrators.

For the fiscal year ended June 30, 2008, the Internal Audit Division has audited various aspects of the operations of the Treasurer's Office and outside Unclaimed Property holders. The major projects worked on during the year were:

1. Audited the fiscal year 2008 Cash Management Improvement Act (CMIA) Annual Report. Reviewed revised policies and procedures related to the gathering of information for the preparation of the CMIA Annual Report. Assisted external auditors with their review.
2. Audited the 2010 Treasury State Agreement in preparation of the 2009 CMIA Annual Report.
3. Audited the fiscal year 2009 ACH activity.
4. Conducted a first time risk assessment audit of all Cash Management Divisions and the 457 Retirement Program.
5. Audited the period October 2007 thru May 2009 Unclaimed Property Division. This audit period was selected to include the recent conversion to the UPS2000 Unclaimed Property database system.
6. Continued to assist the Unclaimed Property Division with testing of the UPS2000 Unclaimed Property database system.
7. Four audit committee meetings held with audit coverage provided for all STO divisions.
8. Uniform Unclaimed Property Act holder education provided to four membership associations, two holder workshops, two state agencies, one local unclaimed property CPA firm and two local government specialist training sessions.
9. Provided three presentations at a national association conference. One staff is member of the

# West Virginia State Treasurer's Fiscal 2009 Annual Report

newly formed NAUPA Education Committee.

10. Authorized holder audits and reviewed payments made to national unclaimed property contract audit vendors.
11. Unclaimed Property desk audits conducted on Domestic Property and Casualty companies and those previously audited.

# **Information and Technical Services Division**

# West Virginia State Treasurer's Fiscal 2009 Annual Report

The Information and Technical Services Division (ITS) of the State Treasurer's Office is responsible for keeping the divisions of the office up to date with the latest technology, maintain the technology installed in the office, and to apprise the State Treasurer of the latest technology available. This division operates in two sections Networking and Programming.

In the year 2009 the ITS division has accomplished many tasks set forth by both its own department and STO needs and the desires of the State Treasurer. Listed below are those accomplishments.

## ITS Software:

- **WVSTO.COM** - The WVSTO moved to a new and more robust platform to host the wvsto.com site. Some of the improvements include flash video capabilities to the website, interlinked archive of videos, press releases and new stories. We also moved hosting of our photo library to a new Lightbox functionality.
- **ECLAIMS** - Since going live on February 25, 2009, there have been over 7,000 users create accounts and 7,500 claims entered through the online E-Claims application. Approximately 1,000 of these accounts have been paid, with all other information entered into Wagers. If additional information is needed, users are emailed the correct forms and/or contacted by an UP employee.
- **WV457.COM** - Redesign of the new site along with the ability to now calculate returns on longterm investments. This functionality also provides printable reports for current or prospective participants.

## ITS Hardware:

- **Outage Failovers:** The recent power outages at the Capitol provided both challenge and opportunity for the ITS division. The challenge was to formulate and implement a complex solution, providing server and services availability at an alternate location, in a compressed time frame, not of our choosing. The opportunity was to prove our server migration and network engineering abilities, which we did.
- **SAN and Blade Center Upgrades:** The recent San and Blade Center upgrades proved the extensibility and expandability of this hardware, which validates our reasoning behind our decision to purchase this particular hardware several years ago. The fact that we performed these upgrades without engaging a vendor is a testimony to our "in house expertise". Being able to perform these upgrades with no impact on services demonstrates the highly available nature of the hardware and further proves its suitability to our environment.
- **End Point Security Upgrade:** Security threats and exploits that are not directly viruses have become so pervasive that more comprehensive mitigation was required than what was offered by the anti-virus solution the WVSTO has been using. This required migration to Symantec End Point Security, a major shift in our security strategy, related to this issue. Pre-development testing and issue resolution by our staff was done well enough that there were no significant issues when we migrated the entire office to the new solution.
- **SONET Rebid:** ITS rebid the SONET service this year, which connects the WVSTO's three primary sites.

# West Virginia State Treasurer's Fiscal 2009 Annual Report

As a result of this rebidding, the office will save over half a million dollars over the next five years. Careful planning and cutover implementation to the new service avoided any outage.

- **Asset Tracking Management System:** While assisting in a recent asset audit, ITS took the initiative and offered to provide a comprehensive, flexible and fully customizable asset tracking solution to replace a legacy system of disparate spreadsheets, databases, and an ill fitting third party application. ITS also assisted with validating current asset data and migrating it to the new system. This new system supports audit requirements much better, as well as provides a means to link various types of related data to the assets, and because the solution was open source, it was done with no cost to the office.

# Employee Development Division

# West Virginia State Treasurer's Fiscal 2009 Annual Report

## Employee Development Division

In today's business world, technology advances at an astounding rate. As technology changes, the tools of our offices change. The Employee Development Division ensures that the Treasurer's office staff not only stays aware of the latest business tools but also has every opportunity to learn how to use the tools he provides. We also reach out to state agencies to provide training free of charge. Following through on the Treasurer's commitment to education, we offer the following classes each and every quarter:

- Microsoft Excel 2007 (beginning, intermediate and advanced)
- Microsoft Word 2007 (beginning, intermediate, advanced and mail merge)
- Microsoft PowerPoint 2007 (beginning, intermediate and advanced)
- Microsoft Access 2007 (beginning, intermediate and advanced.)
- Microsoft Outlook 2007 (beginning, intermediate and advanced)

Offering these classes translates into more efficient workers and government savings in travel and training.

### FY 2009 Accomplishments:

- Over 100 classes facilitated at a savings of over \$160,050
- Facilitated over 6,308 hours of training

### Overall Accomplishments:

- Delivered 25,852 hours of training to state employees equal to \$663,960 in estimated government savings
- Delivered over 4,959 hours of training to STO employees equal to \$132,330 in estimated STO savings

In addition, the Employee Development Division works with the Information Technologies staff to develop training for any new hardware or software that's implemented in the office. I also serve as technical support for most of the office's applications and their users. This work includes:

### Specialized Courses:

- Realizing the internal customer
- Workplace etiquette
- Fax server training
- Blackberry training
- Content management web site training

# Unclaimed Property Division



# West Virginia State Treasurer's Fiscal 2009 Annual Report

## **Mission Statement**

The West Virginia State Treasurer's Office Unclaimed Property Division's mission is to effectively and efficiently comply with the Uniform Unclaimed Property Act provisions, in order to protect the rightful owner's property and relieve the holders of their unclaimed property liability.

## **Unclaimed Property Staffing**

Unclaimed Property has three departments: Receipts, Claims, and Compliance. The Receipts Department processes holder reports and verifies the information reported on the property and apparent owners are submitted according to the Unclaimed Property Act and regulations. The Claims Department processes claim forms submitted to verify the funds are returned to the rightful owners according to the Unclaimed Property Act and Regulations. The Compliance Department provides a monitoring program to ensure accountability within Unclaimed Property Division according to Uniform Unclaimed Property Act, Regulations and internal division procedures. Compliance also assists in ensuring that outside entities are in compliance with Unclaimed Property Act and Regulations.

## **Unclaimed Property Accomplishments Fiscal Year 2009**

- The West Virginia Unclaimed Property Division currently holds approximately 690,000 accounts worth \$146 million.
- Since 1997, the Division has returned approximately \$75 million to rightful owner and collected in excess of \$140 million from Holders.

During Fiscal Year 2009, the Division:

- In conjunction with the Information Technology Department, unveiled an electronic claims processing website (E-claims) for West Virginia residents.
- Returned more than \$14.9 million to rightful owners of unclaimed property, constituting 82% of the value of all unclaimed property reported for the period.
- Paid its largest claim, in excess of \$950,000, to a West Virginia business.
- Processed claims for Bureau of Child Support Enforcement in excess of \$200,000 for the benefit of West Virginia children.
- Obtained legislation to simplify the payment of estate claims.
- Participated in a national webinar designed to educate businesses on Unclaimed Property reporting requirements.
- Conducted two regional in-depth multi-track holder workshops in central locations in the state.
- Provided staff training in excess of 580 hours, in topics including Microsoft, professional development and on-site training for the Division's Unclaimed Property system.
- Developed reports producing internal monthly financial statements that reconcile the Unclaimed Property

# West Virginia State Treasurer's Fiscal 2009 Annual Report

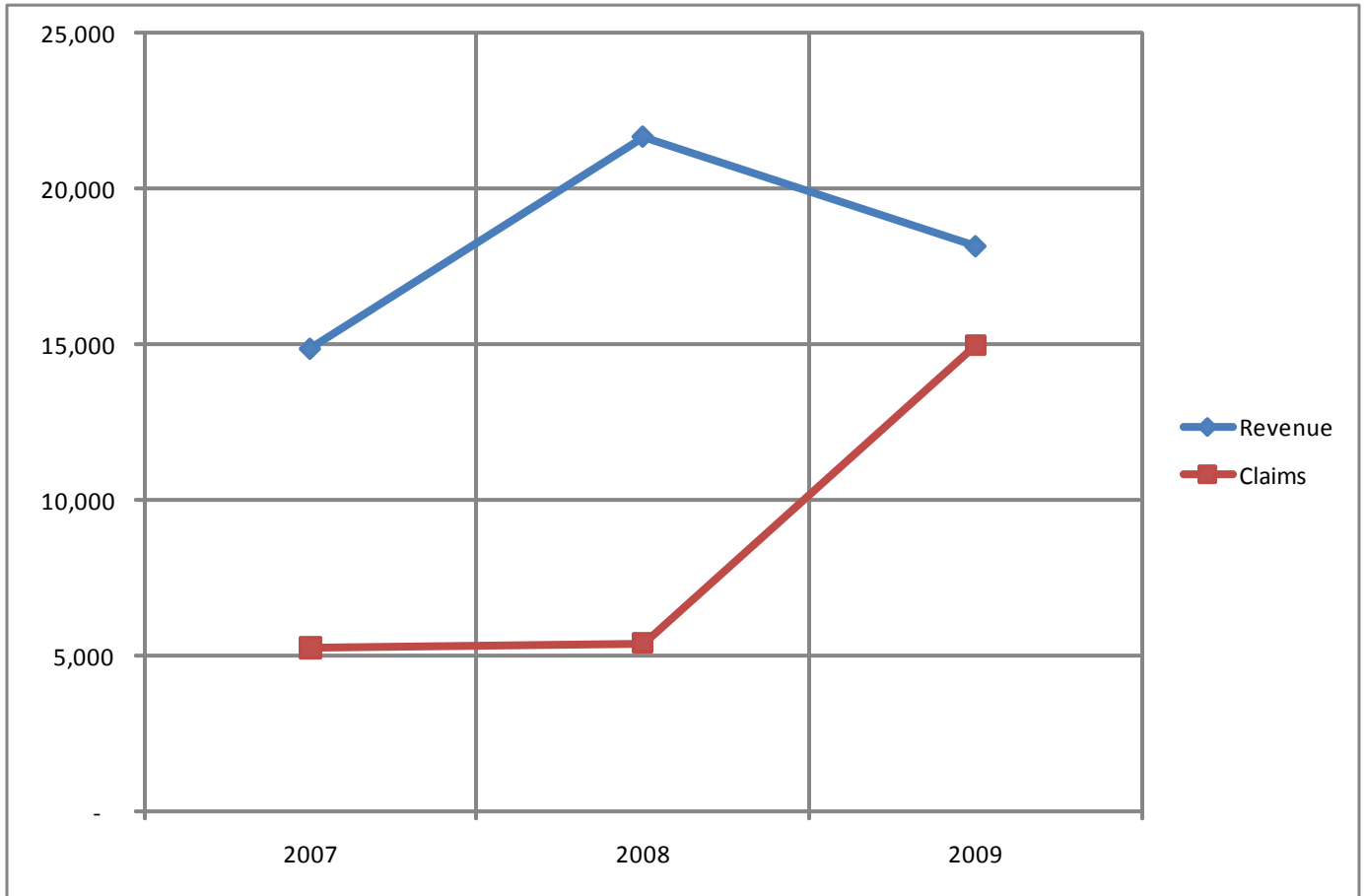
system to the state financial accounting system.

- Liquidated over \$3.7 million in stock and mutual funds.

The West Virginia State Treasurer's Office conducts an Owner Outreach Program to locate owners of unclaimed properties in all West Virginia counties, through:

- The State Fair and community events
- Postcards and other mailings
- Individual property searches
- Website property searches
- Newspaper publications

## Receipts and Claim Activity



# West Virginia State Treasurer's Fiscal 2009 Annual Report

## Unclaimed Property Division

Fiscal Year 2009

### Revenue

Holder Cash Remittance	\$11,101,870
Citigroup Security Liquidation	2,603,915
Citigroup Interest	28,105
Security Dividends	79,017
Security Liquidation	1,102,179
Redeposit Claim Checks	9,268
Stale Dated Checks (Includes Workers' Compensation)	3,691,272
<b>Total Gross Receipts</b>	<b>\$18,615,626</b>
Revenue Transfers Out - Other Agencies	462,407
<b>Receipts - Per WVFIMS</b>	<b><u>\$18,153,219</u></b>
<b>Claims Paid</b>	<b>\$14,965,561</b>
<b>Net Receipts FY09</b>	<b><u>\$3,187,658</u></b>
<b>Other Revenue Transfers</b>	
<i>Transfer to Prepaid Tuition Trust per actuary (WV Code 18-30-6(1)(2)(B))</i>	1,000,000
Transfer to Unclaimed Property Trust Fund (WV Code 36-8-13 (c))	<u>18,000,000</u>
<b>Total Revenue Transfers</b>	<b>\$19,000,000</b>
<b>Operating Expenses</b>	<b>\$4,125,476</b>
<b><u>Net Change in Assets</u></b>	<b><u>(\$19,937,818)</u></b>

# **Law Enforcement and Safe Deposit Boxes**

# West Virginia State Treasurer's Fiscal 2009 Annual Report

## **Law Enforcement**

Total Reports Received: 121

Total Weapons Reported for Escheatment to the State Treasurer's Office: 207

Total Weapons Reported for Law Enforcement Agency Appropriation: 11

Total Weapons Reported for Law Enforcement Agency Trade-Ins: 118

Total Weapons Destroyed: 899

Total US Money Reported for Escheatment (Cash Deposited): \$15,271.87

Total Other Property Reported for Escheatment: 40

Total Property Reported for Law Enforcement Agency Public Sale: 217

Total Other Property Reported for Law Enforcement Agency Appropriation: 34

Total Other Property Reported for Law Enforcement Agency Donation to a Non-Profit

Organization: 249

# College Prepaid Tuition and Savings Program

# West Virginia State Treasurer's Fiscal 2009 Annual Report

## College Prepaid Tuition and Savings Program

As authorized in §18-30 of the West Virginia Code, the State Treasurer administers all the programs of the nine-member Board of Trustees of the West Virginia College Prepaid Tuition and Savings Program and serves as board chairman. The Board conducts its business at quarterly meetings and its records are maintained at the State Treasurer's Office in Charleston.

The Board of Trustees has contracted the Hartford Life Insurance Company to provide program management services for both its Prepaid Tuition Plan and College Savings Plan. The Program uses the *SMART529* brand name for all the various college savings products it offers.

## SMART529 Savings Plan Progress

The SMART529 college savings plan made gains in the marketplace during the 2009 fiscal year. The Savings Plan Trust ended the year with 100,240 participant accounts valued at \$978,750,328. This compares to 2008, which ended with 93,769 accounts at a total market value of \$1,112,176,401. Participants made \$183,596,542 in contributions during the year, and \$71,924,602 was withdrawn by participants for college expenses, rollovers and refunds.

## Prepaid Tuition Plan Continues

The West Virginia Prepaid Tuition Plan ended FY 2009 with 6,963 active accounts and trust fund assets valued at \$75,094,301. Participants on monthly payment plans continued their contributions to the plan. During the fiscal year, nearly 3,216 prepaid tuition benefit distributions used to pay college expenses were processed totaling more than \$5,789,823. This was down from the \$7.1 million in tuition benefits distributed during the previous fiscal year.

## Escrow Account

As of June 30, 2009, \$3,254,008 had been transferred to the Prepaid Tuition Trust Escrow Account from the State Unclaimed Property Trust Fund. The Escrow Account funds are currently managed by the Bureau of Treasury Investments, which assumed this responsibility on April 23, 2009. Prior to that date, the West Virginia Investment Management Board was responsible for management of the Escrow Account investments. The Escrow Account had a net investment loss of \$159,178 for FY 2009, bringing the account balance to \$3,371,624 on June 30, 2009. During the 2009 Regular Session, the West Virginia Legislature approved a one-time transfer of \$8 million from the Unclaimed Property Trust Fund to the Escrow Account. The transfer of funds was completed on July 1, 2009.



# West Virginia State Treasurer's Fiscal 2009 Annual Report

## Outreach Efforts

A wide variety of advertising and grass roots promotional efforts were completed during the fiscal year. Television ads ran from mid-September to mid-March. A special "gift" themed direct mail piece was mailed to 60,000 households in December. Fall outreach activities included field staff visiting elementary schools to make SMART529 announcements at PTA/PTO meetings and promoting the "When I Grow Up" essay contest.

The 2nd annual SMART529 "When I Grow Up" essay contest was held during the fall enrollment campaign. Fifteen regional winners were chosen and a grand prize winner was announced at a press conference held in December. Fourteen of the regional winners, family members, teachers and principals attended the event. The event received TV news coverage on most stations around the state.

The College Day at Preschool program was again conducted in May and included distribution of SMART529 packets explaining college savings to parents of graduating preschoolers. Ninety-nine participating preschools agreed to distribute materials to the parents of approximately 2,400 five-year-old students. A photo contest themed "Grandparents are Great Teachers" was held in the spring. Treasurer Perdue announced a grand prize winner from five regional winners in May.

Throughout the year, the program utilized the assistance of various promotional partners. The Newborn program distributed 1,600 SMART529 pamphlets in baby bottle coin banks to participating hospital birth centers across the state that in turn presented the banks to new parents. The SMART529 Employer Partner program recruited 144 large West Virginia employers to distribute SMART529 information to their 21,260 employees. Staff also mailed 22,000 informational fliers to 478 information outlets (libraries, senior centers, YMCAs, chambers of commerce and physicians) for distribution to the general public and their employees.

In July, fifty-three West Virginia investment professionals were selected to the 2009 SMART529 Honor Roll that recognizes those who have excelled in helping West Virginia families save for college during the past 12 months. Each was presented a West Virginia-made carafe from Blenko glass.

Other promotions included sponsorships and exhibits at a variety of events and activities that attracted parents with young children. Sponsorships included the Mountain State Coal Classic Basketball Tournament (Beckley) and Regional Charleston Newspapers Spelling Bee (Charleston). SMART529 exhibits were also staffed at about 40 children/parent-oriented events in various locations during the year. Over 1,500 families received SMART529 information at these events.

## Financial Summary

### Annual Actuarial Valuation of Prepaid Trust

An independent actuary performed an actuarial valuation of the Fund as of June 30, 2009. It was determined that the Prepaid Tuition Trust Fund had a funded ratio of 74.2%. The Fund had total assets of nearly \$78.1 million and total liabilities of \$105.3 million. The actuarial deficit was \$27.1 million, as compared to \$18.4 million the previous year. The fund finished the fiscal year with a net loss of \$8.7 million primarily attributed to investment losses and changes in actuarial assumptions.

# West Virginia State Treasurer's Fiscal 2009 Annual Report

## **Annual Audit**

On November 12, 2009, the Board of Trustees Audit Committee received the Program's annual financial statements for the year ended June 30, 2009 which action was ratified at the Board of Trustees quarterly meeting on December 3, 2009. As in past years, the Program received an unqualified opinion that the statements present fairly, in all material respects, the financial position of the Program and the results of its operations and its cash flows for the year, in conformity with accounting principles generally accepted in the United States.

The Program's Comprehensive Annual Financial Report was submitted to the Government Financial Officers Association for review and is expected to be again awarded a Certificate of Achievement for Excellence in Financial Reporting.

# **NetWorth Financial Education Programs**

# West Virginia State Treasurer's Fiscal 2009 Annual Report

Treasurer Perdue has long considered financial education one of his greatest priorities. The NetWorth program, developed cooperatively with the West Virginia Department of Education to incorporate financial education in grades K through 12, garnered significant attention for its ambitious agenda. The successful Money Conference series also attracted hundreds of participants throughout the state, while the Treasurer's office continued to provide financial literacy resources to teachers, youth, and consumers through numerous other projects and outreach ventures.

**The NetWorth Program: Guaranteeing Financial Literacy for West Virginia's Next Generation**  
Recognizing only a comprehensive solution can truly ensure financial literacy for the state, Treasurer Perdue joined with the West Virginia State Superintendent of Schools in 2008 to develop a program designed to seamlessly integrate financial education into the public school curriculum. The NetWorth program was launched through the development of financial education curriculum materials consistent with the West Virginia Department of Education's 21st Century Learning Standards and Objectives. Beginning in kindergarten, NetWorth will incorporate personal finance lessons in core subject areas such as math, language arts, and social studies. General concepts such as saving and budgeting will be introduced in the lower grades, with lessons progressing to more complex issues such as financial planning and investing as students matriculate.

NetWorth's ultimate goal is to create a permanent, long-term sustainable curriculum, in conjunction with teacher training and research, to ensure that West Virginia students graduate from high school equipped with the knowledge and skills required to make wise financial decisions for their future. Through its partnership with the state Department of Education, Treasurer Perdue hopes to see the NetWorth program implemented statewide during the 2010-2011 school year.

## Major Accomplishments

- The development of 30 peer-reviewed personal finance instructional guides, subsequently evaluated by the West Virginia Department of Education;
- The creation of approximately 50 personal finance development guidance lessons for use by counselors and educators during parental involvement activities;
- The recruitment and training of approximately 80 teachers to pilot the NetWorth program in 35 counties;
- The pre-testing of nearly 3,000 state students during the roll-out of the program in pilot classrooms

## Adult Education

The Treasurer's Money Conference series is designed to educate and motivate West Virginians to improve their lives through sound personal finance decisions. During the 2009 fiscal year, 25 Money Conferences were held in Huntington, Parkersburg and Shepherdstown. Since the series' inception seven years ago, 23 Money Conferences have been attended by nearly 8,000 West Virginia citizens.

The conferences featured nationally recognized financial author and speaker Dee Lee. The West Virginia State Bar, the West Virginia Social Workers Board, and the West Virginia Board of Accountancy offered continuing education credits for attending the Treasurer's Money Conferences.

# **West Virginia Retirement Plus**

## **Deferred Compensation Plan Summary**

The West Virginia Retirement Plus Plan (“Plan”) is a supplemental retirement program for public employees. The Plan is a deferred compensation plan established by Section 457 of IRS code. Similar to a 401(k) plan in structure, participants can choose from a variety of investment options. Employees from state agencies, counties, municipalities and other political subdivisions are eligible to participate in the Plan. Employee contributions are limited to IRS contribution maximums for each calendar year. ING Financial Advisers serves as the Plan’s third party administrator (“TPA”) managing investments, recordkeeping and other participant services.

## **Mission Statement**

The West Virginia Retirement Plus Mission is to provide its participants with a deferred compensation plan that offers attractive, high performing, low cost investment options coupled with comprehensive financial education programs needed to help them gain financial security at retirement.

## **Vision**

The West Virginia Retirement Plus Vision is to be a model organization dedicated to providing value driven investment options that consistently outperform benchmarks, the most comprehensive financial education program in the nation, “World Class” customer service that meets or exceeds our participants’ expectations and an effective outreach that informs every eligible participant of Program benefits.

## **Fiscal Year Accomplishments by Category:**

### **Contribution Matching Program**

This marked the second year of our contribution matching program for eligible Plan participants. Nearly 6,000 participants met the criterion for the matching program with over \$500,000 in matching funds due to those participants.

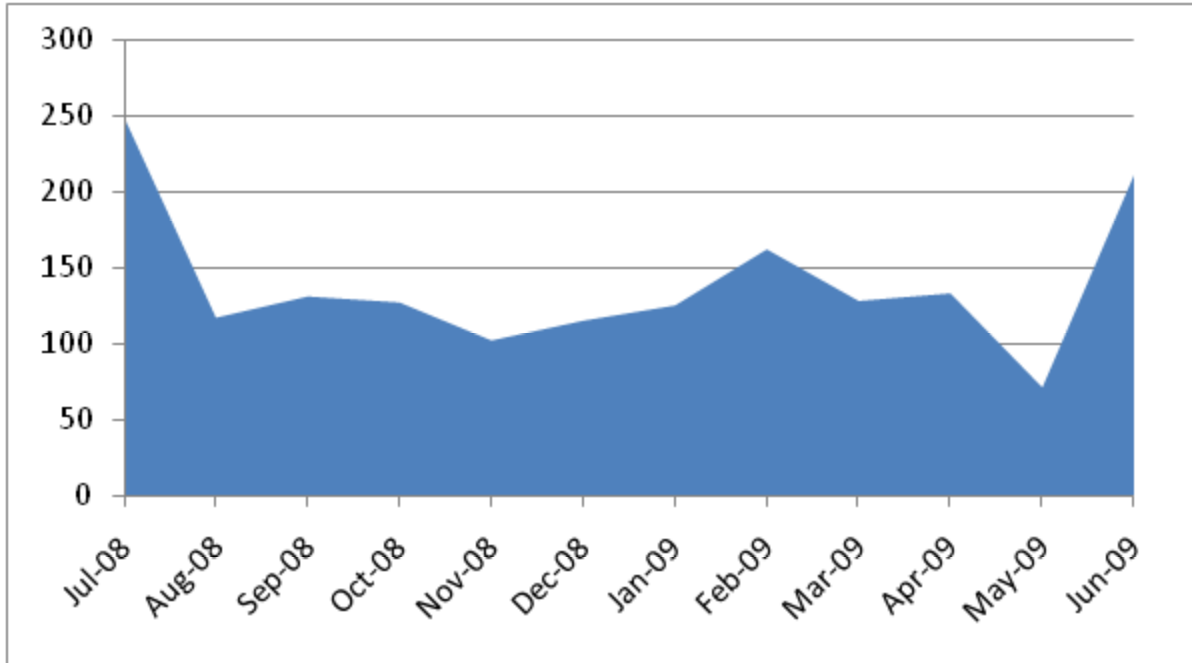
### **Investments**

In May 2009, following a detailed analysis by our investment consultant, the Plan’s investment menu was revamped to provide better options to our participants. The new options had improved Morningstar ratings, lower fees and a superior return history.

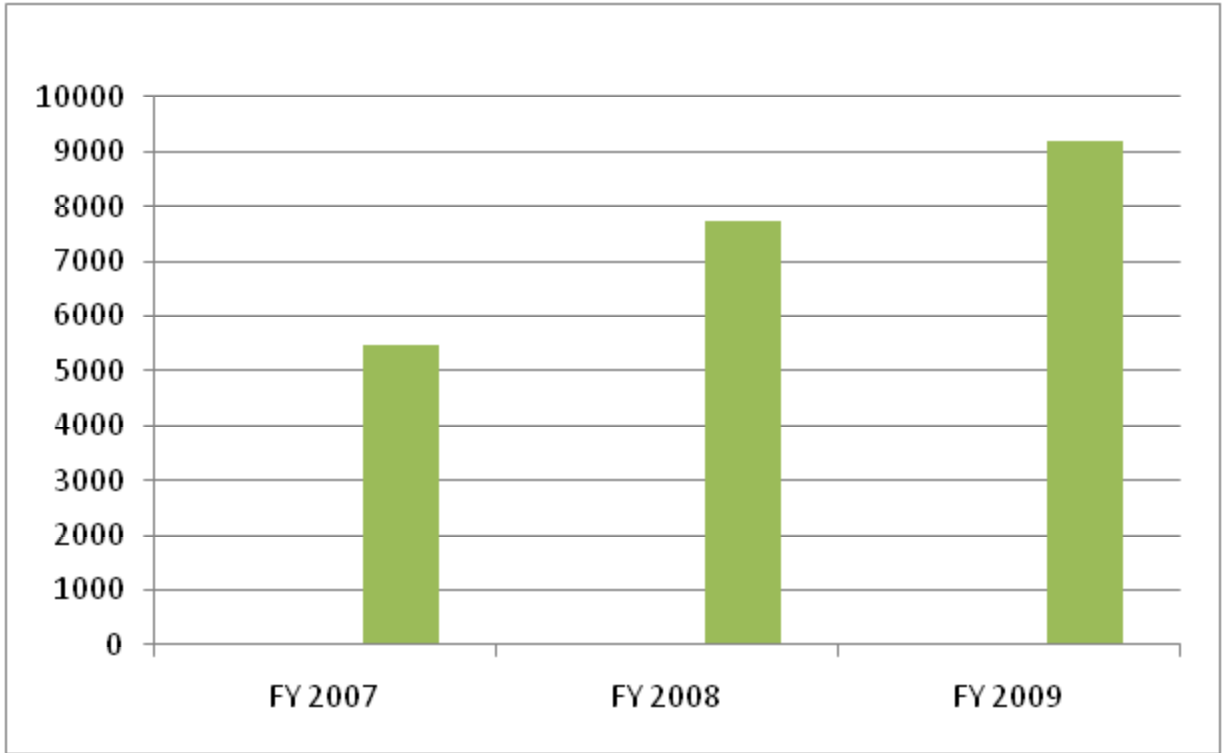
### **Outreach**

An effective outreach strategy is imperative to providing financial education opportunities and adding new participants. In order to improve outreach effectiveness, staff time was dedicated to analyzing public employee data and establishing outreach targets. Outreach strategies were then developed and implemented to reach and educate all Plan stakeholders. The following are some key accomplishments in this area:

## FY 09 New Enrollment by Month



**Participant Totals by Fiscal Year**





# **Board of Treasury Investments**

# West Virginia State Treasurer's Fiscal 2009 Annual Report

## Board of Treasury Investments

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

### Savings

Under budget

- \$329,000 FY 2006
- \$238,000 FY 2007
- \$163,000 FY 2008
- \$55,000 FY 2009
- \$727,000 Total \$363,500 of savings have been passed on to participants
- \$100,000 savings by renegotiating manager contract

### Accomplishments

#### Growth of Fund

\$2.243 B July 2005

\$3.664 B July 2009

### Major Achievements

Unqualified Audit Opinion with no Management Letter Comments

GFOA Certificate of Achievement

AAAm Rating

### CD Auction Program

#### 11/2009

\$594 M Placed with WV Banks

\$8.7 M Interest Earnings

# West Virginia State Treasurer's Fiscal 2009 Annual Report

**Local Government Investment Balances**  
as of June 30, 2009  
(in Thousands)

