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JOINT COMMITTEE ON
GOVERNMENT AND FINANCE

Materials Distributed

December 11, 2007

November 28, 2007

3:00 - 4:00 p.m.

Joint Committee on Government and Finance

Senate

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

House

Thompson, Chair
Caputo
DeLong
Webster
White
Armstead
Border

President Tomblin, Cochair, presided.

1. Approval of Minutes

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

2. Committee Reports/Requests

Select Committee B - Veterans' Issues - Senator Hunter

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

Select Committee B - Veterans' Issues - Senator Hunter

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

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

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

4. Workers' Compensation

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

5. Division of Highways Audit

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

6. PEIA, BRIM and CHIP Reports

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

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

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

7. Leasing Report, Department of Administration

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

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

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

9. Monthly Report on the Pharmaceutical Cost Management Council

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

10. Board of Treasury Report Distribution

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

12. Other Business

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

13. Scheduled Interim Dates

December 9 - 11
January 6 - 8, 2008

The meeting was adjourned.

WEST VIRGINIA LEGISLATURE
Office of the Legislative Auditor

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



304-347-4870

December 5, 2007

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

Lottery Commission as of October 31, 2007 :

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

General Revenue Fund as of November 30, 2007:

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

State Road Fund as of November 30, 2007:

Fund collections were at 104.94% of the yearly estimate.

Unemployment Compensation Trust as of September 30, 2007:

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

Joint Committee on Government and Finance

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304-347-4870

MEMORANDUM

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

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

Date: December 5, 2007

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

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

Lottery Revenues:

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

Joint Committee on Government and Finance

Lottery continued

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

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

Operating Income:

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

Operating Transfers to the State of West Virginia:

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

A schedule of cash transfers follows:

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

Lottery continued

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

Excess Lottery Fund

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

House Bill 2007 2,000,000.00

Veterans Instant Ticket Fund 269,000.00

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

Lottery continued

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

* CASH BASIS

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



P.O. BOX 2067
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Joe Manchin III
Governor

John C. Musgrave
Director

MEMORANDUM

TO: Joint Committee on Government and Finance

FROM: John C. Musgrave, Director

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

DATE: November 20, 2007

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

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

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

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

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

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

JCM/rd
Attachment

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

www.wvlottery.com

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

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

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

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

(In Thousands)

-Unaudited-

	CURRENT MONTH		YEAR TO DATE	
	2007	2006	2007	2006
Lottery revenues				
On-line games	\$ 5,939	\$ 6,416	\$ 29,701	\$ 29,970
Instant games	9,358	9,245	37,336	36,800
Racetrack video lottery	72,969	79,572	311,216	335,823
Limited video lottery	33,694	32,154	131,964	126,653
Table games	188	-	188	-
	<u>122,148</u>	<u>127,387</u>	<u>510,405</u>	<u>529,246</u>
Less commissions				
On-line games	416	449	2,079	2,098
Instant games	655	647	2,614	2,576
Racetrack video lottery	42,620	47,704	182,574	199,065
Limited video lottery	17,831	17,016	65,983	67,025
Table games	74	-	74	-
	<u>61,596</u>	<u>65,816</u>	<u>253,324</u>	<u>270,764</u>
Less on-line prizes	3,006	3,208	14,991	15,232
Less instant prizes	6,518	6,319	25,753	25,226
Less ticket costs	123	132	519	526
Less vendor fees and costs	296	325	1,913	1,979
	<u>9,943</u>	<u>9,984</u>	<u>43,176</u>	<u>42,963</u>
Gross profit	<u>50,609</u>	<u>51,587</u>	<u>213,905</u>	<u>213,519</u>
Administrative expenses				
Advertising and promotions	1,257	914	3,403	3,054
Wages and related benefits	555	470	2,122	1,961
Telecommunications	332	113	862	760
Contractual and professional	139	310	1,071	951
Rental	20	42	186	205
Depreciation and amortization	38	23	172	183
Other administrative expenses	199	89	602	378
	<u>2,540</u>	<u>1,961</u>	<u>8,418</u>	<u>7,492</u>
Other Operating Income	<u>304</u>	<u>88</u>	<u>2,202</u>	<u>1,498</u>
Operating Income	<u>49,373</u>	<u>49,714</u>	<u>207,689</u>	<u>209,523</u>
Nonoperating income (expense)				
Investment income	1,019	734	3,984	2,943
Interest expense	(1)	15	(6)	(16)
Distributions to municipalities and counties	(660)	(630)	(2,586)	(2,482)
Distributions to racetracks-capital reinvestment	(920)	(691)	(920)	(691)
Distributions to the State of West Virginia	(47,681)	(49,057)	(207,716)	(209,163)
	<u>(48,243)</u>	<u>(49,629)</u>	<u>(207,244)</u>	<u>(209,409)</u>
Net income	<u>130</u>	<u>85</u>	<u>445</u>	<u>116</u>
Net assets, beginning of period	<u>43,804</u>	<u>20,281</u>	<u>43,489</u>	<u>20,250</u>
Net assets, end of period	<u>\$ 43,934</u>	<u>\$ 20,366</u>	<u>\$ 43,934</u>	<u>\$ 20,366</u>

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

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

(In Thousands)

-Unaudited-

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

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

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 1 - LEGISLATIVE ENACTMENT

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

NOTE 3 - CASH AND CASH EQUIVALENTS

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

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

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

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

NOTE 4 – CAPITAL ASSETS

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

WEST VIRGINIA LOTTERY
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NOTE 4 - CAPITAL ASSETS (continued)

Capital Assets:

	Historical Cost At June 30, 2007	Additions	Deletions	Historical Cost At October 31, 2007
Construction in Progress	\$ 443	\$ -	\$ -	\$ 443
Improvements	1,119	-	-	1,119
Equipment	11,504	-	-	11,504
	<u>\$ 13,066</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,066</u>
Accumulated Depreciation:				
	Historical Cost At June 30, 2007	Additions	Deletions	Historical Cost At October 31, 2007
Improvements	\$ 925	\$ 25	\$ -	\$ 950
Equipment	10,690	147	-	10,837
	<u>\$ 11,615</u>	<u>\$ 172</u>	<u>\$ -</u>	<u>\$ 11,787</u>

NOTE 5 - PARTICIPATION IN THE MULTI-STATE LOTTERY

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

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

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

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

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

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

NOTE 6 - RACETRACK VIDEO LOTTERY

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

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

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

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

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

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

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
 -Unaudited-

NOTE 6 - RACETRACK VIDEO LOTTERY (continued)

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

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

	<u>October 31, 2007</u>	<u>Year-to Date</u>
State Lottery Fund	\$14,446	\$83,062
State Excess Lottery Revenue Fund	10,430	10,430
Capital Reinvestment Fund	920	920
Tourism Promotion Fund 1.375%	933	4,078
Development Office Promotion Fund .375 %	258	1,113
Research Challenge Fund .5 %	339	1,482
Capitol Renovation & Improvement Fund .6875 %	467	2,039
Parking Garage Fund .0625 %	42	185
Parking Garage Fund 1 %	-	500
Cultural Facilities & Capitol Resources Fund .5 %	339	1,232
Capitol Dome & Capitol Improvements Fund .5 %	339	1,232
Worker's Compensation Debt Reduction Fund 7 %	-	11,000
Total nonoperating distributions	<u><u>\$28,510</u></u>	<u><u>\$117,273</u></u>

NOTE 7 - LIMITED VIDEO LOTTERY

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

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 7 - LIMITED VIDEO LOTTERY (continued)

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

	<u>Current</u> <u>2007</u>	<u>Month</u> <u>2006</u>	<u>Year- to -Date</u> <u>2007</u>	<u>2006</u>
Total credits played	\$410,063	\$391,606	\$1,603,977	\$1,548,112
Credits (prizes) won	(376,369)	(359,452)	(1,474,013)	(1,421,459)
Gross terminal income	<u>\$33,694</u>	<u>\$32,154</u>	<u>\$131,964</u>	<u>\$126,653</u>
Administrative costs	(674)	(643)	(2,640)	(2,533)
Gross Profit	<u>\$33,020</u>	<u>\$31,511</u>	<u>\$129,324</u>	<u>\$124,120</u>
Commissions	(17,831)	(17,016)	(63,983)	(67,025)
Municipalities and Counties	(660)	(630)	(2,586)	(2,482)
Limited video lottery revenues	<u>\$14,529</u>	<u>\$13,865</u>	<u>\$60,755</u>	<u>\$54,613</u>

NOTE 8 - NONOPERATING DISTRIBUTIONS TO THE STATE OF WEST VIRGINIA

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

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS

-Unaudited-

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

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

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

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

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

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

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

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

NOTE 9 - RESTRICTED NET ASSETS

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

NOTE 10 - DEFERRED JACKPOT OBLIGATIONS AND INVESTMENTS HELD IN TRUST

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

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
 -Unaudited-

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

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

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

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

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

*Due 8/15/2008

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

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

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

Employees who retire at or after age sixty with five or more years of contributory service or who retire at or after age fifty-five and have completed twenty-five years of credited service with age and credited service equal to eighty or greater are eligible for retirement benefits as established by State statute. Retirement benefits are payable monthly for life, in the form of a straight-line annuity equal to two percent of the employee's average annual salary from the highest 36 consecutive months within the last 10 years of employment, multiplied by the number of years of the employee's credited service at the time of retirement.

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

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

NOTE 12 - RISK MANAGEMENT

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

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
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NOTE 12 - RISK MANAGEMENT (continued)

WEST VIRGINIA WORKERS' COMPENSATION COMMISSION (WCC)

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

PUBLIC EMPLOYEES' INSURANCE AGENCY (PEIA)

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

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

BOARD OF RISK AND INSURANCE MANAGEMENT (BRIM)

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

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
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NOTE 12 - RISK MANAGEMENT (continued)

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

NOTE 13 - NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 43, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans," and Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" (OPEB). The State nor the Lottery has previously reported in its financial statements costs associated with future participation of retirees in health benefit plans. The GASB statements are based on the premise that the "costs" of employee services should be reported during the periods when the services are rendered. Beginning with the fiscal year ending June 30, 2007, the State will implement financial reporting requirements for OPEB "substantive plans" under GASB Statement No. 43; beginning with fiscal year ending June 30, 2008, the State will implement accounting and financial reporting requirements as an employer under GASB Statement No. 45. The financial statements will report OPEB funded status and funding progress and any "premium subsidy" resulting from the pooling of retiree participants with active employees in the health benefit plans. For "employer" OPEB reporting the State will report "expense" on an accrual basis in the amount of the "annual required contribution" and a "liability" for the amount of the "annual required contribution" that was not actually paid.

Funds have not been set aside to pay future costs of retirees, but the Legislature in response to the GASB statements, has made statutory changes to create the West Virginia Retiree Health Benefit Trust Fund (RHBT), an irrevocable trust fund, in which employer contributions for future retiree health costs may be accumulated and invested, and which is expected to facilitate the separate financial reporting of OPEB. The legislation requires the RHBT to determine through an actuarial study, as prescribed by GASB No. 43, the ARC(Annual Required Contribution) which shall be sufficient to maintain the RHBT in an actuarially sound manner. The ARC shall be allocated to respective employers including the Lottery who are required by law to remit at least the minimum annual premium component of the ARC. Revenues collected by RHBT shall be used to fund current OPEB healthcare claims and administrative expenses with residue funds held in trust for future OPEB costs. Because the necessary actuarial study has not yet been completed, the annual required contribution rates are not yet available. The Lottery expects to remit the annual required contribution to the State. The impact of this statement on these financial statements has not yet been determined by management.

The Governmental Accounting Standards Board (GASB) issued statement No. 47, Accounting for Termination Benefits, in June 2005. This Statement establishes accounting standards for termination benefits and requires employers to disclose a description of the termination benefit arrangement, the cost of the termination benefits (required in the period in which the employer becomes obligated if that information is not otherwise identifiable from information displayed on the face of the financial

WEST VIRGINIA LOTTERY
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-Unaudited-

NOTE 13 - NEW ACCOUNTING PRONOUNCEMENTS (continued)

statements, and significant methods and assumptions used to determine termination benefit liabilities. The requirements of this Statement are effective in two parts. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this Statement should be implemented simultaneously with the requirements of Statement 45. For all other termination benefits, this Statement is effective for financial statements for periods beginning after June 15, 2005. No other termination benefits are offered or provided that required implementation in the years ended June 30, 2007 and 2006. The impact of this statement on these financial statements is not expected to have a material effect.

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

NOTE 14 - COMMITMENTS

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

NOTE 15 - TABLE GAMES

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

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

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

WEST VIRGINIA LOTTERY
 NOTES TO FINANCIAL STATEMENTS
 -Unaudited-

NOTE 15 – TABLE GAMES (continued)

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

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

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

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

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

WEST VIRGINIA LEGISLATURE
Office of the Legislative Auditor

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



304-347-4870

Memorandum

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

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

Date: December 5, 2007

Re: Status of General Revenue Fund November 30, 2007

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

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

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

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

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

Joint Committee on Government and Finance

State Road Fund

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

Rainy Day and Personal Income Tax Reserve

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

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

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

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

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

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

GENERAL REVENUE FUND FY 2007-2008

Monthly Revenue Estimates July 2007
as of November 29, 2007, WV FIMS

SOURCE OF REVENUE	MONTH ESTIMATES	NET MONTH COLLECTIONS	FINAL	YTD ESTIMATES	NET YTD COLLECTIONS	YEARLY
			MONTHLY OVER/ UNDER ESTIMATES VS ACTUAL COLLECTIONS			OVER/UNDER ESTIMATES VS ACTUAL YTD COLLECTIONS
Personal Income Tax	85,500,000	82,228,975	-3,271,025	521,900,000	549,977,942	28,077,942
Consumer Sales Tax	87,000,000	75,034,947	-11,965,053	441,300,000	422,706,416	-18,593,584
Severance Tax	29,500,000	26,121,455	-3,378,545	118,200,000	127,897,836	9,697,836
Corp Income /Business Franchise	2,700,000	-10,258,324	-12,958,324	98,700,000	115,322,693	16,622,693
Business and Occupation	12,100,000	11,624,547	-475,453	58,700,000	61,438,323	2,738,323
Use Tax	9,800,000	9,178,998	-621,002	57,300,000	54,456,187	-2,843,813
Insurance Tax	700,000	645,413	-54,587	53,500,000	49,363,029	-4,136,971
Cigarette Tax	9,800,000	9,044,597	-755,403	46,900,000	45,550,027	-1,349,973
HB 102 - Lottery Transfers	24,600,000	22,919,561	-1,680,439	29,600,000	35,521,222	5,921,222
Interest Income	4,000,000	3,257,259	-742,741	19,000,000	23,140,033	4,140,033
Property Transfer Tax	1,090,000	1,067,174	-22,826	5,880,000	5,689,272	-190,728
Liquor Profit Transfers	2,600,000	2,617,000	17,000	5,540,000	5,837,798	297,798
Departmental Collections	800,000	1,387,564	587,564	4,100,000	5,370,360	1,270,360
Beer Tax and Licenses	590,000	590,294	294	3,480,000	3,520,734	40,734
Charter Tax	410,000	372,376	-37,624	3,280,000	3,159,744	-120,256
Property Tax	330,000	353,608	23,608	2,770,000	3,013,484	243,484
Smokeless Tobacco Tax	450,000	612,795	162,795	2,160,000	2,404,366	244,366
Miscellaneous Recelpts	90,000	112,594	22,594	610,000	466,478	-143,522
Business Franchise Fees	30,000	24,306	-5,694	530,000	1,015,654	485,654
Miscellaneous Transfers	100,000	0	-100,000	400,000	991,093	591,093
Racing Fees	300,000	0	-300,000	300,000	140,000	-160,000
Senior Citizen Tax Credit Relmb.	0	0	0	230,000	0	-230,000
Telecommunications Tax	0	29,476	0	0	144,648	144,648
Estate and Inheritance Tax	0	0	0	0	29,869	29,869
Refundable Credit Reim LTY	0	149,793	149,793	0	307,158	307,158
Video Lottery Transfers	0	36,187	36,187	0	192,062	192,062
Special Revenue Transfer	0	0	0	0	0	0
Cash Flow Transfer	0	0	0	0	0	0
TOTALS	272,490,000	237,150,596	-35,339,404	1,474,380,000	1,517,656,408	43,276,408
Minus Cash Flow Transfer	0	0	0	0	0	0
Percent of Estimates		87.03%			102.94%	
TOTALS	272,490,000	237,150,596	-35,339,404	1,474,380,000	1,517,656,408	43,276,408
Collections this day		29,233,097				

Prepared by Legislative Auditor's Office, Budget Division

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

FINAL

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

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

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

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

WEST VIRGINIA LEGISLATURE
Office of the Legislative Auditor

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



304-347-4870

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

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

Date: December 5, 2007

Re: West Virginia Unemployment Compensation Trust Fund

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

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

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

ITEMS OF NOTE:

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

Joint Committee on Government and Finance

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

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

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

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

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

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

	<u>JULY 06</u>	<u>AUGUST 06</u>	<u>SEPTEMBER 06</u>	<u>JULY 07</u>	<u>AUGUST 07</u>	<u>SEPTEMBER 07</u>	<u>THREE MONTH TOTAL VARIANCE *</u>
Balance Forward	<u>244,818,539.17</u>	<u>244,792,010.38</u>	<u>254,894,472.82</u>	<u>287,112,739.88</u>	<u>258,952,769.82</u>	<u>262,831,839.34</u>	<u>32,322,015.16</u>
Add Receipts:							
1. Bond Assessment	\$578.30	\$718.40	\$0.00	0.00	0.00	0.00	(1,296.70)
2. Regular Contributions:	\$11,568,993.47	\$20,647,745.20	\$700,277.52	12,872,078.88	18,128,509.57	553,688.83	(1,682,788.81)
3. Extended Benefit Funds	\$0.00	\$0.00	\$0.00	0.00	0.00	0.00	0.00
4. Emergency Unemployment Funds	\$0.00	\$0.00	\$0.00	0.00	0.00	0.00	0.00
5. TEUC Unemployment Funds	\$0.00	\$0.00	\$0.00	0.00	0.00	0.00	0.00
6. UCFE (Federal Agencies)	\$50,000.00	\$100,000.00	\$0.00	0.00	0.00	0.00	(150,000.00)
7. Reduced Tax Credits	\$0.00	\$29,787.01	\$0.00	0.00	0.00	0.00	(29,787.01)
8. Reed Act Funds	\$0.00	\$0.00	\$314,783.48	0.00	0.00	301,800.21	(12,983.27)
9. Treasury Interest Credits	\$0.00	\$0.00	\$2,805,553.58	0.00	0.00	2,857,205.48	251,651.88
10. UCK (Military Agencies)	<u>\$150,000.00</u>	<u>\$500,000.00</u>	<u>\$0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>(850,000.00)</u>
Total Monthly Receipts	<u>\$11,787,571.77</u>	<u>\$21,278,250.61</u>	<u>\$3,620,614.68</u>	<u>12,872,078.88</u>	<u>18,128,509.57</u>	<u>3,712,674.90</u>	<u>(2,178,174.01)</u>
Less Disbursements:							
Debt Bond Repayment	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	NA
Regular Benefits:	\$11,458,232.68	\$10,678,428.78	\$8,334,741.48	12,515,694.69	11,963,705.41	8,643,185.18	2,349,192.38
Extended Benefits	\$0.00	\$0.00	\$0.00	0.00	0.00	0.00	0.00
Emergency Benefits	\$0.00	(\$1,630.00)	(\$1,145.00)	(5,704.00)	(560.00)	(720.00)	(4,149.00)
UCFE (Federal Workers)Benefits	\$88,678.70	\$88,084.68	\$89,084.68	68,445.47	64,659.04	72,253.25	(19,487.26)
UCK (Military Workers)Benefits	\$368,182.18	\$259,894.65	\$269,864.65	253,621.78	219,825.40	208,368.00	(208,189.30)
Reed Act Funds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Other Adjustments	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Monthly Disbursements	<u>11,814,100.56</u>	<u>11,205,788.07</u>	<u>8,661,648.77</u>	<u>12,832,057.94</u>	<u>12,247,728.85</u>	<u>8,621,113.43</u>	<u>2,119,388.82</u>
Trust Fund Balance	<u>244,792,010.38</u>	<u>254,894,472.92</u>	<u>249,823,441.73</u>	<u>258,952,769.82</u>	<u>282,831,839.34</u>	<u>287,723,100.41</u>	<u>28,027,474.33</u>



Financials

AUGUST 2007

State of West Virginia
Public Employees Insurance Agency

Balance Sheet

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

DRAFT

Assets	August 2007	August 2006	Increase <Decrease>
Cash and cash equivalents	\$ 179,836,098	\$ 106,703,709	\$ 74,132,389
Deposits with third-party administrators	1,278,430	820,472	454,958
Premium accounts receivable-net of allowance for doubtful accounts	18,521,410	33,657,643	(15,136,233)
Other accounts receivable	1,524,397	12,930,773	(11,406,376)
Total current assets	201,157,335	153,112,597	48,044,738
Investments	171,017,395	159,262,610	11,754,785
Furniture and equipment, net of accumulated depreciation	678,374	208,328	472,048
Restricted cash-premium stabilization life insurance	3,942,968	3,942,764	214
Restricted cash-new computer system		3,833,000	(3,833,000)
Total assets	\$ 376,796,072	\$ 320,357,287	\$ 56,438,785
Liabilities and Retained Earnings	\$ 37,490,000	\$ 49,450,000	\$ (11,960,000)
Claims payable	8,097,843	3,734,153	4,363,690
Current claims payable	6,754,194	10,116,080	(3,360,886)
Unearned revenue	13,968,921	10,385,619	3,583,302
Accounts payable	1,184,487	1,172,634	11,853
Other accrued liabilities	130,872,872	20,408,157	110,464,715
Due to over-reserve fund			
Total liabilities	196,358,297	95,243,643	103,114,654
Retained earnings	178,437,775	225,113,644	(46,675,869)
Total liabilities and retained earnings	\$ 376,796,072	\$ 320,357,287	\$ 56,438,785

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

NOTE

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

August 31, 2007 and 2006

Accrual Basis
(Unaudited-For Internal Use Only)

DRAFT

	Budgeted Two Month Ended 31-Aug-07	Actual Two Month Ended 31-Aug-07	Budget Variance Percent	Actual Two Month Ended 31-Aug-06	This Year vs Last Year Increase <Decrease>	This Year vs Last Year Variance Percent
Operating Revenue						
Premiums						
Employer Premiums-State	\$ 47,586,684	\$ 47,459,562	-0.27%	\$ 68,275,008	\$ (20,815,446)	-30.49%
Employee Premiums-State	12,592,737	12,470,781	-0.97%	16,084,124	(3,613,343)	-22.47%
Local Premiums	8,340,280	8,555,964	2.59%	12,019,465	(3,463,501)	-28.82%
Retiree Premiums	-	-	N/A	10,621,471	(10,621,471)	-100.00%
Basic Life Insurance	1,071,827	1,033,962	-3.53%	1,018,132	15,830	1.55%
Other Premiums and Adjustments	245,142	179,995	-26.58%	226,151	(46,156)	-20.41%
Medicare Part D	-	-	N/A	3,300,000	-	0.00%
Total Premiums	69,836,670	69,700,264	-0.20%	111,544,351	(41,844,087)	-37.51%
Less:						
Payments to managed care organizations	(9,375,527)	(9,071,964)	-3.24%	(9,465,223)	393,259	-4.15%
Life insurance premiums-basic	(1,071,827)	(1,033,943)	-3.53%	(1,018,124)	(15,819)	1.55%
Net premium revenue	59,389,316	59,594,357	0.33%	101,061,004	(41,466,647)	-41.03%
Administrative fees, net of refunds	720,115	711,820	-1.15%	971,174	(259,354)	-26.71%
Net operating revenue	60,109,431	60,306,177	0.33%	102,032,178	(41,726,001)	-40.89%
Operating Expenses						
Claims expense-medical	40,038,386	44,030,660	9.97%	52,720,613	(8,689,953)	-16.48%
Claims expense-drugs	13,526,203	11,139,859	-17.64%	25,961,241	(14,821,382)	-57.09%
Administrative service fees	2,120,667	2,088,291	-1.53%	2,739,659	(651,368)	-23.78%
Wellness and disease management	316,667	306,906	-3.08%	302,262	4,644	1.54%
Other operating expenses	1,016,750	809,868	-20.35%	1,335,212	(525,344)	-39.35%
Total operating expense	57,018,663	58,375,584	2.38%	83,058,987	(24,583,407)	-29.72%
Operating surplus	3,090,768	1,930,593	-37.54%	18,973,191	(17,042,598)	-89.82%

State of West Virginia
Public Employees Insurance Agency

Statements of Revenues, Expenses and
Change in Retained Earnings (continued)

August 31, 2007 and 2006

Accrual Basis
(Unaudited-For Internal Use Only)

DRAFT

	Budgeted Two Month Ended 31-Aug-07	Actual Two Month Ended 31-Aug-07	Budget Variance Percent	Actual Two Month Ended 31-Aug-06	This Year vs Last Year Increase <Decrease>	This Year vs Last Year Variance Percent
Nonoperating Revenues and Transfers						
Interest and investment income	2,678,726	2,432,613	-9.19%	3,538,268	(3,105,655)	-56.08%
Transfer in			N/A	1,116,000	(1,116,000)	-100.00%
Total nonoperating revenues and transfers	<u>2,678,726</u>	<u>2,432,613</u>	<u>-9.19%</u>	<u>6,654,268</u>	<u>(4,221,655)</u>	<u>-63.44%</u>
Net Surplus	<u>\$ 5,769,484</u>	<u>4,868,306</u>	<u>-24.37%</u>	<u>25,627,459</u>	<u>(21,264,559)</u>	<u>-82.97%</u>
Retained Earnings, beginning of period		<u>174,074,569</u>		<u>199,486,185</u>	<u>(25,411,616)</u>	
Retained Earnings, end of period		<u>\$ 178,942,875</u>		<u>\$ 225,113,644</u>	<u>\$ (46,675,869)</u>	

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

NOTE

State of West Virginia
Public Employees Insurance Agency
Financial Comments
Year to Date August 31, 2007 and 2008
Accrual Basis
(Unaudited-For Internal Use Only)

DRAFT

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

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

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

Medical claims retrospective review of the August 2007 IBNR indicates that the estimate was overstated by \$2.2 million. Allowing for this overstatement medical claims expense the adjusted year to date expense would have been \$41,830,680 or 4.51% over budget. (Retrospective through October 2007 claims payments)

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

DRAFT

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

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

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

DRAFT

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

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

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

DRAFT

Year-to-Date August 31, 2007
Accrual Basis

(Unaudited-For Internal Use Only)

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

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

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

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

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

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

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

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

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



*Prescription
Drug Report*

OCTOBER 2007

WV PEIA - Monthly Trend

Plan Demographics	Jul-07	Aug-07	Sep-07	Oct-07	2007 - 2008 Fiscal	2006 - 2007 Fiscal	% Change
Total Drug Cost	\$10,982,144	\$12,276,568	\$11,768,088	\$12,970,510	\$47,968,294	\$49,458,038	-3.01%
Amount Paid By Plan Sponsor	\$8,218,181	\$8,940,168	\$8,880,428	\$10,218,148	\$34,352,892	\$38,473,464	-8.81%
Amount Paid By Members	\$4,745,983	\$3,335,898	\$2,777,660	\$2,752,362	\$13,615,402	\$12,882,584	4.88%
Total Claims	173,439	189,268	188,181	203,394	782,278	\$732,828	2.65%
Average Eligible Member	163,233	163,348	163,830	165,178	163,897	155,486	-1.02%
Average # of Rx's Per Member Per Month	1.13	1.23	1.21	1.31	1.22	1	3.72%
Plan Paid Per Member Per Month (PMPM)	\$40.57	\$58.30	\$58.38	\$66.84	\$85.81	\$68.64	-4.84%
Average Eligible Enrollees	71,040	71,018	71,168	71,701	71,231	72,585	-1.87%
Average # of Rx's Per Enrollee Per Month	2.44	2.67	2.62	2.84	2.64	2.82	4.81%
Plan Paid Per Enrollee Per Month (PEPM)	\$87.50	\$126.89	\$126.18	\$142.48	\$120.67	\$126.82	-4.02%
Rx Cost Share							
Avg. Claim Cost to Plan	\$38.84	\$47.24	\$48.23	\$50.23	\$45.87	\$49.77	-8.26%
Avg. Member Cost/Claim	\$27.38	\$17.82	\$14.82	\$13.54	\$18.10	\$17.72	2.18%
Percent member Cost Share	43.3%	27.2%	23.8%	21.2%	28.4%	28.3%	8.12%
Average Ingredient Costs							
Single Source (no generics available)	\$148.01	\$163.40	\$152.30	\$168.28	\$162.60	\$ 132.19	18.44%
Multi-Source Brand (generics available)	\$38.90	\$38.77	\$36.88	\$41.88	\$37.73	\$ 38.80	-3.01%
Generic Drugs	\$19.58	\$20.42	\$20.65	\$20.54	\$20.32	\$ 24.87	-18.32%
Brand/Generic Dispensing Rates							
Single Source (no generics)	32.47%	32.00%	30.87%	30.4%	31.41%	37.53%	-18.31%
Multi-Source Brand % (generics available)	1.12%	1.06%	1.01%	1.0%	1.05%	1.21%	-13.28%
Generic Drug	66.41%	66.93%	68.12%	68.5%	67.54%	61.26%	10.28%
Generics Dispensed when available	68.35%	68.44%	68.54%	68.6%	68.47%	68.06%	0.42%
Percent of Plan Cost for Single Source	88.12%	82.08%	78.76%	78.2%	81.34%	78.10%	4.14%
Retail Pharmacy Program							
Avg. Day Supply	32.4	33.1	32.4	32.1	32.5	32.20	0.80%
Avg. Plan Cost/Day Supply	\$1.09	\$1.41	\$1.48	\$1.65	\$1.39	\$ 1.62	-8.68%
Avg. Claim Cost to Plan	\$38.44	\$48.74	\$47.81	\$49.70	\$45.20	\$ 49.04	-7.84%
Avg. Member Cost / Claim	\$27.21	\$17.47	\$14.82	\$13.45	\$17.97	\$ 17.92	0.29%
Percent Member Cost Share	43.43%	27.21%	23.87%	21.3%	28.46%	28.78%	8.20%
Special Maint Netwk (% of claims filed)	10.88%	11.37%	11.63%	11.4%	11.49%	11.10%	3.63%
Other Maint (% of claims filed)	0.69%	0.64%	0.56%	0.6%	0.69%	1.27%	-83.64%
Avg. Days Supply for Maint. Netwks	87.8	87.8	87.7	87.8	87.8	87.8	-0.06%
Total # Claims Fills 1-34 Days Supply	160,620	162,907	160,828	178,620	651,076	638,244	2.33%
Total # Claims Fills 35-60 Day Supply	1,160	1,363	1,207	1,397	5,107	5,017	1.76%
Total # Claims Fills 61-90 Day Supply	19,882	23,282	22,417	23,824	89,178	84,783	6.17%
Total # Claims Fills 91+ Day Supply	7	11	6	4	28	133	-78.95%
Mail Service Program							
Avg. Days Supply	71.0	72.0	70.8	72.0	71.8	72	-1.09%
Avg. Plan Cost/Days Supply	\$1.13	\$1.38	\$1.38	\$1.60	\$1.34	\$ 1.30	3.08%
Avg. Cost to Plan	\$78.94	\$97.90	\$96.21	\$107.68	\$96.01	\$ 84.13	2.00%
Avg. Member Cost/Claim	\$44.20	\$32.72	\$25.81	\$23.38	\$31.22	\$ 29.13	7.14%
Percent Member Cost Share	35.80%	25.05%	21.18%	17.8%	24.54%	23.7%	3.86%
Total # Claims Fill 1-34 Days Supply	510	583	524	659	2,148	1,883	8.22%
Total # Claims Fills 35-60 Days Supply	2	5	3	6	16	17	-11.76%
Total # Claims Fills 61-90 Days Supply	1,068	1,294	1,098	1,285	4,733	4,841	1.98%
Total # Claims Fills 91+ Day Supply	0	0	0	0	-	-	-
Formulary Program							
S/S Formulary Drugs (% by claim)	23.70%	23.81%	22.88%	22.7%	23.18%	24.97%	-7.18%
S/S Non-Formulary Drugs (% by claim)	8.77%	8.48%	8.02%	7.7%	8.22%	12.68%	-34.62%
M/S Drugs (% by claim)	1.12%	1.06%	1.01%	1.0%	1.05%	1.21%	-13.28%
Generic Drugs (% by Claim)	66.41%	66.83%	68.12%	68.5%	67.54%	61.26%	10.28%
S/S Formulary Drugs (% by \$)	74.78%	70.13%	68.10%	68.1%	69.85%	60.85%	14.78%
s/s non-Formulary Drugs (% by \$)	11.34%	11.95%	11.84%	11.0%	11.49%	17.26%	-33.41%
M/S Drugs (% by \$)	0.28%	0.21%	0.21%	0.3%	0.26%	0.38%	-28.18%
Generic Drugs (% by \$)	13.61%	17.71%	20.04%	20.5%	18.41%	21.54%	-14.64%
Specialty Drugs							
Total Drug Cost	\$1,085,982	\$1,164,601	\$1,018,053	\$1,248,711	\$4,812,347	\$4,278,718	5.81%
Amount Paid by Plan Sponsor	\$1,030,868	\$1,127,423	\$985,818	\$1,212,112	\$4,358,118	\$4,095,210	8.37%
Amount Paid by Members	\$55,018	\$37,178	\$32,435	\$34,599	\$158,228	\$181,604	-13.83%
Total Claims	622	673	590	688	2,670	\$3,011	-14.85%
Avg # of Rx's per Member per Month	0.00	0.00	0.00	0.00	0.004	0	-13.77%
Plan Paid Per Member Per Month (PMPM)	\$8.73	\$7.35	\$8.41	\$7.61	\$7.08	\$8.68	7.47%
Avg Claim Cost to Plan	\$1,687.60	\$1,678.22	\$1,670.84	\$1,769.51	\$1,694.99	\$1,380.08	24.62%
Avg Claim Cost to Member	\$88.45	\$55.24	\$49.89	\$50.51	\$60.78	\$60.28	0.84%
Percent of Member Cost Share	5.07%	3.18%	2.90%	2.78%	3.46%	4.24%	-18.42%
Percent of Overall Drug Spend	8.81%	9.49%	8.63%	9.61%	9.41%	8.66%	6.79%

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



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Div Name (DIV)	Avg Mbr Count	Avg Util Mbr/Mnth	Rx Count	Plan Cost	Member Contd/Rx	Plan Cost/Rx	Mail % Rxs	Gen % Rxs	Form % Rxs	Gen Conv %	PMPM Plan Cost
WV PUBLIC EMPLOYEES INSURANCE (WVA)	155,178	70,380	203,765	\$10,234,960	\$13.58	\$50.23	0.9 %	68.5 %	90.7 %	98.5 %	\$65.86
Grand Total	155,178		203,765	\$10,234,960	\$13.58	\$50.23	0.9 %	68.5 %	90.7 %	98.5 %	\$65.86

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



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WV PUBLIC EMPLOYEES INSURANCE (WVA)

Reporting Level 1	Avg Mbr Count	Avg Util Mbr/Mnth	Rx Count	Plan Cost	Member Contn/Rx	Plan Cost/Rx	Mail % Rxs	Gen % Rxs	Form % Rxs	Gen Conv %	PMPM Plan Cost
STATE (1000)	134,027	61,147	176,635	\$8,981,596.24	\$13.66	\$50.74	0.9 %	68.1 %	90.5 %	98.5 %	\$68.88
NON STATE (2000)	20,782	9,036	26,409	\$1,209,322.93	\$12.96	\$45.79	0.8 %	71.0 %	91.8 %	99.0 %	\$58.19
COBRA (3000)	389	197	721	\$64,040.73	\$14.40	\$86.82	0.3 %	62.7 %	89.8 %	98.7 %	\$173.55
Grand Total	155,178		203,765	\$10,234,960	\$13.58	\$50.23	0.9 %	68.5 %	90.7 %	98.5 %	\$65.98

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



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WV PUBLIC EMPLOYEES INSURANCE (WVA)

Reporting Level 2	Avg Mbr Count	Avg Util Mbr/Mnth	Rx Count	Plan Cost	Member Contr/Rx	Plan Cost/Rx	Mail % Rxs	Gen % Rxs	Form % Rxs	Gen Conv %	PMPM Plan Cost
STATE AGENCIES (01)	118,243	52,321	148,388	\$7,308,328.60	\$13.63	\$48.92	0.9 %	68.4 %	90.4 %	98.5 %	\$61.81
STATE RETIREES (07)	12,438	8,007	28,494	\$1,588,818.38	\$13.53	\$55.76	1.1 %	66.7 %	91.0 %	98.2 %	\$127.74
NON STATE AGENCIES (02)	17,703	7,664	22,207	\$1,035,013.21	\$12.81	\$46.81	0.8 %	70.6 %	91.7 %	98.9 %	\$58.47
NON STATE RETIREES (08)	856	556	2,137	\$104,428.83	\$11.81	\$48.87	1.3 %	70.8 %	93.2 %	99.1 %	\$121.99
NON STATE AGENCIES PLAN B (02B)	2,222	818	2,065	\$89,882.79	\$15.95	\$33.84	0.4 %	75.0 %	92.0 %	99.3 %	\$31.45
STATE AGENCIES (01B)	3,342	819	1,763	\$84,448.28	\$19.04	\$38.78	1.3 %	73.1 %	91.0 %	99.3 %	\$19.28
COBRA (COBRA)	369	197	721	\$64,040.73	\$14.40	\$88.82	0.3 %	62.7 %	89.9 %	98.7 %	\$173.55
NON STATE RETIREES 60 (0880)	1	NA	NA	\$0.00	NA	NA	NA	NA	NA	NA	NA
STATE RETIREES ASST 60 (0780)	4	NA	NA	\$0.00	NA	NA	NA	NA	NA	NA	NA
Grand Total	185,178		203,785	\$10,234,960	\$13.58	\$50.23	0.9 %	68.5 %	90.7 %	98.5 %	\$65.98



Key Performance Indicators

Comprehensive Indicators

WV Public Employees Ins - w/o AccessWV

Current Period: 10/2007 - 10/2007

Previous Period: 10/2006 - 10/2006

	Current Period	Previous Period	% Change
Overall Performance			
Plan Cost PMPM	\$65.96	\$91.30	-27.8 %
Average Mbrs/Month	155,178	188,420	-17.6 %
Average Subs/Month	71,701	97,008	-26.1 %
% Utilizing Members	45.4 %	51.1 %	-11.3 %
% Retail Utilizing Members	45.1 %	50.8 %	-11.3 %
% Mail Utilizing Members	0.6 %	0.7 %	-19.9 %
Rx Measures			
Rxs PMPM	1.31	1.66	-21.1 %
Retail Rxs PMPM	1.30	1.65	-21.0 %
Mail Rxs PMPM	0.01	0.02	-28.5 %
Average Admin Fee/Rx	\$0.00	\$0.01	-79.5 %
Avg Retail Admin Fee/Rx	\$0.00	\$0.01	-79.5 %
Avg Mail Admin Fee/Rx	\$0.00	\$0.00	0.0 %
Average Plan Cost/Rx	\$50.23	\$54.86	-8.4 %
Avg Retail Plan Cost/Rx	\$49.70	\$54.37	-8.6 %
Avg Mail Plan Cost/Rx	\$107.77	\$103.38	4.2 %
Average Mbr Contrib/Rx	\$13.58	\$12.79	6.2 %
Avg Retail Mbr Contrib/Rx	\$13.49	\$12.71	6.1 %
Avg Mail Mbr Contrib/Rx	\$23.38	\$20.07	16.5 %
Average Ing Cost/Rx	\$62.09	\$65.51	-5.2 %
Avg Retail Ing Cost/Rx	\$61.47	\$64.94	-5.3 %
Avg Mail Ing Cost/Rx	\$129.65	\$121.94	6.3 %
Average AWP/Rx	\$104.72	\$99.56	5.2 %
Avg Retail AWP/Rx	\$103.75	\$98.64	5.2 %
Avg Mail AWP/Rx	\$210.23	\$190.94	10.1 %
Average Days Supply/Rx	32.4	34.4	-5.7 %
Avg Retail Days/Rx	32.0	34.0	-5.7 %
Avg Mail Days/Rx	72.1	74.4	-3.2 %
Average Plan Cost/Day	\$1.55	\$1.60	-2.9 %
Avg Retail Plan Cost/Day	\$1.55	\$1.60	-3.1 %
Avg Mail Plan Cost/Day	\$1.50	\$1.39	7.7 %
% Plan Cost	78.7 %	81.1 %	-2.9 %
% Member Contribution	21.3 %	18.9 %	12.6 %
% Retail Plan Cost	78.7 %	81.0 %	-2.9 %
% Retail Mbr Contrib	21.3 %	19.0 %	12.6 %
% Mail Plan Cost	82.2 %	83.7 %	-1.9 %
% Mail Member Contrib	17.8 %	16.3 %	9.7 %



Key Performance Indicators

Comprehensive Indicators

WV Public Employees Ins - w/o AccessWV

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

	Current Period	Previous Period	% Change
Rx Sources			
% Mail Rxs	0.9 %	1.0 %	-9.3 %
% Retail Rxs	99.1 %	98.9 %	0.2 %
% Member Submit Rxs	0.0 %	0.1 %	-81.2 %
Rx Types			
Avg SSB Plan Cost/Rx	\$130.52	\$111.29	17.3 %
Avg Retail SSB Plan Cost/Rx	\$129.63	\$110.49	17.3 %
Avg Mail SSB Plan Cost/Rx	\$206.61	\$178.85	15.5 %
Avg MSB Plan Cost/Rx	\$16.32	\$11.93	36.7 %
Avg Retail MSB Plan Cost/Rx	\$16.38	\$11.90	37.6 %
Avg Mail MSB Plan Cost/Rx	\$4.44	\$15.86	-72.0 %
Avg GEN Plan Cost/Rx	\$14.98	\$22.57	-33.6 %
Avg Retail GEN Plan Cost/Rx	\$14.74	\$22.34	-34.0 %
Avg Mail GEN Plan Cost/Rx	\$45.02	\$47.70	-5.6 %
% Single-Source Brand Rxs	30.5 %	36.5 %	-16.5 %
% Multi-Source Brand Rxs	1.0 %	1.2 %	-14.8 %
% Generic Rxs	68.5 %	62.3 %	10.0 %
% Retail Single-Source Brand	30.4 %	36.5 %	-16.6 %
% Retail Multi-Source Brand	1.0 %	1.2 %	-14.7 %
% Retail Generic	68.6 %	62.3 %	10.0 %
% Mail Single-Source Brand	39.0 %	42.7 %	-8.7 %
% Mail Multi-Source Brand	0.6 %	0.9 %	-35.6 %
% Mail Generic	60.4 %	56.4 %	7.1 %
% Formulary Rxs	90.7 %	85.9 %	5.5 %
% Retail Formulary Rxs	90.7 %	85.9 %	5.5 %
% Mail Formulary Rxs	90.0 %	85.9 %	4.8 %
% DAW Rxs	0.7 %	0.9 %	-23.5 %
% Retail DAW Rxs	0.7 %	0.9 %	-23.2 %
% Mail DAW Rxs	1.1 %	1.8 %	-37.5 %
% Generic Conversion	98.5 %	98.1 %	0.4 %
% Retail GEN Conversion	98.5 %	98.1 %	0.4 %
% Mail GEN Conversion	99.0 %	98.4 %	0.6 %
Period Totals			
Total Plan Cost	\$10,234,959.90	\$17,202,867.58	-40.5 %
Retail Plan Cost	\$10,035,906.95	\$16,878,773.50	-40.5 %
Mail Plan Cost	\$199,052.95	\$324,094.08	-38.6 %
Total Member Contribution	\$2,766,128.31	\$4,009,899.21	-31.0 %
Retail Member Contrib	\$2,722,940.19	\$3,946,984.63	-31.0 %



Key Performance Indicators
Comprehensive Indicators

WV Public Employees Ins - w/o AccessWV

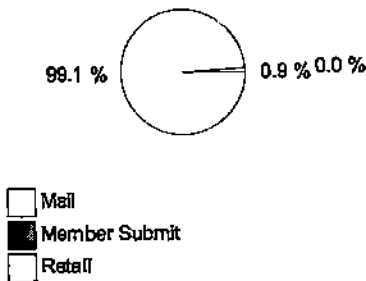
Current Period: 10/2007 - 10/2007
Previous Period: 10/2006 - 10/2006

	Current Period	Previous Period	% Change
Mail Member Contrib	\$43,188.12	\$62,914.58	-31.4 %
Total Rx Count	203,765	313,580	-35.0 %
Retail Rx Count	201,889	310,208	-34.9 %
Member Submit Rxs	29	237	-87.8 %
Mail Rx Count	1,847	3,135	-41.1 %
Total Adm'n Fee	\$255.00	\$1,915.50	-86.7 %
Total UC Savings	\$8,094,176.34	\$10,309,423.23	-21.5 %
Total Lost Savings	\$10,521.00	\$20,060.04	-47.6 %

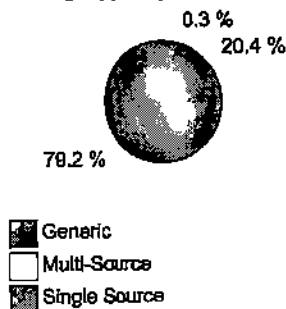
Demographics			
Average Age	38.7	45.3	-14.7 %
% Male Members	46.5 %	45.2 %	3.0 %
% Female Members	53.5 %	54.8 %	-2.4 %

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

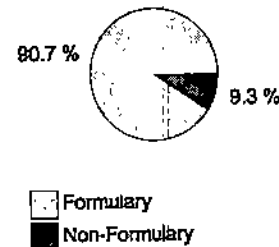
Claim Source by Rx Count



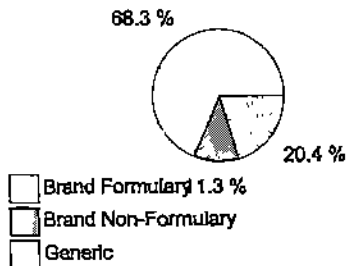
Drug Type by Plan Cost



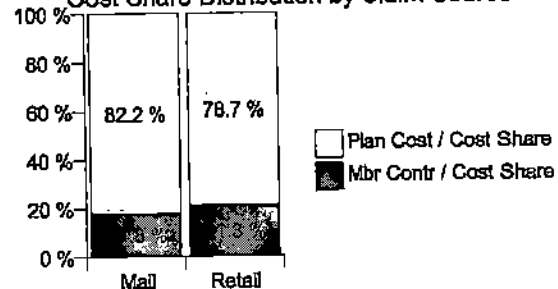
Formulary Status by Rx Count



Drug Formulary Status by Plan Cost



Cost Share Distribution by Claim Source



**West Virginia Board of Risk and Insurance Management
UNAUDITED BALANCE SHEET**



October 31

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

DRAFT - Unaudited - Management Purposes Only

12/06/07

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

DRAFT

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

DRAFT - Unaudited - Management Purposes Only

12/06/07

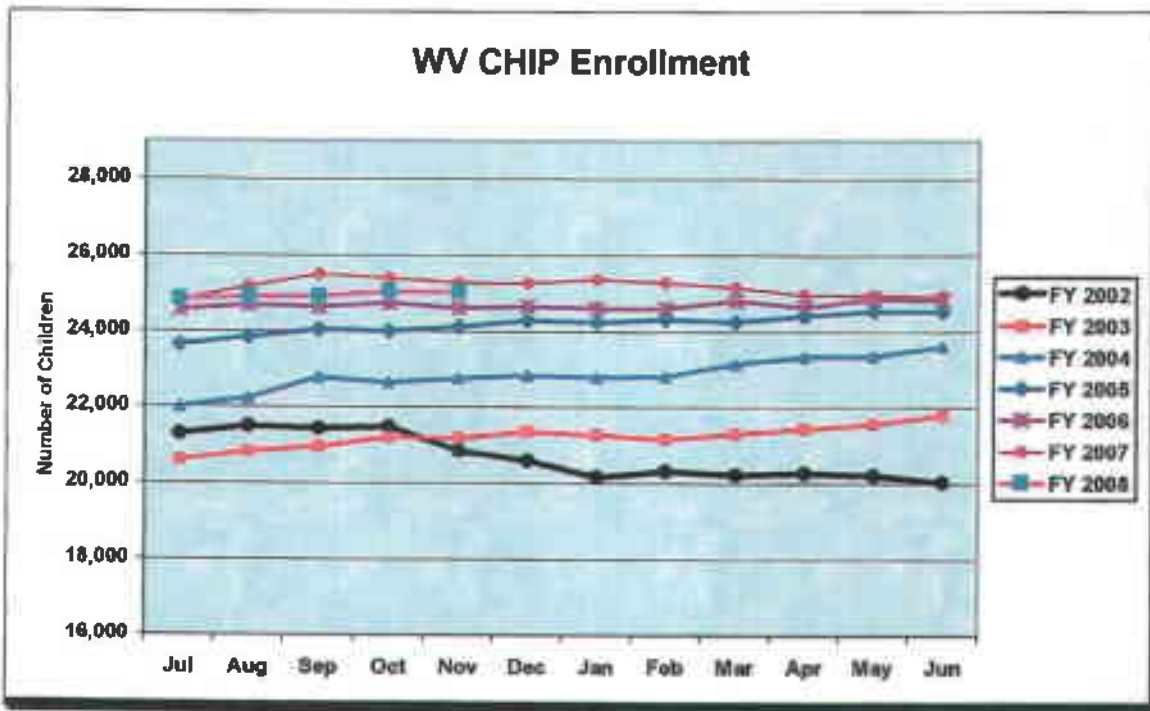


**West Virginia
Children's Health Insurance Program
1018 Kanawha Boulevard East
Suite 209
Charleston, WV 25301
Phone: 304-558-2732
Toll-Free: 1-877-WVA CHIP
Fax: 304-558-2741
www.wvchip.org**

**Joint Committee on
Government and Finance
Report**

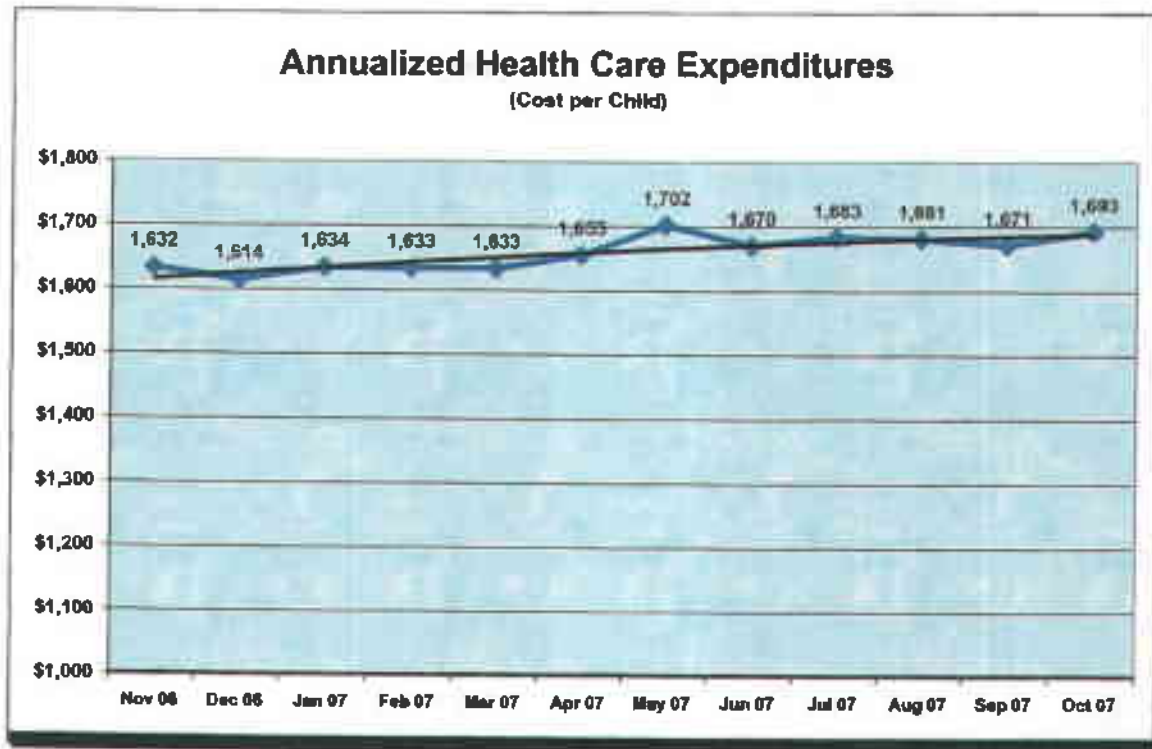
December 2007

WV CHIP Enrollment



November 30, 2007 Enrollment 25,021

Annualized Health Care Expenditures (Cost per Child)



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

	October 31, 2007	October 31, 2006	Variance	
Assets:				
Cash & Cash Equivalents	\$7,129,863	\$3,655,969	\$3,473,894	95%
Due From Federal Government	\$3,154,024	\$3,301,131	(\$147,107)	-4%
Due From Other Funds	\$693,285	\$612,590	\$80,695	13%
Accrued Interest Receivable	\$20,359	\$11,387	\$8,972	79%
Fixed Assets, at Historical Cost	<u>\$61,147</u>	<u>\$63,071</u>	<u>(\$1,924)</u>	<u>-3%</u>
Total Assets	<u>\$11,058,679</u>	<u>\$7,644,148</u>	<u>\$3,414,531</u>	<u>45%</u>
Liabilities:				
Due to Other Funds	\$157,309	\$249,077	(\$91,768)	-37%
Deferred Revenue	\$992,984	\$1,273,032	(\$280,048)	-22%
Unpaid Insurance Claims Liability	<u>\$3,690,000</u>	<u>\$2,970,000</u>	<u>\$720,000</u>	<u>24%</u>
Total Liabilities	<u>\$4,840,293</u>	<u>\$4,492,109</u>	<u>\$348,184</u>	<u>8%</u>
Fund Equity	<u>\$6,218,385</u>	<u>\$3,152,039</u>	<u>\$3,066,346</u>	<u>97%</u>
Total Liabilities and Fund Equity	<u>\$11,058,679</u>	<u>\$7,644,148</u>	<u>\$3,414,531</u>	<u>45%</u>

PRELIMINARY FINANCIAL STATEMENTS

Unaudited - For Management Purposes Only - Unaudited

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

	October 31, 2007	October 31, 2006	Variance	
Revenues:				
Federal Grants	11,659,184	10,765,489	893,715	8%
State Appropriations	4,606,978	4,606,015	963	0%
Premium Revenues	22,664	-	22,664	
Investment Earnings	<u>85,303</u>	<u>38,181</u>	<u>47,122</u>	123%
Total Operating Revenues	<u>16,374,128</u>	<u>15,409,665</u>	<u>964,463</u>	<u>6%</u>
Operating Expenditures:				
Claims:				
Outpatient Services	3,236,152	2,970,680	265,472	9%
Physicians & Surgical	2,746,979	2,718,206	28,773	1%
Prescribed Drugs	2,551,065	2,434,586	116,479	5%
Dental	1,706,746	1,637,029	69,717	4%
Inpatient Hospital Services	1,364,923	1,310,981	53,942	4%
Vision	417,911	443,722	(25,811)	-6%
Outpatient Mental Health	351,297	411,677	(60,380)	-15%
Therapy	133,006	119,772	13,234	11%
Durable & Disposable Med. Equip.	120,133	148,703	(28,570)	-19%
Inpatient Mental Health	115,824	255,342	(139,518)	-55%
Medical Transportation	93,093	131,305	(38,212)	-29%
Other Services	28,807	51,187	(24,380)	-48%
Less: Collections*	<u>(317,514)</u>	<u>(281,307)</u>	<u>(36,207)</u>	13%
Total Claims	<u>12,546,422</u>	<u>12,351,883</u>	<u>194,539</u>	<u>2%</u>
General and Admin Expenses:				
Salaries and Benefits	169,929	155,825	14,104	9%
Program Administration	739,864	649,333	90,531	14%
Eligibility	111,563	101,344	10,219	10%
Outreach & Health Promotion	27,865	7,293	20,572	282%
Current	<u>45,218</u>	<u>19,325</u>	<u>25,893</u>	<u>134%</u>
Total Administrative	<u>1,094,439</u>	<u>933,120</u>	<u>161,319</u>	<u>17%</u>
Total Expenditures	<u>13,640,861</u>	<u>13,285,003</u>	<u>355,858</u>	<u>3%</u>
Excess of Revenues				
Over (Under) Expenditures	2,733,267	2,124,662	608,605	28%
Fund Equity, Beginning	<u>3,485,118</u>	<u>1,027,377</u>	<u>2,457,741</u>	<u>239%</u>
Fund Equity, Ending	<u>6,218,385</u>	<u>3,152,039</u>	<u>3,066,346</u>	<u>97%</u>

* Collections are primarily drug rebates and subrogation

* State Appropriations restated in prior year to actual draw deposited

PRELIMINARY FINANCIAL STATEMENTS

Unaudited - For Management Purposes Only - Unaudited

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

	<u>Budgeted for Year</u>	<u>Year to Date Budgeted Amt</u>	<u>Year to Date Actual Amt</u>	<u>Year to Date Variance*</u>		<u>Monthly Budgeted Amt</u>	<u>Oct-07</u>	<u>Sep-07</u>	<u>Aug-07</u>
Projected Cost	\$49,020,492	\$16,340,164	\$12,848,425	\$3,491,739	21%	\$4,085,041	\$3,916,118	\$2,408,572	\$3,685,635
Premiums	136,290	\$45,430	22,664	\$22,766	-50%	11,358	7,565	5,453	5,529
Medical Copays	576,800	\$192,267	0	192,267	-100%	48,067			
Drug Copays	489,250	\$163,083	0	163,083	-100%	40,771			
Subrogation & Rebates	<u>760,000</u>	<u>253,333</u>	<u>271,796</u>	<u>(18,463)</u>	<u>7%</u>	<u>63,333</u>	<u>45,718</u>	<u>55,366</u>	<u>72,324</u>
Net Benefit Cost	47,058,152	\$15,686,051	\$12,581,530	\$3,124,521	20%	3,921,513	3,870,400	2,347,753	3,607,782
Salaries & Benefits	\$519,673	\$173,224	\$169,927	\$3,297	2%	\$43,306	\$40,538	\$40,243	\$41,241
Program Administration	2,166,796	722,265	696,179	26,086	4%	180,566	158,251	189,848	306,071
Eligibility	340,055	113,352	88,022	25,330	22%	28,338	663	80,693	0
Outreach	27,157	9,052	14,654	(5,601)	-62%	2,263	11,602	1,780	611
Current Expense	<u>287,741</u>	<u>95,914</u>	<u>48,293</u>	<u>47,621</u>	<u>50%</u>	<u>23,978</u>	<u>11,038</u>	<u>18,320</u>	<u>7,534</u>
Total Admin Cost	\$3,341,422	\$1,113,807	\$1,017,075	\$96,732	9%	\$278,452	\$222,112	\$330,684	\$355,457
Total Program Cost	<u>\$50,399,574</u>	<u>\$16,799,858</u>	<u>\$13,578,605</u>	<u>\$3,221,253</u>	<u>19%</u>	<u>\$4,199,965</u>	<u>\$4,092,512</u>	<u>\$2,678,637</u>	<u>\$3,963,239</u>
Federal Share 80.97%	40,823,655	\$13,607,885	\$11,010,891	2,596,994	19%	3,401,971	3,318,618	2,172,107	3,213,790
State Share 19.03%	<u>9,575,919</u>	<u>\$3,191,973</u>	<u>\$2,567,714</u>	<u>624,259</u>	<u>20%</u>	<u>797,993</u>	<u>773,894</u>	<u>506,530</u>	<u>749,448</u>
Total Program Cost *	<u>\$50,399,574</u>	<u>\$16,799,858</u>	<u>\$13,578,605</u>	<u>\$3,221,253</u>	<u>19%</u>	<u>\$4,199,965</u>	<u>\$4,092,512</u>	<u>\$2,678,637</u>	<u>\$3,963,239</u>

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

Unaudited - Cash Basis For Management Purposes Only - Unaudited

WV CHIP Enrollment Report

ATTACHMENT 1

November 2007

County Ranking	County Pop. 2005 Est. (0-18 Yrs)	Total CHIP Enrollment Nov-07	Total Medicaid Enrollment Nov-07	Total CHIP/Medicaid Enrollment	CHIP/Medicaid Enrollment % of Population	Total % Insured 3/2002*	# Children Insured Ranking*	Est. # Uninsured Eligible*
Barbour	3,248	321	1,509	1,830	56.3%	92.5%	34	255
Berkeley	22,882	1,130	5,182	6,292	27.5%	93.9%	21	1,084
Boone	5,706	317	2,437	2,754	48.3%	97.9%	4	133
Braxton	3,044	208	1,534	1,742	57.2%	95.6%	13	155
Brooke	4,658	297	1,407	1,704	36.6%	98.5%	3	0**
Cabell	18,900	992	7,671	8,663	45.8%	91.6%	39	1,218
Calhoun	1,389	129	814	943	67.9%	88.0%	52	207
Clay	2,454	202	1,328	1,530	62.3%	95.1%	15	94
Doddridge	1,607	122	697	819	51.0%	96.4%	6	60
Fayette	9,892	959	4,581	5,540	57.2%	92.1%	36	706
Gilmer	1,154	95	552	647	56.1%	92.8%	32	115
Grant	2,463	144	867	1,011	41.0%	95.8%	11	82
Greenbrier	7,110	594	2,614	3,208	45.1%	94.8%	17	306
Hampshire	5,110	277	1,762	2,039	39.9%	91.3%	40	295
Hancock	6,270	398	2,143	2,541	40.5%	92.9%	31	443
Hardy	2,950	154	942	1,096	37.2%	93.6%	26	200
Harrison	14,973	934	5,654	6,588	44.0%	99.9%	1	0**
Jackson	6,277	387	2,278	2,665	42.5%	93.9%	22	340
Jefferson	11,465	421	1,966	2,387	20.8%	93.9%	23	651
Kanawha	40,647	2,089	15,856	17,945	44.1%	96.4%	7	772
Lewis	3,577	284	1,751	2,035	56.9%	88.0%	53	431
Lincoln	4,945	417	2,419	2,836	57.4%	93.3%	27	327
Logan	7,610	544	3,777	4,321	56.8%	92.1%	37	654
Marion	11,245	783	4,113	4,896	43.5%	95.9%	10	516
Marshall	7,176	417	2,605	3,022	42.1%	97.5%	5	217
Mason	5,461	345	2,297	2,642	48.4%	95.7%	12	249
McDowell	5,170	438	3,290	3,728	72.1%	93.8%	25	373
Mercer	12,687	1,106	6,286	7,392	58.3%	91.0%	41	1,268
Mineral	5,973	303	1,892	2,195	36.7%	90.7%	43	251
Mingo	6,204	428	3,174	3,602	58.1%	88.5%	51	566
Monongalia	14,346	720	3,855	4,575	31.9%	92.6%	33	1,144
Monroe	2,728	270	883	1,153	42.3%	93.1%	29	196
Morgan	3,365	238	980	1,198	35.6%	89.2%	49	285
Nicholas	5,478	465	2,424	2,889	52.7%	94.4%	19	324
Ohio	9,068	505	2,958	3,463	38.2%	95.6%	14	480
Pendleton	1,632	111	376	487	29.8%	99.0%	2	19
Pleasants	1,593	106	470	576	36.2%	93.9%	24	88
Pocahontas	1,717	147	631	778	45.3%	87.7%	54	224
Preston	6,354	535	2,241	2,776	43.7%	90.2%	47	236
Putnam	12,522	613	3,021	3,634	29.0%	93.2%	28	486
Raleigh	15,992	1,300	6,560	7,860	49.2%	91.7%	38	1,395
Randolph	5,971	499	2,308	2,805	47.0%	89.7%	48	653
Ritchie	2,234	156	815	971	43.5%	96.2%	9	81
Roane	3,266	278	1,599	1,877	57.5%	90.5%	44	336
Summers	2,322	234	1,107	1,341	57.8%	88.9%	50	315
Taylor	3,307	229	1,395	1,624	49.1%	90.9%	42	356
Tucker	1,354	173	437	610	45.1%	93.1%	30	103
Tyler	1,887	100	846	946	50.1%	94.9%	16	93

WV CHIP Enrollment Report

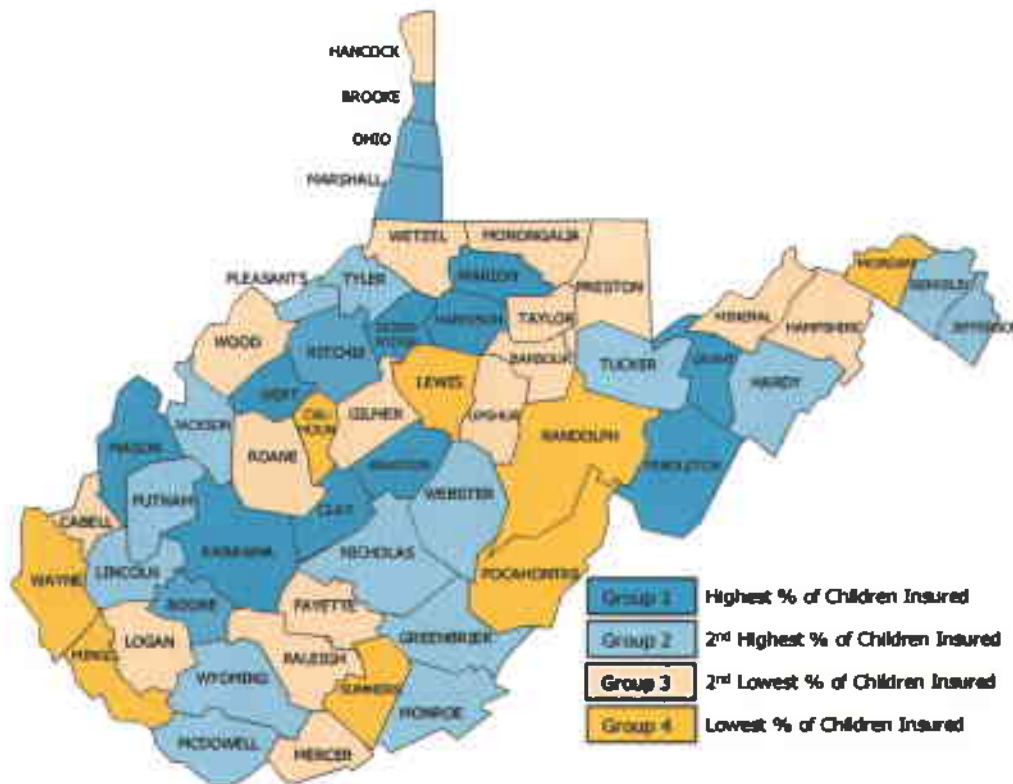
November 2007

ATTACHMENT 1

County Ranking	County Pop. 2005 Est. (0-18 Yrs)	Total CHIP Enrollment Nov-07	Total Medicaid Enrollment Nov-07	Total CHIP/Medicaid Enrollment	CHIP/Medicaid Enrollment % of Population	Total % Insured 3/2002*	# Children Insured Ranking*	Est. # Uninsured Eligible*
Upshur	4,956	410	2,183	2,593	52.3%	90.4%	46	547
Wayne	9,176	580	3,973	4,553	49.8%	87.7%	55	1,034
Webster	2,020	194	1,063	1,257	62.2%	94.7%	18	103
Wetzel	3,732	227	1,595	1,822	48.8%	92.5%	35	334
Wirt	1,268	128	547	673	53.1%	96.3%	8	46
Wood	19,063	1,131	7,492	8,623	45.2%	90.5%	45	1,624
Wyoming	5,092	439	2,711	3,150	61.9%	94.0%	20	231
Totals	382,490	25,021	145,826	170,847	44.7%	93.4%		22,446

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

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



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

December 2007

Department of Administration

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



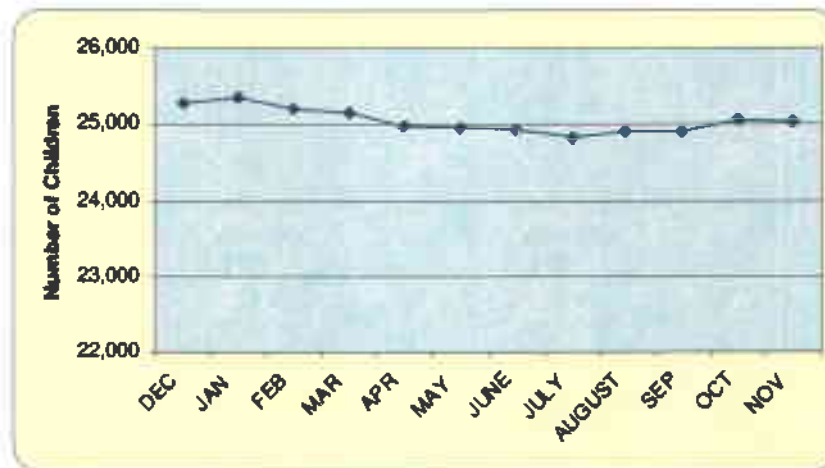
WV CHILDREN'S HEALTH INSURANCE AGENCY

REPORT FOR DECEMBER 2007

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

See Attachment 1 for enrollment by county.

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



Enrollee Totals: September 2007 to November 2007

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

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

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

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

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

WVCHIP

Report For December 2007

Page 2

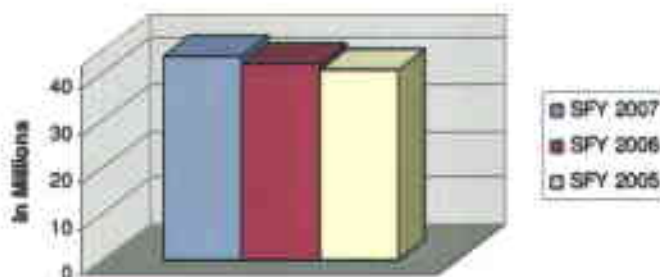
III. Financial Activity

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

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

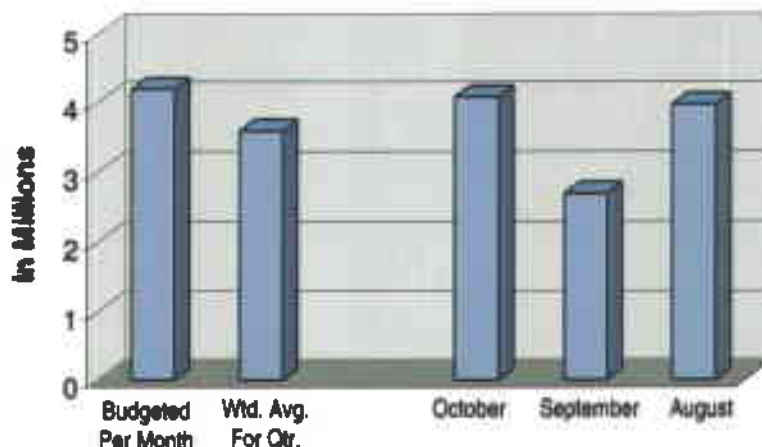
Annual Expenditures for a 3 Year Period: SFY 2005 – SFY 2007

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



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

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



IV. Other Highlights

FEDERAL FUNDING UPDATE

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

WV CHIP Enrollment Report

ATTACHMENT 1

November 2007

County Ranking	County Pop. 2005 Est. (0-18 Yrs)	Total CHIP Enrollment Nov-07	Total Medicaid Enrollment Nov-07	Total CHIP/Medicaid Enrollment	CHIP/Medicaid Enrollment % of Population	Total % Insured 3/2002*	# Children Insured Ranking*	Est. # Uninsured Eligible*
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Braxton	3,044	208	1,534	1,742	57.2%	95.6%	13	155
Brooke	4,658	297	1,407	1,704	36.6%	98.5%	3	0**
Cabell	18,900	992	7,671	8,663	45.8%	91.6%	39	1,218
Calhoun	1,389	129	814	943	67.9%	88.0%	52	207
Clay	2,454	202	1,328	1,530	62.3%	95.1%	15	94
Doddridge	1,607	122	697	819	51.0%	96.4%	6	60
Fayette	9,892	959	4,581	5,540	57.2%	92.1%	36	706
Gilmer	1,154	95	552	647	56.1%	92.8%	32	115
Grant	2,463	144	867	1,011	41.0%	95.8%	11	82
Greenbrier	7,110	594	2,614	3,208	45.1%	94.8%	17	306
Hampshire	5,110	277	1,762	2,039	39.9%	91.3%	40	295
Hancock	6,270	398	2,143	2,541	40.5%	92.9%	31	443
Hardy	2,950	154	942	1,096	37.2%	93.6%	26	200
Harrison	14,973	934	5,654	6,588	44.0%	99.9%	1	0**
Jackson	6,277	387	2,278	2,665	42.5%	93.9%	22	340
Jefferson	11,465	421	1,966	2,387	20.8%	93.9%	23	651
Kanawha	40,647	2,089	15,856	17,945	44.1%	96.4%	7	772
Lewis	3,577	284	1,751	2,035	56.9%	88.0%	53	431
Lincoln	4,945	417	2,419	2,836	57.4%	93.3%	27	327
Logan	7,610	544	3,777	4,321	56.8%	92.1%	37	654
Marion	11,245	783	4,113	4,896	43.5%	95.9%	10	516
Marshall	7,176	417	2,605	3,022	42.1%	97.5%	5	217
Mason	5,461	345	2,297	2,642	48.4%	95.7%	12	249
McDowell	5,170	438	3,290	3,728	72.1%	93.8%	25	373
Mercer	12,687	1,106	6,286	7,392	58.3%	91.0%	41	1,268
Mineral	5,973	303	1,892	2,195	36.7%	90.7%	43	251
Mingo	6,204	428	3,174	3,602	58.1%	88.5%	51	566
Monongalia	14,346	720	3,855	4,575	31.9%	92.6%	33	1,144
Monroe	2,728	270	883	1,153	42.3%	93.1%	29	196
Morgan	3,365	238	960	1,198	35.6%	89.2%	49	285
Nicholas	5,478	465	2,424	2,889	52.7%	94.4%	19	324
Ohio	9,068	505	2,958	3,463	38.2%	95.6%	14	480
Pendleton	1,632	111	376	487	29.8%	99.0%	2	19
Pleasants	1,593	106	470	576	36.2%	93.9%	24	88
Pocahontas	1,717	147	631	778	45.3%	87.7%	54	224
Preston	6,354	535	2,241	2,776	43.7%	90.2%	47	236
Putnam	12,522	613	3,021	3,634	29.0%	93.2%	28	486
Raleigh	15,992	1,300	6,560	7,860	49.2%	91.7%	38	1,395
Randolph	5,971	499	2,306	2,805	47.0%	89.7%	48	653
Ritchie	2,234	156	815	971	43.5%	96.2%	9	81
Roane	3,266	278	1,599	1,877	57.5%	90.5%	44	336
Summers	2,322	234	1,107	1,341	57.8%	88.9%	50	315
Taylor	3,307	229	1,395	1,624	49.1%	90.9%	42	356
Tucker	1,354	173	437	610	45.1%	93.1%	30	103
Tyler	1,887	100	846	946	50.1%	94.9%	16	93

WV CHIP Enrollment Report

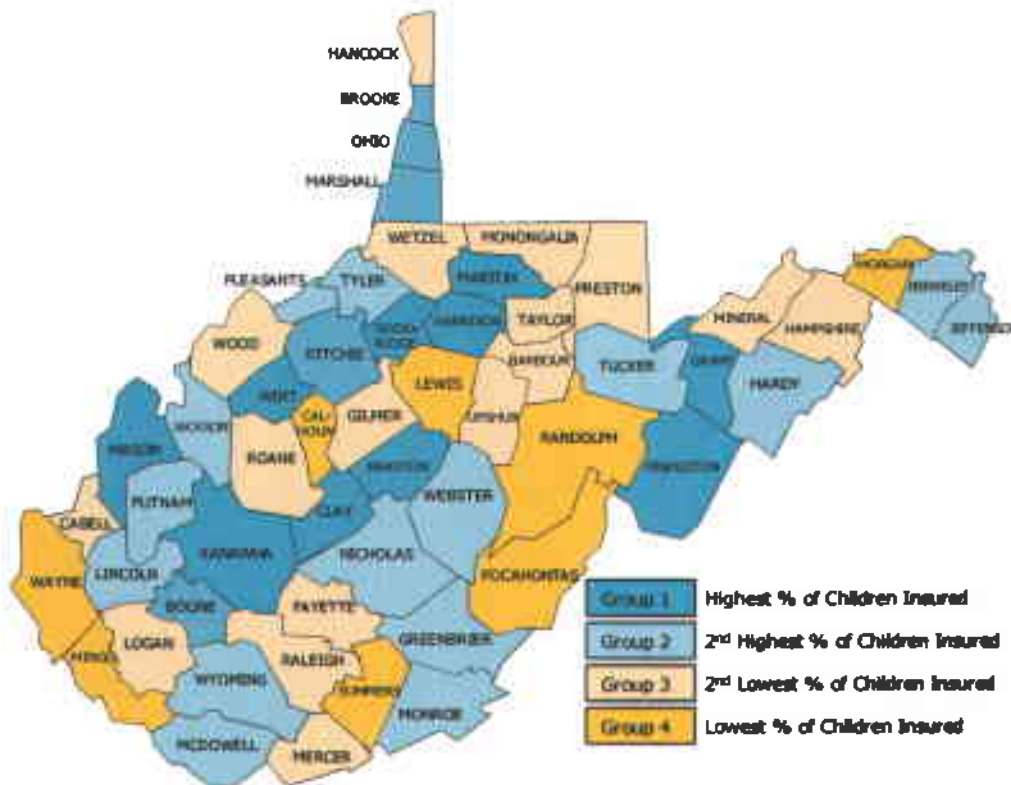
November 2007

ATTACHMENT 1

County Ranking	County Pop. 2005 Est. (0-18 Yrs)	Total CHIP Enrollment Nov-07	Total Medicaid Enrollment Nov-07	Total CHIP/Medicaid Enrollment	CHIP/Medicaid Enrollment % of Population	Total % Insured 3/2002*	# Children Insured Ranking*	Est. # Uninsured Eligible*
Upshur	4,956	410	2,183	2,593	52.3%	90.4%	46	547
Wayne	9,176	580	3,973	4,553	49.8%	87.7%	55	1,034
Webster	2,020	194	1,063	1,257	62.2%	94.7%	18	103
Wetzel	3,732	227	1,595	1,822	48.6%	92.5%	35	334
Wirt	1,268	126	547	673	53.1%	96.3%	8	46
Wood	19,063	1,131	7,492	8,623	45.2%	90.5%	45	1,624
Wyoming	5,092	439	2,711	3,150	61.9%	94.0%	20	231
Totals	362,490	25,021	145,826	170,847	44.7%	93.4%		22,446

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

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



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

	October 31, 2007	October 31, 2006	Variance	
Revenues:				
Federal Grants	11,659,184	10,765,469	893,715	8%
State Appropriations	4,606,978	4,606,015	963	0%
Premium Revenues	22,664	-	22,664	
Investment Earnings	<u>85,303</u>	<u>38,181</u>	<u>47,122</u>	123%
Total Operating Revenues	<u>16,374,128</u>	<u>15,409,665</u>	<u>964,463</u>	<u>6%</u>
Operating Expenditures:				
Claims:				
Outpatient Services	3,236,152	2,970,680	265,472	9%
Physicians & Surgical	2,746,979	2,718,206	28,773	1%
Prescribed Drugs	2,551,065	2,434,586	116,479	5%
Dental	1,706,746	1,637,029	69,717	4%
Inpatient Hospital Services	1,364,923	1,310,981	53,942	4%
Vision	417,911	443,722	(25,811)	-6%
Outpatient Mental Health	351,297	411,677	(60,380)	-15%
Therapy	133,006	119,772	13,234	11%
Durable & Disposable Med. Equip.	120,133	148,703	(28,570)	-19%
Inpatient Mental Health	115,824	255,342	(139,518)	-55%
Medical Transportation	93,093	131,305	(38,212)	-29%
Other Services	26,807	51,187	(24,380)	-48%
Less: Collections*	<u>(317,514)</u>	<u>(281,307)</u>	<u>(36,207)</u>	13%
Total Claims	<u>12,546,422</u>	<u>12,351,883</u>	<u>194,539</u>	<u>2%</u>
General and Admin Expenses:				
Salaries and Benefits	169,929	155,825	14,104	9%
Program Administration	739,864	649,333	90,531	14%
Eligibility	111,563	101,344	10,219	10%
Outreach & Health Promotion	27,865	7,293	20,572	282%
Current	<u>45,218</u>	<u>19,325</u>	<u>25,893</u>	<u>134%</u>
Total Administrative	<u>1,094,439</u>	<u>933,120</u>	<u>161,319</u>	<u>17%</u>
Total Expenditures	<u>13,840,881</u>	<u>13,285,003</u>	<u>555,858</u>	<u>3%</u>
Excess of Revenues				
Over (Under) Expenditures	2,733,267	2,124,662	608,605	29%
Fund Equity, Beginning	<u>3,485,118</u>	<u>1,027,377</u>	<u>2,457,741</u>	<u>239%</u>
Fund Equity, Ending	<u>6,218,385</u>	<u>3,152,039</u>	<u>3,066,346</u>	<u>97%</u>

* Collections are primarily drug rebates and subrogation

* State Appropriations restated in prior year to actual draw deposited

PRELIMINARY FINANCIAL STATEMENTS

Unaudited - For Management Purposes Only - Unaudited

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

	<u>Budgeted for</u> <u>Year</u>	<u>Year to Date</u> <u>Budgeted Amt</u>	<u>Year to Date</u> <u>Actual Amt</u>	<u>Year to Date</u> <u>Variance*</u>		<u>Monthly</u> <u>Budgeted Amt</u>	<u>Oct-07</u>	<u>Sep-07</u>	<u>Aug-07</u>	<u>Jul-07</u>
Projected Cost	\$49,020,492	\$16,340,164	\$12,848,425	\$3,491,739	21%	\$4,085,041	\$3,916,118	\$2,408,572	\$3,685,635	\$2,838,101
Premiums	136,290	\$45,430	22,664	\$22,766	-50%	11,358	7,565	5,453	5,529	4,117
Medical Copays	576,800	\$192,267	0	192,267	-100%	48,067				
Drug Copays	489,250	\$163,083	0	163,083	-100%	40,771				
Subrogation & Rebates	<u>760,000</u>	<u>253,333</u>	<u>271,796</u>	<u>(18,463)</u>	<u>7%</u>	<u>63,333</u>	<u>45,718</u>	<u>55,366</u>	<u>72,324</u>	<u>98,388</u>
Net Benefit Cost	<u>47,058,152</u>	<u>\$15,686,051</u>	<u>\$12,561,530</u>	<u>\$3,124,521</u>	<u>20%</u>	<u>3,921,513</u>	<u>3,870,400</u>	<u>2,347,753</u>	<u>3,607,782</u>	<u>2,735,596</u>
Salaries & Benefits	\$519,673	\$173,224	\$169,927	\$3,297	2%	\$43,306	\$40,538	\$40,243	\$41,241	\$47,905
Program Administration	2,166,796	722,265	696,179	26,086	4%	180,566	158,251	189,848	306,071	42,009
Eligibility	340,055	113,352	88,022	25,330	22%	28,338	683	80,693	0	6,646
Outreach	27,157	9,052	14,654	(5,601)	-82%	2,263	11,602	1,780	611	661
Current Expense	<u>287,741</u>	<u>95,914</u>	<u>48,293</u>	<u>47,621</u>	<u>50%</u>	<u>23,978</u>	<u>11,038</u>	<u>18,320</u>	<u>7,534</u>	<u>11,401</u>
Total Admin Cost	<u>\$3,341,422</u>	<u>\$1,113,807</u>	<u>\$1,017,075</u>	<u>\$96,732</u>	<u>9%</u>	<u>\$278,452</u>	<u>\$222,112</u>	<u>\$330,884</u>	<u>\$355,457</u>	<u>\$108,622</u>
Total Program Cost	<u>\$50,399,574</u>	<u>\$16,799,858</u>	<u>\$13,578,605</u>	<u>\$3,221,253</u>	<u>19%</u>	<u>\$4,199,965</u>	<u>\$4,092,512</u>	<u>\$2,678,637</u>	<u>\$3,963,239</u>	<u>\$2,844,218</u>
Federal Share 80.87%	40,823,655	\$13,607,885	\$11,010,891	2,596,994	19%	3,401,971	3,318,618	2,172,107	3,213,790	2,306,376
State Share 19.03%	<u>9,575,919</u>	<u>\$3,191,973</u>	<u>\$2,567,714</u>	<u>624,259</u>	<u>20%</u>	<u>797,993</u>	<u>773,894</u>	<u>506,530</u>	<u>749,448</u>	<u>537,842</u>
Total Program Cost	<u>\$50,399,574</u>	<u>\$16,799,858</u>	<u>\$13,578,605</u>	<u>\$3,221,253</u>	<u>19%</u>	<u>\$4,199,965</u>	<u>\$4,092,512</u>	<u>\$2,678,637</u>	<u>\$3,963,239</u>	<u>\$2,844,218</u>

* Positive percentages indicate favorable variances

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

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

Unaudited - Cash Basis For Management Purposes Only - Unaudited

**West Virginia Children's Health Insurance Program
WVCHIPS Fund 2184
For the Month Ended October 31, 2007
(Accrual Basis)**

Investment Account

Funds Invested	\$6,223,211
Interest Earned	<u>\$5,303</u>
Total	<u>\$6,308,514</u>

Unaudited - For Management Purposes Only - Unaudited

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

NEW CONTRACT OF LEASE

DEPARTMENT OF HEALTH AND HUMAN RESOURCES

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

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

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

STRAIGHT RENEWALS

INSURANCE COMMISSION

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

VETERANS AFFAIRS

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

COAL HERITAGE HIGHWAY

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

STRAIGHT RENEWALS CONTINUED

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

STATE TREASURERS OFFICE

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

FAIRMONT STATE COLLEGE

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

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

DEPARTMENT OF ENVIRONMENTAL PROTECTION

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

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

DEPARTMENT OF MILITARY AFFAIRS AND PUBLIC SAFETY

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

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

STRAIGHT RENEWALS CONTINUED

ATTORNEY GENERALS OFFICE

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

WEST VIRGINIA CONSERVATION AGENCY

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

RENEWAL/RENT INCREASES

PUBLIC SAFETY

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

DIVISION OF FORESTRY

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

ADDING SQUARE FOOTAGE

DIVISION OF CORRECTIONS

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

WEST VIRGINIA

BOARD OF TREASURY INVESTMENTS



OPERATING REPORT OCTOBER 2007

CALENDAR NOTES:
6 Month CD Auction
January 9, 2008

Board of Treasury Investments

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

Board of Directors

John D. Perdue, State Treasurer, Chairman

Joe Manchin III, Governor

Glen B. Gainer III, State Auditor

Martin Glasser, Esq. Attorney Appointed by the Governor

Jack Rossi, CPA Appointed by the Governor

Executive Staff

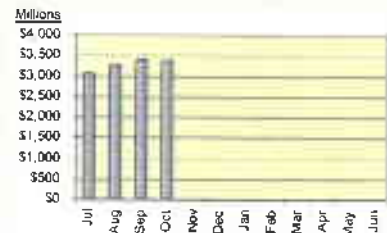
Executive Director
Glenda Probst, CPA, CTP

Chief Financial Officer
Kara K. Brewer, CPA, MBA

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

Last Month
\$3,394,064,000

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



15.1% Growth This Fiscal Year

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

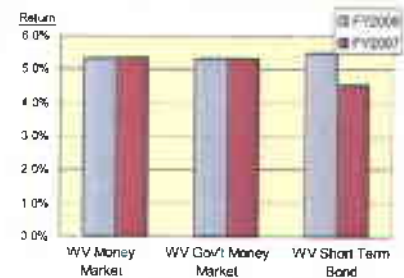


Outpacing Last Year

Effective Rates of Return

Time Weighted, Annualized, Net of All Fees

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



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

Fiscal Year Return Comparisons

WEST VIRGINIA BOARD OF TREASURY INVESTMENTS
THE ECONOMIC STATE
OCTOBER 2007

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

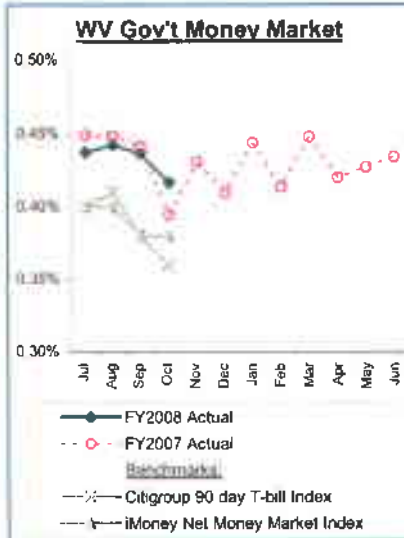
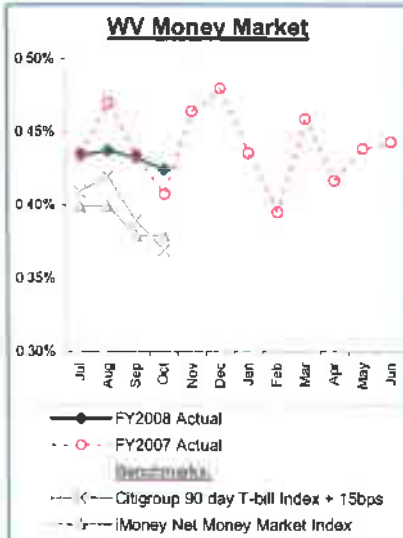
The U.S. unemployment rate remained at 4.7% in October, but job growth accelerated by 166,000, almost twice as many jobs as forecast. September's job growth was revised down to a 96,000 increase. During the third quarter, the U.S. economy grew at a 3.9% annual growth rate, the best showing since early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

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

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

West Virginia Board of Treasury Investments Financial Highlights as of October 31, 2007

Monthly Rates of Return for Operating Pools (Year to Date)



Summary of Value and Earnings (In Thousands)

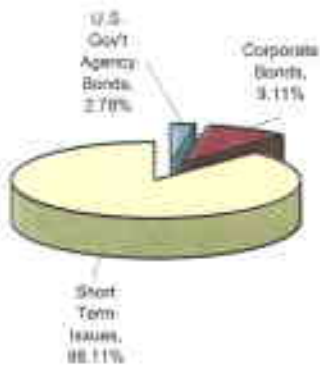
Pool	Asset Value	Oct. Net Income (Loss)	Fiscal YTD Net Income (Loss)
WV Money Market	\$ 2,406,637	\$ 10,173	\$ 39,551
WV Gov't Money Market	243,997	984	4,078
WV Short Term Bond	235,041	1,075	6,108
WV Bank	101,243	393	894
Loss Amortization	161,631	867	7,354
Loans	130,637	(885)	450
Participant Accounts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

Percent of Total Net Asset Value

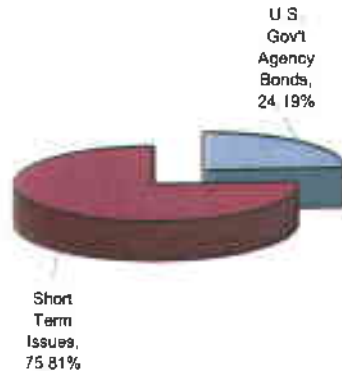


Securities by Type for Operating Pools (Percentage of Asset Value)

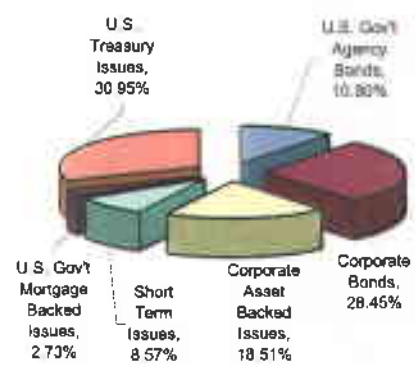
WV Money Market



WV Gov't Money Market



WV Short Term Bond



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

OCTOBER 31, 2007

(IN THOUSANDS)

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

West Virginia

Offices of the Insurance Commissioner's Fraud Unit

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

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

2007	Jan-07	Feb-07	Mar-07	Apr-07	May-07	Jun-07	Jul-07
Open In Support	182	198	206	205	221	250	242
Support Manager Review	77	89	88	90	87	105	147
Investigations Investigation	172	174	172	218	238	210	154
Manager Review	6	7	7	9	9	5	61
Prosecution	228	162	174	177	162	163	142
Total	665	630	647	699	717	733	746
Current Inventory Status as of December 3, 2007							
Open In Support	239	261	272	289	335		
Support Manager Review	135	143	139	117	133		
Investigations Investigation	155	160	170	176	180		
Manager Review	8	9	12	7	10		
Prosecution	202	205	207	220	221		
Total	739	778	800	809	879		

OFFICE OF JUDGES' REPORT TO INDUSTRIAL COUNCIL

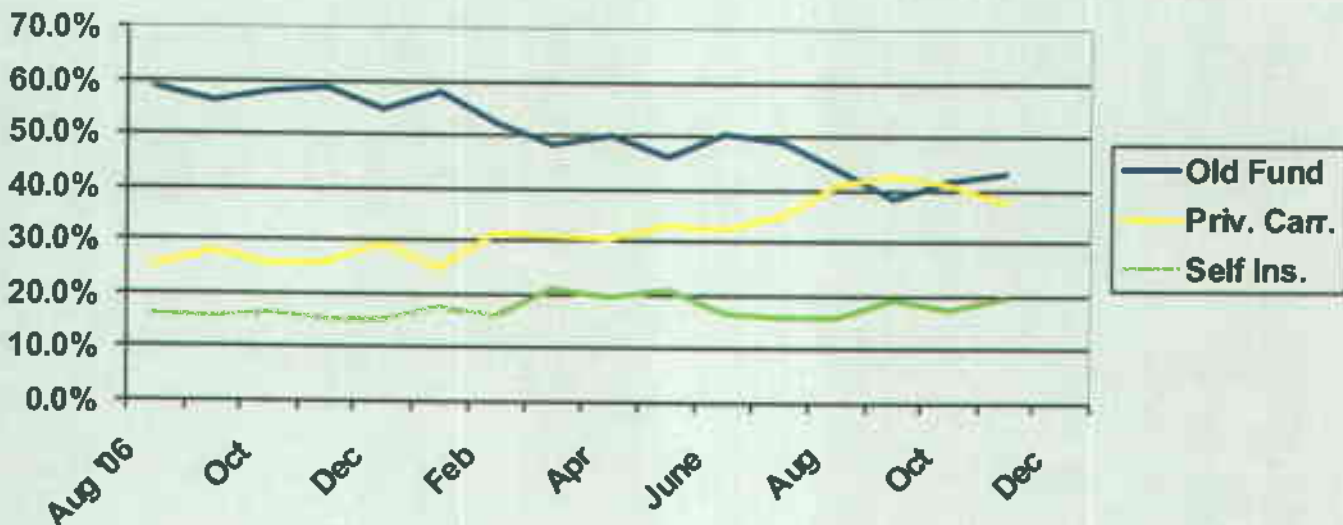
December 2007 (no meeting scheduled)

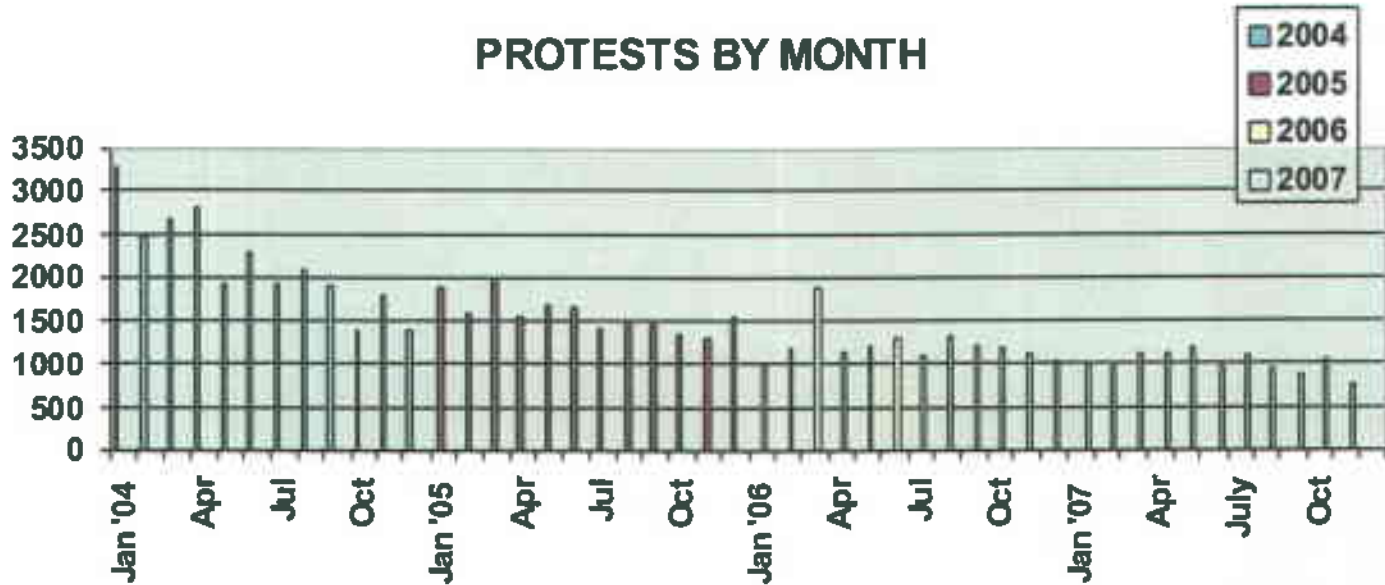
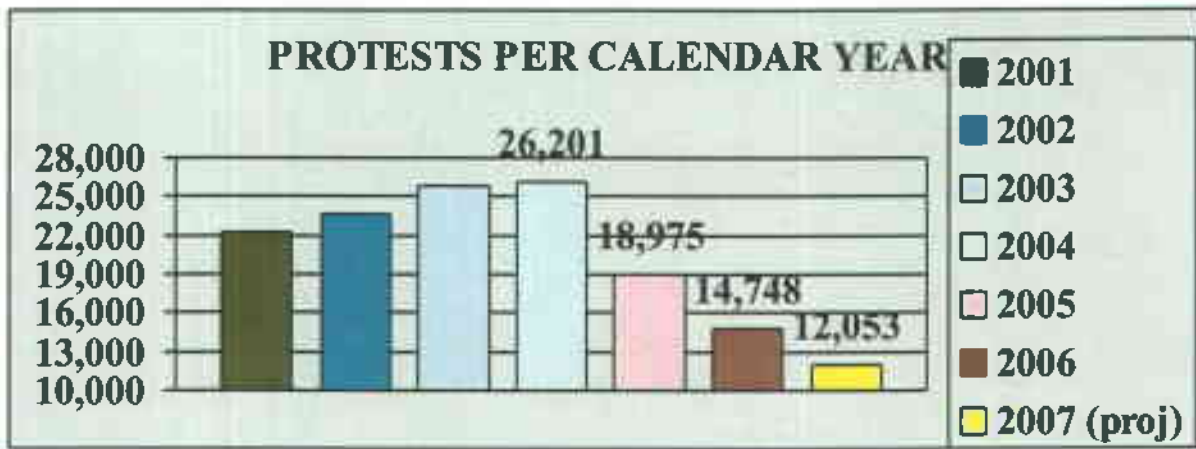
I. Statistical Analysis

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

Fund Involved:

FUND	2005	2006	% of protests	NOV 2007	% of protests	2007 YTD	% of protests
Old Fund	n/a	8,146	64.60%	262	42.81%	4,257	47.50%
Private Carrier	n/a	2,207	17.50%	231	37.75%	3,063	34.18%
Others	n/a						
Self-Insured	2,736	2,264	17.90%	119	19.44%	1,642	18.32%
Subtotal		12,617	100%	612	100%	8,962	100%
Temporary		2,131		127		2,087	
Total		14,748		739		11,049	





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

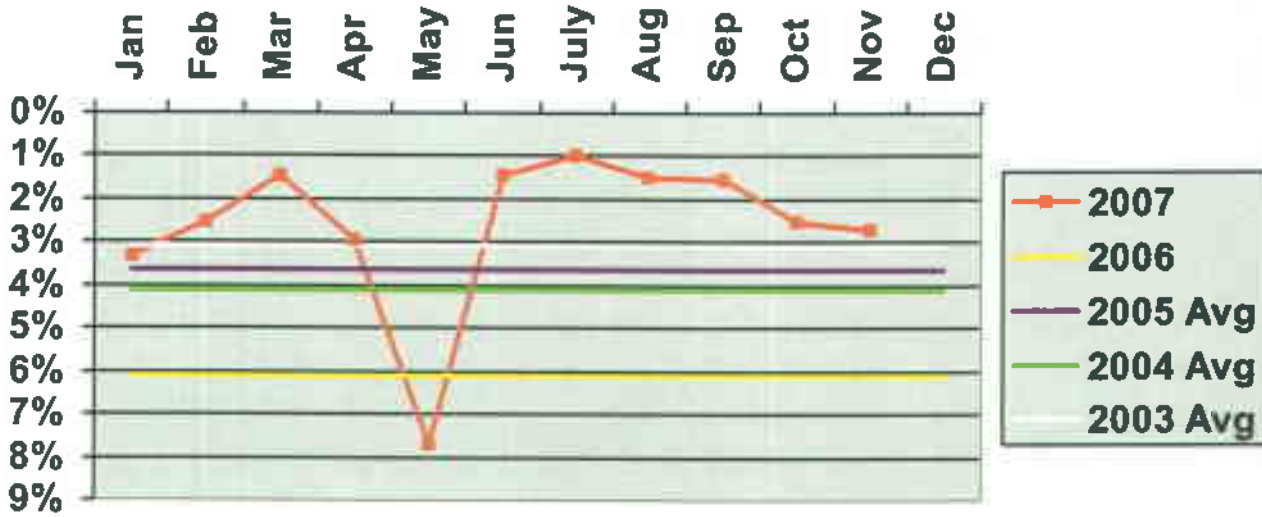
C. Pending Caseload Report

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

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

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

Acknowledged Later than 30 Days from Receipt



B)

B)

B)

C)

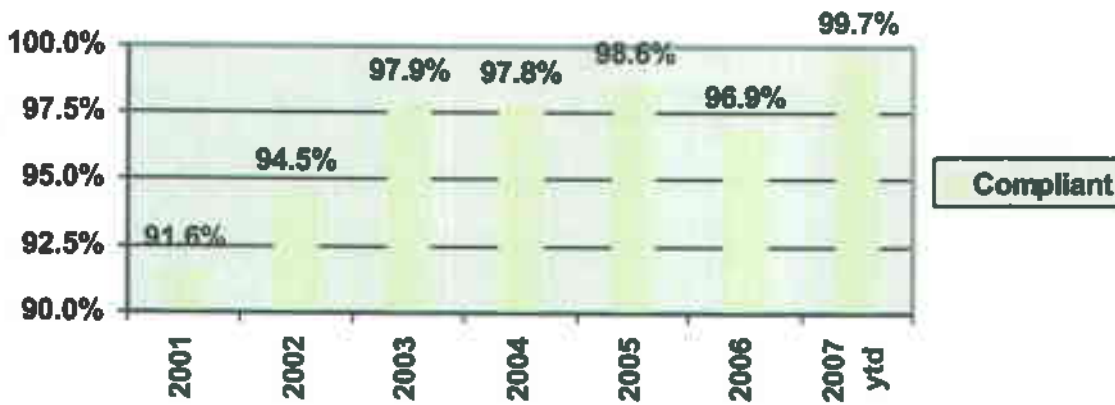
B)

C) E. Decisions Mailed:

	<u>2006</u>	<u>NOV</u>	<u>YTD</u>		
	10,760	485	6,222		
1. ALJ Decisions	5,304	322	3,533		
2. <u>Non-Attorney Adjudicator:</u>	5,456	163	2,689		
3. Withdrawals:	2,152	102	1,290		
4. "No Evidence" Dismissals	3,567	207	2,215		

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

Decision Within Rule's Time Limits



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

II)

Workers Compensation Employer Exemptions Issued

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

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

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

Offices of the Insurance Commissioner
Old Fund
 Claim Payments by Type

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

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

Revenue	Y-T-D
Personal Income Tax	21,200,000.00
Video Lottery	11,000,000.00
Premium Surcharges	11,935,715.27
Coal Severance Tax	36,964,699.84
Premium/Repayment Agreement Contributions	816,204.89
SI Bankruptcy Recoveries	42,999.70
Other Collections/Fees/License & Income	499,827.80
Investment Earnings	13,001,789.72

Total Revenue **\$ 95,461,237.22**

Expenditures	
Payment of Claims(Net Overpayment Credits)	116,387,629.18
Contractual/Professional/TPA Services	8,889,729.33
Public Employees Insurance	73,296.16
Unemployment Compensation	1,693.69
Administrative Expense	67,651.08

Total Expenses **\$ 125,419,999.44**

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

Revenue Recovery Activity 10/1 - 10/31/2007	
COLLECTION ACTIVITY	
Receipts - Old Fund	\$ 116,398 07
Receipts - U	\$ 17,163 57
Receipts - PC & NU	\$ 110,956 31
Receipts - Repayment Agreements	\$ 96,449 06
Receipts - Collection Agency	\$ 8,556 21
# of presumed active accounts uninsured	1,314
\$ of presumed active accounts uninsured	\$ 3,508,594 18
Telephone contacts	1,531
Walk-ins	22
LIENS	
Liens prepared	52
Liens reviewed	179
Liens mailed	134
Liens released	58
INJUNCTIONS	
Employers selected for injunction	38
Affidavits	34
Hearings attended	8
EVS**	
Accounts added to EVS	243
\$ value of EVS accounts added	\$ 434,770 10
Total accounts on EVS	1,276
# of accounts pending approval	13
Total \$ value of EVS accounts	\$ 24,974,814 00
# payments received on EVS accounts	109
\$ value of EVS payments received	\$ 141,020 90
REPAYMENT AGREEMENTS	
# of repayment agreements	8
Agreements set up	5
Total # of agreements on system	140
Intent to void letters mailed	19
Agreements voided	8
NSF	
# of NSF Checks	0
\$ value of NSF Checks	\$ 3,914 73
BANKRUPTCIES	
# of open bankruptcy cases	733
Bankruptcies filed	0
Bankruptcy audits	0
Bankruptcies closed	0
COLLECTION AGENCY ASSIGNMENTS	
New Collection agency assignments	0
\$ value of new assignments	\$ -
Accounts recalled from collection agency	0
Total # assignments to collection agency	0
Total \$ value assigned to collection agency	\$ -
\$ collection agency collected this month	\$ 8,556 21
MISCELLANEOUS	
FOIAs	1
Returned Mail	48
Field Requests	12
In-House Terminations	37
Intent to Lien Letters	0
Rule 11 Letters Mailed	183
Rule 11 hearings	4
Uninsured Policies Presumed * Resolved	455
All Cash Receipts from WC accounts	\$ 349,523 22
*Cannot determine actual resolved accounts due to not all policies have new appropriate collection status	
**This is a manual production	
*Rule 11 letters became automated effective October 23, manual process until this date	