

FILE COPY

JOINT COMMITTEE ON  
GOVERNMENT AND FINANCE

**Materials Distributed**

**November 17, 2010**

October 13, 2010

2:00 - 3:00 p.m.

Joint Committee on Government and Finance

Senate

Tomblin, Chair  
Chafin  
Helmick  
Kessler (absent)  
Plymale  
Deem  
Hall

House

Thompson, Chair  
Boggs  
Caputo  
Miley  
White  
Armstead  
Border

President Tomblin, Cochair, presided.

1. Approval of Minutes

Upon motion by Speaker Thompson, properly adopted, the minutes of the September 15, 2010, meeting were approved.

2. Committee Reports/Requests:

None

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

Distributed to members of the Committee were the following: Lottery Commission reports for the month ended August 31, 2010; General Revenue Fund report for the month ended September 30, 2010; and the Unemployment Compensation Trust Fund report as of August 31, 2010. Distributed with each of the reports were an analysis and a summary of the reports.

4. Consolidated Public Retirement Board

Erica Mani, Executive Director, WV Consolidated Public Retirement Board discussed State Trooper disability re-examinations to determine whether they continue to be disabled and if they are no longer disabled their disability retirement would be cut off. Ms. Mani said she would get back to the Committee regarding expenses incurred for the disabled employees in gathering their medical records and who is responsible for paying for the expense. The Committee requested information on how many people are drawing two retirements from the Consolidated Public Retirement Board and a list of the ages of the 60 people that are being re-examined.

5. Workforce WV - Unemployment Compensation Trust Fund

A report of the Workforce WV - Unemployment Compensation Trust Fund was distributed. Russell Fry, Acting Executive Director said Trust Fund will run out of funds in March 2010 under the current projections.

**6. PEIA, BRIM and CHIP Reports**

The following BRIM reports were distributed: An unaudited balance sheet and unaudited income statement for the period ending August 31, 2010.

The following reports from CHIP were distributed: A report of enrollment for September 2010 and financial statements for period ending August 31, 2010. Secretary Ferguson said the enrollment is at 24,500 which is 1% more than last year.

The following monthly PEIA reports were distributed: Monthly Management Report and Prescription Drug Report for August 2010. Secretary Ferguson said prescription claims are up about 12% this year and is in line with the national trends.

**7. Real Estate Report, Department of Administration**

A real estate report for September 1, 2010 through September 30, 2010, was distributed. The Committee requested to have the annual rent for the renewals included in the report.

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

A Medicaid report dated October 2010 was distributed.

**9. Investment Management Board**

An Investment Management Board report dated August 31, 2010, was distributed.

**10. Workers' Compensation**

A Workers' Compensation report dated October 7, 2010, was distributed.

**11. Board of Treasury Investments Report Distribution**

A Board of Treasury Investments Report dated August 31, 2010 was distributed.

The meeting was adjourned.

**WEST VIRGINIA LEGISLATURE**  
*Office of the Legislative Auditor*

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



*. 304-347-4870*

November 5, 2010

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

**Lottery Commission as of September 30, 2010 :**

Gross profit for the months of July - September 2010 ( FY 2011 end of first quarter) was \$ 153 million.

**General Revenue Fund as of October 31, 2010:**

Revenue collections for the months of July - October 2010 were above the estimate.

**State Road Fund as of October 31, 2010:**

Fund collections were above the yearly estimate as of October 31, 2010.

**Unemployment Compensation Trust as of September 30, 2010:**

Regular benefits paid for the first quarter of fiscal year 2011 were \$ 40 million less than in July - September of fiscal year 2010. Trust fund ending balance on September 30, 2010 was \$93,832,461.16.

*Joint Committee on Government and Finance*

**WEST VIRGINIA LEGISLATURE**  
*Office of the Legislative Auditor*

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



**. 304-347-4870**

**MEMORANDUM**

**To:** Honorable 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:** November 1, 2010

**Re:** Review of West Virginia Lottery Financial Information  
As of September 30, 2010 (FY 2011)

We performed an analysis of the Statement of Revenues, Expenses and Retained Earnings for the months of July -September of the 2010-2011 fiscal year from monthly unaudited financial reports furnished to our office by the West Virginia Lottery Commission. The results are as follows:

**Lottery Revenues:**

Gross lottery revenues are receipts from on-line games, instant games, table games and video lottery. These gross receipts totaled \$ 354,347,000.00 for July - September of fiscal year 2011. Table games accounted for \$14.7 million of this total. Historic Resort Hotel video lottery and table games accounted for \$1.4 million of total gross receipts. These gross receipts were \$361,084,000.00 for July - September of the preceding fiscal year, 2009-2010. Gross lottery revenue is down by 1.87% from the preceding fiscal year. This number does not include commission

Lottery

**Joint Committee on Government and Finance**

Lottery continued

and prize deductions. Gross profit (Gross revenues minus commissions and prize costs) for July - September 2010 was \$153,053,000.00; for July - September of last fiscal year it was \$156,211,000.00. Expressed as a percentage, gross profit is 2.02% lower for fiscal year 2011 than for fiscal year 2010.

**Operating Income:**

Operating income was \$ 148,309,000.00 for July - September 2010. For the preceding July - September it was \$ 151,368,000.00. This was a decrease of 2.02%. After additions and subtractions of non-operating income and expenses, distributions to the state were \$146,443,000.00 for July - September 2010 (FY 2011).

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

A total of \$ 146,443,000.00 has been accrued to the state of West Virginia for fiscal year 2010-2011. 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	\$ 36,110,000.00
Community and Technical College	\$1,500,000.00
Department of Education	\$ 17,154,000.00
Library Commission	\$ 6,077,000.00
Higher Education-Central Office	\$ 6,296,000.00
Tourism	\$ 4,121,000.00
Department of Natural Resources	\$ 1,880,000.00

Lottery

Lottery continued

Division of Culture and History	\$ 3,173,000.00
Department of Education and Arts	\$ 616,000.00
State Building Commission	\$ 3,000,000.00
School Building Authority	\$ 5,400,000.00
<b><u>SUBTOTAL BUDGETARY TRANSFERS</u></b>	<b>\$ 85,327,000.00</b>

**Excess Lottery Fund**

General Purpose Fund	\$ 65,000,000.00
Economic Development Fund	\$ 5,700,000.00
Excess Lottery Surplus	\$ 0.00
Education Improvement Fund	\$ 3,000,000.00
WV Infrastructure Council Fund	\$ 9,774,000.00
Higher Education Improvement Fund	\$ 29,000,000.00
State Park Improvement Fund	\$ 1,222,000.00
Refundable Credit	\$ 563,000.00
School Building Authority	5,700,000.00
<b>TOTAL EXCESS LOTTERY FUND</b>	<b>\$119,959,000.00</b>

Historic Resort Hotel Distributions:

State General Revenue Fund	334,000.00
State Debt Reduction Fund	99,000.00
Tourism Promotion Fund	16,000.00
<b>Total Historic Hotel</b>	<b>449,000.00</b>

Lottery

Lottery continued

Veterans Instant Ticket Fund

244,000.00

Table Games State Debt Reduction Fund

5,740,000.00

<b>RACETRACK VIDEO LOTTERY TRANSFERS:</b>	
Tourism Promotion Fund 1.375%	\$2,415,000.00
Development Office Promo Fund	\$658,000.00
Research Challenge Fund .5%	\$878,000.00
Capitol Renovation and Improvement Fund .6875%	\$1,208,000.00
Parking Garage Fund .0625%	\$110,000.00
Parking Garage Fund 1%	\$500,000.00
Cultural Facilities and Cap. Resources Fund .5%	\$600,000.00
Capitol Dome & Cap. Improvements Fund .5%	\$657,000.00
Workers Compensation Debt Reduction Fund 7%	\$11,000,000.00
<b>SUBTOTAL VIDEO LOTTERY TRANSFERS:</b>	<b>\$18,026,000.00</b>
<b>TOTAL TRANSFERS</b>	<b>*\$229,745,000.00</b>

\* CASH BASIS

Total Accrued last FY 2010:	241,039,000.00
Total Cash Distributions FY 2011:	229,745,000.00
Applied to FY 2010:	229,745,000.00
Total Applied to FY 2011	000.00
Total Accrued for FY 2010	11,294,000.00
Accrued for FY 2011 as of September 30:	146,443,000.00

Lottery





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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 September 30, 2010

**DATE:** October 20, 2010

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

Financial statements of the Lottery for the month ending September 30, 2010 are attached. Lottery revenue, which includes on-line, instant, video lottery sales, table games, and historic resort, was \$112,888,482 for the month of September.

Transfers of lottery revenue totaling \$45,370,128 made for the month of September to the designated state agencies per Senate Bill 213, Veterans Instant Ticket Fund, Racetrack Video Lottery Act (§29-22A-10), and the Racetrack Table Games Act (§29-22C-27). The amount transferred to each agency is shown in Note 10 on pages 18 and 19 of the attached financial statements.

The number of traditional and limited retailers active as of September 30, 2010 was 1,590 and 1,589 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

cc: Honorable Joe Manchin III  
John Perdue, Treasurer  
Glen B. Gainer III, Auditor  
Members of the West Virginia Lottery Commission

[www.wvlottery.com](http://www.wvlottery.com)



**WEST VIRGINIA LOTTERY**

**STATE OF WEST VIRGINIA**

**FINANCIAL STATEMENTS**  
**-UNAUDITED-**

**September 30, 2010**

**WEST VIRGINIA LOTTERY**

**TABLE OF CONTENTS**

	<b>Page</b>
<b>BALANCE SHEETS .....</b>	<b>3</b>
<b>STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS.....</b>	<b>4</b>
<b>STATEMENTS OF CASH FLOWS .....</b>	<b>5</b>
<b>NOTES TO FINANCIAL STATEMENTS .....</b>	<b>6 - 23</b>

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

ASSETS	September 30, 2010	June 30, 2010
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 175,773	\$ 256,355
Accounts receivable	28,376	26,986
Inventory	555	683
Other assets	2,211	2,273
Total Current Assets	<u>206,915</u>	<u>286,297</u>
<b>Noncurrent Assets:</b>		
Restricted cash and cash equivalents	8,355	8,355
Capital assets	39,798	39,524
Less accumulated depreciation and amortization	(16,614)	(16,175)
Net Capital Assets	<u>23,184</u>	<u>23,349</u>
Total Noncurrent Assets	<u>31,539</u>	<u>31,704</u>
Total Assets	<u>\$ 238,454</u>	<u>\$ 318,001</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accrued nonoperating distributions to the State of West Virginia	\$ 157,737	\$ 241,039
Estimated prize claims	12,807	13,128
Accounts payable	2,409	3,050
Other accrued liabilities	29,118	24,401
Total Current Liabilities	<u>202,071</u>	<u>281,618</u>
Total Liabilities	<u>202,071</u>	<u>281,618</u>
<b>Net Assets:</b>		
Invested in capital assets	23,184	23,349
Unrestricted	4,844	4,679
Restricted assets ( see note 12)	8,355	8,355
Total Net Assets	<u>36,383</u>	<u>36,383</u>
Total Liabilities and Net Assets	<u>\$ 238,454</u>	<u>\$ 318,001</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 THREE MONTH PERIOD ENDED SEPTEMBER 30, 2010**

(In Thousands)

-Unaudited-

	CURRENT MONTH		YEAR TO DATE	
	2010	2009	2010	2009
<b>Lottery revenues</b>				
On-line games	\$ 6,165	\$ 7,621	\$ 18,291	\$ 23,436
Instant games	7,544	7,032	24,343	23,006
Racetrack video lottery	60,735	61,278	198,185	207,814
Limited video lottery	32,721	31,943	97,186	98,336
Table games	5,218	2,816	14,762	8,492
Historic resort	506	-	1,480	-
	<u>112,889</u>	<u>110,690</u>	<u>354,347</u>	<u>361,084</u>
<b>Less commissions</b>				
On-line games	432	534	1,280	1,640
Instant games	528	492	1,711	1,610
Racetrack video lottery	36,718	37,673	114,570	120,671
Limited video lottery	16,034	15,652	47,621	48,185
Table games	2,243	1,107	6,344	3,339
Historic resort	263	-	735	-
	<u>56,218</u>	<u>55,458</u>	<u>172,281</u>	<u>178,445</u>
<b>Less on-line prizes</b>	3,608	3,724	9,918	11,605
<b>Less instant prizes</b>	5,145	4,691	16,597	15,539
<b>Less ticket costs</b>	172	96	575	327
<b>Less vendor fees and costs</b>	731	585	1,923	1,957
	<u>9,656</u>	<u>9,096</u>	<u>29,013</u>	<u>29,428</u>
<b>Gross profit</b>	<u>47,015</u>	<u>46,136</u>	<u>153,653</u>	<u>156,211</u>
<b>Administrative expenses</b>				
Advertising and promotions	655	402	2,020	1,484
Wages and related benefits	990	963	2,925	2,773
Telecommunications	37	45	154	247
Contractual and professional	376	76	1,006	1,022
Rental	57	54	167	179
Depreciation and amortization	146	168	439	503
Other administrative expenses	111	85	396	264
	<u>2,372</u>	<u>1,793</u>	<u>7,107</u>	<u>6,392</u>
<b>Other Operating Income</b>	<u>651</u>	<u>589</u>	<u>2,363</u>	<u>1,549</u>
<b>Operating Income</b>	<u>45,294</u>	<u>44,932</u>	<u>148,309</u>	<u>151,368</u>
<b>Nonoperating income (expense)</b>				
Investment income	28	27	86	112
Distributions to municipalities and counties	(541)	(626)	(1,905)	(1,927)
Distributions - capital reinvestment	(17)	-	(47)	-
Distributions to the State of West Virginia	(44,664)	(44,327)	(146,443)	(149,529)
	<u>(44,664)</u>	<u>(44,926)</u>	<u>(146,443)</u>	<u>(149,529)</u>
<b>Net income</b>	<u>-</u>	<u>6</u>	<u>-</u>	<u>24</u>
<b>Net assets, beginning of period</b>	<u>36,383</u>	<u>83,206</u>	<u>36,383</u>	<u>83,188</u>
<b>Net assets, end of period</b>	<u>\$ 36,383</u>	<u>\$ 83,212</u>	<u>\$ 36,383</u>	<u>\$ 83,212</u>

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

**WEST VIRGINIA LOTTERY  
STATEMENTS OF CASH FLOWS  
FOR THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2010**

(In Thousands)  
-Unaudited-

	2010	2009
<b>Cash flows from operating activities:</b>		
Cash received from customers and other sources	\$ 355,320	\$ 368,677
Cash payments for:		
Personnel costs	(2,604)	(2,773)
Suppliers	(5,291)	(3,536)
Other operating costs	(189,994)	(202,836)
Cash provided by operating activities	<u>157,431</u>	<u>159,512</u>
<b>Cash flows from noncapital financing activities:</b>		
Nonoperating distributions to the State of West Virginia	(229,745)	(147,914)
Distributions to municipalities and counties	(1,889)	(1,935)
Distributions to racetrack from racetrack cap. relinv. fund	(6,191)	(5,131)
Cash used in noncapital financing activities	<u>(237,825)</u>	<u>(154,980)</u>
<b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	<u>(274)</u>	<u>(275)</u>
<b>Cash flows from investing activities:</b>		
Investment earnings received	<u>86</u>	<u>112</u>
Increase (decrease) in cash and cash equivalents	(80,582)	4,369
Cash and cash equivalents - beginning of period	264,710	295,225
Cash and cash equivalents - end of period	<u>\$ 184,128</u>	<u>\$ 299,594</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 148,309	\$ 151,368
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation and amortization	439	503
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(1,390)	6,044
(Increase) decrease in inventory	128	138
(Increase) decrease in other assets	62	54
Increase (decrease) in estimated prize claims	(321)	(281)
Increase (decrease) in accounts payable	(641)	(890)
Increase (decrease) in other accrued liabilities	10,845	2,576
Cash provided by operating activities	<u>\$ 157,431</u>	<u>\$ 159,512</u>

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

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

**NOTE 1 - LEGISLATIVE ENACTMENT**

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

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

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

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

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

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

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

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

Video lottery is a self-activated video version of lottery games which is operated by an authorized licensee. The board-operated games allow a player to place bets for the chance to be awarded credits which can either be redeemed for cash or be replayed as additional bets. The coin operated games allow a player to use coins, currency, or tokens to place bets for the chance to receive coin or token awards which may be redeemed for cash or used for replay in the coin operated games. The video lottery games' prize structures are designed to award prizes, or credits, at a stipulated rate of total bets played, and prize expense is netted against total video credits played. The Lottery recognizes as video lottery revenue "gross terminal income" equivalent to all wagers, net of related prizes. Amounts required by statute to be paid to the private and local government entities are reported as commissions. WV Lottery statutes have established specific requirements for video lottery and imposed certain restrictions limiting the licensing for operation of video lottery games to horse and dog racetracks in West Virginia (subject to local county elections permitting the same), limited licensed retailer areas restricted for adult amusement, and licensed historic resort hotels as defined by WV Code.



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

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

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

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

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

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

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

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

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

**COMPENSATED ABSENCES** – The Lottery has accrued \$500,740 and \$467,815 of at June 30, 2010 and 2009, respectively, for estimated obligations that may arise in connection with compensated absences for vacation at the current rate of employee pay. Employees fully vest in all earned but unused vacation. To the extent that accumulated sick leave is expected to be converted to benefits on termination or retirement, the Lottery participates in an other postemployment benefits plan (see Note 16).

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

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

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

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

**NOTE 3 - CASH AND CASH EQUIVALENTS**

At September 30, 2010 the carrying amounts of deposits (overdraft) with financial institutions were (\$32) thousand with a bank balance (overdraft) of \$37 thousand. Of this balance \$250 thousand was covered by federal depository insurance with the remaining balance collateralized with securities held by the State of West Virginia's agent in the State's name.

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

	<u>September 30, 2010</u>	<u>June 30, 2010</u>
Deposits with financial institutions	\$ (32)	\$ (60)
Cash on hand at the Treasurer's Office	21,349	40,006
Investments with BTI reported as cash equivalents	<u>162,811</u>	<u>224,764</u>
	<u>\$ 184,128</u>	<u>\$ 264,710</u>

The deposits with the BTI are part of the State of West Virginia's consolidated investment cash liquidity pool. Investment income is pro-rated to the Lottery at rates specified by the BTI based on the balance of the deposits maintained in relation to the total deposits of all state agencies participating in the pool. Such funds are available to the Lottery with overnight notice.

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

**NOTE 4 - CAPITAL ASSETS**

A summary of capital asset activity for the month ended September 30, 2010 is as follows (in thousands):

**Capital Assets:**

	Historical Cost At June 30, 2010	Additions	Deletions	Historical Cost At September 30, 2010
<b>Construction in Progress</b>	\$ 20,174	\$ 146	\$ -	\$ 20,320
<b>Land</b>	1,434		-	1,434
<b>Improvements</b>	1,170		-	1,170
<b>Equipment</b>	16,746	128	-	16,874
	<u>\$ 39,524</u>	<u>\$ 274</u>	<u>\$ -</u>	<u>\$ 39,798</u>
<b>Accumulated Depreciation:</b>				
	Historical Cost At June 30, 2010	Additions	Deletions	Historical Cost At September 30, 2010
<b>Improvements</b>	\$ 1,131	\$ 3	\$ -	\$ 1,134
<b>Equipment</b>	15,044	436	-	15,480
	<u>\$ 16,175</u>	<u>\$ 439</u>	<u>\$ -</u>	<u>\$ 16,614</u>

**NOTE 5 - PARTICIPATION IN THE MULTI-STATE LOTTERY**

The Lottery is a member of the Multi-State Lottery (MUSL), which operates the semi-weekly POWERBALL® jackpot lotto game, the HOT LOTTO® game, and the MEGA MILLIONS® jackpot game on behalf of participating state lotteries. MUSL is currently comprised of 33 member state lotteries, including the District of Columbia and the United States Virgin Islands. MUSL is managed by a Board of Directors, which is comprised of the lottery directors or their designees from each of the party states. The Board of Directors' responsibilities to administer the Multi-State Lottery Powerball, Hot Lotto, and Mega Millions games are performed by advisory committees or panels staffed by officers and independent contractors appointed by the board. These officers and consultants serve at the pleasure of the board and the board prescribes their powers, duties and qualifications. The Executive Committee carries out the budgeting and financing of MUSL, while the board contracts the annual independent audit. A copy of the audit may be obtained by writing to the Multi-State Lottery Association, 1701-48th Street, Suite 210, West Des Moines, Iowa 50266-6723.

Each MUSL member sells game tickets through its agents and makes weekly wire transfers to the MUSL in an amount equivalent to the total prize pool less the amount of prizes won in each state. Lesser prizes are paid directly to the winners by each member lottery. The prize pool for POWERBALL®, HOT LOTTO® and MEGA MILLIONS® is 50% of each drawing period's sales, with minimum jackpot levels. The Lottery's revenues and expenses from MUSL games participation for the month ended September 30, 2010 and year-to-date is as follows:

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

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

<u>Revenues</u>	<u>Month</u>	<u>Y-T-D</u>
Powerball	\$ 3,067,952	\$ 8,899,692
Hot Lotto	502,269	1,404,223
Mega Millions	503,778	1,727,309
Total	\$ 4,073,999	\$ 12,031,224

<u>Expenses (Prizes)</u>	<u>Month</u>	<u>Y-T-D</u>
Powerball	\$ 1,573,182	\$ 4,428,961
Hot Lotto	258,373	697,690
Mega Millions	246,263	890,586
Total	\$ 2,077,818	\$ 6,017,237

MUSL places a percentage of game sales from each game in separate prize reserve funds that serve as a contingency reserve to protect the respective MUSL Product Groups from unforeseen prize liabilities. These funds can only be used at the discretion of the respective MUSL Product Group. Once the prize reserve funds exceed the designated limit, the excess becomes part of that particular prize pool. Prize reserve fund monies are refundable to MUSL Product Group members if the MUSL disbands or, after one year, if a member leaves the MUSL. The applicable sales percentage contribution as well as the reserve fund limit for the MUSL games is as follows:

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

At September 30, 2010, the Lotteries share of the prize reserve fund balances were as follows:

<u>Game</u>	<u>Total Prize Reserve</u>	<u>Lottery Share</u>
Powerball	\$ 113,466,720	\$ 2,366,754
Hot Lotto	6,827,352	415,595
Mega Millions	(2,578,015)	(25,375)
Total	\$ 117,716,057	\$ 2,756,974

Lottery prize reserves held by the MUSL are invested according to a Trust agreement the Lottery has with MUSL outlining investment policies. The policies restrict investments to direct obligations of the United States Government, perfected repurchase agreements, and obligations issued or guaranteed as to payment of principal and interest by agencies or instrumentalities of the United States Government, and mutual funds of approved investments. The average portfolio maturity is never more than one year, except that up to one third of the portfolio may have an average maturity of up to two years. The maximum maturity for any one security does not exceed five years.

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

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

The interest earned on prize reserve fund monies is used to pay MUSL operating expenses and any amounts over and above that are credited to an unreserved fund. The Lottery records this as interest when earned. This fund had a balance of \$15,848,900 at September 30, 2010, of which the Lottery's share was \$1,755,415.

**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 10 titled "Nonoperating Distributions to the State of West Virginia."

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

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

The final benchmark occurs when the current year net terminal revenue meets the fiscal year 2001 net terminal revenue. At this point a 10% surcharge is applied to net terminal revenue, with 58% of the surcharge allocated for distribution to the State as specified by legislation or the State budget, and 42% of the surcharge allocated to separate capital reinvestment funds for each licensed racetrack.

After deduction of the surcharge, 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 10. Amounts from the capital reinvestment fund may be distributed to each racetrack if qualifying expenditures are made within the statutory timeframe; otherwise amounts accumulated in the fund revert to the state excess lottery revenue fund.

The WV Lottery, along with the 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 September 30, 2010 and year-to-date follows (in thousands):

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

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

	Current Month		Year-to-Date	
	2011	2010	2011	2010
Total credits played	\$ 666,102	\$ 677,779	\$ 2,163,590	\$ 2,173,678
Credits (prizes) won	(598,397)	(610,538)	(1,944,195)	(1,959,229)
Promotional credits played	(6,682)	(5,616)	(20,196)	(5,617)
MWAP Contributions	(288)	(347)	(1,014)	(1,018)
Gross terminal income	68,735	61,278	198,185	207,814
Administrative costs	(2,429)	(2,451)	(7,928)	(8,313)
Net Terminal Income	58,306	58,827	190,257	199,501
Less distribution to agents	(36,718)	(37,673)	(114,570)	(120,671)
Racetrack video lottery revenues	<u>\$ 21,588</u>	<u>\$ 21,154</u>	<u>\$ 75,687</u>	<u>\$ 78,830</u>

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

	September 30, 2010	Year-to-Date
State Lottery Fund	\$ 17,492	\$ 57,077
State Excess Lottery Revenue Fund	-	-
Capital Reinvestment Fund	-	-
Tourism Promotion Fund 1.375%	801	2,616
Development Office Promotion Fund .375 %	219	714
Research Challenge Fund .5 %	292	951
Capitol Renovation & Improvement Fund .6875 %	401	1,308
Parking Garage Fund .0625 %	36	119
Parking Garage Fund 1 %	-	500
Cultural Facilities & Capitol Resources Fund .5 %	292	701
Capitol Domes & Capitol Improvements Fund .5 %	292	701
Worker's Compensation Debt Reduction Fund 7 %	1,763	11,000
Total nonoperating distributions	<u>\$ 21,588</u>	<u>\$ 75,687</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 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

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

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

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 September 30, 2010 and year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2011	2010	2011	2010
Total credits played	\$ 383,320	\$ 373,577	\$ 1,143,378	\$ 1,151,608
Credits (prizes) won	(350,599)	(341,634)	(1,046,192)	(1,053,272)
Gross terminal income	\$ 32,721	\$ 31,943	\$ 97,186	\$ 98,336
Administrative costs	(654)	(639)	(1,944)	(1,967)
Gross Profit	32,067	31,304	95,242	96,369
Commissions	(16,834)	(15,652)	(47,621)	(48,185)
Municipalities and Counties	(641)	(626)	(1,905)	(1,927)
Limited video lottery revenues	<u>\$ 15,392</u>	<u>\$ 15,026</u>	<u>\$ 45,716</u>	<u>\$ 46,257</u>

**NOTE 8 - TABLE GAMES**

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

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

Retain 3% of the adjusted gross receipts for administrative expenses of which at least \$100,000 and not more than \$500,000 annually will be transferred to the Compulsive Gambling Treatment Fund. Transfer two 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 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 licenses is located to be divided equally among the municipalities. The Commission will distribute the remaining amounts, hereinafter referred to as the net amounts in the Racetrack Table Games Funds as follows:

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

**NOTE 8 – TABLE GAMES (continued)**

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

The cash transferred to the State Debt Reduction Fund in the current month is included in Note 10- Nonoperating Distributions to the State of West Virginia. The table games adjusted gross receipts for the month ended September 30, 2010 and year-to-date were \$14,908,894 and \$42,176,746, respectively. The following table shows the month and year totals of the privilege tax and the accrued distributions (in thousands) to be transferred in the subsequent month:

	<u>Current Month</u>		<u>Year-to-Date</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Table Games Privilege Tax	\$ 5,218	\$ 2,816	\$ 14,762	\$ 8,492
Interest on Table Games Fund	1	-	2	1
Administrative costs	(596)	(241)	(1,688)	(728)
<b>Total Available for Distribution</b>	<b>4,623</b>	<b>2,575</b>	<b>13,076</b>	<b>7,765</b>
<u>Less Distributions:</u>				
Racetrack Purses Funds	373	201	1,054	607
Thoroughbred & Greyhound Development Funds	299	161	844	485
Racing Association Pension Plan	125	77	354	233
Municipalities/ Counties	1,446	668	4,092	2,014
<b>Total Distributions</b>	<b>2,243</b>	<b>1,107</b>	<b>6,344</b>	<b>3,339</b>
<b>State Debt Reduction Fund</b>	<b>\$ 2,380</b>	<b>\$ 1,468</b>	<b>\$ 6,732</b>	<b>\$ 4,426</b>

**NOTE 9 – HISTORIC RESORT HOTEL**

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

Historic Resort Video Lottery

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



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

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

historic resort hotel. A summary of historic resort hotel video lottery revenues for the month ended September 30, 2010 and year-to-date follows (in thousands):

	<u>Current Month</u>	<u>Year-to-Date</u>
Total credits played	\$ 4,188	\$ 11,970
Credits (prizes) won	(3,820)	(10,930)
Promotional credits played	(10)	(37)
Gross terminal income	358	1,003
Capital reinvestment	(17)	(47)
Administrative costs	(19)	(54)
Hotel commissions	(151)	(424)
Net terminal income	171	478
Historic Resort Hotel Fund	109	307
Human Resource Benefit Fund	62	171

Historic Resort Table Games

Each historic resort hotel licensee is subject to a privilege tax of thirty five percent (35%) of adjusted gross receipts, of which thirty percent (30%) is deposited directly into the Historic Resort Hotel Fund and five percent (5%) is deposited directly into the Human Resource Benefit Fund. The historic resort hotel table games adjusted gross receipts for the month ended September 30, 2010 and year-to-date were \$423,530 and \$1,362,867, respectively.

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

	<u>Current Month</u>	<u>Year-to-Date</u>
Table games privilege tax	\$ 148	\$ 477
Administrative Costs	(19)	(61)
Total Available for Distribution	129	416
Historic Resort Hotel Fund	108	348
Human Resource Benefit Fund	21	68

Historic Resort Hotel Fund

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

- 1) Sixty-four percent (64%) is paid to the State of West Virginia General Revenue Fund;

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

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

- 2) Nineteen percent (19%) is paid to the State Debt Reduction Fund;
- 3) Three percent (3%) is paid to the State of West Virginia Tourism Promotion Fund;
- 4) Four percent (4%) is paid to the county where the gaming facility is located;
- 5) Two and one-half percent (2.5%) is paid to the municipality where the gaming facility is located as prescribed by statute;
- 6) Two and one-half percent (2.5%) is divided and paid in equal shares to the remaining municipalities in the county where the gaming facility is located;
- 7) Two and one-half percent (2.5%) is divided and paid in equal shares to each county commission in the state where the gaming facility is not located;
- 8) Two and one-half percent (2.5%) is divided and paid in equal shares, to each municipality in the state not already receiving a distribution as described in item five (5) or item six (6) above.

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

	<u>Current Month</u>	<u>Year-to-Date</u>
Historic Resort Hotel Video Lottery	\$ 109	\$ 307
Historic Resort Table Games	108	348
Interest on Historic Resort Hotel Fund	-	-
Historic Resort Hotel Fund Net Income	<u>217</u>	<u>655</u>
Municipalities/ Counties	30	92
State General Revenue Fund	139	419
State Debt Reduction Fund	41	124
State Tourism Promotion Fund	7	20
Total Distributions	<u>\$ 217</u>	<u>\$ 655</u>

**NOTE 10- NONOPERATING DISTRIBUTIONS TO THE STATE OF WEST VIRGINIA**

The Lottery periodically distributes surplus funds, exclusive of amounts incurred and derived from limited video lottery and a portion of racetrack video lottery funds, to the State of West Virginia in accordance with the legislation. For the year ending June 30, 2011 the State Legislature budgeted \$166,119,364 of estimated profits of the Lottery for distributions to designated special revenue accounts of the State of West Virginia. With regard to the State Lottery Fund, legislation stipulates that debt service payments be given a priority over all other transfers in instances where estimated profits are not sufficient to provide for payment of all appropriated distributions. Debt service payments of \$1,800,000, \$1,000,000, and \$500,000 per month for the first ten months of each fiscal year currently have such priority. Transfers made pursuant to the State Excess Lottery Revenue Fund have similar requirements; currently payments are \$4,800,000 per month for the first ten months of each fiscal year. In addition, Legislation provides that, if in any month, there is a shortage of funds in the State Excess Lottery Revenue Fund to make debt service payments, the necessary amount shall be transferred from the State Lottery Fund to cover such shortfall, after the State Lottery Fund debt service payments have been made. Repayments to the State Lottery Fund are required to be made in subsequent months as funds become available. During the month ended September 30, 2010 the Lottery made such distributions and accrued additional distributions of \$38,001,496. The Lottery is a non-appropriated state

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

**NOTE 10- NONOPERATING DISTRIBUTIONS TO THE STATE OF WEST VIRGINIA**  
**(continued)**

agency and therefore does not have a budget adopted by the Legislature. 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. For the month ended September 30, 2010, the Lottery accrued additional distributions relating to racetrack video lottery, table games, and historic resort operations of \$812,893, \$2,379,991, and \$186,948, respectively.

Note 7 describes the Limited Video Lottery Act and the statutory distributions required to be made from limited video lottery operations. Note 8 describes the Table Games Act and the statutory distributions required to be made from table games operations. Note 9 describes the Historic Resort Hotel statutory distributions to be made from historic resort 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>September 30, 2010</u>	<u>Year-to-Date</u>
<u>State Lottery Fund:</u>		
Community and Technical College	\$ 500	\$ 1,500
Bureau of Senior Services	8,832	36,110
Department of Education	4,195	17,154
Library Commission	1,486	6,077
Higher Education-Policy Commission	1,540	6,296
Tourism	1,008	4,121
Natural Resources	460	1,880
Division of Culture & History	776	3,173
Department of Education & Arts	151	616
Building Commission	1,000	3,000
School Building Authority	1,800	5,400
Total State Lottery Fund	<u>\$ 21,748</u>	<u>\$ 85,327</u>

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

**NOTE 10- NONOPERATING DISTRIBUTIONS TO THE STATE OF WEST VIRGINIA**  
**(continued)**

State Excess Lottery Revenue Fund:

Economic Development Fund	\$ 1,900	\$ 5,700
Higher Education Improvement Fund	1,000	3,000
General Purpose Account	-	65,000
Higher Education Improvement Fund	-	29,000
State Park Improvement Fund	1,210	1,222
School Building Authority	1,900	5,700
Refundable Credit	-	563
Excess Lottery Surplus	-	-
West Va. Infrastructure Council	<u>9,677</u>	<u>9,774</u>
Total State Excess Lottery Revenue Fund	\$ 15,687	\$ 119,959

Total Budgetary distributions: \$ 37,435      \$ 205,286

Veterans Instant Ticket Fund \$ 43      \$ 244

Other Racetrack Video Lottery distributions:

Tourism Promotion Fund 1.375%	\$ 779	\$ 2,415
Development Office Promotion Fund .375%	212	658
Research Challenge Fund .5%	283	878
Capitol Renovation & Improvement Fund .6875%	390	1,208
Parking Garage Fund .0625 %	35	110
Parking Garage Fund 1 %	-	500
Cultural Facilities & Cap. Resources Fund .5%	283	600
Capitol Dams & Cap. Improvements Fund .5%	283	657
Workers Compensation Debt Reduction Fund 7%	<u>3,069</u>	<u>11,000</u>
Total	\$ 5,334	\$ 18,026

Table Games State Debt Reduction Fund \$ 2,304      \$ 5,740

Historic Resort Hotel distributions:

State General Revenue Fund	\$ 189	\$ 334
State Debt Reduction Fund	56	99
Tourism Promotion Fund	<u>9</u>	<u>16</u>
Total	\$ 254	\$ 449

Total nonoperating distributions to the  
State of West Virginia (cash basis) \$ 45,370      \$ 229,745

Accrued nonoperating distributions, beginning (158,443)      (241,039)

Accrued nonoperating distributions, end 157,737      157,737

\$ 44,664 \$ 146,443

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

**NOTE 11 – LEASES**

The Lottery leases, under a cancelable operating lease, its office and warehouse facilities. The Lottery also leases various office equipment under agreements considered to be cancelable operating leases. Rental expense for the year-to-date ended September 30, 2010 and September 30, 2009 approximated \$166,957 and \$179,174 respectively.

The Lottery leases office space under the terms of a non-cancellable operating lease to various tenants. Rental revenue for the month ended September 30, 2010 and year-to-date were \$86,247 and \$258,840, respectively. Future rental receipts (in thousands) are as follows:

Year Ended June 30	Rental Receipts
2011	\$ 691
2012	939
2013	962
2014	986
2015	248
Total	\$ 3,826

**NOTE 12 – 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. Contributions to the fund for fiscal years ending June 30, 2010 and June 30, 2009 were as follows:

	June 30, 2010	June 30, 2009
Beginning balance	\$ 69,870	\$ 58,487
Additions		
Administrative surplus contribution		10,817
Fund interest	93	566
Deductions		
Asset acquisition	(21,608)	-
Surplus of excess funds	(40,000)	-
Ending balance	\$ 8,355	\$ 69,870

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

**NOTE 13 - COMMITMENTS**

For the year ended June 30, 2010, the Lottery Commission has designated \$3,031,185 of unexpended administrative funds for the acquisition of capital assets. As of June 30, 2010 and 2009, \$5,921,057 and \$12,817,601, respectively, are included in unrestricted net assets and invested in capital assets for this purpose.

**NOTE 14 - RETIREMENT BENEFITS**

All full-time Lottery employees are eligible to participate in the State of West Virginia Public Employees' Retirement System (PERS), a cost-sharing multiple-employer defined benefit public employee retirement system. The PERS is one of several plans administered by the West Virginia Consolidated Public Retirement (CPRB) under the direction of its Board of Trustees, which consists of the Governor, State Auditor, State Treasurer, Secretary of the Department of Administration, and nine members appointed by the Governor. CPRB prepares separately issued financial statements covering all retirement systems it administers, which can be obtained from Consolidated Public Retirement Board, 4101 MacCorkle Ave. S.E., Charleston, West Virginia 25304-1636.

Employees who retire at or after age sixty with five or more years of contributory service or who retire at or after age fifty-five and have completed twenty-five years of credited service with age and credited service equal to eighty or greater are eligible for retirement benefits as established by State statute. Retirement benefits are payable monthly for life, in the form of a straight-line annuity equal to two percent of the employee's average annual salary from the highest 36 consecutive months within the last 10 years of employment, multiplied by the number of years of the employee's credited service at the time of retirement. Covered employees are required to contribute 4.5% of their salary to the PERS. The Lottery is required to contribute 12.5% of covered employees' salaries to the PERS. The required employee and employer contribution percentages have been established and changed from time to time by action of the State Legislature. The required contributions are not actuarially determined; however, actuarial valuations are performed to assist the Legislature in determining appropriate contributions. The Lottery and employee contributions, for the month ending September 30, 2010 and year-to-date are as follows (in thousands):

	September 30, 2010	Year-to-Date
Lottery contributions	\$ 76	\$ 239
Employee contributions	27	86
Total contributions	\$ 103	\$ 325

**NOTE 15 - RISK MANAGEMENT**

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

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

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

**WORKERS' COMPENSATION INSURANCE**

The Lottery carries workers compensation insurance coverage through a privatized business entity, BrickStreet Mutual Insurance Company (BrickStreet), established January 1, 2006, and named the administrator of former state workers' compensation fund activities. BrickStreet is paid a monthly administrative fee and rated premium to provide compensations for injuries sustained in the course of employment. The monthly administrative fee for the Lottery has been set at levels consistent with prior year payments and any rate or premium increases will be established on an experience rated basis.

The Lottery participates in the BrickStreet experience rated pool, which is rate adjusted on a quarterly basis. The BrickStreet risk pool retains all risk related to the compensation of injured employees under the program in exchange for the premiums paid.

**PUBLIC EMPLOYEES' INSURANCE AGENCY (PEIA)**

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

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

**BOARD OF RISK AND INSURANCE MANAGEMENT (BRIM)**

The Lottery participates in the West Virginia Board of Risk and Insurance Management (BRIM), a common risk pool currently operating as a common risk management and insurance program for all State agencies, component units, and other local governmental agencies who wish to participate. The Lottery pays an annual premium to BRIM for its general insurance coverage. Fund underwriting and rate setting policies are established by BRIM. The cost of all coverage as determined by BRIM shall be paid by the participants. The BRIM risk pool retains the risk of the first \$1 million per property event and purchases excess insurance on losses above that level. Excess coverage, through an outside insurer under this program is limited to \$200 million per event, subject to limits on certain property. BRIM has \$1 million per occurrence coverage maximum on all third-party liability claims.

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

**NOTE 16- OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

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

Funding Policy

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

The ARC rate is \$903 and \$901 per employee per month for the years ending June 30, 2011 and 2010 respectively. Through June 30, 2010 and 2009, the Lottery has paid premiums of \$226,212 and \$185,563. As of June 30, 2010 and 2009, the Lottery has recorded a liability of \$1,484,546 and \$251,867 on its balance sheet for OPEB.

**NOTE 17- NEW ACCOUNTING PRONOUNCEMENTS**

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 the 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.

Lottery Commission September 2010 Financial Statements Attachment (November 2010 Interims)



**WEST VIRGINIA LEGISLATURE**  
*Office of the Legislative Auditor*


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



*304-347-4870*

Memorandum

To: Honorable 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.   
Director Budget Division  
Legislative Auditor's Office

Date: November 1, 2010

Re: Status of General Revenue Fund and State Road Fund  
October 31, 2010

We have reviewed the cash revenue flows of the West Virginia general revenue fund for of fiscal year 2010-2011. The status of the fund collections are as follows:

The net collections were approximately 106% of the estimate for the fiscal year as of October 31, 2010.

Personal Income Tax collections were approximately 106% of the estimate for the fiscal year.

Consumer sales and use tax collections were approximately 103% of the estimate for the fiscal year.

Severance tax collections were 115 % of the estimate.

*Joint Committee on Government and Finance*

Corporate Income and Business Franchise Tax collections were approximately 141 % of the estimate as of October 31, 2010

**State Road Fund**

The state road fund collections were on target with the estimate for the months of July - October 2010. Privilege tax collections were higher than the estimate.

**Rainy Day and Personal Income Tax Reserve**

Revenue Shortfall Reserve Fund A(Rainy Day Fund) had a cash balance of \$ 335,539,504.65 as of October 31, 2010.

Balance July 1, 2010	276,949,590.37
Cash flow loan to General Revenue on July 1, 2010. To be repaid 90 days. This is a normal occurrence in July due to cash flow demands; repaid in September. Repaid September 2010.	- 56,000,000.00 + 56,000,000.00
Revenues (Surplus previous fiscal year)	51,314,324.75
Earnings	7,275,589.53
Balance October 31, 2010	335,539,504.65

Revenue Shortfall Reserve Fund B (Tobacco Settlement Monies) had a cash balance of \$ 295,622,675.25 as of October 31, 2010.

Balance July 1, 2010	279,073,099.52
Earnings	16,549,575.73
Balance October 31, 2010	295,622,675.25

The Special Income Tax Reserve Fund had a cash balance of \$45,019,319.21 as of October 31, 2010.

Balance July 1, 2010	45,019,319.21
Revenues	-0-
Balance October 31, 2010	45,019,319.21

Monthly Revenue Estimates  
as of October 29, 2010 WVFIMS

	MONTH ESTIMATES	NET MONTH COLLECTIONS	UNDER ESTIMATES VS ACTUAL COLLECTIONS	YTD ESTIMATES	NET YTD COLLECTIONS	YEARLY OVER UNDER ESTIMATES VS ACTUAL COLLECTIONS
Personal Income Tax	103,700,000	108,516,768	4,816,768	466,500,000	498,851,853	32,351,853
Consumer Sales Tax & Use Tax	93,200,000	98,682,038	5,482,038	378,100,000	390,268,339	12,168,339
Severance Tax	23,030,000	18,089,111	-4,940,889	98,250,000	113,761,470	15,511,470
HB 102 - Lottery Transfers	0	0	0	65,000,000	65,000,000	0
Corp Income /Business Franchise	5,500,000	13,917,470	8,417,470	58,000,000	82,033,902	24,033,902
Insurance Tax	26,000,000	25,643,727	-356,273	51,000,000	50,223,090	-776,910
Tobacco Products Tax	9,350,000	8,087,731	-1,262,269	38,980,000	37,642,082	-1,337,918
Business and Occupation	6,100,000	6,231,936	131,936	32,700,000	36,838,051	4,138,051
Liquor License Renewal	40,000	0	-40,000	5,680,000	14,147,235	8,467,235
Interest Income	1,100,000	976,308	-123,692	4,400,000	5,180,731	780,731
Liquor Profit Transfers	1,150,000	1,177,746	27,746	4,400,000	4,710,481	310,481
Departmental Collections	850,000	888,215	38,215	3,370,000	3,880,067	510,067
Property Transfer Tax	700,000	634,142	-65,858	3,110,000	3,003,972	-106,028
Property Tax	740,000	1,053,684	313,684	3,050,000	3,009,004	-40,996
Beer Tax and Licenses	680,000	617,292	-62,708	2,940,000	2,874,541	-65,459
Miscellaneous Receipts	620,000	238,434	-381,566	2,160,000	974,946	-1,185,054
Business Franchise Fees	30,000	65,521	35,521	410,000	628,468	218,468
Miscellaneous Transfers	20,000	0	-20,000	310,000	331,589	21,589
Refundable Credit Reim LTY	100,000	173,402	73,402	300,000	736,776	436,776
Racing Fees	0	0	0	0	20,810	20,810
Charter Tax	0	16,022	16,022	0	66,331	66,331
Telecommunications Tax	0	-82,510	-82,510	0	-52,619	-52,619
Estate and Inheritance Tax	0	-93	-93	0	3,193	3,193
Video Lottery Transfers	0	7,724	7,724	0	132,322	132,322
Cash Flow Transfer	0	0	0	0	0	0
<b>TOTALS</b>	<b>272,910,000</b>	<b>284,934,667</b>	<b>12,024,667</b>	<b>1,218,660,000</b>	<b>1,314,266,634</b>	<b>95,606,634</b>
Minus Cash Flow Transfer	0	0	0	0	0	0
Percent of Estimates		<b>104.41%</b>			<b>107.85%</b>	
<b>TOTALS</b>	<b>272,910,000</b>	<b>284,934,667</b>	<b>12,024,667</b>	<b>1,218,660,000</b>	<b>1,314,266,634</b>	<b>95,606,634</b>
Percent of Estimates		<b>104.41%</b>			<b>107.85%</b>	
Collections this day		<b>40,447,609</b>				

Prepared by Legislative Auditor's Office, Budget Division

STATE ROAD FUND FY 2010-2011  
 Monthly Revenue Estimates  
 as of October 29, 2010 WVFIMS

FINAL

	MONTH ESTIMATES	NET MONTH COLLECTIONS	MONTHLY OVER UNDER ESTIMATES VS ACTUAL COLLECTIONS	YTD ESTIMATES	NET YTD COLLECTIONS	YEARLY OVER UNDER ESTIMATES VS ACTUAL COLLECTIONS
<b>Gasoline &amp; Motor Carrier Rd Tax</b>	19,900,000	12,089,838	-7,810,162	115,200,000	115,417,610	217,610
<b>Privilege Tax</b>	13,327,000	13,256,890	-70,110	55,555,000	59,352,896	3,797,896
<b>Licenses &amp; Registration</b>	6,509,000	6,282,772	-226,228	29,698,000	28,102,475	-1,595,525
<b>Highway Litter Control</b>	124,000	168,600	44,600	567,000	643,399	76,399
<b>TOTALS</b>	39,860,000	31,798,100	-8,061,900	201,020,000	203,516,381	2,496,381

Percent of Estimates

79.77%

101.24%

Collections this day

10,072,205

REVENUE SHORTFALL RESERVE FUND 7005, Part A AS OF October 1, 2010 : \$334,010,868.83

REVENUE SHORTFALL RESERVE FUND 7006, Part B AS OF October 1, 2010 : \$285,730,435.95

PERSONAL INCOME TAX REFUND RESERVE FUND AS OF October 1, 2010: \$45,019,319.21

Prepared by Legislative Auditor's Office, Budget Division

WEST VIRGINIA LEGISLATURE  
Office of the Legislative Auditor

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



304-347-4870

To: Honorable 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: November 1, 2010

Re: West Virginia Unemployment Compensation Trust Fund

We have reviewed the September 2010 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 2011.

For the first quarter of fiscal year 2010-2011, the trust fund cash flow was as follows:

Trust Fund Beginning Cash Balance 7-1-2010	\$95,528,960.38
Receipts July 1, 2010 thru June 30, 2011	\$123,725,063.63
Disbursements July 1, 2010 thru June 30, 2011	\$125,421,562.85
Balance September 30, 2010	\$93,832,461.16

ITEMS OF NOTE:

Regular benefits paid for July - September 2010 were \$40.5 million less than July - September 2009.

Federal emergency benefits totaled \$ 51 million for the July -

Unemployment *Joint Committee on Government and Finance*

September 2010; for July - September 2009 federal emergency benefits totaled \$ 32.2 million.

Total disbursements were \$ 19 million less in July - September 2010 than the preceding July - September.

Receipts for July - September 2010 were \$ 4 million more than in July - August 2009. Overall ending trust fund balance was \$ 74 million less on September 30, 2010 than on September 30, 2009.

West Virginia's unemployment rate for the month of September 2010 was 8.6 percent. National unadjusted employment rate was 9.2 percent.

Seasonally adjusted unemployment rates were 9.2 percent for West Virginia and 9.6 percent nationally.

Since September 2009 employment has increased by 1,300. Employment gains were as follows: 1,600 in mining and logging; 1,400 in educational and health services; 800 in construction; 700 in other services; 600 in leisure and hospitality, 500 in manufacturing; 200 in professional and business services; and 200 in government. Employment declines were as follows: 3,900 in trade, transportation and utilities; and 800 in financial services.

Unemployment

**MONTHLY STATUS REPORT FOR THE JOINT COMMITTEE ON GOVERNMENT AND FINANCE  
FOR THREE MONTHS STARTING JULY 2009 AND JULY 2010**

	<u>JULY 09</u>	<u>AUGUST 09</u>	<u>SEPTEMBER 09</u>	<u>JULY 2010</u>	<u>AUGUST 2010</u>	<u>SEPTEMBER 2010</u>	<u>THREE MONTH TOTAL VARIANCE *</u>
<b>Balance Forward</b>	<b><u>\$193,165,088.22</u></b>	<b><u>\$184,720,216.07</u></b>	<b><u>\$181,963,574.40</u></b>	<b><u>\$96,628,960.38</u></b>	<b><u>\$94,869,467.66</u></b>	<b><u>\$105,500,318.34</u></b>	<b><u>(\$263,960,142.33)</u></b>
Add Receipts:							
1. Bond Assessment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2. Regular Contributions:	\$24,611,164.34	\$30,852,319.96	\$1,033,507.56	\$18,829,788.76	\$32,021,123.12	\$1,187,504.82	(\$4,458,575.16)
3. Federal Emergency Benefits (EUCOB)	\$9,448,500.00	\$10,658,319.00	\$12,432,429.99	\$11,525,604.92	\$24,859,782.34	\$15,331,176.74	\$19,177,315.01
4. Federal Share Extended Benefits (EB)	\$0.00	\$0.00	\$3,839,413.77	\$56,940.66	\$4,044,943.24	\$3,300,647.00	\$3,563,117.13
5. Temp Federal Additional Comp (FAC)	\$3,885,199.00	\$3,922,171.00	\$4,158,152.00	\$2,610,961.00	\$4,181,782.00	\$2,675,575.00	(\$2,497,204.00)
6. UCFE (Federal Agencies)	\$145,698.76	\$222,641.69	\$210,489.95	\$120,956.05	\$207,850.42	\$172,011.15	(\$78,012.76)
7. Special Administrative Transfer **	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
8. Reed Act Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
9. UC Modernization Incentive	\$0.00	\$0.00	\$11,058,877.00	\$0.00	\$0.00	\$0.00	(\$11,058,877.00)
10. Treasury Interest Credits	\$0.00	\$0.00	\$2,066,520.18	\$0.00	\$0.00	\$991,813.88	(\$1,074,706.30)
11. UCX (Military Agencies)	\$361,896.79	\$418,172.28	\$320,153.62	\$430,957.73	\$682,450.43	\$491,291.37	\$504,476.84
12. WV Insurance Committee-Senate Bill 246	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
13. CMA Receipts	\$0.00	\$0.00	\$6,493.00	\$0.00	\$0.00	\$1,903.00	(\$4,590.00)
<b>Total Monthly Receipts</b>	<b><u>\$38,452,458.89</u></b>	<b><u>\$46,073,623.93</u></b>	<b><u>\$25,128,077.07</u></b>	<b><u>\$33,575,209.12</u></b>	<b><u>\$65,997,931.55</u></b>	<b><u>\$24,151,922.96</u></b>	<b><u>\$4,072,943.74</u></b>
Less Disbursements:							
Debt Bond Repayment	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)
Regular Benefits:	\$33,461,040.58	\$32,848,322.41	\$28,807,284.01	\$18,709,953.79	\$21,480,113.22	\$14,346,580.77	(\$40,579,999.22)
Federal Emergency Benefits (EUCOB)	\$9,107,118.00	\$11,371,425.00	\$11,784,833.99	\$12,169,097.97	\$24,488,300.27	\$14,969,694.76	\$19,363,716.01
Federal Share Extended Benefits (EB)	\$0.00	\$0.00	\$3,938,756.49	\$121,697.71	\$4,229,090.47	\$3,108,376.23	\$3,520,407.92
Emergency Benefits (TEUC)	(\$355.00)	(\$670.00)	(\$2,150.00)	(\$798.54)	(\$4,819.72)	(\$205.00)	(\$2,648.26)
Temp Federal Additional Comp (FAC)	\$3,773,505.00	\$4,168,549.00	\$3,950,875.00	\$2,662,045.00	\$4,186,132.00	\$2,600,980.00	(\$2,443,772.00)
UCFE (Federal Workers) Benefits	\$157,715.37	\$145,821.37	\$196,165.62	\$119,873.52	\$189,447.02	\$148,842.15	(\$41,539.67)
UCX (Military Workers) Benefits	\$380,264.88	\$286,752.66	\$312,071.64	\$443,927.49	\$637,486.33	\$461,394.71	\$553,719.35
Reed Act Funds	\$0.00	\$0.00	\$0.00	\$3,366.83	\$146,865.80	\$167,138.82	\$317,371.45
Special Administrative Transfer**	\$8,042.21	\$10,065.16	\$7,494.40	\$5,548.08	\$14,455.47	\$16,977.70	\$11,379.48
<b>Total Monthly Disbursements</b>	<b><u>\$46,897,331.04</u></b>	<b><u>\$48,830,265.60</u></b>	<b><u>\$48,995,331.15</u></b>	<b><u>\$34,234,711.85</u></b>	<b><u>\$55,367,070.86</u></b>	<b><u>\$26,819,730.14</u></b>	<b><u>(\$19,301,364.94)</u></b>
<b>Trust Fund Balance</b>	<b><u>\$184,720,216.07</u></b>	<b><u>\$181,893,574.40</u></b>	<b><u>\$168,094,280.32</u></b>	<b><u>\$64,669,457.65</u></b>	<b><u>\$105,500,318.34</u></b>	<b><u>\$93,832,461.16</u></b>	<b><u>(\$240,575,633.65)</u></b>

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

\*\*The Assistance for Unemployed Workers and Struggling Families Act, Title II of Division B of Public Law No. 111-5, enacted February 17, 2009, provided a special administrative transfer to states' accounts of \$500 million to be used for certain administrative purposes. On February 27, 2009, the U.S. Treasury distributed West Virginia's amount of \$2,369,759 to the Unemployment Insurance Trust Fund. Attachment IV to the Unemployment Insurance Program Letter No. 14-09 issued by the U.S. Department of Labor on February 26, 2009 specifies the permissible uses of the administrative transfer. The special administrative transfer is not available for the payment of Unemployment Compensation (UC) benefits; therefore the Trust Fund Balance must be reduced by the Special Administrative Transfer on line 7 to obtain the balance available for UC benefits.



UC TRUST FUND PROJECTIONS - 2010

October 29, 2010

Month	Revenues	Benefits	Trust Fund Balance
Balance 12/31/2009			123,000,000
January	6,034,000	31,578,000	97,456,000
February	16,419,000	28,000,000	85,875,000
March	5,220,000	30,188,000	60,907,000
April	28,659,000	22,300,000	67,266,000
May	64,119,000	22,992,000	108,393,000
June	6,529,000	19,393,000	95,529,000
July	18,050,000	18,710,000	94,869,000
August	32,111,000	21,480,000	105,500,000
September	2,679,000	14,347,000	93,832,000
October	10,248,000	14,695,000	89,385,000
November	18,750,000	22,577,000	85,558,000
December	666,000	22,315,000	63,909,000
<b>Totals</b>	<b>209,484,000</b>	<b>268,575,000</b>	<b>63,909,000</b>

2011

January	6,275,000	30,363,000	39,821,000
February	17,044,000	26,972,000	29,893,000
March	5,435,000	28,992,000	6,336,000
April	30,024,000	21,286,000	15,074,000
May	67,285,000	21,910,000	60,449,000
June	6,847,000	18,491,000	48,805,000
July	18,930,000	17,839,000	49,896,000
August	33,622,000	20,514,000	63,004,000
September	2,811,000	13,672,000	52,143,000
October	10,741,000	14,019,000	48,865,000
November	19,642,000	21,550,000	46,957,000
December	696,000	21,344,000	26,309,000
<b>Totals - 2011</b>	<b>219,352,000</b>	<b>256,952,000</b>	<b>26,309,000</b>



# **Prescription Drug Report September 2010**

*West Virginia Legislative Interims  
November 2010*

WV PEIA - Monthly Trend

Plan Demographics	Jul-10	Aug-10	Sep-10	2010 - 2011 Fiscal	2009 - 2010 Fiscal	% Change
Total Drug Cost	\$13,792,008	\$15,304,262	\$16,612,238	\$44,768,493	\$39,602,652	13.02%
Amount Paid By Plan Sponsor	\$8,664,381	\$11,772,483	\$12,502,600	\$32,839,344	\$28,696,848	13.69%
Amount Paid By Members	\$5,127,644	\$3,531,769	\$3,109,737	\$11,819,149	\$10,706,033	10.40%
Total Claims	204,714	220,678	227,795	653,187	618,291	6.65%
Average Eligible Member	168,058	164,968	165,869	166,328	162,697	2.23%
Average # of Rx's Per Member Per Month	1.22	1.34	1.37	1.31	1.27	3.34%
Plan Paid Per Member Per Month (PMPM)	\$51.56	\$71.38	\$78.33	\$88.01	\$59.20	11.50%
Average Eligible Enrollees	78,766	78,787	78,909	78,820	74,802	5.37%
Average # of Rx's Per Enrollee Per Month	2.60	2.80	2.69	2.76	2.76	0.26%
Plan Paid Per Enrollee Per Month (PEPM)	\$110.02	\$149.40	\$168.44	\$139.30	\$128.77	8.16%
<b>Rx Cost Share</b>						
Avg. Claim Cost to Plan	\$42.32	\$63.35	\$54.68	\$50.43	\$46.74	7.59%
Avg. Member Cost/Claim	\$26.05	\$16.23	\$13.65	\$18.09	\$17.32	4.49%
Percent member Cost Share	37.2%	23.3%	19.9%	28.4%	27.0%	-2.32%
<b>Average Ingredient Costs</b>						
Single Source (no generics available)	\$216.78	\$219.33	\$219.93	\$218.42	\$191.02	14.35%
Multi-Source Brand (generics available)	\$70.48	\$72.55	\$69.12	\$77.50	\$68.70	18.19%
Generic Drugs	\$24.98	\$26.90	\$26.87	\$26.52	\$19.40	31.57%
<b>Brand/Generic Dispensing Rates</b>						
Single Source (no generics)	21.36%	21.75%	21.19%	21.44%	24.92%	-13.96%
Multi-Source Brand % (generics available)	0.96%	0.92%	0.88%	0.91%	0.87%	-5.58%
Generic Drug	77.63%	77.33%	77.93%	77.65%	74.11%	4.77%
Generics Dispensed when available	98.78%	98.63%	98.63%	98.84%	96.70%	0.13%
Percent of Plan Cost for Single Source	76.70%	74.44%	72.48%	75.08%	81.91%	-8.34%
<b>Retail Pharmacy Program</b>						
Avg. Day Supply	33.6	34.3	33.6	33.8	33.3	1.65%
Avg. Plan Cost/Day Supply	\$1.25	\$1.54	\$1.62	\$1.48	\$1.39	6.13%
Avg. Claim Cost to Plan	\$41.84	\$62.81	\$54.36	\$49.84	\$48.29	7.89%
Avg. Member Cost / Claim	\$24.92	\$16.08	\$13.54	\$17.99	\$17.18	4.65%
Percent Member Cost Share	37.27%	23.34%	19.95%	26.46%	27.07%	-2.27%
Special Maint Network (% of claims filled)	12.09%	13.20%	12.70%	12.71%	12.16%	4.61%
Other Maint (% of claims filled)	0.73%	0.75%	0.81%	0.77%	0.71%	8.43%
Avg. Days Supply for Maint. Networks	87.1	87.2	87.3	87.2	87.3	-0.14%
Total # Claims Fills 1-34 Days Supply	173,784	184,721	191,621	560,028	526,214	4.63%
Total # Claims Fills 35-60 Day Supply	1,797	2,021	1,968	5,788	4,946	18.98%
Total # Claims Fills 61-90 Day Supply	26,866	31,402	31,900	90,157	80,831	11.54%
Total # Claims Fills 91+ Day Supply	58	70	69	194	141	37.59%
<b>Mail Service Program</b>						
Avg. Days Supply	72.8	74.0	72.8	73.2	71.8	2.30%
Avg. Plan Cost/Days Supply	\$1.06	\$1.36	\$1.47	\$1.30	\$1.28	1.67%
Avg. Cost to Plan	\$78.69	\$100.78	\$106.82	\$98.28	\$91.60	4.01%
Avg. Member Cost/Claim	\$38.91	\$29.84	\$24.33	\$30.17	\$30.83	-2.13%
Percent Member Cost Share	32.41%	22.73%	18.68%	24.08%	25.16%	-4.49%
Total # Claims Fill 1-34 Days Supply	612	632	660	1,894	1,814	4.41%
Total # Claims Fills 35-60 Days Supply	8	8	8	25	27	-7.41%
Total # Claims Fills 61-90 Days Supply	1,599	1,824	1,882	5,106	4,278	19.33%
Total # Claims Fills 91+ Day Supply	0	0	0	-	-	-
<b>Formulary Program</b>						
S/S Formulary Drugs (% by claim)	13.93%	14.45%	14.06%	14.15%	20.40%	-30.62%
S/S Non-Formulary Drugs (% by claim)	7.45%	7.30%	7.14%	7.29%	4.52%	61.24%
M/S Drugs (% by claim)	0.96%	0.92%	0.88%	0.91%	0.87%	-5.68%
Generic Drugs (% by Claim)	77.66%	77.33%	77.93%	77.65%	74.11%	4.77%
S/S Formulary Drugs (% by \$)	63.97%	68.68%	68.90%	69.47%	72.71%	-18.22%
s/s non-Formulary Drugs (% by \$)	15.73%	15.56%	15.53%	15.61%	9.19%	69.80%
M/S Drugs (% by \$)	0.80%	0.69%	0.62%	0.61%	0.78%	3.18%
Generic Drugs (% by \$)	19.50%	24.67%	28.60%	24.12%	17.31%	39.30%
<b>Specialty Drugs</b>						
Total Drug Cost	\$1,763,493	\$1,892,760	\$1,913,169	\$8,559,412	\$4,625,584	20.19%
Amount Paid by Plan Sponsor	\$1,693,174	\$1,847,548	\$1,870,937	\$8,401,659	\$4,481,833	20.52%
Amount Paid by Members	\$70,319	\$45,212	\$42,222	\$157,753	\$143,749	9.74%
Total Claims	789	856	828	2,472	2,221	11.30%
Avg # of Rx's per Member per Month	0.00	0.01	0.00	0.005	0.005	0.57%
Plan Paid Per Member Per Month (PMPM)	\$10.02	\$11.20	\$11.27	\$10.83	\$9.18	17.89%
Avg Claim Cost to Plan	\$2,133.30	\$2,160.87	\$2,259.69	\$2,165.14	\$2,017.94	8.29%
Avg Claim Cost to Member	\$89.12	\$52.65	\$50.69	\$63.82	\$64.72	-1.40%
Percent of Member Cost Share	4.01%	2.39%	2.21%	2.84%	3.11%	-6.68%
Percent of Overall Drug Spend	12.71%	12.33%	12.25%	12.42%	11.68%	8.34%



# Key Performance Indicators

## Comprehensive Indicators

### WVA - WV Public Employees Ins

Current Period: 09/2010 - 09/2010  
 Previous Period: 09/2009 - 09/2009

	Current Period	Previous Period	% Change
<b>Overall Performance</b>			
Plan Cost PMPM	\$75.40	\$67.58	11.6 %
Average Mbrs/Month	165,959	163,415	1.6 %
Average Subs/Month	78,909	75,147	5.0 %
% Utilizing Members	46.5 %	45.8 %	1.5 %
% Retail Utilizing Members	46.1 %	45.6 %	1.3 %
% Mail Utilizing Members	0.7 %	0.6 %	20.7 %
<b>Rx Measures</b>			
Rxs PMPM	1.37	1.33	3.3 %
Retail Rxs PMPM	1.36	1.32	3.2 %
Mail Rxs PMPM	0.01	0.01	16.9 %
Average Admin Fee/Rx	\$0.00	\$0.00	-93.0 %
Avg Retail Admin Fee/Rx	\$0.00	\$0.00	-93.0 %
Avg Mail Admin Fee/Rx	\$0.00	\$0.00	0.0 %
Average Plan Cost/Rx	\$54.89	\$50.83	8.0 %
Avg Retail Plan Cost/Rx	\$54.35	\$50.33	8.0 %
Avg Mail Plan Cost/Rx	\$106.84	\$105.43	1.3 %
Average Mbr Contrib/Rx	\$13.66	\$13.00	5.1 %
Avg Retail Mbr Contrib/Rx	\$13.55	\$12.89	5.1 %
Avg Mail Mbr Contrib/Rx	\$24.34	\$24.55	-0.8 %
Average Ing Cost/Rx	\$67.41	\$62.41	8.0 %
Avg Retail Ing Cost/Rx	\$66.75	\$61.79	8.0 %
Avg Mail Ing Cost/Rx	\$131.18	\$129.97	0.9 %
Average AWP/Rx	\$122.72	\$117.75	4.2 %
Avg Retail AWP/Rx	\$121.43	\$116.61	4.1 %
Avg Mail AWP/Rx	\$247.95	\$242.45	2.3 %
Average Days Supply/Rx	34.0	33.3	2.3 %
Avg Retail Days/Rx	33.6	32.9	2.2 %
Avg Mail Days/Rx	72.8	71.3	2.0 %
Average Plan Cost/Day	\$1.61	\$1.53	5.6 %
Avg Retail Plan Cost/Day	\$1.62	\$1.53	5.7 %
Avg Mail Plan Cost/Day	\$1.47	\$1.48	-0.7 %
% Plan Cost	80.1 %	79.6 %	0.5 %
% Member Contribution	19.9 %	20.4 %	-2.1 %
% Retail Plan Cost	80.0 %	79.6 %	0.5 %
% Retail Mbr Contrib	20.0 %	20.4 %	-2.1 %
% Mail Plan Cost	81.4 %	81.1 %	0.4 %
% Mail Member Contrib	18.6 %	18.9 %	-1.7 %



## Key Performance Indicators

## Comprehensive Indicators

## WVA - WV Public Employees Ins

Current Period: 09/2010 - 09/2010

Previous Period: 09/2009 - 09/2009

	Current Period	Previous Period	% Change
<b>Rx Sources</b>			
% Mail Rxs	1.0 %	0.9 %	13.1 %
% Retail Rxs	99.0 %	99.1 %	-0.1 %
% Member Submit Rxs	0.0 %	0.0 %	-82.9 %
<b>Rx Types</b>			
Avg SSB Plan Cost/Rx	\$187.68	\$164.25	14.3 %
Avg Retail SSB Plan Cost/Rx	\$186.29	\$163.15	14.2 %
Avg Mail SSB Plan Cost/Rx	\$296.21	\$257.33	15.1 %
Avg MSB Plan Cost/Rx	\$57.18	\$52.49	8.9 %
Avg Retail MSB Plan Cost/Rx	\$56.24	\$51.41	9.4 %
Avg Mail MSB Plan Cost/Rx	\$146.19	\$206.17	-29.1 %
Avg GEN Plan Cost/Rx	\$18.74	\$13.07	43.4 %
Avg Retail GEN Plan Cost/Rx	\$18.53	\$12.90	43.6 %
Avg Mail GEN Plan Cost/Rx	\$40.08	\$33.13	21.0 %
% Single-Source Brand Rxs	21.2 %	24.7 %	-14.2 %
% Multi-Source Brand Rxs	0.9 %	1.0 %	-11.7 %
% Generic Rxs	77.9 %	74.3 %	4.9 %
% Retail Single-Source Brand	21.2 %	24.7 %	-14.2 %
% Retail Multi-Source Brand	0.9 %	1.0 %	-11.9 %
% Retail Generic	78.0 %	74.3 %	4.9 %
% Mail Single-Source Brand	25.7 %	31.7 %	-18.8 %
% Mail Multi-Source Brand	0.9 %	0.8 %	18.0 %
% Mail Generic	73.4 %	67.8 %	8.6 %
% Formulary Rxs	91.2 %	94.4 %	-3.4 %
% Retail Formulary Rxs	91.2 %	94.4 %	-3.4 %
% Mail Formulary Rxs	88.4 %	93.1 %	-5.0 %
% DAW Rxs	0.5 %	0.5 %	6.3 %
% Retail DAW Rxs	0.5 %	0.5 %	5.9 %
% Mail DAW Rxs	0.9 %	0.7 %	32.4 %
% Generic Conversion	98.9 %	98.7 %	0.2 %
% Retail GEN Conversion	98.9 %	98.7 %	0.2 %
% Mail GEN Conversion	98.8 %	98.9 %	-0.1 %
<b>Period Totals:</b>			
Total Plan Cost	\$12,513,331.93	\$11,043,728.07	13.3 %
Retail Plan Cost	\$12,263,430.15	\$10,835,932.02	13.2 %
Mail Plan Cost	\$249,901.78	\$207,796.05	20.3 %
Total Member Contribution	\$3,114,397.21	\$2,823,563.22	10.3 %

# Key Performance Indicators

Comprehensive Indicators

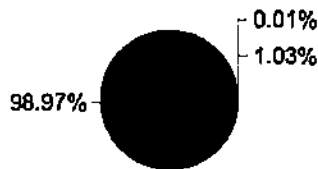
WVA - WV Public Employees Ins

Current Period: 09/2010 - 09/2010  
 Previous Period: 09/2009 - 09/2009

	Current Period	Previous Period	
Retail Member Contrib	\$3,057,480.60	\$2,775,181.78	10.2 %
Mall Member Contrib	\$56,936.61	\$48,381.44	17.7 %
<b>Total Rx Count</b>	<b>227,967</b>	<b>217,263</b>	<b>4.9 %</b>
Retail Rx Count	225,612	215,203	4.8 %
Member Submit Rxs	16	89	-82.0 %
Mall Rx Count	2,339	1,971	18.7 %
<b>Total Admin Fee</b>	<b>\$40.00</b>	<b>\$547.50</b>	<b>-92.7 %</b>
<b>Total UC Savings</b>	<b>\$9,439,929.45</b>	<b>\$11,033,562.06</b>	<b>-14.4 %</b>
<b>Total Lost Savings</b>	<b>\$24,248.38</b>	<b>\$21,241.06</b>	<b>14.2 %</b>
<b>Demographics</b>			
<b>Average Age</b>	<b>39.2</b>	<b>38.7</b>	<b>1.1 %</b>
<b>% Male Members</b>	<b>46.4 %</b>	<b>46.6 %</b>	<b>-0.5 %</b>
<b>% Female Members</b>	<b>53.6 %</b>	<b>53.4 %</b>	<b>0.4 %</b>

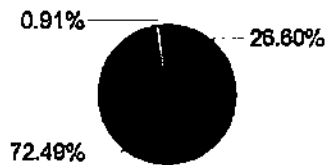
## Graphs based on Current Period: 09/2010 - 09/2010

Claim Source by Rx Count



■ Mail □ Mem... ■ Retail

Drug Type by Plan Cost



■ Gen... □ MS... ■ SS...

Formulary Status by Rx Count



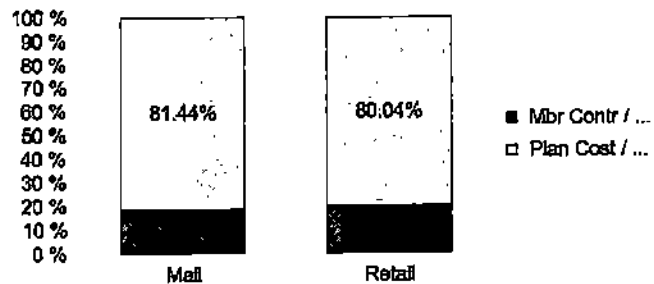
■ For... □ Non...

Drug Formulary Status by Plan Cost



■ Bra... □ Bra... ■ Gen...

Cost Share Distribution by Claim Source





## Key Performance Indicators

## Comprehensive Indicators

## WVA - WV Public Employees Ins

Current Period: 07/2010 - 09/2010

Previous Period: 07/2009 - 09/2009

	Current Period	Previous Period	% Change
<b>Overall Performance</b>			
Plan Cost PMPM	\$66.03	\$59.16	11.6 %
Average Mbrs/Month	166,328	162,697	2.2 %
Average Subs/Month	78,820	74,802	5.4 %
% Utilizing Members	44.9 %	44.2 %	1.7 %
% Retail Utilizing Members	44.6 %	43.9 %	1.6 %
% Mall Utilizing Members	0.7 %	0.6 %	14.0 %
<b>Rx Measures</b>			
Rxs PMPM	1.31	1.27	3.3 %
Retail Rxs PMPM	1.30	1.25	3.3 %
Mall Rxs PMPM	0.01	0.01	12.4 %
Average Admin Fee/Rx	\$0.00	\$0.00	-79.9 %
Avg Retail Admin Fee/Rx	\$0.00	\$0.00	-79.9 %
Avg Mall Admin Fee/Rx	\$0.00	\$0.00	0.0 %
Average Plan Cost/Rx	\$50.43	\$46.69	8.0 %
Avg Retail Plan Cost/Rx	\$49.95	\$46.25	8.0 %
Avg Mall Plan Cost/Rx	\$95.28	\$91.46	4.2 %
Average Mbr Contrib/Rx	\$18.10	\$17.30	4.6 %
Avg Retail Mbr Contrib/Rx	\$17.97	\$17.17	4.6 %
Avg Mall Mbr Contrib/Rx	\$30.18	\$30.82	-2.1 %
Average Ing Cost/Rx	\$67.36	\$62.57	7.7 %
Avg Retail Ing Cost/Rx	\$66.73	\$61.97	7.7 %
Avg Mall Ing Cost/Rx	\$125.45	\$122.28	2.6 %
Average AWP/Rx	\$122.34	\$117.91	3.8 %
Avg Retail AWP/Rx	\$121.03	\$116.75	3.7 %
Avg Mall AWP/Rx	\$242.48	\$233.36	3.9 %
Average Days Supply/Rx	34.3	33.7	1.8 %
Avg Retail Days/Rx	33.8	33.3	1.7 %
Avg Mall Days/Rx	73.2	71.5	2.3 %
Average Plan Cost/Day	\$1.47	\$1.39	6.1 %
Avg Retail Plan Cost/Day	\$1.48	\$1.39	6.2 %
Avg Mall Plan Cost/Day	\$1.30	\$1.28	1.8 %
% Plan Cost	73.6 %	73.0 %	0.9 %
% Member Contribution	26.4 %	27.0 %	-2.3 %
% Retail Plan Cost	73.5 %	72.9 %	0.8 %
% Retail Mbr Contrib	26.5 %	27.1 %	-2.3 %
% Mall Plan Cost	75.9 %	74.8 %	1.5 %
% Mall Member Contrib	24.1 %	25.2 %	-4.6 %

**Key Performance Indicators****Comprehensive Indicators****WVA - WV Public Employees Ins**

**Current Period: 07/2010 - 09/2010**  
**Previous Period: 07/2009 - 09/2009**

	<b>Current Period</b>	<b>Previous Period</b>	<b>% Change</b>
<b>Rx Sources</b>			
% Mail Rx's	1.1 %	1.0 %	8.7 %
% Retail Rx's	98.9 %	99.0 %	-0.1 %
% Member Submit Rx's	0.0 %	0.0 %	-57.2 %
<b>Rx Types</b>			
Avg SSB Plan Cost/Rx	\$176.59	\$153.51	15.0 %
Avg Retail SSB Plan Cost/Rx	\$175.31	\$152.48	15.0 %
Avg Mail SSB Plan Cost/Rx	\$276.19	\$238.89	15.7 %
Avg MSB Plan Cost/Rx	\$44.32	\$37.86	17.1 %
Avg Retail MSB Plan Cost/Rx	\$43.97	\$37.32	17.8 %
Avg Mail MSB Plan Cost/Rx	\$75.86	\$96.09	-21.0 %
Avg GEN Plan Cost/Rx	\$15.66	\$10.92	43.5 %
Avg Retail GEN Plan Cost/Rx	\$15.48	\$10.76	43.8 %
Avg Mail GEN Plan Cost/Rx	\$33.98	\$27.29	24.5 %
% Single-Source Brand Rx's	21.4 %	24.9 %	-13.9 %
% Multi-Source Brand Rx's	0.9 %	1.0 %	-6.3 %
% Generic Rx's	77.6 %	74.1 %	4.8 %
% Retail Single-Source Brand	21.4 %	24.9 %	-13.9 %
% Retail Multi-Source Brand	0.9 %	1.0 %	-6.4 %
% Retail Generic	77.7 %	74.2 %	4.7 %
% Mail Single-Source Brand	25.1 %	30.1 %	-16.4 %
% Mail Multi-Source Brand	0.9 %	0.9 %	4.5 %
% Mail Generic	73.9 %	69.0 %	7.1 %
% Formulary Rx's	90.8 %	94.2 %	-3.6 %
% Retail Formulary Rx's	90.9 %	94.2 %	-3.6 %
% Mail Formulary Rx's	88.6 %	93.3 %	-5.1 %
% DAW Rx's	0.5 %	0.5 %	5.4 %
% Retail DAW Rx's	0.5 %	0.5 %	4.3 %
% Mail DAW Rx's	1.3 %	0.7 %	74.1 %
% Generic Conversion	98.8 %	98.7 %	0.1 %
% Retail GEN Conversion	98.8 %	98.7 %	0.1 %
% Mail GEN Conversion	98.7 %	98.7 %	0.0 %
<b>Period Totals</b>			
Total Plan Cost	\$32,950,128.38	\$28,877,110.80	14.1 %
Retail Plan Cost	\$32,280,980.98	\$28,317,903.37	14.0 %
Mail Plan Cost	\$669,147.42	\$559,207.43	19.7 %
Total Member Contribution	\$11,823,838.21	\$10,700,925.61	10.5 %





**Key Performance Indicators**

Comprehensive Indicators

WVA - WV Public Employees Ins

Current Period: 07/2010 - 09/2010  
 Previous Period: 07/2009 - 09/2009

	Current Period	Previous Period	
Retail Member Contrib	\$11,811,916.91	\$10,512,475.69	10.5 %
Mall Member Contrib	\$211,921.30	\$188,449.92	12.5 %
<b>Total Rx Count</b>	<b>653,353</b>	<b>618,429</b>	<b>5.6 %</b>
Retail Rx Count	646,227	612,087	5.6 %
Member Submit Rxs	103	228	-54.8 %
Mall Rx Count	7,023	6,114	14.9 %
<b>Total Admin Fee</b>	<b>\$290.00</b>	<b>\$1,367.50</b>	<b>-78.8 %</b>
<b>Total UC Savings</b>	<b>\$26,895,851.65</b>	<b>\$30,536,652.69</b>	<b>-11.9 %</b>
<b>Total Lost Savings</b>	<b>\$80,739.73</b>	<b>\$64,813.44</b>	<b>24.6 %</b>
<b>Demographics</b>			
Average Age	39.1	38.7	1.0 %
% Male Members	48.4 %	46.6 %	-0.4 %
% Female Members	53.6 %	53.4 %	0.3 %

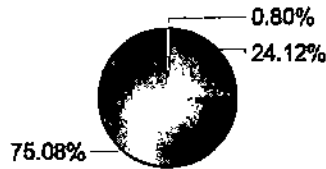
**Graphs based on Current Period: 07/2010 - 09/2010**

Claim Source by Rx Count



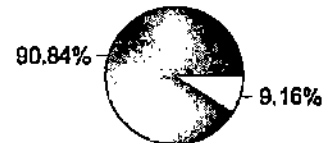
■ Mall □ Mem... ■ Retail

Drug Type by Plan Cost



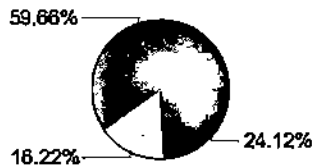
■ Gen... □ MS ... ■ SS ...

Formulary Status by Rx Count



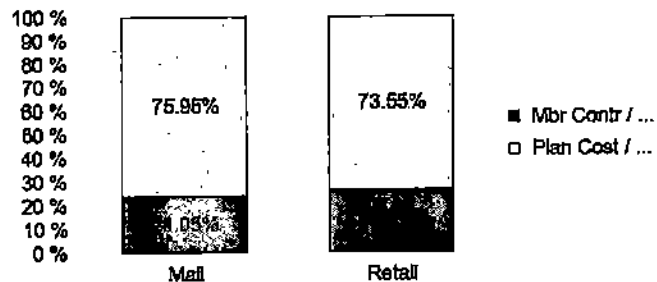
■ For... □ Non...

Drug Formulary Status by Plan Cost



■ Bra... □ Bra... ■ Gen...

Cost Share Distribution by Claim Source



■ Mbr Contr / ...  
 □ Plan Cost / ...

# Utilization Report by Population Level

WVA - WV Public Employees Ins

Prescriptions Filled From 09/2010 - 09/2010



EXPRESS SCRIPTS®

Reporting Level 2	Avg Mbr Count	Avg Util Mbr/Mnth	Rx Count	Plan Cost	Member Contr/Rx	Plan Cos/Rx	Mail % Rxs	Gen % Rxs	Form % Rxs	Gen Conv %	PMPM Plan Cost
COBRA (COBRA)	335	187	637	\$46,387	\$14.13	\$72.79	5.8 %	78.5 %	91.2 %	98.8 %	\$138.41
NON STATE AGENCIES (02)	18,859	8,462	25,143	\$1,276,837	\$12.69	\$50.78	0.8 %	79.2 %	92.2 %	99.1 %	\$67.70
NON STATE AGENCIES-HDHP (02C)	51	13	21	\$3,158	\$14.65	\$150.39	0.0 %	95.2 %	100.0 %	100.0 %	\$61.93
NON STATE AGENCIES PLAN B (02B)	3,858	1,573	4,252	\$163,341	\$17.10	\$38.42	2.4 %	82.6 %	91.8 %	99.5 %	\$42.34
NON STATE RETIREES (08)	1,284	838	3,165	\$201,320	\$12.51	\$63.81	1.3 %	77.1 %	92.3 %	99.1 %	\$158.79
NON STATE RETIREES 60 (0860)	9	8	39	\$1,658	\$5.92	\$39.96	0.0 %	79.5 %	94.9 %	93.9 %	\$173.15
STATE AGENCIES (01)	121,379	54,812	157,013	\$8,620,210	\$13.62	\$54.90	0.9 %	77.9 %	91.0 %	98.9 %	\$71.02
STATE AGENCIES (01B)	5,080	1,479	3,227	\$132,970	\$19.22	\$41.21	1.5 %	81.2 %	91.2 %	98.1 %	\$28.12
STATE AGENCIES-HDHP (01C)	245	64	126	\$3,624	\$31.69	\$26.78	10.3 %	78.6 %	91.3 %	100.0 %	\$14.79
STATE RETIREES (07)	14,804	9,688	34,208	\$2,058,748	\$13.87	\$80.12	1.3 %	78.3 %	91.2 %	98.8 %	\$138.93
STATE RETIREES ASST 60 (0760)	45	34	146	\$7,199	\$6.33	\$49.31	0.0 %	86.3 %	98.6 %	99.2 %	\$159.98
<b>Grand Total</b>	<b>166,959</b>		<b>227,987</b>	<b>\$12,613,332</b>	<b>\$13.66</b>	<b>\$54.89</b>	<b>1.0 %</b>	<b>77.9 %</b>	<b>91.2 %</b>	<b>98.9 %</b>	<b>\$75.40</b>



**Monthly Management Report  
Total Claims  
September 2010**

*West Virginia Legislative Interims  
November 2010*

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY

MONTHLY MANAGEMENT REPORT - TOTAL CLAIMS

SEPTEMBER 2010

Page: 1

Reporting Category	Type of Service	Current Period	Current	12 Months Prior	12 Months Prior	Current Fiscal Yr	Previous Fiscal Yr
		PEIA Payments	Rolling Avg PEIA Payments	PEIA Payments	Rolling Avg PEIA Payments	PEIA Payments	PEIA Payments
INPATIENT HOSPITAL FACILITY	BEHAVIORAL	204,889.46	260,292.80	186,869.90	185,558.59	722,569.26	418,100.58
	MATERNITY	198,740.18	173,724.96	178,660.12	160,121.50	558,197.13	452,565.10
	MEDICAL AND SURGICAL	6,003,937.40	6,955,078.14	5,185,352.82	6,042,595.94	20,140,994.56	16,220,805.73
	NEONATAL COMPLICATIONS	5,940.10	101,778.70	48,861.83	89,504.45	133,530.26	195,150.83
*****							
sum		6,413,507.14	7,490,874.59	5,599,744.67	6,477,770.47	21,555,291.21	17,286,622.24
OUTPATIENT HOSPITAL FACILITY	BEHAVIORAL	48,164.45	47,005.69	32,426.52	43,508.39	157,547.08	120,058.75
	DIALYSIS	112,907.58	133,903.36	119,187.29	124,030.62	428,169.77	372,245.02
	EMERGENCY ROOM	537,132.15	590,112.42	380,956.01	519,439.75	1,810,744.63	1,225,726.60
	MATERNITY	48,551.25	49,152.66	19,328.88	43,449.42	165,969.33	82,247.92
	MEDICAL AND SURGICAL	8,257,604.23	8,678,482.34	6,161,560.38	7,993,043.42	28,102,426.88	20,129,386.12
*****							
sum		9,004,359.66	9,498,656.47	6,713,459.08	8,723,471.59	30,664,857.69	21,929,664.41
PHARMACY	PRESCRIPTION DRUGS	13,883,888.31	11,695,386.57	9,722,363.20	10,385,533.76	35,476,658.81	28,615,940.04
*****							
sum		13,883,888.31	11,695,386.57	9,722,363.20	10,385,533.76	35,476,658.81	28,615,940.04
PROFESSIONAL SERVICES	ADVANCED IMAGING	325,784.30	404,321.34	324,879.28	483,358.31	1,082,481.62	1,041,261.31
	AMBULANCE	307,855.66	257,953.93	152,109.15	188,265.74	846,047.31	463,066.47
	ANESTHESIA	659,775.59	727,413.50	648,342.63	676,751.83	2,346,377.49	1,994,276.25
	BEHAVIORAL	242,863.33	352,634.16	253,903.52	320,948.31	850,527.28	775,254.53
	CARDIOVASCULAR MEDICINE	237,512.56	316,493.42	244,777.52	354,709.23	797,998.12	861,652.20
	CERVICAL CANCER SCREENING	16,441.78	18,121.15	18,406.81	17,365.12	55,207.86	58,454.97
	DIALYSIS	11,420.48	17,045.73	13,092.13	8,898.04	50,668.96	37,511.07
	DME	295,008.15	434,212.68	335,280.59	415,331.08	1,192,161.63	1,058,649.13

SOURCE: WELLS FARGO AND EXPRESS SCRIPTS PAID CLAIMS TAPES

NOTE: CLAIMS LISTED ARE ON A PAID BASIS

NOTE: DOES NOT INCLUDE REBATES, PHARMACY ADMINISTRATIVE FEES, OR RECOVERIES

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY  
 MONTHLY MANAGEMENT REPORT - TOTAL CLAIMS  
 SEPTEMBER 2010

Page: 2

Reporting Category	Type of Service	Current		12 Months Prior		Current Fiscal Yr PEIA Payments	Previous Fiscal Yr PEIA Payments
		Current Period PEIA Payments	Rolling Avg PEIA Payments	12 Months Prior PEIA Payments	Rolling Avg PEIA Payments		
PROFESSIONAL SERVICES	EVALUATION AND MANAGEMENT	4,634,420.99	5,046,590.94	4,148,683.29	4,657,183.49	15,188,375.31	13,366,029.65
	IMMUNIZATION	279,789.63	311,131.94	318,758.66	301,337.31	888,544.53	820,860.00
	INJECTION	659,252.36	748,824.06	503,751.75	737,445.89	2,068,149.80	1,628,385.96
	LAB AND PATHOLOGY	526,123.41	762,464.03	524,239.67	709,534.20	1,988,794.07	1,807,428.98
	MAMMOGRAPHY	125,255.25	140,131.84	126,610.56	142,753.44	451,853.40	465,232.91
	OTHER	377,914.79	407,525.38	318,089.62	373,160.62	1,338,301.69	1,064,158.23
	OTHER IMAGING	489,752.94	708,128.19	655,214.50	752,741.06	1,709,312.83	1,914,558.70
	OTHER MEDICINE	413,099.10	678,607.80	381,143.10	709,578.11	1,879,229.22	1,778,763.39
	PHYSICAL MEDICINE	541,509.07	652,857.65	459,246.39	622,692.64	1,806,101.34	1,489,354.97
	PROSTATE CANCER SCREENING	6,265.97	9,902.34	5,812.29	15,519.62	24,364.81	34,829.91
	SURGICAL	2,053,027.03	2,540,129.49	2,067,135.73	2,429,923.71	7,444,595.96	6,765,856.21
***** sum		12,203,072.39	14,534,489.55	11,499,477.16	13,914,497.73	42,009,093.23	37,425,584.84
sum		41,504,827.50	43,219,407.18	33,535,044.11	39,501,273.56	129,705,900.94	105,257,811.53

SOURCE: WELLS FARGO AND EXPRESS SCRIPTS PAID CLAIMS TAPES  
 NOTE: CLAIMS LISTED ARE ON A PAID BASIS  
 NOTE: DOES NOT INCLUDE REBATES, PHARMACY ADMINISTRATIVE FEES, OR RECOVERIES



**Monthly Management Report  
Per Capita Claims  
September 2010**

*West Virginia Legislative Interims  
November 2010*

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY  
 MONTHLY MANAGEMENT REPORT - PER CAPITA CLAIMS  
 SEPTEMBER 2010

Page: 1

Reporting Category	Type of Service	Current		12 Months Prior		Current Fiscal Yr PEIA Payments	Previous Fiscal Yr PEIA Payments
		Current Period PEIA Payments	Rolling Avg PEIA Payments	12 Months Prior PEIA Payments	Rolling Avg PEIA Payments		
INPATIENT HOSPITAL FACILITY	BEHAVIORAL	1.2519	1.7058	1.1740	1.2582	4.3996	2.6410
	MATERNITY	1.2143	1.1383	1.1224	1.0845	3.3988	2.8587
	MEDICAL AND SURGICAL	36.6841	45.5606	32.5756	40.9293	122.6356	102.4626
	NEONATAL COMPLICATIONS	.0363	.6664	.3070	.6053	.8130	1.2327
	***** SUM		39.1866	49.0711	35.1789	43.8773	131.2470
OUTPATIENT HOSPITAL FACILITY	BEHAVIORAL	.2943	.3078	.2037	.2945	.9593	.7584
	DIALYSIS	.6899	.8764	.7488	.8392	2.6071	2.3514
	EMERGENCY ROOM	3.2819	3.8646	2.3933	3.5176	11.0254	7.7426
	MATERNITY	.2966	.3217	.1214	.2946	1.0106	.5195
	MEDICAL AND SURGICAL	50.4540	56.8315	38.7084	54.1221	171.1116	127.1521
	***** SUM		55.0167	62.2019	42.1755	59.0681	186.7139
PHARMACY	PRESCRIPTION DRUGS	84.8306	76.6564	61.0782	70.3775	216.0122	180.7595
***** SUM		84.8306	76.6564	61.0782	70.3775	216.0122	180.7595
PROFESSIONAL SERVICES	ADVANCED IMAGING	1.9905	2.6489	2.0410	3.2772	6.5911	6.5774
	AMBULANCE	1.8810	1.6903	.9556	1.2549	5.1515	2.9251
	ANESTHESIA	4.0312	4.7641	4.0730	4.5830	14.2868	12.5973
	BEHAVIORAL	1.4839	2.3107	1.5951	2.1745	5.1787	4.8971
	CARDIOVASCULAR MEDICINE	1.4512	2.0737	1.5378	2.4027	4.8589	5.4428
	CERVICAL CANCER SCREENING	.1005	.1187	.1156	.1176	.3362	.3692
	DIALYSIS	.0698	.1116	.0822	.0600	.3085	.2369
	DME	1.8025	2.8438	2.1063	2.8128	7.2589	6.6872

SOURCE: WELLS FARGO AND EXPRESS SCRIPTS PAID CLAIMS TAPES  
 NOTE: CLAIMS LISTED ARE ON A PAID BASIS  
 NOTE: DOES NOT INCLUDE REBATES, PHARMACY ADMINISTRATIVE FEES, OR RECOVERIES

MONTHLY MANAGEMENT REPORT - PER CAPITA CLAIMS  
 SEPTEMBER 2010

Page: 2

Reporting Category	Type of Service	Current			12 Months Prior		Current Fiscal Yr PEIA Payments	Previous Fiscal Yr PEIA Payments
		Current Period PEIA Payments	Rolling Avg PEIA Payments	12 Months Prior PEIA Payments	Rolling Avg PEIA Payments			
PROFESSIONAL SERVICES	EVALUATION AND MANAGEMENT	28.3163	33.0620	26.0630	31.5407	92.4798	84.4297	
	IMMUNIZATION	1.7095	2.0397	2.0025	2.0437	5.4102	5.1852	
	INJECTION	4.0280	4.9058	3.1647	4.9998	12.5927	10.2861	
	LAB AND PATHOLOGY	3.2146	4.9942	3.2934	4.8033	12.1095	11.4171	
	MAMMOGRAPHY	.7653	.9179	.7954	.9669	2.7513	2.9388	
	OTHER	2.3091	2.6684	1.9983	2.5271	8.1487	6.7220	
	OTHER IMAGING	2.9924	4.6410	4.1162	5.0978	10.4078	12.0938	
	OTHER MEDICINE	2.5240	4.4406	2.3944	4.8048	11.4424	11.2360	
	PHYSICAL MEDICINE	3.3086	4.2771	2.8851	4.2176	10.9971	9.4079	
	PROSTATE CANCER SCREENING	.0383	.0649	.0365	.1051	.1484	.2200	
	SURGICAL	12.5440	16.6374	12.9862	16.4548	45.3291	42.7382	
*****								
SUM		74.5608	95.2109	72.2424	94.2444	255.7873	236.4077	
SUM		253.5947	283.1403	210.6751	267.5672	789.7604	664.8863	

SOURCE: WELLS FARGO AND EXPRESS SCRIPTS PAID CLAIMS TAPES  
 NOTE: CLAIMS LISTED ARE ON A PAID BASIS  
 NOTE: DOES NOT INCLUDE REBATES, PHARMACY ADMINISTRATIVE FEES, OR RECOVERIES





**Monthly Management Report  
Per Capita Utilization  
September 2010**

*West Virginia Legislative Interims  
November 2010*

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY  
 MONTHLY MANAGEMENT REPORT - PER CAPITA UTILIZATION  
 SEPTEMBER 2010

Page: 1

Reporting Category	Type of Service	Current Period Encounters	12 Months Prior Encounters	Current Fiscal Yr Encounters	Previous Fiscal Yr Encounters
INPATIENT HOSPITAL FACILITY	BEHAVIORAL	.0008	.0006	.0025	.0017
	MATERNITY	.0010	.0010	.0026	.0024
	MEDICAL AND SURGICAL	.0077	.0093	.0250	.0224
	NEONATAL COMPLICATIONS	.0003	.0004	.0010	.0008
*****					
sum		.0098	.0113	.0311	.0272
OUTPATIENT HOSPITAL FACILITY	BEHAVIORAL	.0029	.0024	.0085	.0094
	DIALYSIS	.0042	.0050	.0145	.0118
	EMERGENCY ROOM	.0227	.0194	.0719	.0586
	MATERNITY	.0022	.0013	.0066	.0050
	MEDICAL AND SURGICAL	.1961	.1717	.6248	.5449
*****					
sum		.2280	.1999	.7263	.6298
PHARMACY	PRESCRIPTION DRUGS	1.1068	.8656	2.9806	2.7109
*****					
sum		1.1068	.8656	2.9806	2.7109
PROFESSIONAL SERVICES	ADVANCED IMAGING	.0202	.0192	.0649	.0590
	AMBULANCE	.0037	.0031	.0119	.0094
	ANESTHESIA	.0196	.0203	.0650	.0571
	BEHAVIORAL	.0360	.0347	.1253	.1109
	CARDIOVASCULAR MEDICINE	.0264	.0280	.0884	.0918
	CERVICAL CANCER SCREENING	.0043	.0047	.0140	.0145
	DIALYSIS	.0005	.0006	.0021	.0017
	DME	.0203	.0203	.0723	.0613
	EVALUATION AND MANAGEMENT	.4404	.4237	1.4281	1.3480
	IMMUNIZATION	.0204	.0275	.0582	.0630

SOURCE: WELLS FARGO AND EXPRESS SCRIPTS PAID CLAIMS TAPES  
 NOTE: CLAIMS LISTED ARE ON A PAID BASIS

WEST VIRGINIA PUBLIC EMPLOYEES INSURANCE AGENCY

MONTHLY MANAGEMENT REPORT - PER CAPITA UTILIZATION

SEPTEMBER 2010

Page: 2

Reporting Category	Type of Service	Current Period Encounters	12 Months Prior Encounters	Current Fiscal Yr Encounters	Previous Fiscal Yr Encounters
PROFESSIONAL SERVICES	INJECTION	.0244	.0232	.0810	.0732
	LAB AND PATHOLOGY	.1493	.1403	.4907	.4693
	MAMMOGRAPHY	.0153	.0158	.0528	.0558
	OTHER	.0249	.0255	.0796	.0764
	OTHER IMAGING	.0861	.0822	.2730	.2643
	OTHER MEDICINE	.0717	.0669	.2316	.2098
	PHYSICAL MEDICINE	.0916	.0907	.3041	.2950
	PROSTATE CANCER SCREENING	.0042	.0035	.0136	.0155
	SURGICAL	.0736	.0704	.2450	.2286
***** sum		1.1331	1.1006	3.7014	3.5046
sum		2.4777	2.1774	7.4394	6.8725

SOURCE: WELLS FARGO AND EXPRESS SCRIPTS PAID CLAIMS TAPES  
 NOTE: CLAIMS LISTED ARE ON A PAID BASIS

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

**DRAFT**

	September 30	
	2010	2009
	(In thousands)	
<b>ASSETS</b>		
Short Term Assets		
Cash and Equivalents	\$ 25,564	\$ 27,026
Advance Deposit with Carrier/Trustee	189,094	179,961
Receivables - Net	1,174	1,254
Prepaid Insurance	3,201	2,949
<b>Total Short Term Assets</b>	<b>219,033</b>	<b>211,180</b>
Long Term Assets		
Investments	126,379	114,938
<b>Total Long Term Assets</b>	<b>126,379</b>	<b>114,938</b>
<b>TOTAL ASSETS</b>	<b>345,412</b>	<b>326,118</b>
<b>LIABILITIES</b>		
Short Term Liabilities		
Accounts payable	905	1,840
Claims Payable	36	114
OPEB Liability	181	87
Agents Commissions Payable	1,538	323
Unearned Revenue	7,097	7,428
Current Estimated Claim Reserve	44,765	49,402
<b>Total Short Term Liabilities</b>	<b>54,522</b>	<b>59,194</b>
Long Term Liabilities		
Compensated Absences	66	58
Estimated Noncurrent Claim Reserve	89,745	104,725
<b>Total Long Term Liabilities</b>	<b>89,811</b>	<b>104,783</b>
<b>TOTAL LIABILITIES</b>	<b>144,333</b>	<b>163,977</b>
Prior Year Net Assets	192,207	150,958
Current Year Earnings	8,872	11,183
<b>TOTAL NET ASSETS</b>	<b>201,079</b>	<b>162,141</b>
<b>TOTAL LIABILITIES AND RETAINED EARNINGS</b>	<b>\$ 345,412</b>	<b>\$ 326,118</b>

DRAFT - Unaudited - Management Purposes Only

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

**DRAFT**

	September 30	
	2010	2009
	(In thousands)	
Operating Revenues		
Premium Revenues	\$ 13,457	\$ 14,761
Less - Excess Insurance	(1,516)	(1,564)
Total Operating Revenues	11,941	13,197
Operating Expenses		
Claims Expense	11,371	11,427
Property & MS Claims Expense	856	1,924
Personal Services	353	331
General & Administrative Expense	660	656
Total Operating Expenses	13,240	14,338
Operating Income (Loss)	(1,299)	(1,141)
Nonoperating Revenues		
Court Fees	7	10
Investment Income	10,164	12,314
Total Nonoperating Revenues	10,171	12,324
Net Income	8,872	11,183

DRAFT - Unaudited - Management Purposes Only

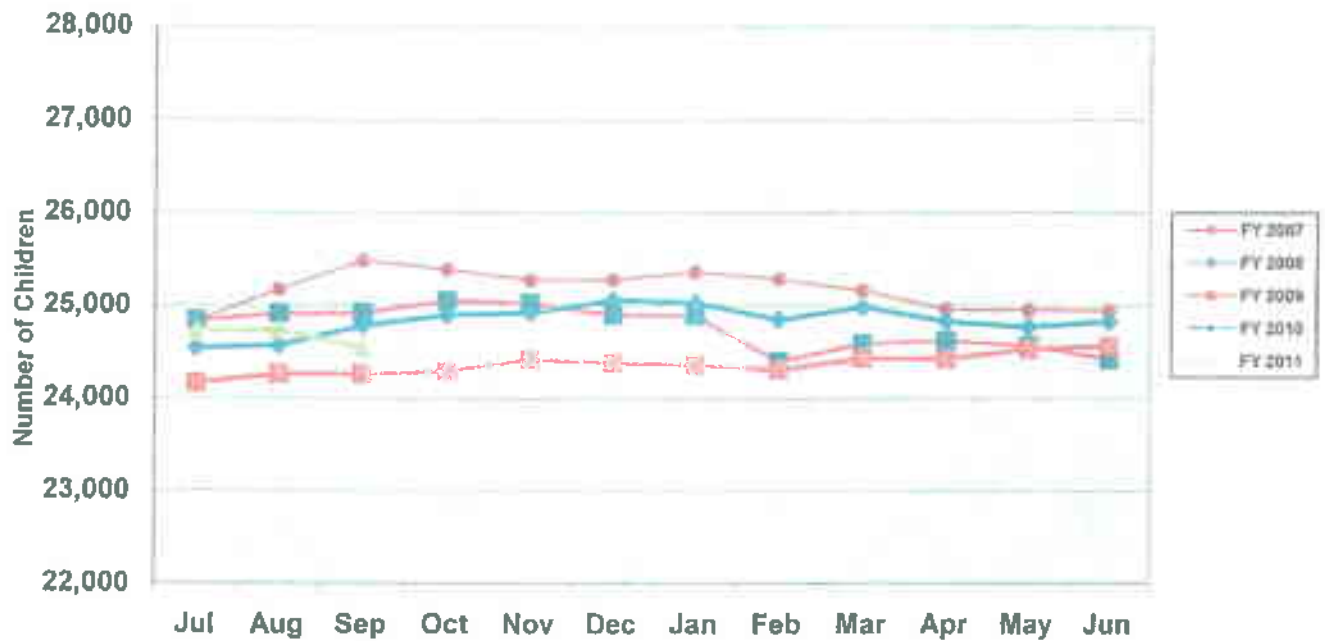


**West Virginia  
Children's Health Insurance Program  
1018 Kanawha Boulevard East  
Suite 209  
Charleston, WV 25301  
Phone: 304-558-2732  
Toll-Free: 1-877-WVA CHIP  
Fax: 304-558-2741  
[www.wvchip.org](http://www.wvchip.org)**

**Joint Committee on  
Government and Finance  
Report**

**November 2010**

## WV CHIP Enrollment



October 31st Enrollment 24,482

## Annualized Health Care Expenditures (Cost per Child)



**West Virginia Children's Health Insurance Program  
Comparative Balance Sheet  
September 2010 and 2009  
(Accrual Basis)**

	September 30, 2010	September 30, 2009	Variance	
<b>Assets:</b>				
Cash & Cash Equivalents	\$12,237,966	\$10,361,741	\$1,876,225	18%
Due From Federal Government	\$3,291,477	\$3,432,936	(\$141,459)	-4%
Due From Other Funds	\$730,858	\$773,578	(\$42,720)	-6%
Accrued Interest Receivable	\$22,180	\$1,076	\$21,104	1961%
Fixed Assets, at Historical Cost	<u>\$68,563</u>	<u>\$70,282</u>	<u>(\$1,719)</u>	<u>-2%</u>
<b>Total Assets</b>	<b><u>\$16,351,043</u></b>	<b><u>\$14,639,613</u></b>	<b><u>\$1,711,430</u></b>	<b><u>12%</u></b>
<b>Liabilities:</b>				
Due to Other Funds	\$122,335	\$336,514	(\$214,179)	-64%
Deferred Revenue	\$2,320,019	\$2,172,064	\$147,955	7%
Unpaid Insurance Claims Liability	<u>\$3,900,000</u>	<u>\$3,870,000</u>	<u>\$30,000</u>	<u>1%</u>
<b>Total Liabilities</b>	<b><u>\$6,342,354</u></b>	<b><u>\$6,378,578</u></b>	<b><u>(\$36,224)</u></b>	<b><u>-1%</u></b>
<b>Fund Equity</b>	<b><u>\$10,008,689</u></b>	<b><u>\$8,261,035</u></b>	<b><u>\$1,747,654</u></b>	<b><u>21%</u></b>
<b>Total Liabilities and Fund Equity</b>	<b><u>\$16,351,043</u></b>	<b><u>\$14,639,613</u></b>	<b><u>\$1,711,430</u></b>	<b><u>12%</u></b>

**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 Three Months Ending September 30, 2010 and September 30, 2009**  
**(Modified Accrual Basis)**

	September 30, 2010	September 30, 2009	Variance	
<b>Revenues</b>				
Federal Grants	10,459,280	9,764,099	695,181	7%
State Appropriations	2,085,128	2,194,542	(109,416)	-5%
Premium Revenues	105,784	71,014	34,770	49%
Investment Income:				
Investment Earnings	57,326	4,247	53,079	1250%
Unrealized Gain On Investments*	79,169	0	79,169	100%
Total Investment Income	<u>136,496</u>	<u>4,247</u>	<u>132,249</u>	<u>3114%</u>
<b>Total Revenues</b>	<b><u>12,786,686</u></b>	<b><u>12,033,902</u></b>	<b><u>752,784</u></b>	<b><u>6%</u></b>
<b>Expenditures:</b>				
<b>Claims:</b>				
Outpatient Services	3,183,567	3,149,569	33,998	1%
Physicians & Surgical	2,857,984	2,517,450	340,534	14%
Prescribed Drugs	2,055,340	1,895,932	159,408	8%
Dental	1,562,017	1,438,461	123,556	9%
Inpatient Hospital Services	1,011,945	799,225	212,720	27%
Durable & Disposable Med. Equip.	323,579	371,493	(47,914)	-13%
Outpatient Mental Health	321,503	306,621	14,882	5%
Vision	243,937	219,952	23,985	11%
Inpatient Mental Health	198,744	153,639	43,105	28%
Therapy	140,531	128,173	12,358	10%
Medical Transportation	129,318	80,210	49,108	61%
Other Services	27,136	25,537	1,599	6%
Less: Collections**	<u>(181,458)</u>	<u>(174,511)</u>	<u>(6,947)</u>	<u>4%</u>
Total Claims	<u>11,872,143</u>	<u>10,911,751</u>	<u>960,392</u>	<u>9%</u>
<b>General and Admin Expenses:</b>				
Salaries and Benefits	131,695	129,999	1,696	1%
Program Administration	684,100	749,671	(65,571)	-9%
Eligibility	104,273	102,725	1,548	2%
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Current	<u>39,427</u>	<u>31,494</u>	<u>7,933</u>	<u>25%</u>
Total Administrative	<u>1,015,359</u>	<u>1,115,144</u>	<u>(99,785)</u>	<u>-9%</u>
<b>Total Expenditures</b>	<b><u>12,887,502</u></b>	<b><u>12,026,895</u></b>	<b><u>860,607</u></b>	<b><u>7%</u></b>
<b>Excess of Revenues</b>				
<b>Over (Under) Expenditures</b>	<b>(100,817)</b>	<b>7,007</b>	<b>(107,824)</b>	<b>-1639%</b>
<b>Fund Equity, Beginning</b>	<b><u>10,109,506</u></b>	<b><u>8,254,028</u></b>	<b><u>1,855,478</u></b>	<b><u>22%</u></b>
<b>Fund Equity, Ending</b>	<b><u>10,008,689</u></b>	<b><u>8,261,035</u></b>	<b><u>1,747,654</u></b>	<b><u>21%</u></b>

\* Short Term Bond Fund Investment began in November 2009

\*\* Collections are primarily drug rebates and subrogation

**PRELIMINARY FINANCIAL STATEMENTS**

Unaudited - For Management Purposes Only - Unaudited

**West Virginia Children's Health Insurance Program  
Budget to Actual Statement  
State Fiscal Year 2011  
For the Three Months Ended September 30, 2010**

	<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>Actual Amt Sep-10</u>	<u>Actual Amt Aug-10</u>	<u>Actual Amt Jul-10</u>
Projected Cost	\$48,263,300	\$12,065,825	\$10,445,111	\$1,620,714	13%	\$4,021,942	\$3,900,368	\$3,108,694	\$3,436,048
Premiums	350,000	87,500	105,784	(\$18,284)	21%	\$29,167	34,563	\$37,003	\$34,218
Subrogation & Rebates	<u>543,140</u>	<u>136,785</u>	<u>181,458</u>	<u>(45,673)</u>	<u>34%</u>	<u>45,262</u>	<u>170,730</u>	<u>4,010</u>	<u>6,718</u>
Net Benefit Cost	47,370,160	\$11,842,540	\$10,157,869	\$1,684,671	14%	\$3,947,513	3,695,075	\$3,067,682	\$3,395,112
Salaries & Benefits	\$580,500	\$150,725	\$131,695	\$19,030	13%	\$47,675	\$40,858	\$41,038	\$49,799
Program Administration	3,346,959	1,044,740	927,217	117,523	11%	252,913	382,311	50,627	494,279
Eligibility	420,000	105,000	118,628	(13,628)	-13%	35,000	85,576	8,062	24,990
Outreach	300,000	75,000	30,943	44,057	59%	25,000	6,350	22,819	1,774
Current Expense	<u>160,000</u>	<u>40,000</u>	<u>40,071</u>	<u>(71)</u>	<u>0%</u>	<u>13,333</u>	<u>11,895</u>	<u>13,958</u>	<u>14,418</u>
Total Admin Cost	\$4,807,459	\$1,415,465	\$1,248,554	\$166,911	12%	\$373,922	\$526,790	\$136,504	\$585,260
Total Program Cost	<u>\$52,177,619</u>	<u>\$13,258,005</u>	<u>\$11,406,423</u>	<u>\$1,851,581</u>	<u>14%</u>	<u>\$4,321,435</u>	<u>\$4,221,865</u>	<u>\$3,204,186</u>	<u>\$3,980,372</u>
Federal Share 81.83%	42,216,962	\$10,849,025	\$9,333,876	1,515,149	14%	3,536,230	3,454,752	2,621,985	3,257,139
State Share 18.17%	<u>9,960,657</u>	<u>\$2,408,979</u>	<u>\$2,072,547</u>	<u>336,432</u>	<u>14%</u>	<u>785,205</u>	<u>767,113</u>	<u>582,201</u>	<u>723,234</u>
Total Program Cost **	<u>\$52,177,619</u>	<u>\$13,258,005</u>	<u>\$11,406,423</u>	<u>\$1,851,581</u>	<u>14%</u>	<u>\$4,321,435</u>	<u>\$4,221,865</u>	<u>\$3,204,186</u>	<u>\$3,980,372</u>

\* Positive percentages indicate favorable variances

\*\* Budgeted Year Based on CCRC Actuary 6/30/2010 Report

Unaudited - Cash Basis For Management Purposes Only - Unaudited

Memo for Calculations Above:

Notes:

1/. Total budgeted for Year Program costs are CCRC Actuary's Base Line Scenario dated 6/30/10 Final worksheet  
Net Paid Program Costs

2/. Federal Share for FFY 2010 is 81.83%. Federal Share for FFY 2011 (10/1/10 - 9/30/11) is set at 81.27%.

# WVCHIP Enrollment Report

ATTACHMENT 1

October 2010

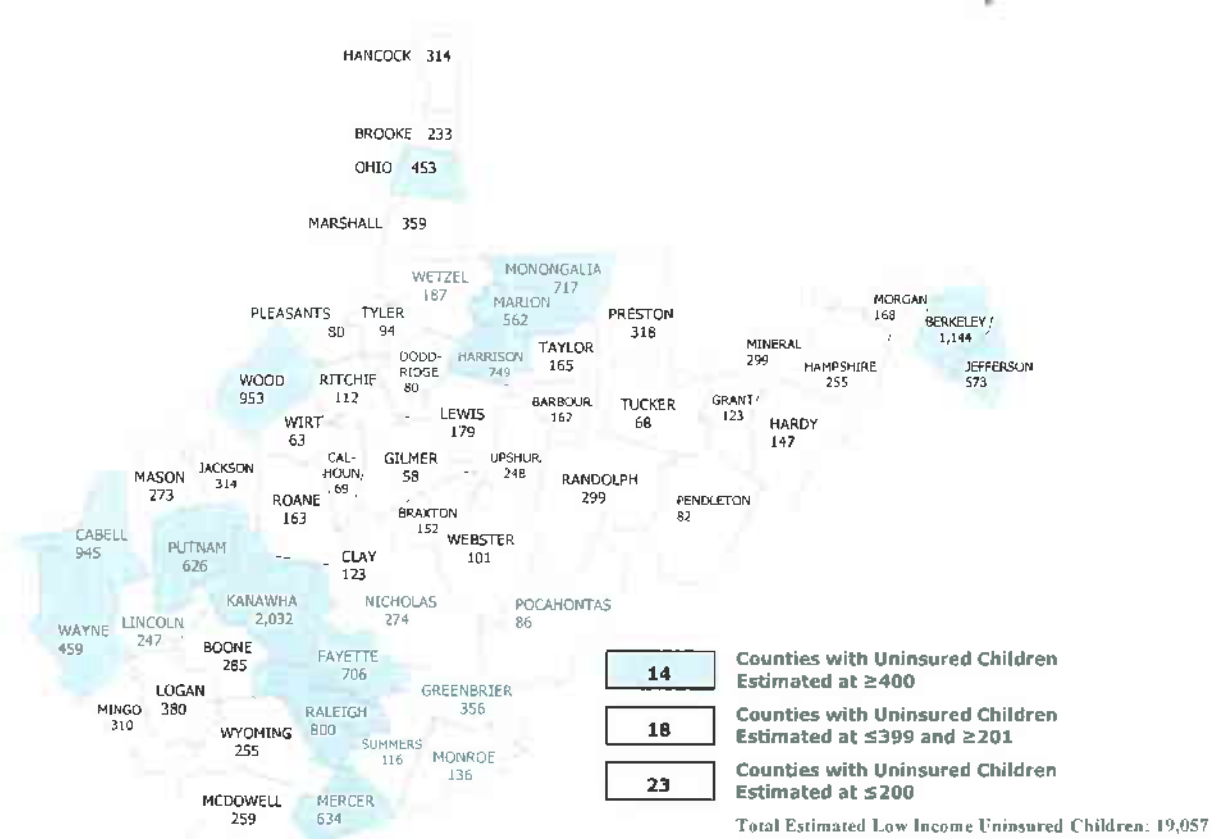
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Berkeley	22,882	1,284	7,529	8,813	38.5%	1,144	2
Boone	5,706	308	2,605	2,913	51.1%	285	24
Braxton	3,044	226	1,528	1,754	57.6%	152	39
Brooke	4,658	283	1,512	1,795	38.5%	233	32
Cabell	18,900	1,022	8,324	9,346	49.4%	945	4
Calhoun	1,389	112	884	996	71.7%	69	52
Clay	2,454	169	1,416	1,585	64.6%	123	43
Doddridge	1,607	140	700	840	52.3%	80	50
Fayette	9,692	844	4,630	5,474	56.5%	485	12
Gilmer	1,154	94	601	695	60.2%	58	55
Grant	2,463	184	982	1,166	47.3%	123	42
Greenbrier	7,110	591	2,826	3,417	48.1%	356	17
Hampshire	5,110	318	2,139	2,457	48.1%	255	28
Hancock	6,270	358	2,391	2,749	43.8%	314	20
Hardy	2,950	151	1,233	1,384	46.9%	147	40
Harrison	14,973	952	5,812	6,764	45.2%	749	6
Jackson	6,277	393	2,771	3,164	50.4%	314	19
Jefferson	11,465	441	2,852	3,293	28.7%	573	10
Kanawha	40,647	2,275	16,996	19,271	47.4%	2,032	1
Lewis	3,577	283	1,760	2,043	57.1%	179	34
Lincoln	4,945	388	2,749	3,137	63.4%	247	31
Logan	7,610	556	3,879	4,435	58.3%	380	15
Marion	11,245	703	4,434	5,137	45.7%	562	11
Marshall	7,176	338	2,890	3,228	45.0%	359	16
Mason	5,461	272	2,713	2,985	54.7%	273	26
McDowell	5,170	325	3,305	3,630	70.2%	259	27
Mercer	12,687	1,118	6,709	7,827	61.7%	634	8
Mineral	5,973	289	2,039	2,328	39.0%	299	22
Mingo	6,204	343	3,175	3,518	56.7%	310	21
Monongalia	14,346	716	4,238	4,954	34.5%	717	7
Monroe	2,728	223	1,083	1,306	47.9%	136	41
Morgan	3,365	249	1,207	1,456	43.3%	168	35
Nicholas	5,478	408	2,657	3,065	56.0%	274	25
Ohio	9,068	479	3,017	3,496	38.6%	453	14
Pendleton	1,632	112	503	615	37.7%	82	49
Pleasants	1,593	100	543	643	40.4%	80	51
Pocahontas	1,717	136	704	840	48.9%	86	48
Preston	6,354	518	2,404	2,922	46.0%	318	18
Putnam	12,522	684	3,442	4,126	33.0%	626	9
Raleigh	15,992	1,286	7,351	8,607	53.8%	800	5
Randolph	5,971	406	2,594	3,000	50.2%	299	23
Ritchie	2,234	146	903	1,049	46.9%	112	45
Roane	3,266	314	1,653	1,967	60.2%	163	37
Summers	2,322	212	1,172	1,384	59.6%	116	44
Taylor	3,307	234	1,361	1,595	48.2%	165	36
Tucker	1,354	114	508	622	45.9%	68	53
Tyler	1,887	151	760	911	48.3%	94	47

# WVCHIP Enrollment Report

ATTACHMENT 1

October 2010

County	County Pop 2005 Est (0-18 Yrs)	Total CHIP Enrollment Oct-10	Total Medicaid Enrollment Oct-10	Total CHIP/Medicaid Enrollment	CHIP/Medicaid Enrollment % of Population	2009 Est Uninsured 5%	2009 # Children Uninsured Ranking*
Upshur	4,956	396	2,327	2,723	54.9%	248	30
Wayne	9,176	560	4,144	4,704	51.3%	459	13
Webster	2,020	148	1,191	1,339	66.3%	101	46
Wetzel	3,732	221	1,645	1,866	50.0%	187	33
Wirt	1,268	112	569	681	53.7%	63	54
Wood	19,063	1,154	8,423	9,577	50.2%	953	3
Wyoming	5,092	417	2,611	3,028	59.5%	255	29
<b>Totals</b>	<b>382,490</b>	<b>24,482</b>	<b>159,920</b>	<b>184,402</b>	<b>48.2%</b>	<b>19,125</b>	



**Note 1:** The most recent estimate for all uninsured children statewide from the US Census Current Population Survey is 4.6%. It should be noted that even this five percent extrapolation to the county level could vary significantly from county to county depending on the availability of employee sponsored insurance. However, it remains our best gross estimate of the remaining uninsured children.

**Note 2:** It has been estimated that 7 of 10 uninsured children qualify or may have qualified for CHIP or Medicaid in the past, WVCHIP uses the 5% uninsured estimate as a target number for outreach.

Legislative Oversight Commission on  
Health and Human Resources Accountability

*NOVEMBER 2010*

Department of Administration

State Children's Health Insurance Program  
UPDATE



# WV CHILDREN'S HEALTH INSURANCE AGENCY

## REPORT FOR NOVEMBER 2010

### I. Enrollment on October 2010: 24,482

See Attachment 1 for enrollment by county.

Current 12-Month Enrollment Period: November 2009 through October 2010



Enrollee Totals: August 2010 to October 2010

Month	Total	1 Year	Total
August	1,821	Average	1,737
September	1,830	High	1,998
October	1,659	Low	1,475

New Enrollee (Never Before on CHIP) Totals: August 2010 to October 2010

Month	Total	1 Year	Total
August	727	Average	662
September	654	High	748
October	635	Low	575

### II. Re-enrollment for 3 Month Period: July 2010 to September 2010

Total Forms Mailed		Enrolled within Notice Period		Reopened Cases After Closure		Final Closures	
Month	Total	#	%	#	%	#	%
July	1,879	1,014	54%	209	11%	611	33%
August	2,112	1,237	59%	153	7%	684	32%
September	1,992	1,176	59%	169	8%	612	31%

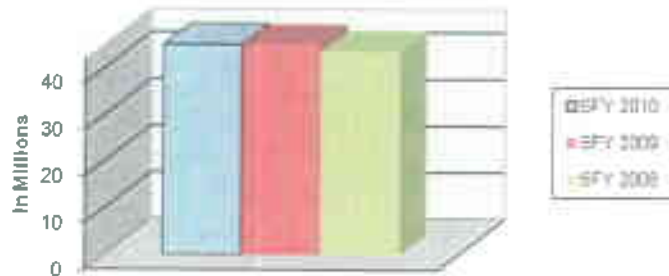
**III. Financial Activity**

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

*The average annualized claims cost per child for the month ended September 2010 was \$2,053.*

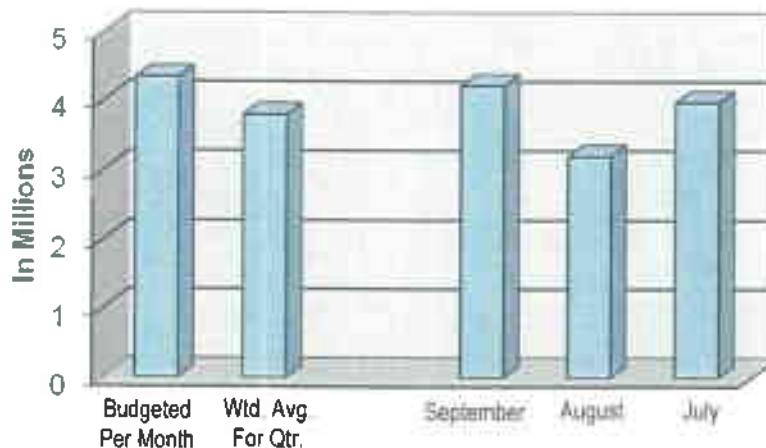
**Annual Expenditures for a 3 Year Period: SFY 2008 – SFY 2010**

	SFY 2010	FFP% 2010	SFY 2009	FFP% 2009	SFY 2008	FFP% 2008
Federal	38,675,336	81.83	37,550,029	81.61	35,626,232	81.98
State	8,618,874	18.17	8,417,193	18.39	7,947,861	18.02
<b>Total Costs</b>	<b>47,294,210</b>	<b>100.00</b>	<b>45,967,222</b>	<b>100.00</b>	<b>43,574,093</b>	<b>100.00</b>



**Monthly Budgeted and Current 3 Month Period: July 2010 – September 2010**

	Budgeted Per Month	Wtd. Avg For Qtr.	Actual		
			September 2010	August 2010	July 2010
Federal	3,518,058	3,111,292	3,454,752	2,621,985	3,257,139
State	830,077	690,849	767,113	582,201	723,234
<b>Total</b>	<b>4,348,135</b>	<b>3,802,141</b>	<b>4,221,865</b>	<b>3,204,186</b>	<b>3,980,373</b>



# WVCHIP Enrollment Report

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October 2010

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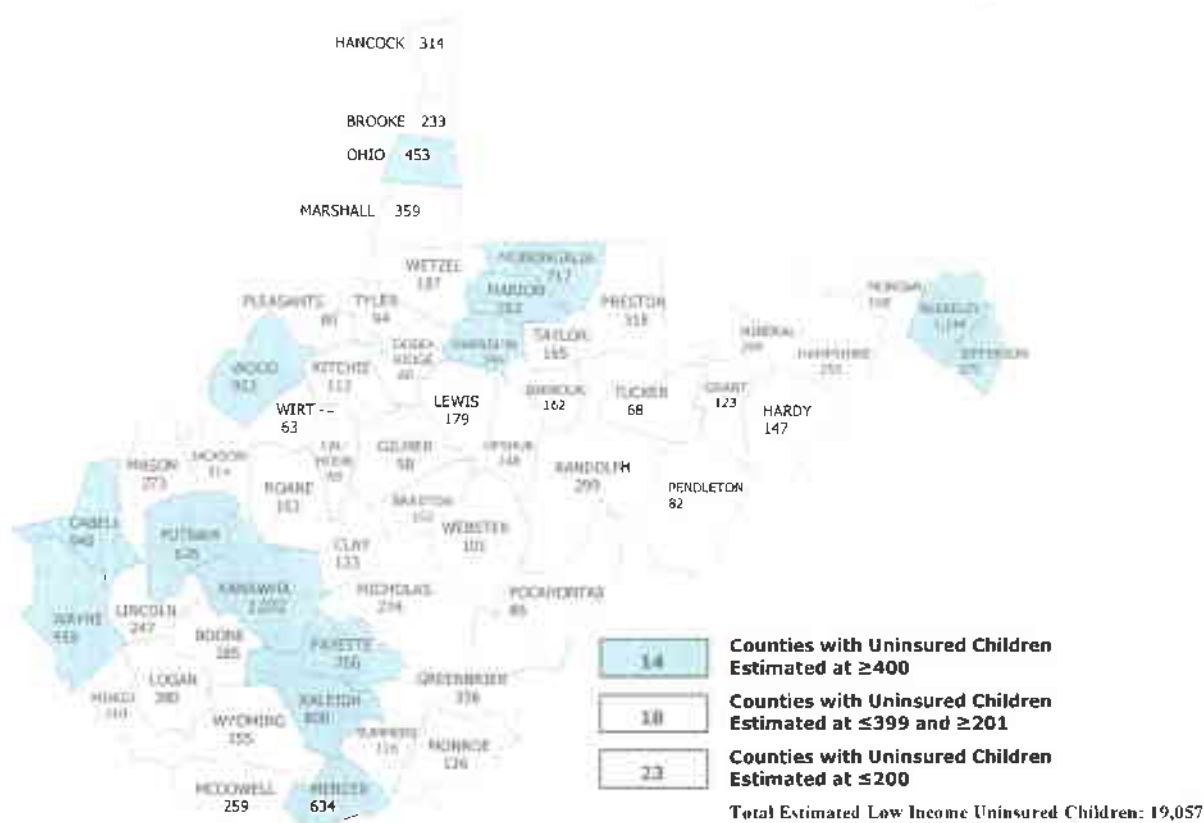


# WVCHIP Enrollment Report

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**West Virginia Children's Health Insurance Program**  
**Comparative Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Three Months Ending September 30, 2010 and September 30, 2009**  
**(Modified Accrual Basis)**

	September 30, 2010	September 30, 2009	Variance	
<b>Revenues</b>				
Federal Grants	10,459,280	9,764,099	695,181	7%
State Appropriations	2,085,126	2,194,542	(109,416)	-5%
Premium Revenues	105,784	71,014	34,770	49%
Investment Income:				
Investment Earnings	57,326	4,247	53,079	1250%
Unrealized Gain On Investments*	79,169	0	79,169	100%
Total Investment Income	<u>136,496</u>	<u>4,247</u>	<u>132,249</u>	<u>3114%</u>
<b>Total Revenues</b>	<b><u>12,786,686</u></b>	<b><u>12,033,902</u></b>	<b><u>752,784</u></b>	<b><u>6%</u></b>
<b>Expenditures:</b>				
<b>Claims:</b>				
Outpatient Services	3,183,567	3,149,569	33,998	1%
Physicians & Surgical	2,857,984	2,517,450	340,534	14%
Prescribed Drugs	2,055,340	1,895,932	159,408	8%
Dental	1,562,017	1,438,461	123,556	9%
Inpatient Hospital Services	1,011,945	799,225	212,720	27%
Durable & Disposable Med. Equip.	323,579	371,493	(47,914)	-13%
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<b>Total Expenditures</b>	<b><u>12,887,502</u></b>	<b><u>12,026,895</u></b>	<b><u>860,607</u></b>	<b><u>7%</u></b>
<b>Excess of Revenues</b>				
<b>Over (Under) Expenditures</b>	<b>(100,817)</b>	<b>7,007</b>	<b>(107,824)</b>	<b>-1539%</b>
<b>Fund Equity, Beginning</b>	<b><u>10,109,506</u></b>	<b><u>8,254,028</u></b>	<b><u>1,855,478</u></b>	<b><u>22%</u></b>
<b>Fund Equity, Ending</b>	<b><u>10,008,689</u></b>	<b><u>8,261,035</u></b>	<b><u>1,747,654</u></b>	<b><u>21%</u></b>

\* Short Term Bond Fund Investment began in November 2009

\*\* Collections are primarily drug rebates and subrogation

## PRELIMINARY FINANCIAL STATEMENTS

Unaudited - For Management Purposes Only - Unaudited

**West Virginia Children's Health Insurance Program  
Comparative Balance Sheet  
September 2010 and 2009  
(Accrual Basis)**

	September 30, 2010	September 30, 2009	Variance	
<b>Assets:</b>				
Cash & Cash Equivalents	\$12,237,966	\$10,361,741	\$1,876,225	18%
Due From Federal Government	\$3,291,477	\$3,432,936	(\$141,459)	-4%
Due From Other Funds	\$730,858	\$773,578	(\$42,720)	-6%
Accrued Interest Receivable	\$22,180	\$1,076	\$21,104	1961%
Fixed Assets, at Historical Cost	<u>\$68,563</u>	<u>\$70,282</u>	( <u>\$1,719</u> )	<u>-2%</u>
<b>Total Assets</b>	<b><u>\$16,351,043</u></b>	<b><u>\$14,639,613</u></b>	<b><u>\$1,711,430</u></b>	<b><u>12%</u></b>
<b>Liabilities:</b>				
Due to Other Funds	\$122,335	\$336,514	(\$214,179)	-64%
Deferred Revenue	\$2,320,019	\$2,172,064	\$147,955	7%
Unpaid Insurance Claims Liability	<u>\$3,900,000</u>	<u>\$3,870,000</u>	<u>\$30,000</u>	<u>1%</u>
<b>Total Liabilities</b>	<b><u>\$6,342,354</u></b>	<b><u>\$6,378,578</u></b>	<b><u>(\$36,224)</u></b>	<b><u>-1%</u></b>
<b>Fund Equity</b>	<b><u>\$10,008,689</u></b>	<b><u>\$8,261,035</u></b>	<b><u>\$1,747,654</u></b>	<b><u>21%</u></b>
<b>Total Liabilities and Fund Equity</b>	<b><u>\$16,351,043</u></b>	<b><u>\$14,639,613</u></b>	<b><u>\$1,711,430</u></b>	<b><u>12%</u></b>

**PRELIMINARY FINANCIAL STATEMENTS**

Unaudited - For Management Purposes Only - Unaudited

**West Virginia Children's Health Insurance Program  
WVHIS Fund 2164  
For the Month Ended September 30, 2010  
(Accrual Basis)**

**Investment Account**

Funds Invested	\$10,576,939
Interest Earned	<u>57,326</u>
Total	<u>\$10,634,265</u>

Unaudited - For Management Purposes Only - Unaudited

Real Estate Division  
 Monthly Summary of Lease Activity  
 October 1 - 31, 2010

Transaction	Agency	Lease #	County	Square Feet	Rental Rate	Annual Rent
1	Department of Health and Human Resources	HHR-204	Putnam	15,216	15.80	240,413
2	Division of Corrections	COR-082	Mineral	2,100	5.43	11,403
3	Division of Corrections	COR-050	Jackson	1,316	12.00	15,792
4	Division of Motor Vehicles	DMV-044	Greenbrier	4,772	11.59	55,307
5	WV Real Estate Appraiser Licensing and Certification Board	APR-002	Kanawha	900	15.67	14,103
6	West Virginia State Police	PSA-108	Wetzel	4,800	1.03	4,944
7	West Virginia State Police	PSA-103	Logan	3,200	5.44	17,408
8	Division of Homeland Security and Emergency Management	OES-015	Kanawha	4,000	4.89	19,560
9	West Virginia Conservation Agency	SCC-008	Hampshire	2,488	8.11	20,178
10	Department of Revenue	TAX-028	Logan	406	7.83	3,179
11	Department of Health and Human Resources	HHR-170	Harrison	140	17.14	2,400
12	WV Board of Chiropractic Examiners	BCE-004	Kanawha	373	9.65	3,599
13	State Tax Department	TAX-050	Cabell	2,671	13.00	34,723
14	Department of Health and Human Resources	HHR-139	Cabell	40,466	13.00	526,058
15	Office of Technology	F&A-005	Kanawha	19,173	9.50	182,144
16	Region 2 Workforce Investment Board, Inc	WB2-001	Wayne	4,059	13.00	52,767
17	Division of Rehabilitation Services	DRS-082	Cabell	9,360	13.00	121,680
18	WORKFORCE West Virginia	WWV-004	Cabell	11,534	13.00	149,942
19	Division of Veterans Affairs	VET-028	Roane	600	7.06	4,236
20	Enterprise Resource Planning	ERP-001	Kanawha	4,065	10.00	40,650
21	Division of Juvenile Services	DJS-017	Kanawha	3,349	10.50	35,165
22	Adjutant General's Office	ADG-013	Monongalia	132	27.03	3,568
23	Department of Revenue	TAX-049	Kanawha	16,947	13.00	220,311
				<b>Total Rentable Square Feet</b>	<b>152,067</b>	
				<b>Average Annual Rental Rate</b>	<b>11.16</b>	
				<b>Total Annual Rent</b>		<b>1,779,529</b>

## Department of Administration Real Estate Division Leasing Report

For the period of October 1, 2010 through October 31, 2010

### NEW CONTRACT OF LEASE

#### DEPARTMENT OF HEALTH AND HUMAN RESOURCES

**HHR-204** New Contract of Lease for 10 years, consisting of 15,216 square feet of office space at the annual per square foot rate of \$15.80 for years 1-5, annual rate \$240,412.80, rate increases in years 6-10 to \$16.55 per square foot, annual rate \$251,824.80, in the City of Winfield, Putnam County, West Virginia.

### STRAIGHT RENEWAL

#### DIVISION OF CORRECTIONS

**COR-082** Renewal for 1 year consisting of 2,100 square feet of office space at the current annual per square foot rate of \$5.43, annual rate \$11,400.00, full service, in the City of Keyser, Mineral County, West Virginia.

**COR-050** Renewal for 3 years consisting of 1,316 square feet of office space at the per square foot rate of \$12.00, annual rate \$15,792.00, full service, in the City of Ripley, Jackson County, West Virginia.

#### DIVISION OF MOTOR VEHICLES

**DMV-044** Renewal for 5 years consisting of 4,772 square feet of office space at the current annual per square foot rate of \$11.59, annual rate \$55,307.48, full service, in the City of Lewisburg, Greenbrier County.

#### WEST VIRGINIA REAL ESTATE APPRAISER LICENSING AND CERTIFICATION BOARD

**APR-002** Renewal for 1 year consisting of 900 square feet of office space at the current annual per square foot rate of \$15.67, annual rate \$14,103.00, full service, in the City of Charleston, Kanawha County, West Virginia.

#### WEST VIRGINIA STATE POLICE

**PSA-108** Renewal for 1 year consisting of 4,800 square feet of office space at the current annual per square foot rate of \$1.03, annual rate \$4,944.00, in the City of Hundred, Wetzel County, West Virginia.

**PSA-103** Renewal for 1 year consisting of 3,200 square feet of office space at the current annual per square foot rate of \$5.44, annual rate \$17,400.00, water and sewer, in the City of Logan, Logan County, West Virginia.

#### DIVISION OF HOMELAND SECURITY AND EMERGENCY MANAGEMENT

**OES-015** Renewal for 1 year consisting of 4,000 square feet of office space at the current annual per square foot rate of \$4.89, annual rate \$19,560.00, in the City of Big Chimney, Kanawha County, West Virginia.

#### WEST VIRGINIA CONSERVATION AGENCY

**SCC-008** Renewal for 1 year consisting of 2,488 square feet of office space at the current annual per square foot rate of \$8.11, annual rate \$20,172.00, full service, in the City of Romney, Hampshire County, West Virginia.

## **STRAIGHT RENEWAL CONTINUED**

### **DEPARTMENT OF REVENUE**

**TAX-028** Renewal on month-to-month basis consisting of 406 square feet of office space at the current annual per square foot rate of \$7.83, annual rate \$3,180.00, full service without janitorial, in the City of Logan, Logan County, West Virginia.

### **DEPARTMENT OF HEALTH AND HUMAN RESOURCES**

**HHR-170** Renewal for 1 year containing 140 square feet of office space at the current monthly rate of \$200.00, annual rate \$2,400.00, full service, in the City of Clarkeburg, Harrison County, West Virginia.

### **WEST VIRGINIA BOARD OF CHIROPRACTIC EXAMINERS**

**BCE-004** Renewal for 1 year containing 373 square feet of office space at the current annual per square foot rate of \$9.65, annual rate \$3,600.00, full service, in the City of South Charleston, Kanawha County, West Virginia.

## **STRAIGHT RENEWAL-DOA OWNED**

### **STATE TAX DEPARTMENT**

**TAX-050** Renewal for 1 year consisting of 2,671 square feet of office space at the current annual per square foot rate of \$13.00, annual rate \$34,722.96, full service, in the City of Huntington, Cabell County, West Virginia.

### **DEPARTMENT OF HEALTH AND HUMAN RESOURCES**

**HHR-139** Renewal for 1 year consisting of 40,466 square feet of office space at the current annual per square foot rate of \$13.00, annual rate \$526,058.04, full service, in the City of Huntington, Cabell County, West Virginia.

### **OFFICE OF TECHNOLOGY**

**F&A-005** Renewal for 1 year consisting of 19,173 square feet of office space at the current annual per square foot rate of \$9.50, annual rate \$182,143.44, full service, in the City of Charleston, Kanawha County, West Virginia.

### **REGION 2 WORKFORCE INVESTMENT BOARD, INC.**

**WB2-001** Renewal for 1 year consisting of 4,059 square feet of office space at the current annual per square foot rate of \$13.00, annual rate \$52,767.00, full service, in the City of Huntington, Wayne County, West Virginia.

### **DIVISION OF REHABILITATION SERVICES**

**DRS-082** Renewal for 1 year consisting of 9,360 square feet of office space at the current annual per square foot rate of \$13.00, annual rate \$121,680.00, full service, in the City of Huntington, Cabell County, West Virginia.

## **STRAIGHT RENEWAL-DOA OWNED CONTINUED**

### **WORKFORCE WEST VIRGINIA**

**WWV-004** Renewal for 1 year consisting of 11,534 square feet of office space at the current annual per square foot rate of \$13.00, annual rate \$149,941.92, full service, in the City of Huntington, Cabell County, West Virginia.

## **INCREASE IN RENT**

### **DIVISION OF VETERANS AFFAIRS**

**VET-028** Renewal for 1 year consisting of 600 square feet of office space with an increase in rent from annual per square foot rate of \$6.60, annual rate \$3,960 to annual per square foot rate of \$7.06, annual rate \$4,237.20, full service, in the City of Spencer, Roane County, West Virginia.

## **ADDITION TO SQUARE FOOTAGE**

### **ENTERPRISE RESOURCE PLANNING**

**ERP-001** Addition of 286 square feet of office space for a total of 4,331 square feet at the current annual per square foot rate of \$10.00, annual rate \$43,309.92, in the City of Charleston, Kanawha County, West Virginia.

### **DIVISION OF JUVENILE SERVICES**

**DJS-017** Addition of 1,342 square feet of classroom space for a total of 4,691 square feet of office and classroom space, at the current annual per square foot rate of \$10.50, annual rate \$49,255.56, full service, in the City of Charleston, Kanawha County, West Virginia.

## **DECREASE IN PER SQUARE FOOT RATE**

### **ADJUTANT GENERAL'S OFFICE**

**ADG-013** Renewal for 1 year consisting of 132 square feet of office space with a reduction in the square foot rate from \$40.68 psf, annual rate \$5,369.76 to \$27.03 psf, annual rate \$3,567.96, full service, in the City of Morgantown, Monongalia County, West Virginia.

## **DECREASE IN SQUARE FOOTAGE-DOA OWNED**

### **DEPARTMENT OF REVENUE**

**TAX-049** Decrease in square footage from 18,947 square feet to 13,997 square feet of office space at the current annual per square foot rate \$13.00, annual rate \$181,961.00, full service, in the City of Charleston, Kanawha County, West Virginia.



**Joint Committee on Government and Finance**

**November 2010**

**Department of Health and Human Resources**

**MEDICAID REPORT**

August 2010 Data

WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES  
 BUREAU FOR MEDICAL SERVICES  
 EXPENDITURES BY PROVIDER TYPE  
 SFY2011

	MONTH OF AUGUST 2010		ACTUALS	TOTAL	ACTUALS	ESTIMATED	ACTUALS	PROJECTED
	SFY2010	SFY2011	Current Month 8/31/10	SFY2011	Current Month 8/31/10	Current Month 8/31/10	Year To Date Thru 8/31/10	9/1/10 Thru 08/31/11
<b>EXPENDITURES:</b>								
Inpatient Hospital - Reg. Payments	204,310,552	165,627,458	14,438,509		15,330,812		26,691,588	138,145,570
Inpatient Hospital - DRG	54,652,952	54,518,400	13,771,922		13,704,600		13,771,922	41,046,477
Inpatient Hospital - Supplemental Payments	34,034,919	134,060,573	5,301,925				5,301,925	123,759,943
Inpatient Hospital - Outpatient	4,919,343	4,807,200	1,257,520		1,201,500		1,257,520	3,549,280
Mental Health Facilities	70,573,548	72,945,200	6,392,555		6,908,370		10,583,888	59,251,334
Mental Health Facilities - OSH Adjustment Payments	15,837,045	15,836,800	4,721,781		4,721,700		4,721,781	14,165,039
Nursing Facility Services - Regular Payments	473,728,322	497,579,518	40,735,801		41,117,817		60,747,533	416,931,585
Nursing Facility Services - Supplemental Payments								
Intermediate Care Facilities - Public Providers								
Intermediate Care Facilities - Private Providers	63,010,151	69,762,500	5,073,091		5,813,542		10,590,578	69,171,522
Intermediate Care Facilities - Supplemental Payments								
Physicians Services - Regular Payments	123,410,075	120,936,353	11,359,492		11,125,545		21,291,594	98,654,379
Physicians Services - Supplemental Payments ***	41,045,553	38,978,300					8,510,718	32,157,594
Outpatient Hospital Services - Regular Payments	94,152,911	63,715,035	9,407,555		8,591,432		18,222,595	73,493,440
Outpatient Hospital Services - Supplemental Payments								
Prescribed Drugs	331,558,990	353,558,332	31,983,947		34,382,327		61,957,259	291,559,053
Drug Rebate Offset - National Agreement	(147,527,304)	(143,974,400)	(3,268,591)		(3,004,300)		(38,018,514)	(107,268,885)
Drug Rebate Offset - State Bid/Net Agreement	(21,759,229)	(25,354,200)	(540,933)		(532,278)		(2,631,542)	(22,622,535)
Dental Services	49,303,517	30,258,031	5,610,997		2,658,727		18,988,803	13,300,225
Other Practitioner Services - Regular Payments	11,555,027	12,505,491	995,545				2,041,584	10,754,897
Other Practitioner Services - Supplemental Payments ***								
Clinic Services	5,252,995	4,380,551	489,054		421,555		800,550	3,580,101
Lab & Radiological Services	13,243,742	11,920,235	1,515,902		1,142,535		3,957,792	6,252,444
Home Health Services	39,552,721	37,555,821	4,355,054		3,511,545		7,611,559	30,447,232
Hygiene/Commodities/Restorations	224,653	259,952	17,544		25,132		35,505	233,437
Pregnancy Terminations								
EPSCOT Services	1,732,393	2,125,595	157,413		202,559		257,398	1,658,229
Rural Health Clinic Services	8,310,045	7,337,074	552,725		575,945		1,155,757	6,151,307
Medicaid Health Insurance Payments - Part A Premiums	17,261,145	18,323,500	2,858,107		3,053,933		4,349,959	13,974,244
Medicaid Health Insurance Payments - Part B Premiums	75,342,310	63,414,100	14,458,213		13,902,350		21,348,455	62,025,545
100% - 135% Of Poverty	5,255,770		520,597				1,030,523	(1,030,523)
135% - 175% Of Poverty								
Coinsurance And Deductibles	7,145,555	6,110,300	593,127		779,837		1,152,271	6,958,029
Medicaid Health Insurance Payments: Managed Care Organizations (MCO)	330,652,405	417,884,801	24,009,300		37,280,421		49,183,417	353,701,384
Medicaid Health Insurance Payments: Prepaid Ambulatory Health Plan								
Medicaid Health Insurance Payments: Prepaid Inpatient Health Plan								
Medicaid Health Insurance Payments: Group Health Plan Payments	440,070	451,500	35,518		44,375		70,807	390,553
Medicaid Health Insurance Payments: Coinsurance								
Medicaid Health Insurance Payments: Other								
Home & Community-Based Services (MCO)	245,353,151	272,425,157	25,030,307		25,194,729		42,593,122	225,832,045
Home & Community-Based Services (Aged/Disabled)	92,398,537	109,519,257	6,335,533		10,530,701		18,459,554	90,049,433
Home & Community-Based Services (State Plan 1915(c) Only)								
Home & Community-Based Services (State Plan 1915(d) Only)								
Community Supported Living Services								
Programs Of All-Inclusive Care Elderly								
Personal Care Services - Regular Payments	41,252,551	43,754,525	3,870,517		4,218,535		7,557,245	35,077,281
Personal Care Services - 80% 1915(d)								
Targeted Case Management Services - Com. Case Management								
Targeted Case Management Services - State Wide	3,849,231	4,298,443	335,504		409,055		700,711	3,597,732
Primary Care Case Management Services	401,543	543,100	27,152		52,221		84,672	418,428
Hospice Benefits	17,628,513	15,010,005	1,592,555		1,515,550		3,531,325	12,478,580
Emergency Services Undocumented Aliens	159,722	230,700	18,974		22,130		51,051	179,549
Federally Qualified Health Center	18,157,557	19,549,542	1,327,580		1,537,520		2,554,251	16,995,291
Non-Emergency Medical Transportation	9,410,142	5,608,598	1,594,155		541,308		4,057,947	1,538,649
Physical Therapy	1,594,552	1,594,155	150,400		171,052		531,295	1,532,550
Occupational Therapy	200,012	157,531	18,305		17,077		35,904	150,727
Services for Speech, Hearing & Language	251,219	300,101	20,775		27,959		42,140	259,961
Prosthetic Devices, Dentures, Eyeglasses	1,571,774	1,822,439	105,435		173,359		245,445	1,647,991
Diagnostic Screening & Preventive Services	373,501	385,115	43,022		33,525		79,470	285,645
Nurse Mid-Wife	335,575	435,590	20,519		41,455		37,593	398,197
Emergency Hospital Services	9,259,534	9,130,131	233,551		638,700		1,184,480	7,975,651
Critical Access Hospitals	25,252,155	25,525,587	2,957,715		2,344,955		5,625,193	20,000,374

WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES  
 BUREAU FOR MEDICAL SERVICES  
 EXPENDITURES BY PROVIDER TYPE  
 8/1/2011

	MONTH OF AUGUST 2010					
	ACTUALS 8/1/2010	TOTAL 8/1/2011	ACTUALS Current Month 8/31/10	ESTIMATED Current Month 8/31/10	ACTUALS Year To-Date Thru 8/31/10	PROJECTED 9/1/10 Thru 06/30/11
Nurse Practitioner Services	1,087,368	1,028,979	107,200	\$3,715	210,785	814,894
School Based Services	\$1,828,905	49,285,728	7,028,391	4,740,335	15,482,919	32,812,809
Rehabilitative Services (Non-School Based)	74,168,298	75,742,323	6,368,221	6,271,935	12,838,484	62,905,839
Private Duty Nursing	3,281,547	2,903,848	433,408	288,208	782,453	2,111,395
Other Care Services	33,718,824	19,884,824	2,142,298	1,813,017	4,022,546	15,842,079
Less: Reimbursements	-	-	(103,422)	-	(234,265)	234,265
<b>NET EXPENDITURES:</b>	<b>2,942,009,600</b>	<b>2,784,227,102</b>	<b>261,339,788</b>	<b>269,708,315</b>	<b>457,280,232</b>	<b>2,298,988,970</b>
Collections: Third Party Liability (line 9A on CMS-84)	(8,100,072)	.	.	.	.	.
Collections: Probate (line 9B on CMS-84)	(160,018)	.	.	.	.	.
Collections: Identified through Fraud & Abuse Effort (line 9C on CMS-84)	(1,584)	.	.	.	.	.
Collections: Other (line 9D on CMS-84)	(3,703,845)	.	.	.	.	.
<b>NET EXPENDITURES and CMS-84 ADJUSTMENTS:</b>	<b>2,830,054,281</b>	<b>2,784,227,102</b>	<b>261,339,788</b>	<b>269,708,315</b>	<b>457,280,232</b>	<b>2,298,988,970</b>
Plus: Medicaid Part D Expenditures	23,928,617	29,883,823	.	2,218,700	-	29,883,823
Plus: State Only Medicaid Expenditures ***	8,078,438	4,639,603	478,727	423,457	1,042,128	3,687,477
<b>TOTAL MEDICAID EXPENDITURES</b>	<b>2,862,061,336</b>	<b>\$2,764,720,528</b>	<b>\$261,818,515</b>	<b>269,349,472</b>	<b>\$458,322,360</b>	<b>\$2,328,417,870</b>
Plus: Reimbursements (1)	5,579,963	8,128,005	450,447	374,979	994,094	5,104,911
<b>TOTAL EXPENDITURES</b>	<b>\$2,867,641,300</b>	<b>\$2,772,848,533</b>	<b>\$262,268,962</b>	<b>269,724,451</b>	<b>\$459,316,454</b>	<b>\$2,333,522,781</b>

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

\*\*\*CMS is currently reviewing portions of these payments. Until review is completed these expenses will be classified as state-only on the CMS-84. With all outside reviews, there is a potential for a portion of these costs to remain state-only if any of them are disallowed.

WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES  
 BUREAU FOR MEDICAL SERVICES  
 MEDICAID CASH REPORT  
 SFY2011

2 Months Actuals      10 Months Remaining

MONTH OF AUGUST 2010	ACTUALS	ACTUALS	ACTUALS	PROJECTED	TOTAL
	SFY2010	Current Month Ended 8/31/10	Year-To-Date Thru 8/31/10	9/1/2010 Thru 8/30/11	SFY2011
<b>REVENUE SOURCES</b>					
Beg. Bal. (5084/1020 prior mth)	118,563,948	208,569,909	\$213,690,990	\$0	\$213,690,990
<b>MATCHING FUNDS</b>					
General Revenue (0403/189)	252,345,204	10,725,705	21,451,410	205,020,002	226,471,412
MRDD Waiver (0403/468)	-	5,850,232	11,700,465	76,053,018	87,753,483
Rural Hospitals Under 150 Beds (0403/940)	2,586,000	0	649,000	1,947,000	2,588,000
Tertiary Funding (0403/647)	8,356,000	0	1,689,000	4,767,000	6,358,000
Title XIX Waiver for Seniors (0403-533)	-	500,000	1,000,000	8,500,000	7,500,000
Lottery Waiver (Less 550,000) (5405/539)	25,772,578	8,000,000	8,000,000	23,272,578	31,272,578
Lottery Transfer (5405/871)	8,870,000	2,200,000	2,200,000	6,470,000	8,870,000
Trust Fund Appropriation (5185/189)	-	-	0	30,556,594	30,556,594
Provider Tax (5090/189)	182,659,512	14,009,841	26,850,000	126,204,895	152,854,895
Certified Match	13,731,424	1,587,452	3,551,421	12,920,293	18,471,714
Reimbursables - Amount Reimbursed	5,195,782	544,565	636,408	5,482,597	8,129,005
Other Revenue (MWIN, Escheated Warrants, etc.) 5084/4010 & 4011	(448,371)	58,093	112,522	(112,522)	0
CMS - 64 Adjustments	69,986	-	0	-	0
<b>TOTAL MATCHING FUNDS</b>	<b>673,857,548</b>	<b>\$252,048,826</b>	<b>\$281,231,218</b>	<b>\$499,091,455</b>	<b>\$780,322,871</b>
<b>FEDERAL FUNDS</b>	<b>2,108,528,674</b>	<b>\$215,108,690</b>	<b>\$373,018,707</b>	<b>\$1,862,488,387</b>	<b>\$2,236,507,093</b>
<b>TOTAL REVENUE SOURCES</b>	<b>2,782,418,220</b>	<b>\$467,152,518</b>	<b>\$664,249,922</b>	<b>\$2,361,579,842</b>	<b>\$3,025,829,764</b>
<b>TOTAL EXPENDITURES:</b>					
Provider Payments	2,565,649,602	\$262,269,932	\$459,296,452	\$2,331,552,881	2,790,649,333
<b>TOTAL</b>	<b>216,768,718</b>	<b>\$204,882,586</b>	<b>\$204,953,470</b>		<b>\$234,880,431</b>

Note: FMAP (83.05% applicable July - Dec. 2010) (80.05% applicable Jan. 2011 - Mar. 2011) (78.05% applicable Apr. 2011 - Jun. 2011)



West Virginia Investment Management Board

**Monthly Performance Report**  
September 30, 2010

STRATEGIC INVESTMENT SOLUTIONS, INC.

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333 Bush Street, Suite 2000  
San Francisco, CA 94104  
(415) 362-3484

**West Virginia Investment Management Board**  
 Participant Plans Allocation & Performance Net of Fees  
 As of September 30, 2010

	6/30/2010		9/30/2010		Performance %						
	Asset (\$000)	%	Asset (\$000)	%	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
<b>WVIMB Fund Assets</b>	<b>10,658,972</b>	<b>100.0</b>	<b>11,616,245</b>	<b>100.0</b>							
<b>Pension Assets</b>	<b>8,456,704</b>	<b>79.4</b>	<b>9,108,261</b>	<b>78.4</b>							
Public Employees' Retirement System	3,682,115	54.5	3,978,855	34.2	5.3	5.7	8.7	11.7	-0.4	4.2	5.1
Teachers' Retirement System	4,099,339	38.5	4,375,262	37.7	5.3	8.5	8.5	11.3	-1.2	3.7	4.8
Teachers' Employers Cont. Collection A/C	355	0.0	27,822	0.2	0.0	0.0	0.0	0.1	0.0		
EMS Retirement System	23,345	0.2	26,357	0.2	5.5	8.8	8.8	11.8			
Public Safety Retirement System	404,448	3.8	432,293	3.7	5.4	8.7	8.7	11.9	-0.4	4.1	5.2
Judges' Retirement System	102,814	1.0	110,828	1.0	5.4	8.7	8.7	11.8	-0.4	4.1	5.1
State Police Retirement System	52,739	0.5	58,705	0.5	5.3	8.6	8.7	11.8	-0.4	4.2	5.1
Deputy Sheriffs' Retirement System	91,548	0.9	100,097	0.9	5.3	8.7	8.7	11.8	-0.4	4.2	5.2
Municipal Police & Firefighter Retirement System	3	0.0	12	0.0	0.0	0.0	0.0	0.0			
<b>Insurance Assets</b>	<b>1,632,789</b>	<b>15.3</b>	<b>1,858,413</b>	<b>16.1</b>							
Workers' Compensation Old Fund	888,780	8.3	889,234	7.7	1.7	3.8		8.5	1.8		
Workers' Comp. Self-Insured Guaranty Risk Pool	8,065	0.1	8,307	0.1	0.0	0.0	0.0	0.1	1.3		
Workers' Comp. Uninsured Employers Fund	8,852	0.1	8,951	0.1	0.0	0.0	0.0	0.1	1.3		
Pneumoconiosis	244,191	2.3	253,535	2.2	2.8	4.9	4.9	9.5	2.8		
Board of Risk & Insurance Mgmt.	120,331	1.1	126,379	1.1	2.6	5.0		10.0	4.3	5.4	
Public Employees' Insurance Agency	131,127	1.2	167,044	1.4	1.8	4.1	4.1	9.4	3.5	4.7	
WV Retiree Health Benefit Trust Fund	229,477	2.2	402,800	3.5	0.7	3.1	3.1	9.6			
AccessWV	1,965	0.0	2,163	0.0	6.3	10.1	10.1				
<b>Endowment Assets</b>	<b>569,479</b>	<b>5.3</b>	<b>649,571</b>	<b>5.5</b>							
Wildlife Fund	34,874	0.3	38,008	0.3	5.4	8.7	8.7	11.7	-0.3	4.2	
Prepaid Tuition Trust	77,283	0.7	80,435	0.7	5.4	8.3	8.3	10.9	0.8	4.9	5.7
Revenue Shortfall Reserve Fund	178,632	1.7	235,505	2.0	0.7	2.9	2.9	8.1	-2.2		
Revenue Shortfall Reserve Fund - Part B	278,690	2.6	295,623	2.5	3.5	6.1	6.1	9.8	-1.9		

**West Virginia Investment Management Board**

Composite Asset Allocation & Performance Net of Fees

As of September 30, 2010

	Asset (\$000)	%	Performance %							
			1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year	
Investment Pools Composite	11,621,476	100.00								
Total Equity Composite	5,125,594	44.11	9.58	13.50	13.50	11.85	-4.80	2.97	3.58	
<i>Total Equity Policy Index</i>			9.71	14.08	14.08	9.56	-6.93	1.82	2.41	
Excess Return			-0.13	-0.58	-0.58	2.29	2.13	1.15	1.17	
US Equity Composite	2,423,768	20.86	9.36	11.71	11.71	12.05	-6.20	0.67	1.94	
<i>Russell 3000 Index</i>			9.44	11.53	11.53	10.96	-6.59	0.92	0.09	
Excess Return			-0.08	0.18	0.18	1.09	0.39	-0.25	1.85	
Large Cap Composite	1,981,221	17.05	9.09	11.51	11.51	11.26	-6.71	0.45	-0.51	
<i>S&amp;P 500 Index</i>			8.92	11.29	11.29	10.16	-7.16	0.64	-0.43	
Excess Return			0.17	0.22	0.22	1.10	0.45	-0.19	-0.08	
Non-Large Cap Composite	442,547	3.81	10.57	12.57	12.57	16.45	-4.15	1.71	6.43	
<i>Russell 2500 Index</i>			11.44	12.21	12.21	15.92	-3.57	2.36	5.11	
Excess Return			-0.87	0.36	0.36	0.53	-0.58	-0.65	1.32	
International Equity Composite	2,701,826	23.25	9.78	15.17	15.17	11.05	-3.65	6.38	6.35	
<i>MSCI AC World ex US Index</i>			9.97	16.66	16.66	8.00	-6.98	4.72	4.77	
Excess Return			-0.19	-1.49	-1.49	3.05	3.33	1.66	1.58	
Fixed Income Composite	3,418,573	29.41	0.80	3.12	3.12	10.01	6.08	5.59	6.93	
<i>Fixed Income Policy</i>			0.32	2.89	2.89	8.92	7.62	6.32	6.47	
Excess Return			0.48	0.23	0.23	1.09	-1.54	-0.73	0.46	
Core Fixed Income	1,324,170	11.39	0.55	3.02	3.02	9.67				
<i>Barclays Capital Aggregate</i>			0.11	2.48	2.48	8.16				
Excess Return			0.44	0.54	0.54	1.51				
Total Return Fixed Income	2,094,403	18.02	0.96	3.15	3.15	10.78	6.65	6.25	7.62	
<i>Barclays Capital US Universal</i>			0.32	2.89	2.89	8.92	7.32	6.26	6.58	
Excess Return			0.64	0.26	0.26	1.86	-0.67	-0.01	1.04	
TRS Annuity	154,128	1.33	0.36	1.12	1.12	4.50				
Cash Composite	415,498	3.58	0.02	0.05	0.05	0.14	1.38	2.84	2.67	
<i>Citigroup 90 Day T-Bill + 15 bps</i>			0.02	0.08	0.08	0.28	1.28	2.76	2.70	
Excess Return			0.00	-0.03	-0.03	-0.14	0.10	0.08	-0.03	
Private Equity Composite	844,137	7.26	1.98	8.62	8.62	22.10				
Real Estate Composite	541,860	4.66	0.87	2.87	2.87	6.37				
Hedge Funds Composite	1,121,686	9.65	1.25	2.58	2.58	7.61				

West Virginia Investment Management Board  
Participant Plans Allocation vs. Targets  
As of September 30, 2010

	Domestic Equity		Int'l Equity		Fixed Income		Private Equity		Real Estate		Hedge Funds		Cash	
	Actual %	Target %	Actual %	Target %	Actual %	Target %	Actual %	Target %	Actual %	Target %	Actual %	Target %	Actual %	Target %
<b>Pension Assets</b>														
Public Employees' Retirement System	24.8	25.0	27.8	25.0	21.7	24.0	9.2	10.0	5.8	6.0	10.3	10.0	0.7	0.0
Teachers' Retirement System	24.7	25.0	27.6	25.0	22.0	24.0	9.2	10.0	6.0	6.0	10.2	10.0	0.3	0.0
Teachers' Employers Cont. Collection A/C	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0	100.0
EMS Retirement System	25.1	25.0	28.1	25.0	19.2	19.8	10.0	10.0	6.0	6.0	9.8	10.0	1.8	0.0
Public Safety Retirement System	24.7	25.0	27.8	25.0	21.8	24.0	10.0	10.0	6.0	6.0	9.7	10.0	0.1	0.0
Judges' Retirement System	24.6	25.0	27.7	25.0	22.0	24.0	9.8	10.0	6.0	6.0	9.6	10.0	0.3	0.0
State Police Retirement System	24.2	25.0	27.1	25.0	22.2	24.0	9.4	10.0	5.8	6.0	9.5	10.0	1.8	0.0
Deputy Sheriffs' Retirement System	24.5	25.0	27.5	25.0	22.1	24.0	9.7	10.0	5.9	6.0	9.6	10.0	0.7	0.0
Municipal Police & Firefighter Retirement System	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0	100.0

**Insurance Assets**

Workers' Compensation Old Fund	5.2	8.0	7.0	8.0	78.0	80.0	0.0	0.0	0.0	0.0	6.8	0.0	7.1	10.0
Workers' Comp Self-Insured Guaranty Risk Pool	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0	100.0
Workers' Comp Uninsured Employers Fund	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0	100.0
Pneumoconiosis	10.1	10.0	11.3	10.0	54.2	55.0	0.0	0.0	0.0	0.0	19.8	20.0	4.6	5.0
Board of Risk & Insurance Mgmt.	10.1	10.0	11.3	10.0	55.8	55.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Public Employees' Insurance Agency	6.2	7.5	7.0	7.5	52.6	65.0	0.0	0.0	0.0	0.0	16.2	20.0	18.0	0.0
WV Retiree Health Benefit Trust Fund	1.3	2.5	1.7	2.5	55.8	35.0	0.0	0.0	0.0	0.0	0.0	0.0	41.0	0.0
AccessWV	17.7	25.0	55.0	25.0	27.2	50.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0

**Endowment Assets**

Wildlife Fund	24.8	25.0	27.4	25.0	22.8	24.0	9.8	10.0	5.8	6.0	9.8	10.0	0.7	0.0
Prepaid Tuition Trust	35.4	35.8	20.9	19.2	42.3	45.0	0.0	0.0	0.0	0.0	0.0	0.0	1.4	0.0
Revenue Shortfall Reserve Fund	0.0	0.0	0.0	0.0	73.0	100.0	0.0	0.0	0.0	0.0	5.2	0.0	21.8	0.0
Revenue Shortfall Reserve Fund - Part B	15.0	15.0	16.8	15.0	61.7	70.0	0.0	0.0	0.0	0.0	6.4	0.0	0.1	0.0

**Statutory Limitations**

- Public Equity - 75%
- International Proportions of Equity, Fixed Income, and Real Estate - 30%
- Real Estate - 25%
- Private Equity and Hedge Funds - 20% in aggregate



**West Virginia Investment Management Board**

Footnotes

As of September 30, 2010

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PERS Policy is 30% Russell 3000, 30% MSCI ACW ex USA, and 40% Barclays Capital Universal as of 4/1/08. Prior periods, 42% Russell 3000, 18% MSCI ACW ex USA, and 40% Barclays Capital Aggregate.

Total Equity Policy is 50% Russell 3000 and 50% MSCI ACW ex USA as of April 2008. Prior periods were 40% S&P 500, 30% Russell 2500, and 30% MSCI ACW ex USA.

Fixed Income Policy is 100% Barclays Capital Universal as of April 2008. Prior periods were the Barclays Capital Aggregate.

Western Policy Index is 100% Barclays Capital Universal as of April 2008. Prior periods were a custom index.

Returns are net of management fees. Returns shorter than one year are unannualized.



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# Status Report Workers' Compensation

Joint Committee on  
Government & Finance

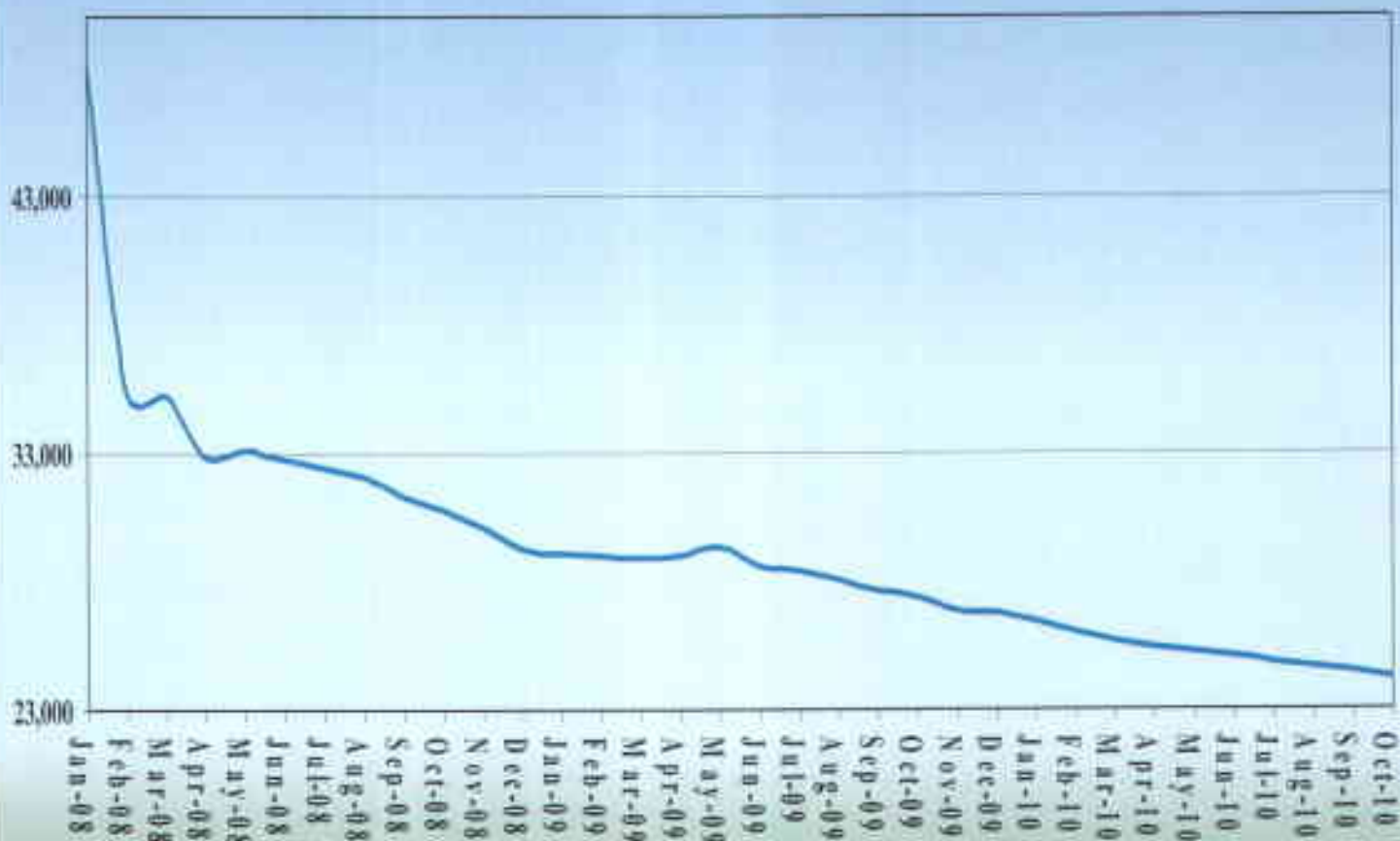
11/10/10

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

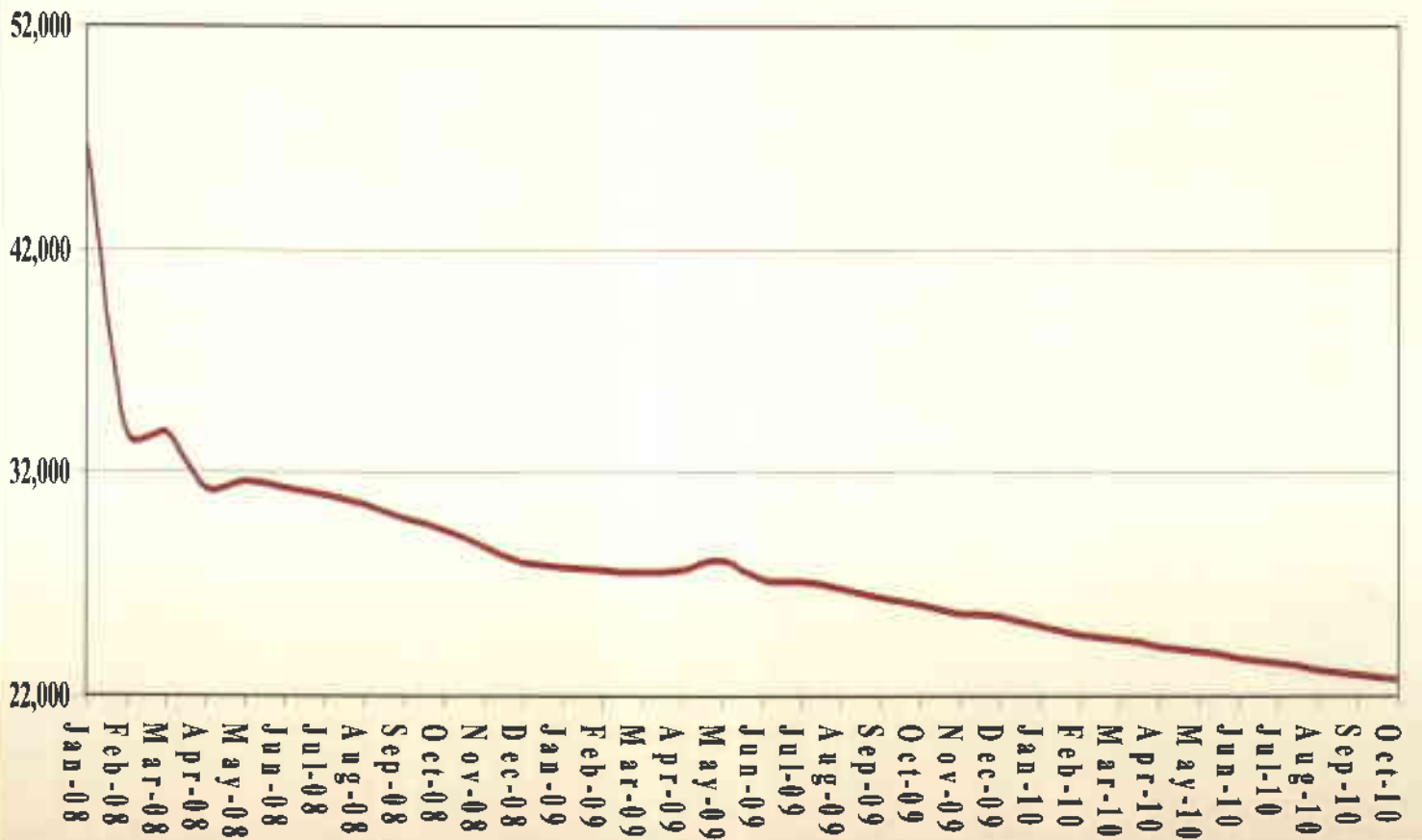
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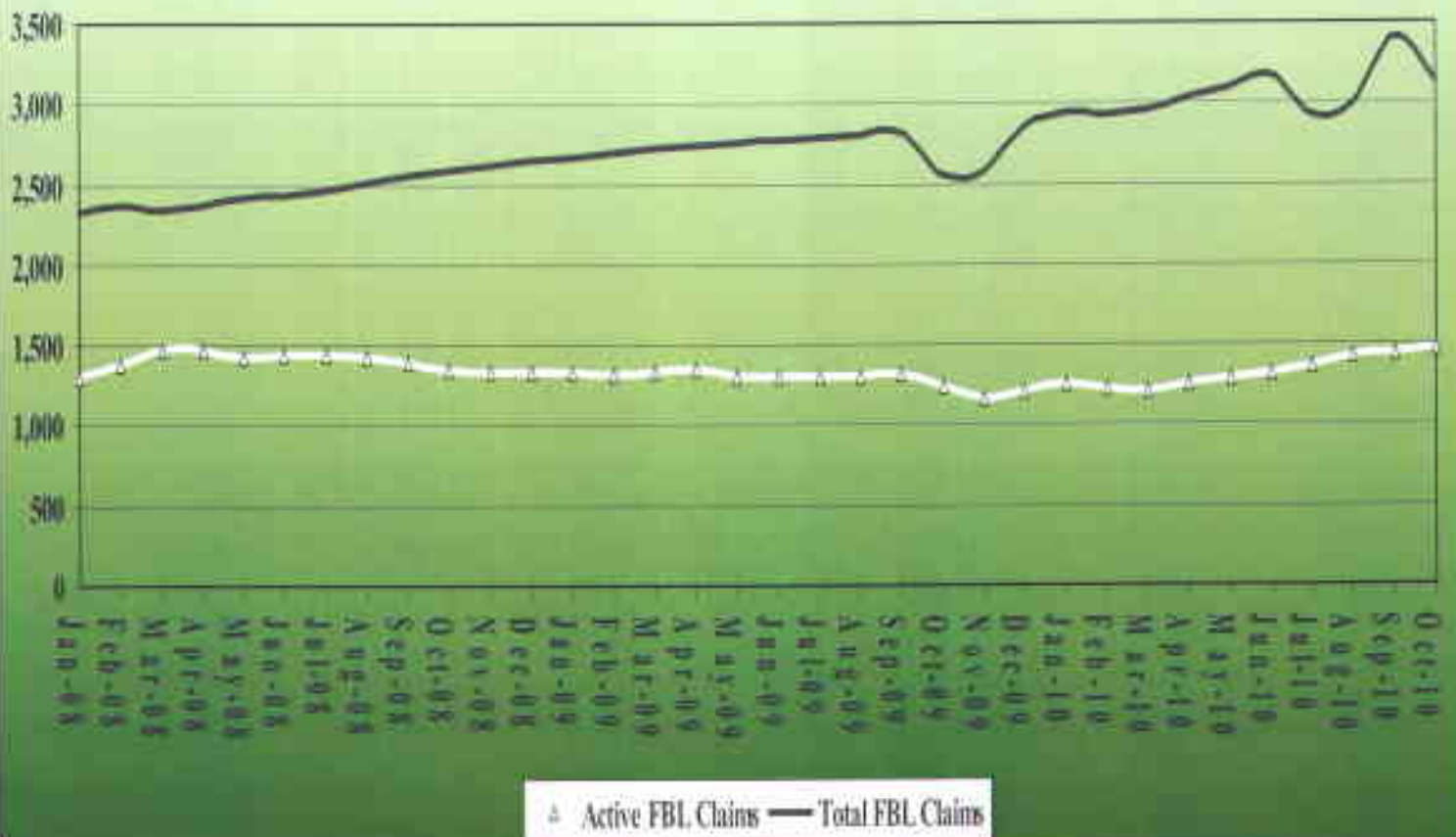
### Total Active Claim counts



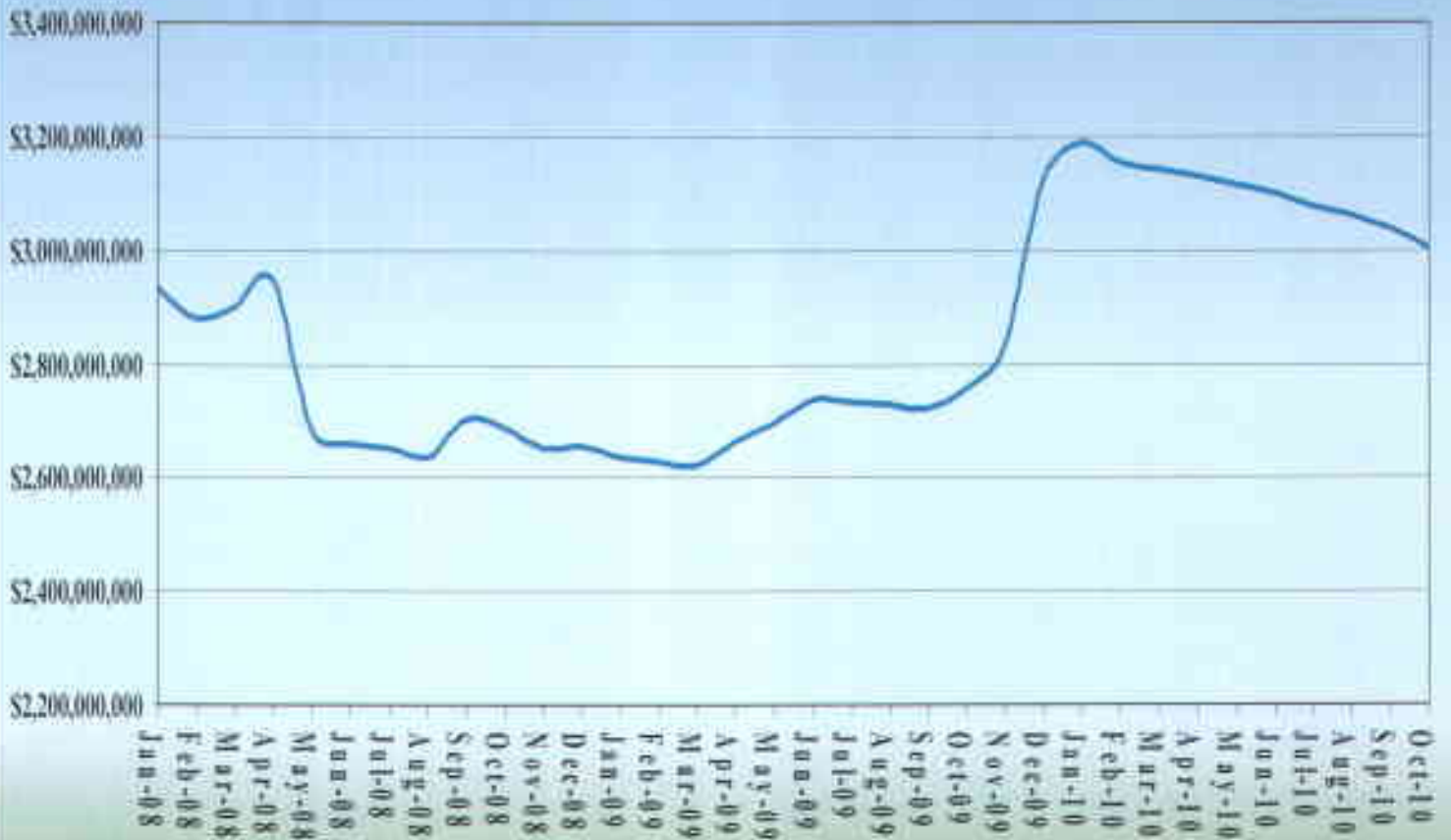
Non-FBL Active Claim counts



### FBL Active Claim counts



## Total Case Reserves



### Non-FBL Case Reserves



# FBL Case Reserves





10/31/2010

	Sedgwick	Wells Fargo	American Mining	Totals
Total Claims	18,982	2,285	2,891	24,158
Non-FBL	18,982	2,165	1,539	22,686
FBL	0	120	1,352	1,472

FBL	
Inactive	All Total
1,656	3,128

	Sedgwick	Wells Fargo	American Mining	Totals
Total Reserves	\$2,439,073,075	\$265,850,949	\$298,810,302	\$3,003,734,327
Non-FBL Reserves	\$2,439,073,075	\$234,618,890	\$188,592,340	\$2,862,284,306
FBL Reserves	\$0	\$31,232,059	\$110,217,962	\$141,450,020

Prior Month	
Total	Change
\$3,035,990,909	-1.1%
\$2,895,169,154	-1.1%
\$140,821,755	0.4%

	Sedgwick	Wells Fargo	American Mining	Totals
Med Only	1,601	3	369	1,973
PTD	6,890	566	347	7,803
PPD	4,600	983	625	6,208
TTD	938	0	25	963
TPD	0	0	0	0
Payment Agreements	0	14	11	25
Fatal	1,592	492	162	2,246
Partial Awd	9	107	0	116
OP/OD	3,352	1,980	976	3,352
Total NonFBL	18,982	2,165	1,539	22,686
Total FBL	0	120	1,352	1,472
Total	18,982	2,285	2,891	24,158

Prior Month	
Total	Change
2,010	-1.9%
7,860	-0.7%
6,346	-2.2%
998	-3.6%
0	0.0%
26	-4.0%
2,257	-0.5%
109	6.0%
3,372	-0.6%
22,978	-1.3%
1,434	2.6%
24,412	-1.1%

WEST VIRGINIA  
OFFICES OF THE INSURANCE COMMISSIONER  
SCHEDULE OF NET ASSETS  
Workers' Compensation Old Fund – Debt Reduction  
(In Thousands)  
FY2011

	June 30, 2010	October 31, 2010	Change
Assets:			
Cash and Cash Equivalents	888,536	901,117	12,581
Receivables, Net:	19,843	19,843	-
Total Assets	<u>908,379</u>	<u>920,960</u>	<u>12,581</u>
Liabilities:			
Estimated Liability for Unpaid Claims and Claim Adjustment Expense	1,983,608	1,918,455	(65,153)
Other Liabilities	244	244	-
Total Liabilities	<u>1,983,852</u>	<u>1,918,699</u>	<u>(65,153)</u>
Net Assets:			
Unrestricted	(1,075,473)	(997,739)	77,734
Total Net Assets	<u>(1,075,473)</u>	<u>(997,739)</u>	<u>77,734</u>

\*Debt Reduction estimates are updated on a monthly basis. See note on "Old Fund Liability Estimate" sheet.

# Old Fund Liability Estimate

FY2011

	October
Undiscounted Beginning Reserve Amount	3,015,149,330
Claim Payments	21,369,235
Undiscounted Ending Reserve Amount	2,993,780,095
Estimated Ending Reserve Amount - Discounted at 5%	1,918,454,665

**Note:**

The discounted estimate of the Old Fund liabilities is derived using a formula that reduces the reserve amount at the beginning of each month by the amount of claims payments made during the month. Claims payments were \$21,369,235 for October 2010.

The formula makes an adjustment for the time value of money, assuming that claim payments are evenly distributed through the month. This calculation has been prepared in order to provide an interim estimate on the status of the deficit.

## Old Fund / Debt Reduction FY2011

	1st Quarter	2nd Quarter	Y-T-D FY2011	Y-T-D FY2010	Change
<b>Revenues</b>					
Personal Income Tax		10,600,000	10,600,000	10,600,000	-
Severance Tax	22,025,208	5,257,237	27,282,445	26,985,985	296,460
Debt Reduction Surcharge	8,857,456	11,575,262	20,432,718	18,689,958	1,742,760
Self-Insured Debt Reduction Surcharge	1,777,733	697,594	2,475,327	2,435,429	39,898
Video Lottery	11,000,000	-	11,000,000	11,000,000	-
Employer Premium	2,399,978	131,814	2,531,792	641,058	1,890,734
Other Income - Return of Unclaimed Property	1,077	7,147	8,224	31,194	(22,970)
<b>Total Revenues</b>	<b>46,061,452</b>	<b>28,269,054</b>	<b>74,330,506</b>	<b>70,383,624</b>	<b>3,946,882</b>
Surplus Note Principal Payments	-	-	-	43,500,000	(43,500,000)
Investment / Interest Earnings (Losses)	<b>23,095,895</b>	<b>14,629,094</b>	<b>37,724,989</b>	<b>70,515,933</b>	<b>(32,790,944)</b>
<b>Expenditures</b>					
Claims Benefits Paid:					
Medical	12,127,841	2,774,671	14,902,512	17,868,757	(2,966,245)
Permanent Total Disability	35,131,918	11,287,336	46,419,254	49,642,809	(3,223,555)
Permanent Partial Disability	763,081	212,196	975,277	1,938,029	(962,752)
Temporary Disability	117,290	71,290	188,580	614,112	(425,532)
Fatals	7,514,947	2,582,248	10,097,195	10,692,153	(594,958)
104 weeks death benefit	1,527,745	474,008	2,001,753	1,988,232	13,521
Settlement Agreements	15,764,770	4,123,974	19,888,743	4,487,615	15,401,129
Loss Adjustment Expenses	1,397,144	285,392	1,682,535	598,702	1,083,833
Total	74,344,735	21,811,114	96,155,850	87,830,408	8,325,441
Less: Claims credits and overpayments	2,134,198	441,879	2,576,077	904,517	1,671,560
Total Benefits Paid	72,210,537	21,369,235	93,579,773	86,925,892	6,653,881
Administrative Expenses	4,869,605	1,024,837	5,894,443	6,987,857	(1,093,415)
<b>Total Expenditures</b>	<b>77,080,143</b>	<b>22,394,073</b>	<b>99,474,215</b>	<b>93,913,749</b>	<b>5,560,466</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(7,922,796)</b>	<b>20,504,076</b>	<b>12,581,280</b>	<b>90,485,808</b>	
Cash Beginning Balances	888,535,954	880,613,158	888,535,954		
<b>Cash Ending Balances</b>	<b>880,613,158</b>	<b>901,117,233</b>	<b>901,117,233</b>		

## Old Fund / Debt Reduction 1<sup>st</sup> Quarter FY2011

	July 2010	August 2010	September 2010	Quarter-to-Date
<b>Revenues</b>				
Personal Income Tax	-	-	-	-
Severance Tax	5,116,779.70	9,026,745.37	7,881,682.99	22,025,208.06
Debt Reduction Surcharge	8,769,528.72	95,819.00	(7,891.97)	8,857,455.75
Self-Insured Debt Reduction Surcharge	1,401,614.89	70,788.17	305,330.02	1,777,733.08
Video Lottery	3,885,341.88	4,046,095.90	3,068,562.22	11,000,000.00
Employer Premium	113,955.91	92,719.43	2,193,302.56	2,399,977.90
Other Income - Return of Unclaimed Property	-	1,076.78	-	1,076.78
<b>Total Revenues</b>	<b>19,287,221.10</b>	<b>13,333,244.65</b>	<b>13,440,985.82</b>	<b>46,061,451.57</b>
<b>*Investment / Interest Earnings (Losses)</b>	<b>4,527,112.81</b>	<b>14,544,793.42</b>	<b>4,023,988.78</b>	<b>23,095,895.01</b>
<b>Expenditures</b>				
Claims Benefits Paid:				
Medical	4,632,087.97	3,534,601.88	3,961,151.53	12,127,841.38
Permanent Total Disability	11,551,635.68	12,114,184.95	11,466,096.92	35,131,917.55
Permanent Partial Disability	254,935.24	261,275.59	246,869.72	763,080.55
Temporary Disability	23,670.59	43,483.66	50,135.47	117,289.72
Fatales	2,519,576.31	2,556,640.44	2,438,730.74	7,514,947.49
104 weeks death benefit	528,883.58	505,925.05	492,936.68	1,527,745.31
Settlement Agreements	4,669,443.34	5,872,763.97	5,222,562.36	15,764,769.67
Loss Adjustment Expenses	450,587.51	591,991.44	354,564.79	1,397,143.74
Total	24,630,820.22	25,480,866.98	24,233,048.21	74,344,735.41
Less: Claims credits and overpayments	580,796.53	405,519.49	1,147,882.04	2,134,198.06
Total Benefits Paid	24,050,023.69	25,075,347.49	23,085,166.17	72,210,537.35
Administrative Expenses	1,584,348.85	1,641,948.52	1,643,307.81	4,869,605.18
<b>Total Expenditures</b>	<b>25,634,372.54</b>	<b>26,717,296.01</b>	<b>24,728,473.98</b>	<b>77,080,142.53</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(1,820,038.63)</b>	<b>1,160,742.06</b>	<b>(7,263,499.38)</b>	<b>(7,922,795.95)</b>
Cash Beginning Balance	888,535,953.68	886,715,915.05	887,876,657.11	888,535,953.68
<b>Cash Ending Balances</b>	<b>886,715,915.05</b>	<b>887,876,657.11</b>	<b>880,613,157.73</b>	<b>880,613,157.73</b>

## Old Fund / Debt Reduction 2<sup>nd</sup> Quarter FY2011

	October 2010	Quarter-to-Date
<b>Revenues</b>		
Personal Income Tax	10,600,000.00	10,600,000.00
Severance Tax	5,257,237.26	5,257,237.26
Debt Reduction Surcharge	11,575,261.93	11,575,261.93
Self-Insured Debt Reduction Surcharge	697,594.09	697,594.09
Video Lottery	-	-
Employer Premium	131,814.41	131,814.41
Other Income - Return of Unclaimed Property	7,146.74	7,146.74
<b>Total Revenues</b>	<b>28,269,054.43</b>	<b>28,269,054.43</b>
 *Investment / Interest Earnings (Losses)	<b>14,629,093.72</b>	<b>14,629,093.72</b>
 <b>Expenditures</b>		
Claims Benefits Paid:		
Medical	2,774,670.79	2,774,670.79
Permanent Total Disability	11,287,336.33	11,287,336.33
Permanent Partial Disability	212,195.95	212,195.95
Temporary Disability	71,290.19	71,290.19
Fatals	2,582,247.99	2,582,247.99
104 weeks death benefit	474,007.71	474,007.71
Settlement Agreements	4,123,973.72	4,123,973.72
Loss Adjustment Expenses	285,391.62	285,391.62
Total	21,811,114.30	21,811,114.30
Less: Claims credits and overpayments	441,879.05	441,879.05
Total Benefits Paid	21,369,235.25	21,369,235.25
Administrative Expenses	1,024,837.36	1,024,837.36
<b>Total Expenditures</b>	<b>22,394,072.61</b>	<b>22,394,072.61</b>
 <b>Excess (Deficiency) of Revenues over Expenditures</b>	 <b>20,504,075.54</b>	 <b>20,504,075.54</b>
Cash Beginning Balance	880,613,157.73	880,613,157.73
<b>Cash Ending Balances</b>	<b>901,117,233.27</b>	<b>901,117,233.27</b>

**COAL WORKERS PNEUMOCONIOSIS FUND**  
**Quarterly Summary**  
**FY2011**

	1st Quarter	2nd Quarter	YTD FY 2011	YTD FY 2010	Change
<b>Revenues</b>					
Investment Earnings (Losses)	5,580,564	6,425,019	12,005,583	21,902,962	(9,897,379)
Other Income - Return of Unclaimed Property	-	-	-	-	-
<b>Total Revenues</b>	<b>5,580,564</b>	<b>6,425,019</b>	<b>12,005,583</b>	<b>21,902,962</b>	<b>(9,897,379)</b>
<b>Expenditures</b>					
Payment of Claims	2,481,727	772,158	3,253,885	3,374,418	(120,533)
Contractual / Professional	13,391	-	13,391	35,046	(21,655)
<b>Total Expenditures</b>	<b>2,495,118</b>	<b>772,158</b>	<b>3,267,276</b>	<b>3,409,464</b>	<b>(142,188)</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>3,085,446</b>	<b>5,652,861</b>	<b>8,738,307</b>	<b>18,493,498</b>	<b>(9,755,191)</b>
Cash Beginning Balances	244,074,613	247,160,059	244,074,613		
<b>Cash Ending Balances</b>	<b>247,160,059</b>	<b>252,812,920</b>	<b>252,812,920</b>		

**SELF-INSURED GUARANTY FUND**  
**Quarterly Summary**  
**FY 2011**

	1st Quarter	2nd Quarter	YTD FY 2011	YTD FY 2010	Change
<b>Revenues</b>					
Guaranty Risk Pool Assessments	331,688	90,344	422,032	699,161	(277,129)
Investment Earnings (Losses)	2,896	834	3,730	4,466	(736)
<b>Total Revenues</b>	<b>334,584</b>	<b>91,178</b>	<b>425,762</b>	<b>703,627</b>	<b>(277,865)</b>
<b>Expenditures</b>					
Payment of Claims	11,273	1,655	12,928	8,044	4,884
Contractual / Professional	6,459	-	6,459	19,131	(12,672)
<b>Total Expenditures</b>	<b>17,732</b>	<b>1,655</b>	<b>19,387</b>	<b>27,175</b>	<b>(7,788)</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>316,852</b>	<b>89,522</b>	<b>406,375</b>	<b>676,452</b>	<b>(270,077)</b>
Cash Beginning Balances	8,112,918	8,429,770	8,112,918		
<b>Cash Ending Balances</b>	<b>8,429,770</b>	<b>8,519,293</b>	<b>8,519,293</b>		



**SELF-INSURED SECURITY FUND**  
**Quarterly Summary**  
**FY2011**

	1st Quarter	2nd Quarter	YTD FY 2011
<b>Revenues</b>			
Security Risk Pool Assessments	31,272	67,558	98,830
<b>Total Revenues</b>	<b>31,272</b>	<b>67,558</b>	<b>98,830</b>
<b>Expenditures</b>			
Payment of Claims	-	64	64
Claim Payment Reimbursement to Old Fund	73,516	-	73,516
Contractual / Professional	9,255	-	9,255
<b>Total Expenditures</b>	<b>82,771</b>	<b>64</b>	<b>82,835</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(51,499)</b>	<b>67,493</b>	<b>15,995</b>
Cash Beginning Balances	173,041	121,542	173,041
<b>Cash Ending Balances</b>	<b>121,542</b>	<b>189,035</b>	<b>189,035</b>

**UNINSURED FUND  
Quarterly Summary  
FY2011**

	1st Quarter	2nd Quarter	YTD FY 2011	YTD FY 2010	Change
<b>Revenues</b>					
Fines and Penalties	227,102	65,911	293,013	322,745	(29,732)
Investment Earnings (Losses)	3,149	897	4,046	5,478	(1,432)
<b>Total Revenues</b>	<b>230,251</b>	<b>66,807</b>	<b>297,059</b>	<b>328,223</b>	<b>(31,164)</b>
<b>Expenditures</b>					
Payment of Claims	133,213	65,815	199,028	146,298	52,730
Contractual/Professional	1,394	-	1,394	8,168	(6,774)
<b>Total Expenditures</b>	<b>134,607</b>	<b>65,815</b>	<b>200,422</b>	<b>154,466</b>	<b>45,956</b>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>95,644</b>	<b>993</b>	<b>96,637</b>	<b>173,757</b>	<b>(77,120)</b>
Cash Beginning Balances	8,905,444	9,001,088	8,905,444		
<b>Cash Ending Balances</b>	<b>9,001,088</b>	<b>9,002,081</b>	<b>9,002,081</b>		

# OFFICE OF JUDGES' REPORT TO INDUSTRIAL COUNCIL

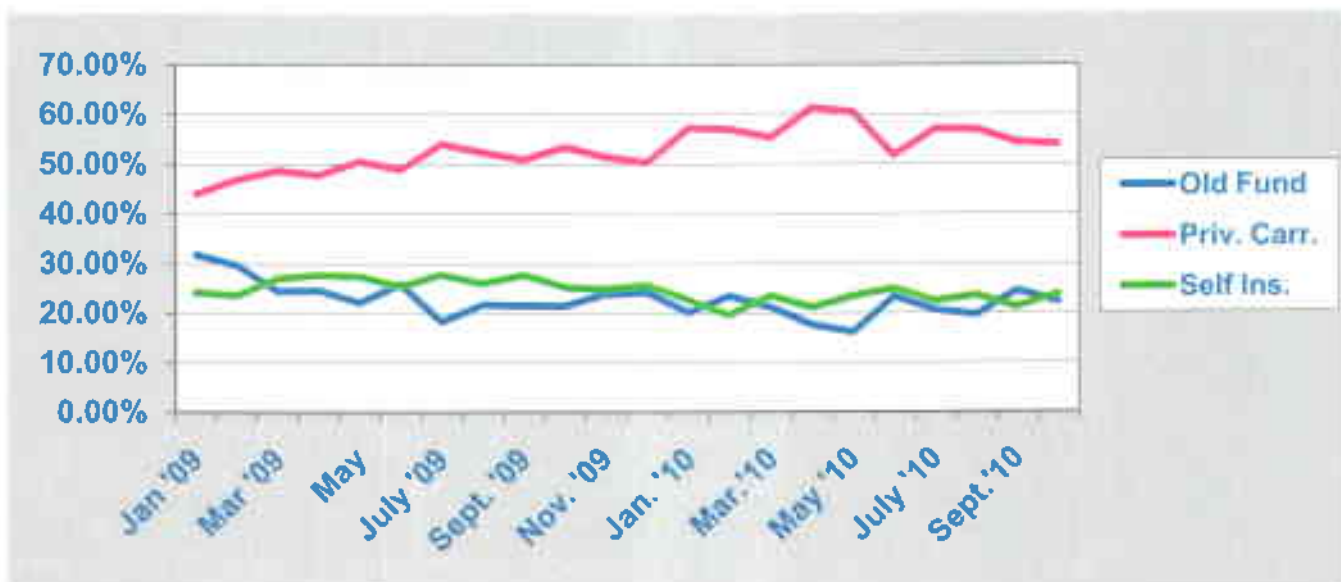
November 3, 2010

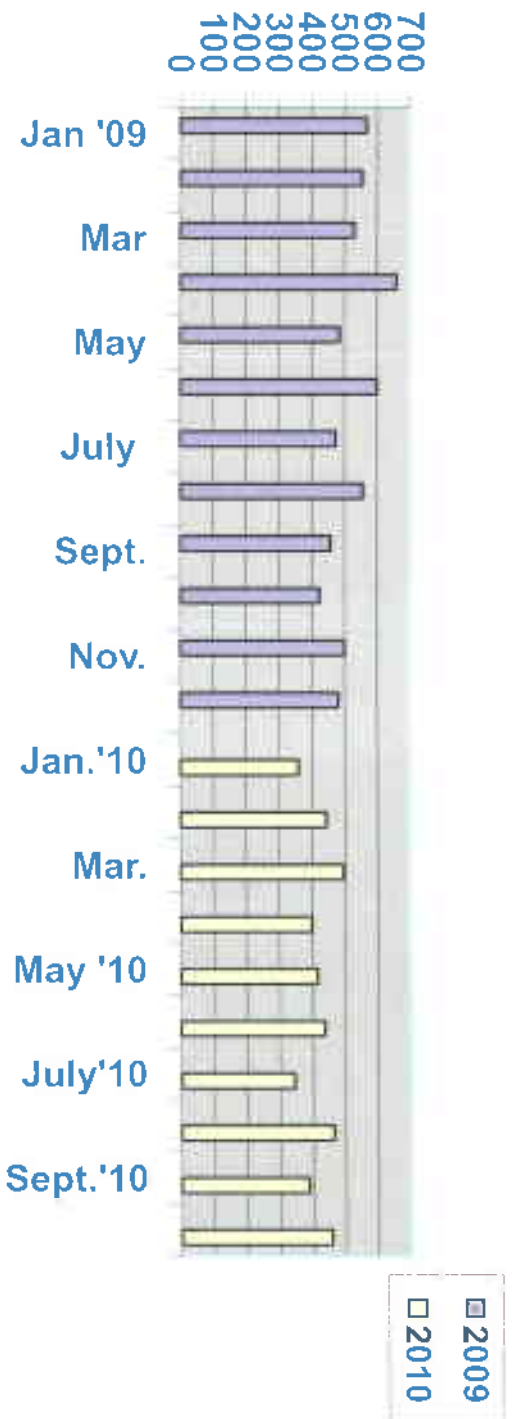
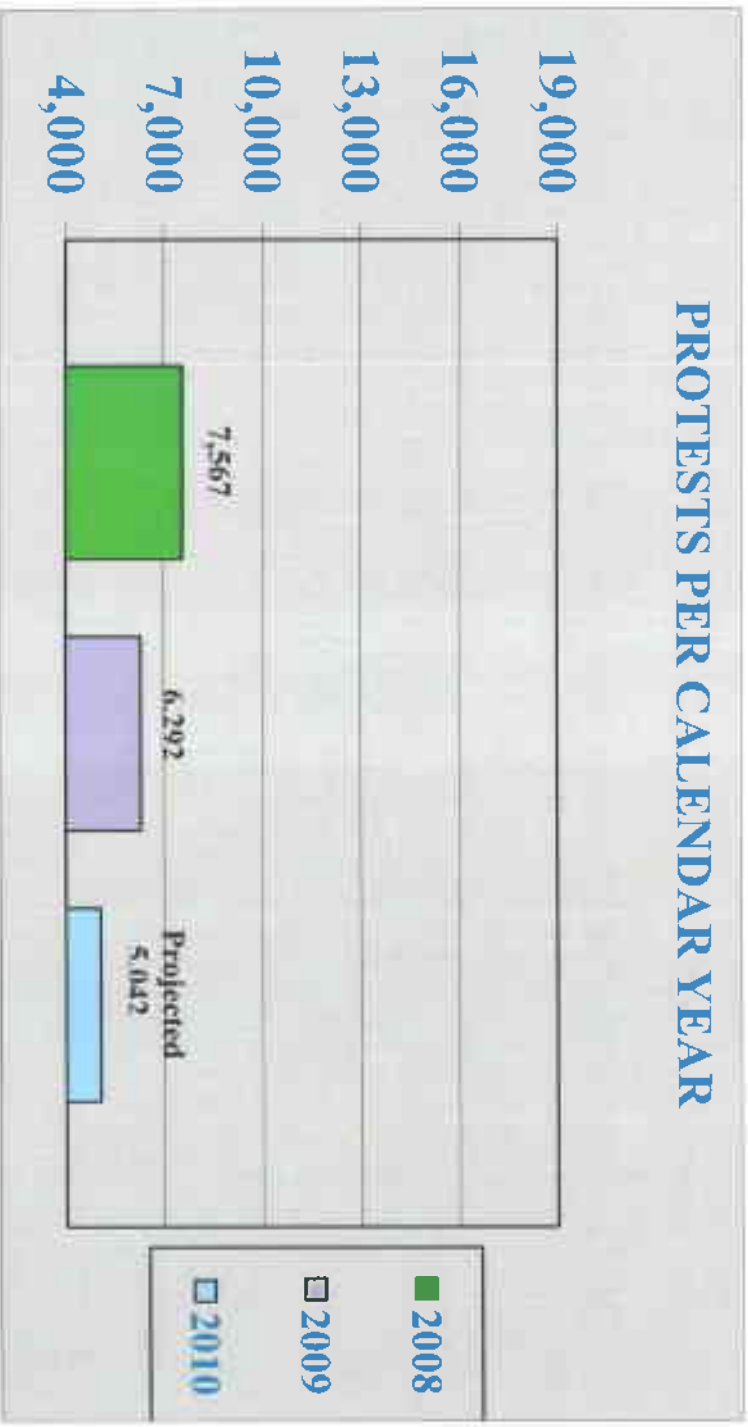
## I. Statistical Analysis

A. Protests Acknowledged: 2009  
6292 Oct.  
458 2010  
4202

### Fund Involved:

FUND	2009	% of protests	Oct. '10	% of protests	2010	% of protests
Old Fund	1277	24.13%	102	22.27%	883	21.01%
Priv.Carrier	2661	50.28%	247	53.93%	2372	56.45%
Self-Insured	1354	25.59%	109	23.80%	947	22.54%
					4202	
Subtotal	5292		458			
Temporary	1000		89			
Total	6292		547			





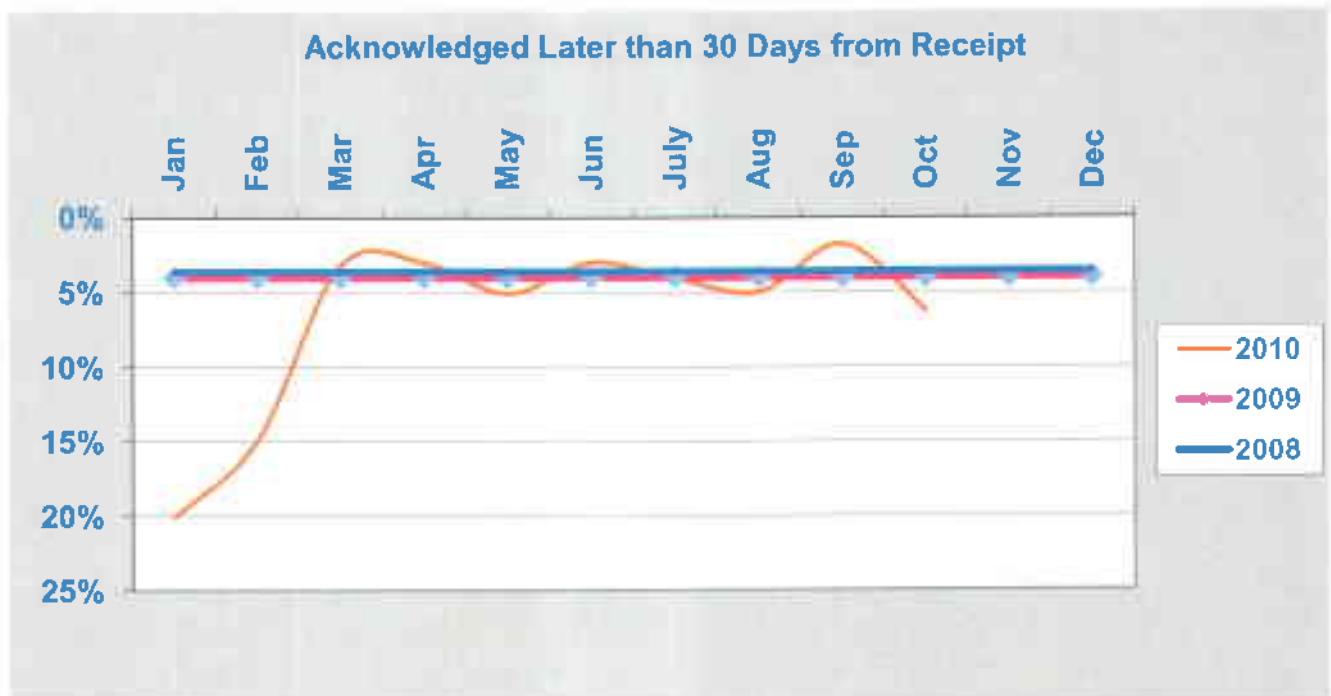
B. Issues Resolved: 2009 Oct. 2010  
 5680 447 4569

C. Pending Caseload Report

PENDING END OF Sept. 2010	3580
PENDING 1 MONTH BEFORE	3579
PENDING 2 MONTHS BEFORE	3645
PENDING 3 MONTHS BEFORE	3693
PENDING 6 MONTHS BEFORE	3738
PENDING 12 MONTHS BEFORE	4021

D.

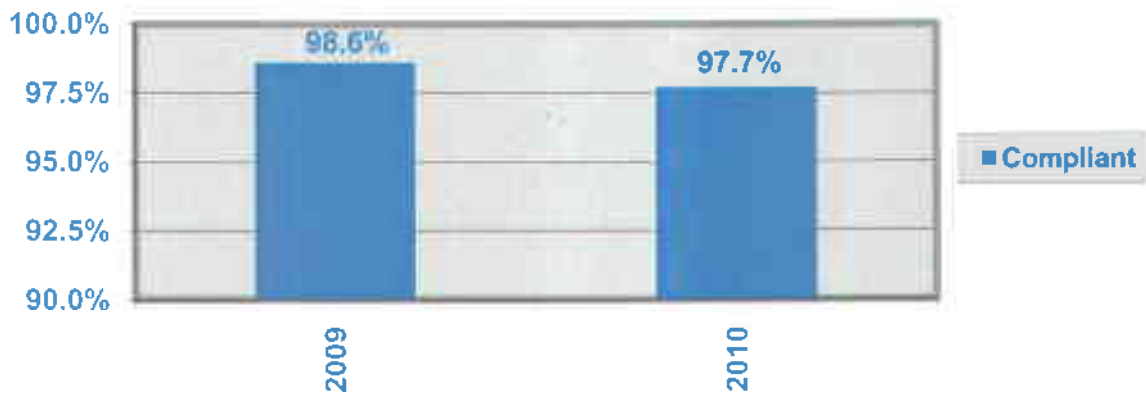
Acknowledgment Timeliness:	<u>2009</u>	<u>Oct.</u>	<u>YTD</u>
1. Protest Ackn. >30 days	4.0%	6.3%	6.5%
2. Protest Ackn. 24-30 days	3.0%	1.3%	2.0%
3. Protest Ackn. 11-23 days	22.6%	21.4%	21.5%
4. Protest Ackn. <11 days	70.4%	71.0%	70.0%



	<u>Oct. '10</u>	<u>2010</u>
<b>E. Protests Resolved:</b>		
1. Protests decided:	285	2954
2. Withdrawals:	95	851
3. "No Evidence" Dismissals:	46	551

	<u>2009</u>	<u>Oct. '10</u>	<u>2010</u>
<b>F. Final Decision Timeliness</b>			
1. <30 days:	49.2%	44.3%	45.6%
2. 30-60 days:	29.3%	45.0%	32.7%
3. 60-90 days:	20.1%	10.7%	19.5%
4. +90 days:	1.4%	0.0%	2.3%

### Decision Within Rule's Time Limits



	<u>2009</u>	<u>Oct.</u>	<u>2010</u>
<b>G. Time Standard Compliance</b>	88.9%	89.7%	88.2%

Wednesday, November 03, 2010

### Time Standard Compliance

Report Dates: From 10/1/2010 thru 10/31/2010

Time Standard	Total Closed	Timely		Late	
		Count	Percent	Count	Percent
COMPENSABILITY	29	24	82.8%	5	17.2%
OPBD	10	9	90%	1	10%
REOPENING	8	7	87.5%	1	12.5%
SPECIAL CATEGORY	1	0	0%	1	100%
TRMT/EQUIP CL	48	47	97.9%	1	2.1%
TTD	13	10	76.9%	3	23.1%
BENEFIT OVERPAYMENT	1	1	100%	0	0%
PPD	43	41	95.3%	2	4.7%
PTD ONSET DATE	2	0	0%	2	100%
REHABILITATION	1	1	100%	0	0%
<b>Total</b>	<b>156</b>	<b>140</b>	<b>89.7%</b>	<b>16</b>	<b>10.3%</b>

### Final Decision Compliance

Report Dates: From 10/1/2010 thru 10/31/2010

Description	Issues Resolved	Days to Decision							
		< 30 Days		30 - 60		61 - 90		> 90	
		Count	%	Count	%	Count	%	Count	%
BENEFIT OVERPAYMENT	2	0	0.0%	1	50.0%	1	50.0%	0	0.0%
OP NON-MED	1	0	0.0%	1	100.0%	0	0.0%	0	0.0%
TRMT/EQUIP CL	80	47	58.8%	27	33.8%	6	7.5%	0	0.0%
TTD	26	7	26.9%	18	69.2%	1	3.8%	0	0.0%
COMPENSABILITY	72	27	37.5%	36	50.0%	9	12.5%	0	0.0%
DEP BEN FATAL	8	3	37.5%	5	62.5%	0	0.0%	0	0.0%
IEB DETERMINATION	1	1	100.0%	0	0.0%	0	0.0%	0	0.0%
OPBD	17	13	76.5%	4	23.5%	0	0.0%	0	0.0%
PPD	55	21	38.2%	23	41.8%	11	20.0%	0	0.0%
PTD ONSET DATE	2	1	50.0%	0	0.0%	1	50.0%	0	0.0%
REOPENING	27	9	33.3%	16	59.3%	2	7.4%	0	0.0%
<b>Totals</b>	<b>291</b>	<b>129</b>	<b>44.3%</b>	<b>131</b>	<b>45.0%</b>	<b>31</b>	<b>10.7%</b>	<b>0</b>	<b>0.0%</b>

Wednesday, November 03, 2010

### Motion Resolution Compliance

Report Dates: From 10/1/2010 thru 10/31/2010

Time Standard	Total Motions	Timely *		Late **	
		Count	Percent	Count	Percent
APPLICATION THRESHOLD	1	1	100%	0	0%
COMPENSABILITY	191	182	95.3%	9	4.7%
IEB DETERMINATION	6	6	100%	0	0%
PPD	149	147	98.7%	2	1.3%
PTD ENTITLEMENT	7	7	100%	0	0%
REHABILITATION	4	4	100%	0	0%
TEMP	3	3	100%	0	0%
BENEFIT OVERPAYMENT	2	2	100%	0	0%
BENEFIT RATE	2	2	100%	0	0%
DEP BEN FATAL	23	22	95.7%	1	4.3%
FAILURE TO ACT 10 DAY	1	1	100%	0	0%
OP NON-MED	5	5	100%	0	0%
OPBD	52	51	98.1%	1	1.9%
REOPENING	26	26	100%	0	0%
TRMT/EQUIP CL	159	156	98.1%	3	1.9%
TTD	91	87	95.6%	4	4.4%
Total	722	702	97.2%	20	2.8%

\* Action Date < Motion Date

\*\* Action Date > Motion Date



Wednesday, November 03, 2010

### Acknowledgement Goal

Report Dates: From 10/1/2010 thru 10/31/2010

Description	Protests Acknowledged	Days to Acknowledge Protests							
		> 30		30-24		23-11		< 11	
		Count	Percent	Count	Percent	Count	Percent	Count	Percent
<b>COMPENSABILITY</b>	Total: 84	9	10.7%	1	1.2%	27	32.1%	47	56.0%
CCS - CL SEC CONDITION	14	1	7.1%	0	0.0%	1	7.1%	12	85.7%
CHC - CL COMPENSABILITY	3	1	33.3%	0	0.0%	1	33.3%	1	33.3%
CIM - CL SI COMPENSABLE	1	0	0.0%	0	0.0%	1	100.0%	0	0.0%
CIS - CL SI SEC CONDITION	5	0	0.0%	0	0.0%	0	0.0%	5	100.0%
CPI - CL SI REJECT CLAIM	14	1	7.1%	0	0.0%	5	35.7%	8	57.1%
CPJ - CL REJECT CLAIM	42	4	9.5%	1	2.4%	18	42.9%	19	45.2%
CQR - CL SI REJ OCCDISEASE	2	1	50.0%	0	0.0%	0	0.0%	1	50.0%
CRZ - CL REJ OCC DISEASE	3	1	33.3%	0	0.0%	1	33.3%	1	33.3%
<b>DEP BEN FATAL</b>	Total: 12	1	8.3%	0	0.0%	5	41.7%	6	50.0%
CDF - CL DENY/GRNT DTH BEN	6	1	16.7%	0	0.0%	4	66.7%	1	16.7%
CIF - CL SI DY/GNT DTH BEN	6	0	0.0%	0	0.0%	1	16.7%	5	83.3%
<b>FAILURE TO ACT 10 DAY</b>	Total: 7	1	14.3%	2	28.6%	2	28.6%	2	28.6%
C5N - CL FTA NOT COVERED	7	1	14.3%	2	28.6%	2	28.6%	2	28.6%
<b>FAILURE TO ACT 15 DAY</b>	Total: 4	4	100.0%	0	0.0%	0	0.0%	0	0.0%
C01 - CL FTA INJ COMPENSAB	1	1	100.0%	0	0.0%	0	0.0%	0	0.0%
C03 - CL FTA TREATMENT	3	3	100.0%	0	0.0%	0	0.0%	0	0.0%
<b>FAILURE TO ACT 30 DAY</b>	Total: 7	7	100.0%	0	0.0%	0	0.0%	0	0.0%
C6A - CL FTA ACT UPON PPD	1	1	100.0%	0	0.0%	0	0.0%	0	0.0%
C7A - CL FTA RO TTD/MED	1	1	100.0%	0	0.0%	0	0.0%	0	0.0%
C7D - CL FTA REF FOR EXAM	4	4	100.0%	0	0.0%	0	0.0%	0	0.0%
C7E - CL FTA CPLY OJ/BR/SC	1	1	100.0%	0	0.0%	0	0.0%	0	0.0%
<b>IEB DETERMINATION</b>	Total: 1	0	0.0%	0	0.0%	1	100.0%	0	0.0%
CEB - CL IEB DETERMINATION	1	0	0.0%	0	0.0%	1	100.0%	0	0.0%
<b>OP NON-MED</b>	Total: 2	0	0.0%	2	100.0%	0	0.0%	0	0.0%
CIR - CL SI NON-MED ORDER	1	0	0.0%	1	100.0%	0	0.0%	0	0.0%
IIR - IC SI NON-MED ORDER	1	0	0.0%	1	100.0%	0	0.0%	0	0.0%
<b>OPBD</b>	Total: 27	0	0.0%	0	0.0%	6	22.2%	21	77.8%

Description	Protests Acknowledged	Days to Acknowledge Protests							
		> 30		30-24		23-11		< 11	
		Count	Percent	Count	Percent	Count	Percent	Count	Percent
CAO - CL ADD BOARD FINDING	11	0	0.0%	0	0.0%	2	18.2%	9	81.8%
CBF - CL % BOARD FINDING	6	0	0.0%	0	0.0%	0	0.0%	6	100.0%
CSF - CL% SI BOARD FINDING	3	0	0.0%	0	0.0%	1	33.3%	2	66.7%
CSO - CL SI AD BRD FINDING	1	0	0.0%	0	0.0%	0	0.0%	1	100.0%
EBF - EM % BOARD FINDING	3	0	0.0%	0	0.0%	2	66.7%	1	33.3%
ESF - EM% SI BOARD FINDING	2	0	0.0%	0	0.0%	1	50.0%	1	50.0%
ESO - EM SI AD BRD FINDING	1	0	0.0%	0	0.0%	0	0.0%	1	100.0%
<b>PPD</b>	Total: 104	1	1.0%	1	1.0%	23	22.1%	79	76.0%
CAA - CL ADDL % AWARD D/G	8	0	0.0%	0	0.0%	0	0.0%	8	100.0%
CAD - CL % AWARD DENY/GRNT	70	1	1.4%	1	1.4%	16	22.9%	52	74.3%
CIE - CL SI ADD% AWARD D/G	4	0	0.0%	0	0.0%	0	0.0%	4	100.0%
CIG - CL SI %AWARD DNY/GNT	22	0	0.0%	0	0.0%	7	31.8%	15	68.2%
<b>REHABILITATION</b>	Total: 1	0	0.0%	0	0.0%	0	0.0%	1	100.0%
CPB - CL GRNT/DNY VOC REHA	1	0	0.0%	0	0.0%	0	0.0%	1	100.0%
<b>REOPENING</b>	Total: 30	0	0.0%	0	0.0%	4	13.3%	26	86.7%
CIQ - CL SI DY/GNT R/O PPD	1	0	0.0%	0	0.0%	0	0.0%	1	100.0%
CIY - CL SI DY/GNT R/O TTD	3	0	0.0%	0	0.0%	0	0.0%	3	100.0%
CJV - CL DNY/GRNT R/O PPD	6	0	0.0%	0	0.0%	1	16.7%	5	83.3%
CRD - CL DENY/GRNT R/O TTD	20	0	0.0%	0	0.0%	3	15.0%	17	85.0%
<b>TRMT/EQUIP CL</b>	Total: 132	5	3.8%	0	0.0%	20	15.2%	107	81.1%
C1Y - CL SI TRMT GRANT	1	0	0.0%	0	0.0%	0	0.0%	1	100.0%
CBX - CL TRMT DENY	83	3	3.6%	0	0.0%	8	9.6%	72	86.7%
CHH - CL AUTH HA/RPR D/G	2	0	0.0%	0	0.0%	1	50.0%	1	50.0%
CKN - CL D/G PROV CHNG	1	0	0.0%	0	0.0%	0	0.0%	1	100.0%
CSX - CL SI TRMT DENY	34	2	5.9%	0	0.0%	8	23.5%	24	70.6%
CYY - CL TRMT GRANT	11	0	0.0%	0	0.0%	3	27.3%	8	72.7%
<b>TTD</b>	Total: 47	1	2.1%	0	0.0%	10	21.3%	36	76.6%
CCC - CL CLOSING THE CLAIM	35	0	0.0%	0	0.0%	6	17.1%	29	82.9%
CIC - CL SI CLSING THE CLM	7	0	0.0%	0	0.0%	3	42.9%	4	57.1%
CJS - CL TTD	2	1	50.0%	0	0.0%	0	0.0%	1	50.0%
CPX - CL INITIAL TTD	3	0	0.0%	0	0.0%	1	33.3%	2	66.7%
<b>Totals: Claims 389</b>	<b>458</b>	<b>29</b>	<b>6.3%</b>	<b>6</b>	<b>1.3%</b>	<b>98</b>	<b>21.4%</b>	<b>325</b>	<b>71.0%</b>

Wednesday, November 03, 2010

### Resolution of Issues

Report Dates: Decision Date from 10/1/2010 thru 10/31/2010

Time Standard Categories	Decisions Issued	Reversed		Affirmed		Affirmed by Rule		Dismissed		Modified		Moot		Other		Remanded	
		Count	%	Count	%	Count	%	Count	%	Count	%	Count	%	Count	%	Count	%
DEP BEN FATAL	10	1	10	7	70	0	0	2	20	0	0	0	0	0	0	0	0
OP NON-MED	2	0	0	0	0	0	0	1	50	1	50	0	0	0	0	0	0
PPD	113	21	18.6	27	23.9	19	16.8	43	38.1	1	0.9	0	0	1	0.9	1	0.9
TTD	47	6	12.8	13	27.7	2	4.3	20	42.6	5	10.6	0	0	1	2.1	0	0
BENEFIT OVERPAYMENT	2	1	50	1	50	0	0	0	0	0	0	0	0	0	0	0	0
COMPENSABILITY	94	22	23.4	40	42.6	7	7.4	18	19.1	6	6.4	0	0	1	1.1	0	0
IEB DETERMINATION	1	0	0	1	100	0	0	0	0	0	0	0	0	0	0	0	0
OPBD	27	3	11.1	14	51.9	3	11.1	7	25.9	0	0	0	0	0	0	0	0
PTD ONSET DATE	2	0	0	1	50	0	0	0	0	1	50	0	0	0	0	0	0
REHABILITATION	2	0	0	0	0	0	0	2	100	0	0	0	0	0	0	0	0
REOPENING	35	6	17.1	19	54.3	4	11.4	4	11.4	2	5.7	0	0	0	0	0	0
SPECIAL CATEGORY	1	0	0	0	0	1	100	0	0	0	0	0	0	0	0	0	0
TRMT/EQUIP CL	111	23	20.7	53	47.7	10	9	21	18.9	4	3.6	0	0	0	0	0	0
<b>Totals</b>	<b>447</b>	<b>83</b>	<b>18.6</b>	<b>176</b>	<b>39.4</b>	<b>46</b>	<b>10.3</b>	<b>118</b>	<b>26.4</b>	<b>20</b>	<b>4.5</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>0.7</b>	<b>1</b>	<b>0.2</b>

## OOJ – Petition for Attorney Fees for Unreasonable Denial

### Petitions received 9/1/2005 through 10/31/10

	<b>47</b>
Petitions denied on face:	16
Petitions denied by ALJ Decision:	20
Petitions granted:	6
Petitions withdrawn through settlement:	2
Petitions currently pending:	3

### Failure to Timely Act Process

#### Petitions filed 9/1/05 through 10/31/10

Filed:	<b>199</b>
Denied/dismissed:	76
Withdrawn	11
Reports to OIC:	93
Pending	19

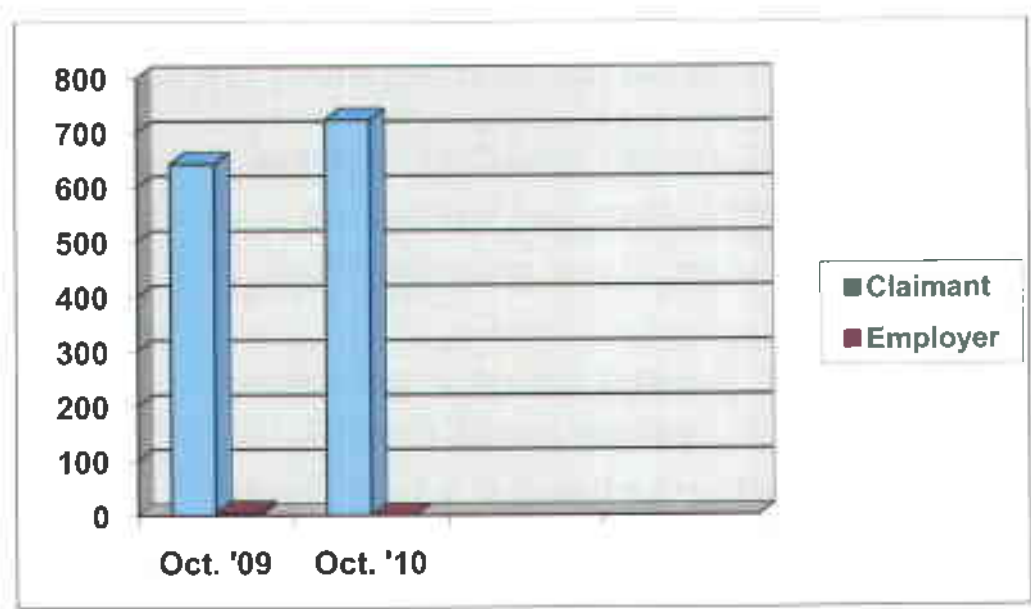
### Expedited Hearings Scheduled

	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec	TOTAL
<b>2006</b>	7	0	2	1	7	4	8	2	5	7	6	3	<b>52</b>
<b>2007</b>	12	4	5	5	1	12	9	4	5	5	4	2	<b>68</b>
<b>2008</b>	3	2	1	11	1	6	11	8	6	4	8	4	<b>65</b>
<b>2009</b>	5	6	5	4	10	14	10	6	12	4	5	9	<b>90</b>
<b>2010</b>	13	2	6	9	4	7	12	8	11	10			<b>82</b>

**OOJ – Pending Treatment Issues**

Pending Treatment Issues			Comparison to Prior Mo/Year	
Party	Month Oct. '10	% Protests	Month Oct. '09	% Protests
Claimant	723	20.20%	643	16.12%
Employer			5	
<b>Total</b>	<b>723</b>		<b>648</b>	

**Pending Treatment Issues**



**Pro Se Claimant Information**

Pending Protests Involving Pro Se Claimants: 547

Pending Claims Involving Pro Se claimants: 503

Joe Manchin, III  
Governor

W. Jack Stevens  
Chairman

James D. Gray  
Member

Rita Hedrick-Helmick  
Member

## Workers' Compensation Board of Review

Offices located at 1207 Quarrier St, Charleston  
All communications should be addressed to the Board of Review  
at the address shown at the bottom of this page

### MEMORANDUM

**To:** Jane L. Cline, Commissioner  
Bill Dean, Chairman  
Kent Hartsog, Vice Chairman  
Dan Marshall  
Honorable Brooks McCabe  
Honorable Nancy Peoples Guthrie  
Jim Dissen

**From:** W. Jack Stevens, Chairman

**Date:** November 3, 2010

**Re:** Workers' Compensation Board of Review Monthly Report

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Attached, please find the Board of Review's October 2010 monthly report.

A number of changes have been made to the Board's reports. You will find a total of eight reports as opposed to the two reports you previously received. These reports include the following:

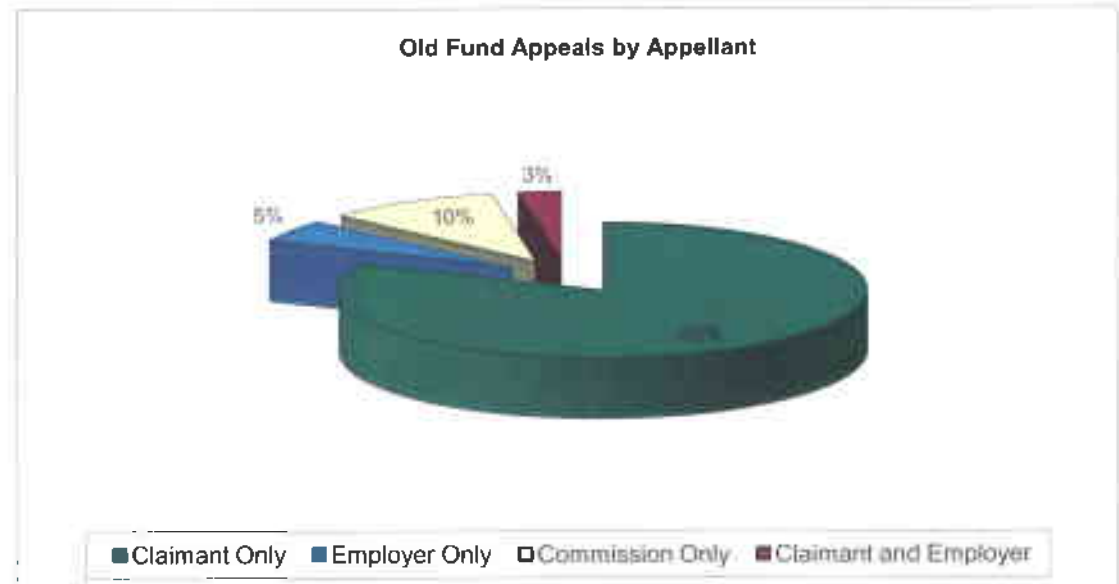
1. Monthly Report of Appeals Received
2. Yearly Report of Appeals Received
3. Monthly Report of Appeals Received by Issue
4. Yearly Report of Appeals Received by Issue
5. Monthly Appeals Received by Issue and Appellant
6. Monthly Summary of Dispositions by Party
7. Monthly Summary of Dispositions by Issue
8. Yearly Summary of Dispositions by Issue

Please do not hesitate to contact me in the event of any questions.

Appeals Received  
From October 1, 2010 Thru October 31, 2010

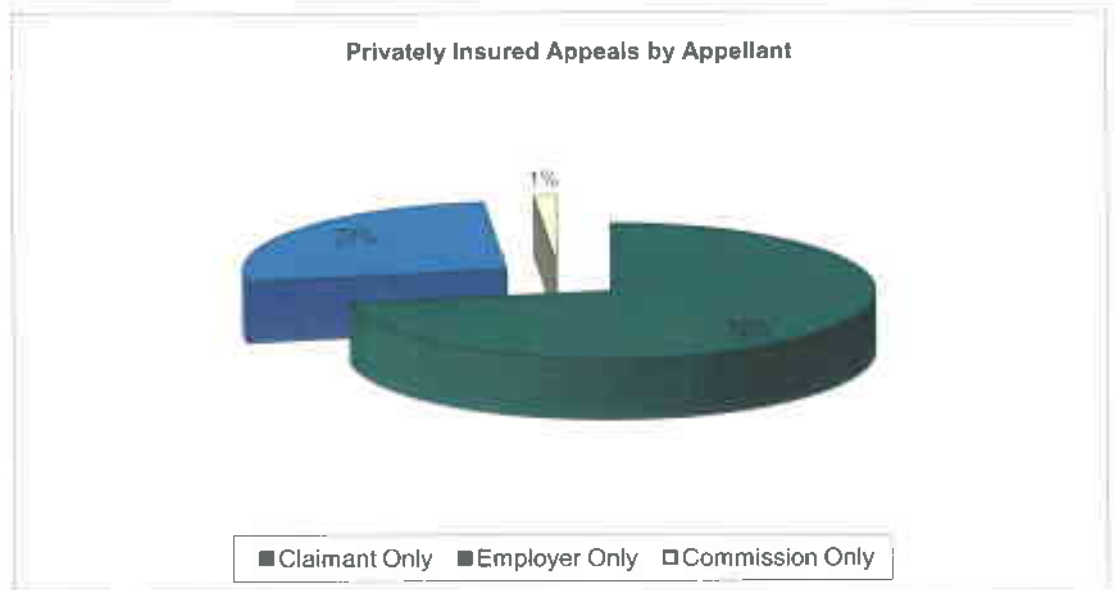
**Old Fund Appeals (DOI < Jul-1-2005)**

Appellant	Count
Claimant Only	31
Employer Only	2
Commission Only	4
Claimant and Employer	1
<b>Old Fund Total</b>	<b>38</b>



**Privately Insured Appeals (DOI > Jun-30-2005)**

Appellant	Count
Claimant Only	52
Employer Only	19
Commission Only	1
<b>Privately Insured Total</b>	<b>72</b>
<b>Total Appeals</b>	<b>110</b>

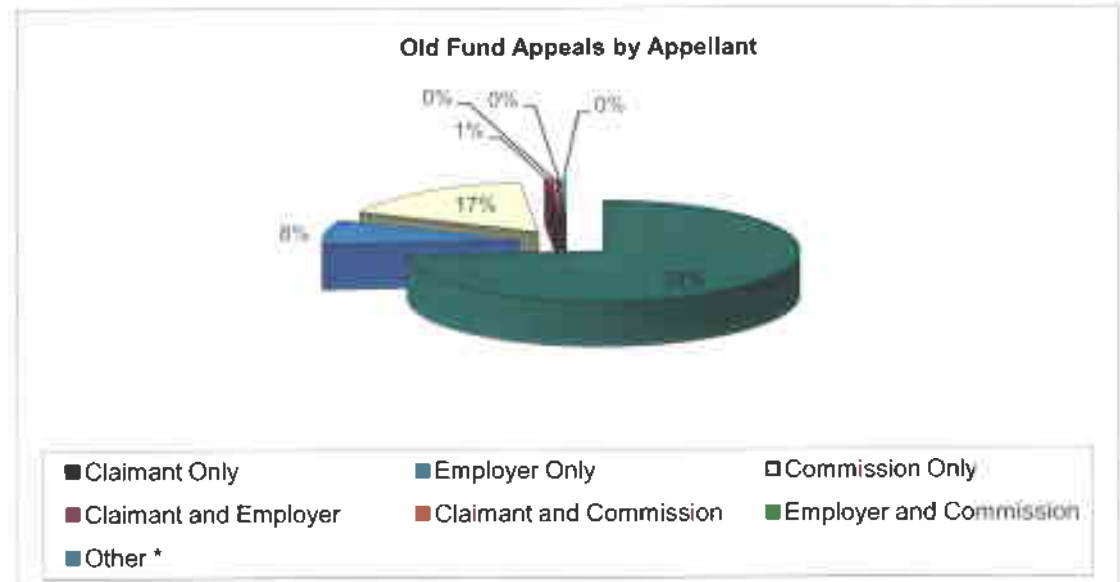


Appeals counted more than once:

**Yearly Appeals Received**  
From January 1, 2010 Thru October 31, 2010

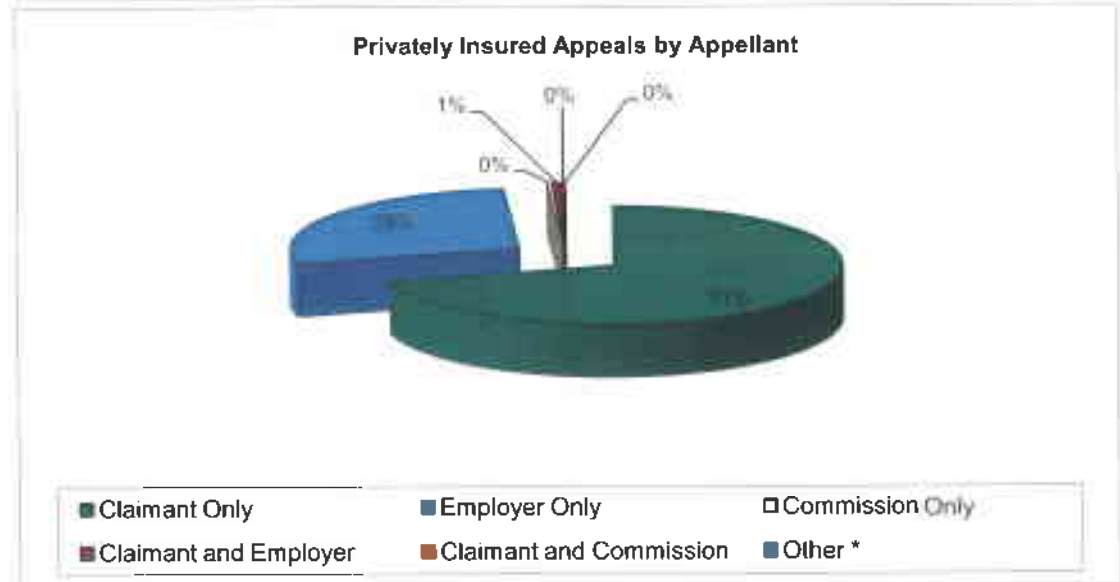
**Old Fund Appeals (DOI < Jul-1-2005)**

Appellant	Count
Claimant Only	345
Employer Only	37
Commission Only	78
Claimant and Employer	2
Claimant and Commission	2
Employer and Commission	1
Other *	2
<b>Old Fund Total</b>	<b>467</b>



**Privately Insured Appeals (DOI > Jun-30-2005)**

Appellant	Count
Claimant Only	514
Employer Only	204
Commission Only	2
Claimant and Employer	4
Claimant and Commission	1
Other *	1
<b>Privately Insured Total</b>	<b>726</b>



**Total Appeals** 1193

\* Appeals requiring research

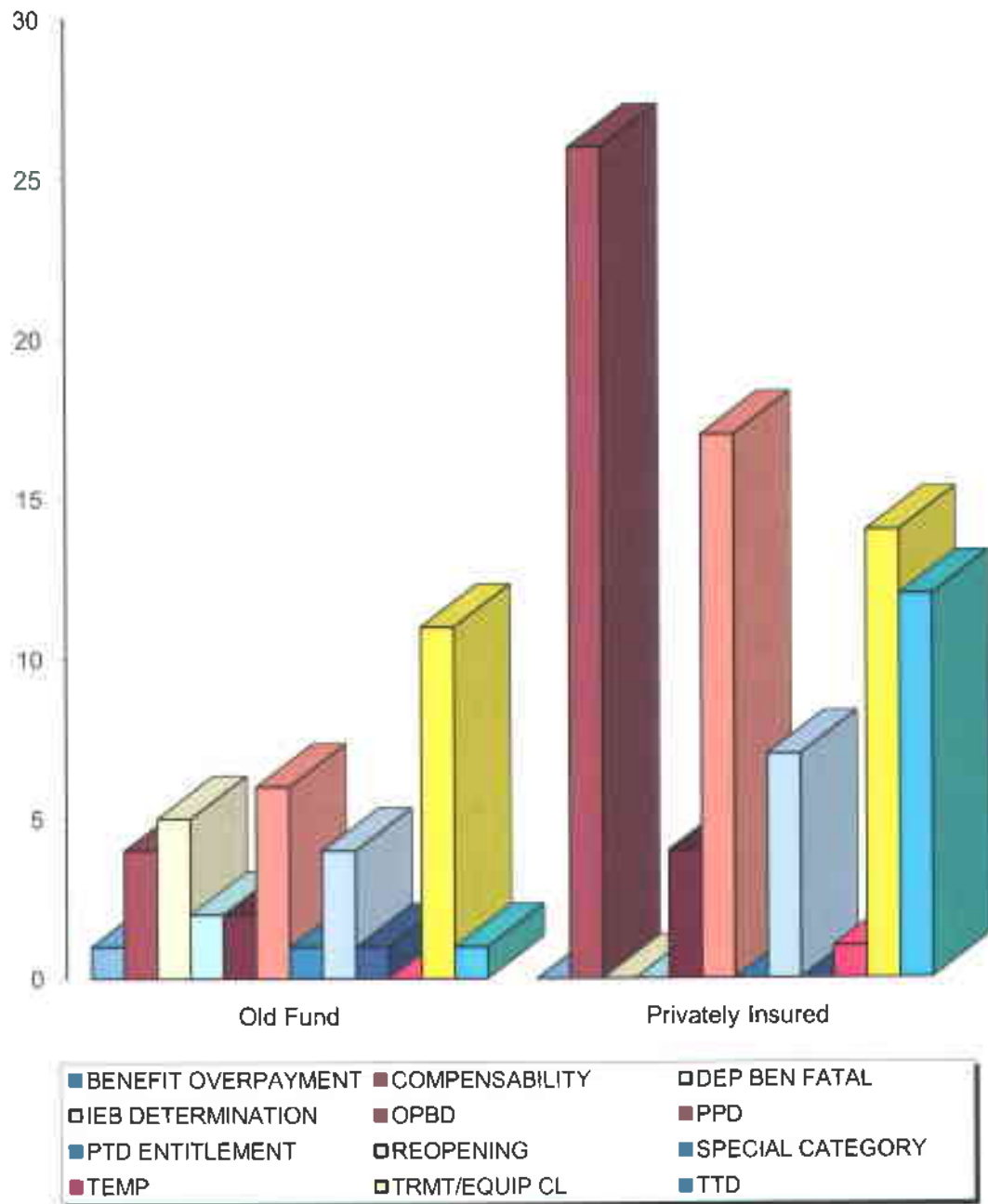
Appeals counted more than once:



Appeals Received by Issue  
 Old Fund Appeals (DOI < Jul-1-2005) vs Privately Insured Appeals (DOI > June-30-2005)  
 From October 1, 2010 thru October 31, 2010

Type of Issue	Total Issues	Old Fund		Privately Insured	
		#	%	#	%
BENEFIT					
OVERPAYMENT	1	1	100.0	0	0.0
COMPENSABILITY	30	4	13.3	26	86.7
DEP BEN FATAL	5	5	100.0	0	0.0
IEB DETERMINATION	2	2	100.0	0	0.0
OPBD	6	2	33.3	4	66.7
PPD	23	6	26.1	17	73.9
PTD ENTITLEMENT	1	1	100.0	0	0.0
REOPENING	11	4	36.4	7	63.6
SPECIAL CATEGORY	1	1	100.0	0	0.0
TEMP	1	0	0.0	1	100.0
TRMT/EQUIP CL	25	11	44.0	14	56.0
TTD	13	1	7.7	12	92.3
<b>Totals</b>	<b>119</b>	<b>38</b>	<b>31.9</b>	<b>81</b>	<b>68.1</b>

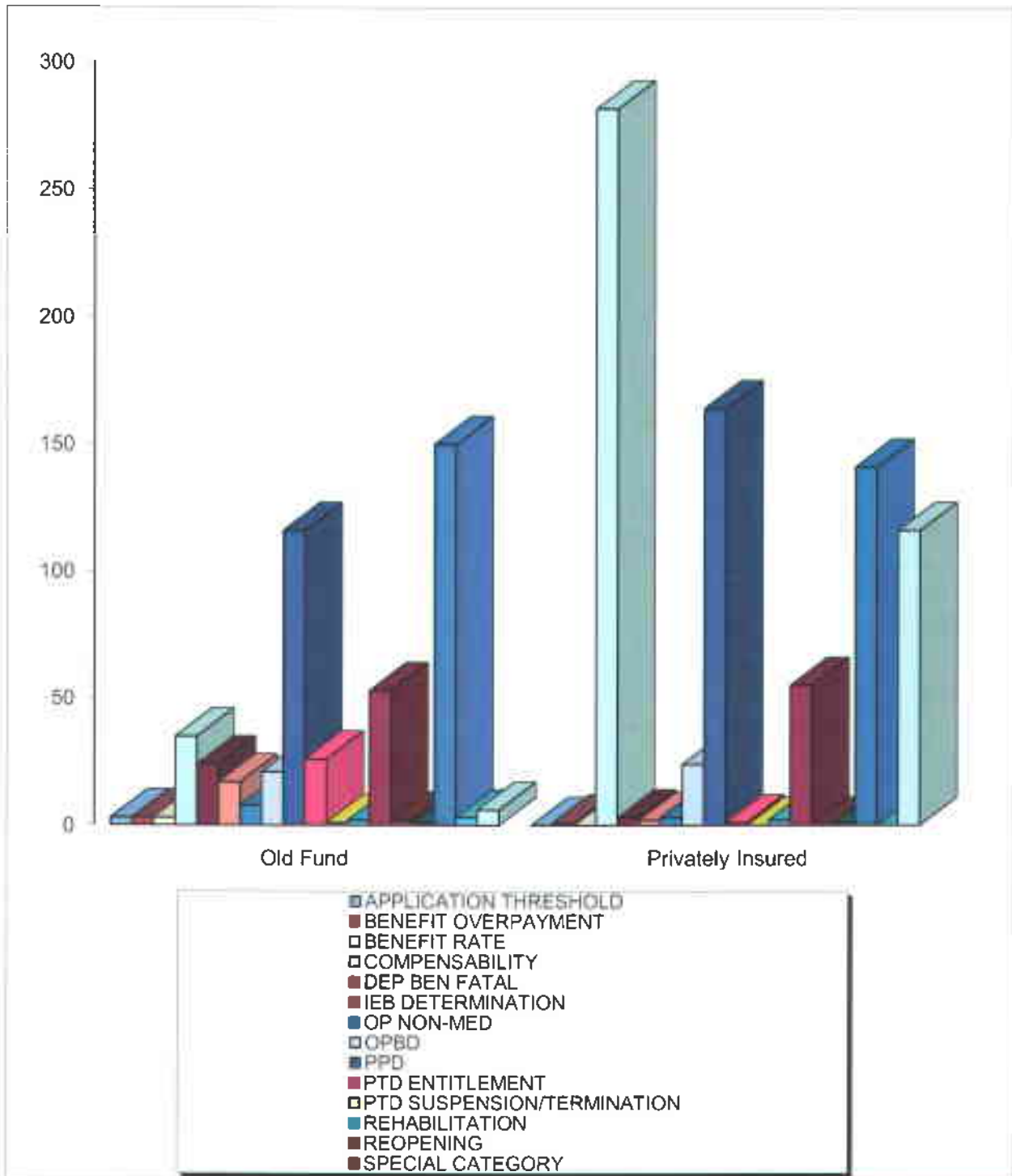
Appeals Received by Issue  
 Old Fund Appeals (DOI < Jul-1-2005) vs Privately Insured Appeals (DOI > June-30-2005)  
 From October 1, 2010 thru October 31, 2010



Yearly Appeals Received by Issue  
 Old Fund Appeals (DOI < Jul-1-2005) vs Privately Insured Appeals (DOI > June-30-2005)  
 From January 1, 2010 thru October 31, 2010

Type of Issue	Total Issues	Old Fund		Privately Insured	
		#	%	#	%
APPLICATION THRESHOLD	3	3	100.0	0	0.0
BENEFIT OVERPAYMENT	4	3	75.0	1	25.0
BENEFIT RATE	3	3	100.0	0	0.0
COMPENSABILITY	317	35	11.0	282	89.0
DEP BEN FATAL	27	24	88.9	3	11.1
IEB DETERMINATION	19	17	89.5	2	10.5
OP NON-MED	11	8	72.7	3	27.3
OPBD	45	21	46.7	24	53.3
PPD	280	116	41.4	164	58.6
PTD ENTITLEMENT	27	26	96.3	1	3.7
PTD					
SUSPENSION/TERMINATION	1	1	100.0	0	0.0
REHABILITATION	4	2	50.0	2	50.0
REOPENING	108	53	49.1	55	50.9
SPECIAL CATEGORY	2	2	100.0	0	0.0
TEMP	2	1	50.0	1	50.0
TRMT/EQUIP CL	291	150	51.5	141	48.5
TRMT/EQUIP EM	3	3	100.0	0	0.0
TTD	122	6	4.9	116	95.1
<b>Totals</b>	<b>1269</b>	<b>474</b>	<b>37.4</b>	<b>795</b>	<b>62.6</b>

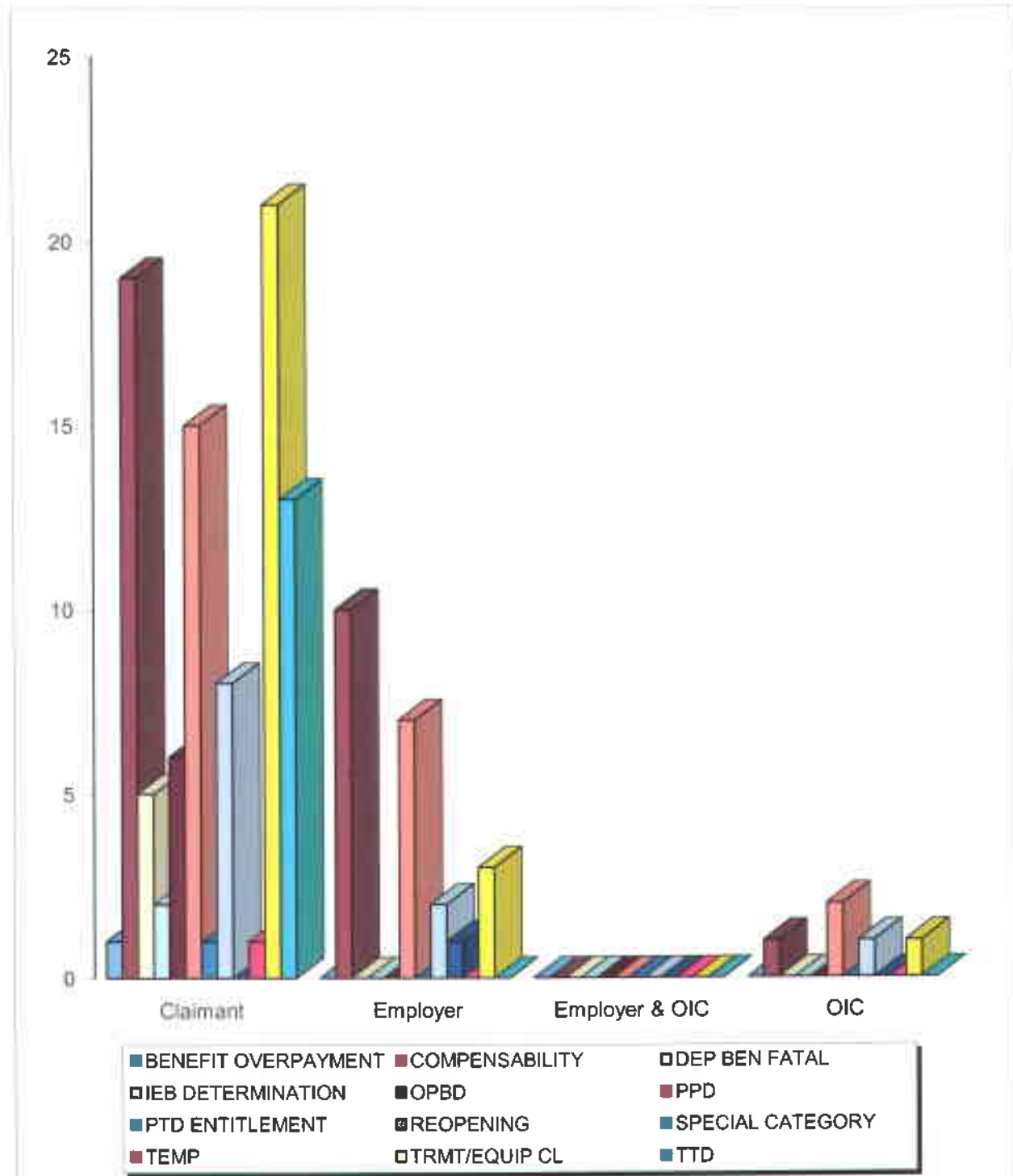
Yearly Appeals Received by Issue  
 Old Fund Appeals (DOI < Jul-1-2005) vs Privately Insured Appeals (DOI > June-30-2005)  
 From January 1, 2010 thru October 31, 2010



Appeals Received by Issue  
From October 1, 2010 Thru October 31, 2010

Total Issues	Claimant		Employer		OIC		Emp and OIC	
	#	%	#	%	#	%	#	%
1	1	100.0	0	0.0	0	0.0	0	0.0
30	19	63.3	10	33.3	0	0.0	1	3.3
5	5	100.0	0	0.0	0	0.0	0	0.0
2	2	100.0	0	0.0	0	0.0	0	0.0
6	6	100.0	0	0.0	0	0.0	0	0.0
24	15	62.5	7	29.2	0	0.0	2	8.3
1	1	100.0	0	0.0	0	0.0	0	0.0
11	8	72.7	2	18.2	0	0.0	1	9.1
1	0	0.0	1	100.0	0	0.0	0	0.0
1	1	100.0	0	0.0	0	0.0	0	0.0
25	21	84.0	3	12.0	0	0.0	1	4.0
13	13	100.0	0	0.0	0	0.0	0	0.0
120	92	76.7	23	19.2	0	0.0	5	4.2

Appeals Received by Issue  
 From October 1, 2010 Thru October 31, 2010



**WORKER COMPENSATION BOARD OF REVIEW  
FOR OCTOBER 2010**

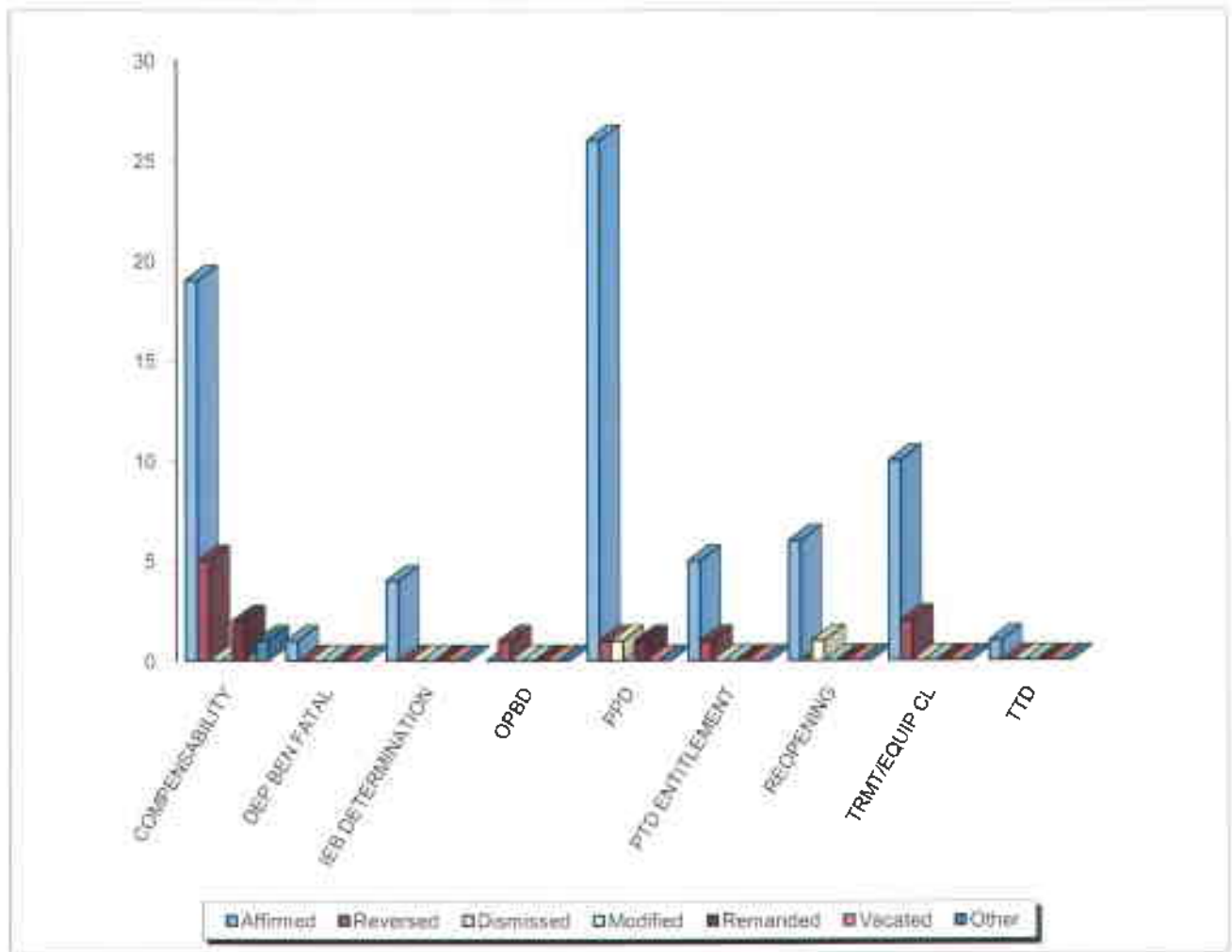
Appealed By	BOR Disposition	Disposition			Year to Date		
		Count	Disp %	Total %	Date	Disp %	Total %
<b>CLAIMANT</b>	AFFIRMED	57	91.9%	67.9%	639	92.1%	62.6%
	DISMISSED				1	0.1%	0.1%
	MOOT				4	0.6%	0.4%
	REMAND	3	4.8%	3.6%	21	3.0%	2.1%
	REVERSE	2	3.2%	2.4%	28	4.0%	2.7%
	VACATE				1	0.1%	0.1%
	Total Dispositions	62			694		
<b>CLAIMANT/EMPLOYER</b>	AFFIRMED				3	50.0%	0.3%
	REVERSE				3	50.0%	0.3%
	Total Dispositions				6		
<b>EMPLOYER</b>	ABEYANCE				1	0.4%	0.1%
	AFFIRMED	11	64.7%	13.1%	147	60.2%	14.4%
	DISMISSED	1	5.9%	1.2%	5	2.0%	0.5%
	MOOT				3	1.2%	0.3%
	REMAND				13	5.3%	1.3%
	REVERSE	5	29.4%	6.0%	74	30.3%	7.2%
	VACATE				1	0.4%	0.1%
Total Dispositions	17			244			
<b>DIVISION/OIC</b>	AFFIRMED	2	40.0%	2.4%	41	53.2%	4.0%
	DISMISSED				1	1.3%	0.1%
	REVERSE	3	60.0%	3.6%	35	45.5%	3.4%
	Total Dispositions	5			77		
<b>Grand Totals</b>		84			1021		

Dispositions By Issues  
BOR Orders Mailed From October 1, 2010 Thru October 31, 2010

Type of Issue	Issues	Affirmed		Reversed		Dismissed		Modified		Remanded		Vacated		Other	
		#	%	#	%	#	%	#	%	#	%	#	%	#	%
COMPENSABILITY	27	19	70.4	5	18.5	0	0.0	0	0.0	2	7.4	0	0.0	1	3.7
DEP BEN FATAL	1	1	100.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
IEB DETERMINATION	4	4	100.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
OPBD	1	0	0.0	1	100.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
PPD	29	26	89.7	1	3.4	1	3.4	0	0.0	1	3.4	0	0.0	0	0.0
PTD ENTITLEMENT	6	5	83.3	1	16.7	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
REOPENING	7	6	85.7	0	0.0	1	14.3	0	0.0	0	0.0	0	0.0	0	0.0
TRMT/EQUIP CL	12	10	83.3	2	16.7	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
TTD	1	1	100.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
<b>Totals</b>	<b>88</b>	<b>72</b>	<b>81.8</b>	<b>10</b>	<b>11.4</b>	<b>2</b>	<b>2.3</b>	<b>0</b>	<b>0.0</b>	<b>3</b>	<b>3.4</b>	<b>0</b>	<b>0.0</b>	<b>1</b>	<b>1.1</b>



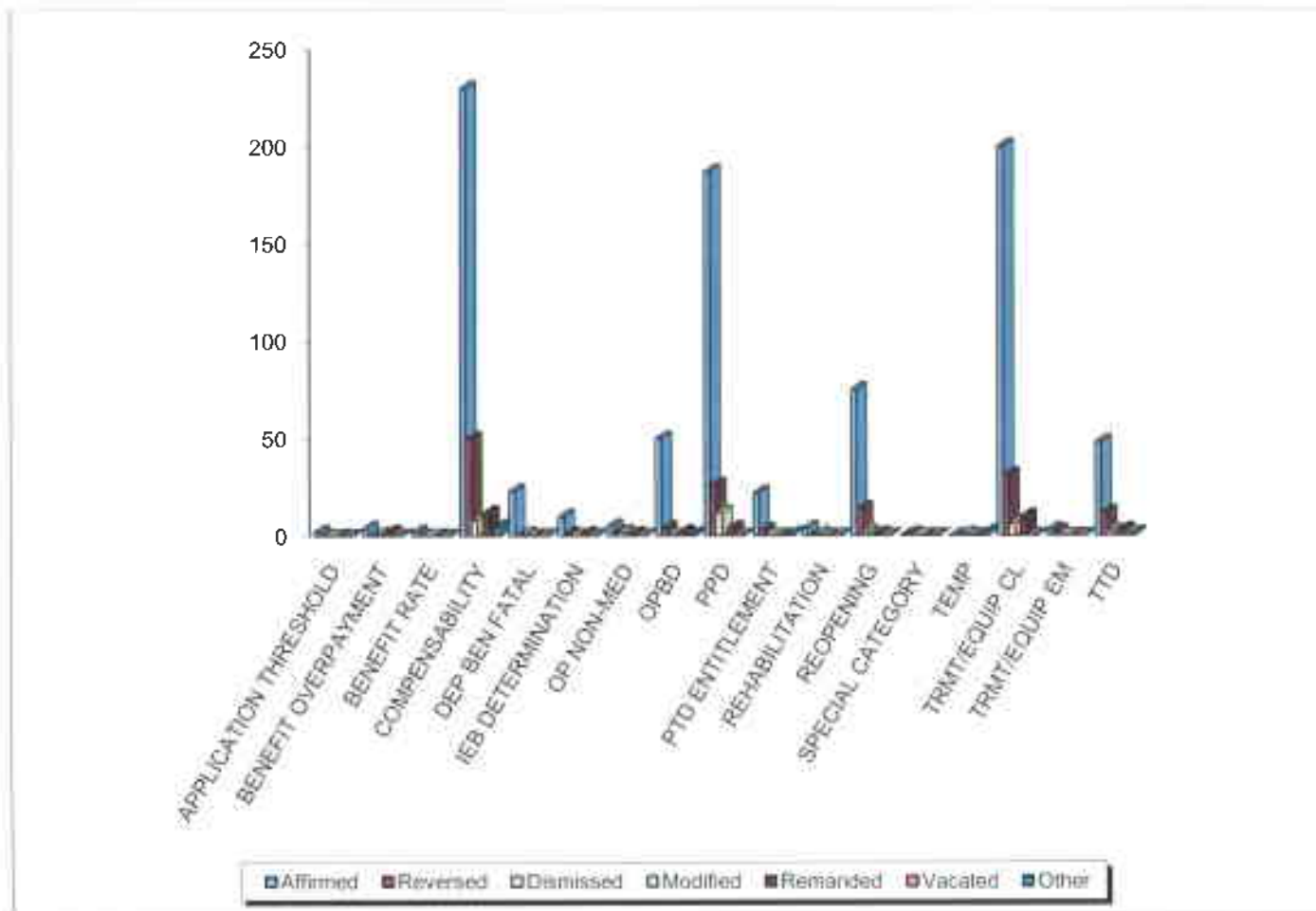
Dispositions By Issues  
 BOR Orders Mailed From October 1, 2010 Thru October 31, 2010



Yearly Dispositions By Issues  
BOR Orders Mailed From January 1, 2010 Thru October 31, 2010

Type of Issue	Issue #	Affirmed		Reversed		Dismissed		Modified		Remanded		Vacated		Other	
		#	%	#	%	#	%	#	%	#	%	#	%	#	%
APPLICATION THRESHOLD	2	2	100.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
BENEFIT OVERPAYMENT	7	4	57.1	0	0.0	1	14.3	0	0.0	2	28.6	0	0.0	0	0.0
BENEFIT RATE	2	2	100.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
COMPENSABILITY	309	230	74.4	50	16.2	8	2.6	0	0.0	12	3.9	1	0.3	5	1.6
DEP BEN FATAL	24	23	95.8	0	0.0	1	4.2	0	0.0	0	0.0	0	0.0	0	0.0
IEB DETERMINATION	12	10	83.3	1	8.3	0	0.0	0	0.0	1	8.3	0	0.0	0	0.0
OP NON-MED	10	5	50.0	2	20.0	2	20.0	0	0.0	1	10.0	0	0.0	0	0.0
OPBD	57	50	87.7	4	7.0	0	0.0	0	0.0	2	3.5	0	0.0	1	1.8
PPD	229	187	81.7	26	11.4	12	5.2	0	0.0	4	1.7	0	0.0	0	0.0
PTD ENTITLEMENT	26	22	84.6	3	11.5	0	0.0	0	0.0	0	0.0	0	0.0	1	3.8
REHABILITATION	5	4	80.0	0	0.0	1	20.0	0	0.0	0	0.0	0	0.0	0	0.0
REOPENING	92	75	81.5	14	15.2	2	2.2	0	0.0	1	1.1	0	0.0	0	0.0
SPECIAL CATEGORY	1	0	0.0	1	100.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
TEMP	3	0	0.0	0	0.0	1	33.3	0	0.0	0	0.0	0	0.0	2	66.7
TRMT/EQUIP CL	247	200	81.0	31	12.6	6	2.4	0	0.0	10	4.0	0	0.0	0	0.0
TRMT/EQUIP EM	5	3	60.0	2	40.0	0	0.0	0	0.0	0	0.0	0	0.0	0	0.0
TTD	68	48	70.6	12	17.6	2	2.9	0	0.0	3	4.4	1	1.5	1	1.5
<b>Totals</b>	<b>1099</b>	<b>865</b>	<b>78.7</b>	<b>146</b>	<b>13.3</b>	<b>36</b>	<b>3.3</b>	<b>0</b>	<b>0.0</b>	<b>36</b>	<b>3.3</b>	<b>2</b>	<b>0.2</b>	<b>10</b>	<b>0.9</b>

Yearly Dispositions By Issues  
 BOR Orders Mailed From January 1, 2010 Thru October 31, 2010



Workers' Compensation Revenue Recovery

Revenue Recovery Activity	September 2010
<b>COLLECTION ACTIVITY</b>	
Receipts - Old Fund (Employer out of business)	\$ 10,929.90
Receipts - PC & NU (Private Carrier Cancellation & Rogue Employers)	\$ 65,363.99
Receipts - Payment Agreements	\$ 16,581.64
# of active accounts uninsured (cumulative)	742
\$ of active accounts uninsured (cumulative)	\$ 2,811,766.69
Telephone contacts	1,482
Walk-ins	13
<b>LIENS</b>	
Liens sent to county clerks for recordation	126
Liens sent to county clerks for release	63
Intent to lien letters sent to employer/owner/officer/member	167
<b>INJUNCTIONS</b>	
Affidavits for injunction submitted to legal	-
Hearings attended	1
# of injunction complaints filed	11
# of injunctions granted	2
# of agreed orders entered	2
<b>PAYMENT AGREEMENTS</b>	
# of repayment agreements applications	10
Agreements set up	10
Total # of agreements on system (cumulative)	100
Intent to void letters mailed	9
Agreements voided	2
<b>MISCELLANEOUS</b>	
Terminations Processed	54
Rule 11 Letters Mailed	216
Rule 11 hearings	0
Uninsured Policies Resolved	242
<b>All Cash Receipts from WC accounts</b>	\$ 92,875.53

WEST VIRGINIA

# BOARD OF TREASURY INVESTMENTS

**CALENDAR NOTE:**

Quarterly Board Meeting  
October 29, 2010  
CD Auction  
January 12, 2011

## OPERATING REPORT

### SEPTEMBER 30, 2010

**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

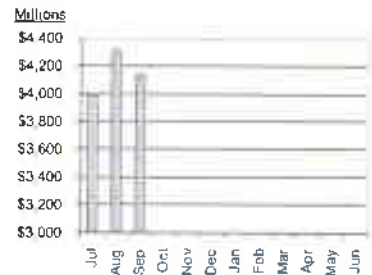
Kara K. Brewer,  
CPA, MBA

### Total Net Assets Under Management

**\$4,131,389,000**

Last Month  
**\$4,306,857,000**

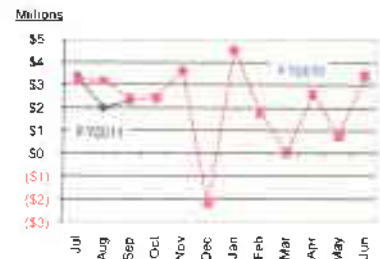
Beginning of Fiscal Year  
**\$3,925,206,000**



**9.7% Growth This Fiscal Year**

### Total Net Income & Gains

**Fiscal Year  
\$7,686,000**



**Fiscal Year Comparison**

### Money Market Pools

As of September 30, 2010

Pool	1-Day Yield *	7-Day Yield *	30-Day Avg. Yield *	W.A.M. **	Net Assets
WV Money Market	.2027%	.2038%	.2062%	51 Days	\$2.9 Billion
WV Gov't Money Market	.1854%	.1847%	.1837%	52 Days	\$282.2 Million

\* Yields represent the simple money market yield net of fees.  
\*\* W.A.M. is the weighted average maturity.

**WEST VIRGINIA BOARD OF TREASURY INVESTMENTS**  
**THE ECONOMIC STATE**  
**SEPTEMBER 2010**

---

**Uncertainty Belies Strong September Results**

Despite the strong equity results in September, the economic landscape in the US and abroad remains uncertain and the recovery fragile. While corporations appear fairly healthy and earnings expectations have returned close to 2007 highs, companies remain reluctant to begin hiring at a meaningful rate. The jobless recovery continues; new jobs are being created at a rate that is struggling to just keep up with labor force growth, let alone begin chipping away at the 9.6% unemployment rate. The government continued to shed jobs in September, while private sector employment stayed on a modestly positive trend. The broader US U6 unemployment rate rose to 17.1% in September.

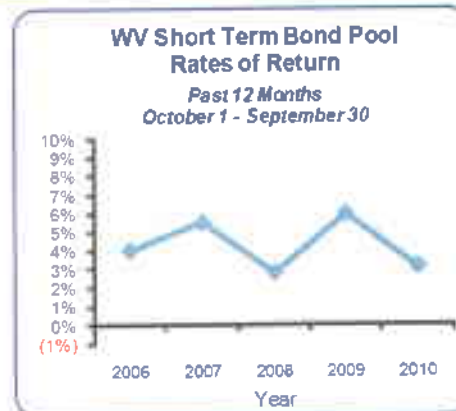
Another source of significant investor consternation is the status of pension plans. While the recent equity and fixed income rallies have certainly shored many plans up to some degree, at year end 2009, 93% of the defined benefit plans of S&P 500 companies were underfunded. Things also remain fragile in Europe as the heavily indebted economies of Southern Europe and Ireland struggle under the weight of their debt load and the cost of their social programs. Asia entered the crisis with a much better debt position yet weakness in demand and declining purchasing power from Western countries make those Asian export based economies more challenging. This fact was illustrated in September when the Bank of Japan intervened in the currency markets to stem the consistent rise in the value of the yen. The Japanese currency reached a 15-year high in mid-September prior to the Bank of Japan selling something on the order of one trillion yen in an attempt to halt the currency's rise and protect the interests of Japanese exporters.

# West Virginia Board of Treasury Investments Financial Highlights as of September 30, 2010

## WV Short Term Bond Pool

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

<u>October 1 - September 30</u>	<u>Return</u>	<u>Net Assets At Sept. 30 (In Millions)</u>
2010	3.1%	\$ 460.4
2009	6.0%	\$ 343.5
2008	2.8%	\$ 357.5
2007	5.5%	\$ 234.3
2006	4.0%	\$ 272.1



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

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

<u>Pool</u>	<u>Net Asset Value</u>	<u>Sept. Net Income</u>	<u>Fiscal YTD Net Income</u>
WV Money Market	\$ 2,937,549	\$ 512	\$ 1,604
WV Gov't Money Market	282,239	43	122
WV Short Term Bond	460,375	1,345	4,533
WV Bank	80,121	24	67
Loss Amortization	188,212	136	486
Loans *	135,688	237	692
Reserve	30,223	10	31
Participant Accounts	16,982	6	151
	<u>\$ 4,131,389</u>	<u>\$ 2,313</u>	<u>\$ 7,686</u>

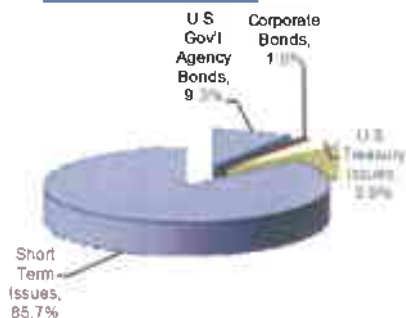
### Percent of Total Net Asset Value



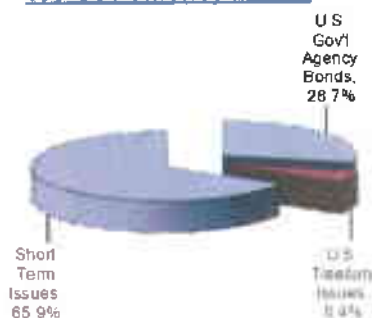
\* There have been \$700,000 in writedowns on venture capital loans in the Loan Pool this fiscal year

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

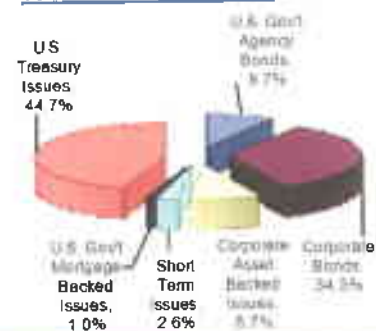
### WV Money Market



### 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**

**SEPTEMBER 30, 2010**

*(IN THOUSANDS)*

	<b>WV Money Market Pool</b>	<b>WV Government Money Market Pool</b>	<b>WV Short Term Bond Pool</b>	<b>WV Bank Pool</b>	<b>Other Pools</b>	<b>Participant Directed Accounts</b>
<b>Assets</b>						
<b>Investments:</b>						
At amortized cost	\$ 2,936,847	\$ 282,128		\$ 80,000	\$ 165,682	\$ 13,779
At fair value			\$ 459,445		188,212	3,069
Cash						
Collateral for securities loaned	24,068		30,362			
Other assets	997	140	2,462	122	232	134
<b>Total assets</b>	<u>2,961,912</u>	<u>282,268</u>	<u>492,269</u>	<u>80,122</u>	<u>354,126</u>	<u>16,982</u>
<b>Liabilities</b>						
Payable for securities loaned	24,068		30,362			
Other liabilities	295	29	1,532	1	3	
<b>Total liabilities</b>	<u>24,363</u>	<u>29</u>	<u>31,894</u>	<u>1</u>	<u>3</u>	
<b>Net Assets</b>	<u>\$ 2,937,549</u>	<u>\$ 282,239</u>	<u>\$ 460,375</u>	<u>\$ 80,121</u>	<u>\$ 354,123</u>	<u>\$ 16,982</u>
<b>Investment income</b>						
Interest and dividends	\$ 433	\$ 64	\$ 1,013	\$ 25	\$ 250	\$ 34
Securities lending income						
Provision for securities lending loss						
Net accretion (amortization)	225	(6)	(276)		613	(13)
Provision for uncollectible loans						
<b>Total investment income</b>	<u>658</u>	<u>58</u>	<u>737</u>	<u>25</u>	<u>863</u>	<u>21</u>
<b>Expenses</b>						
Fees	146	15	45	1	3	
Securities lending borrower rebates						
Bad debt expense						
<b>Total expenses</b>	<u>146</u>	<u>15</u>	<u>45</u>	<u>1</u>	<u>3</u>	
<b>Net investment income</b>	<u>512</u>	<u>43</u>	<u>692</u>	<u>24</u>	<u>860</u>	<u>21</u>
Net realized gain (loss) from investments			718			
Net increase (decrease) in fair value of investments			(65)		(477)	(13)
Net gain (loss) from investments			653		(477)	(13)
<b>Net increase (decrease) in net assets from operations</b>	<u>512</u>	<u>43</u>	<u>1,345</u>	<u>24</u>	<u>383</u>	<u>0</u>
<b>Distributions to participants</b>	<u>514</u>	<u>43</u>	<u>1,409</u>	<u>24</u>	<u>247</u>	
<b>Participant activity</b>						
Purchases, reinvestment of units and contributions	800,460	114,891	1,079	24	2,259	31
Redemptions and withdrawals	999,127	94,489	50		228	393
Inter-pool transfers in				20,001		
Inter-pool transfers out	20,002					
<b>Net increase (decrease) in net assets from participant activity</b>	<u>(218,669)</u>	<u>20,402</u>	<u>1,029</u>	<u>20,025</u>	<u>2,031</u>	<u>(162)</u>
Increase (decrease) in net assets	(218,671)	20,402	965	20,025	2,167	(356)
Net assets at beginning of period	3,156,220	261,837	459,410	60,096	351,956	17,338
<b>Net assets at end of period</b>	<u>\$ 2,937,549</u>	<u>\$ 282,239</u>	<u>\$ 460,375</u>	<u>\$ 80,121</u>	<u>\$ 354,123</u>	<u>\$ 16,982</u>





WEST VIRGINIA

**Water Development Authority**

*Celebrating 38 Years of Service 1974 - 2010*

**Joint Committee on Government And Finance - Interim**

President Tomlin - Chair  
Senator Chafin  
Senator Deem  
Senator Hall  
Senator Helmick  
Senator Kessler  
Senator Plymale

Speaker Thompson - Chair  
Delegate Armstead  
Delegate Boggs  
Delegate Border  
Delegate Caputo  
Delegate Miley  
Delegate White

Dear Sirs,

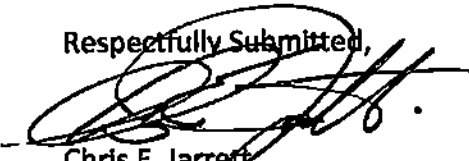
The West Virginia Water Development Authority proposes to construct a new 10,000 to 12,000 square-foot public office building within the corporate limits of Charleston, West Virginia. The driving factors behind the construction of a new building are:

- 1) **Current Office Space is Inadequate** – The WDA is currently located at 180 Association Drive, Charleston, inside the Northgate Business Park. In 2009, the WDA chose to co-locate its sister agency, the Infrastructure and Jobs Development Council (IJC) at this current location and closed its leased offices in the One Valley Square Building. By statute, the WDA must provide office spaces for the IJC. Subsequently, the WDA/IJC have undertaken significant improvement plans which have resulted in extensive modernization of its project tracking and financial accounting systems as well as a staffing increase from 7 employees to approximately 18 employees. The WDA/IJC's current office space consists of only 6,000 square feet of usable space and its floor plan does not easily accommodate the planned improvements. Employee office spaces are inadequate, attendance at public meetings often exceeds the maximum allowable under the State Fire Marshall requirements to include parking space. Finally, there are no spaces dedicated for the proper operation of newly acquired and sophisticated IT/computer equipment.
- 2) **The Overall Net Expense to the State is Relatively Small** – WDA currently owns its current office spaces which it proposes to sell to the State at a cost of around \$1,350,000. The total capital cost of the new building, including property acquisition, is estimated to be around \$2,500,000. Therefore, the net expense for the capital project is expected to be around \$1,150,000. In addition, the current building owned by WDA is debt-free as will be the new facility upon its completion.

- 3) The WDA is not funded by the General Revenue Fund – The WDA does not derive its revenues from tax dollars, but from earnings from investments and interest accrued from its loan programs. As such, it is exempt from the Department of Administration purchasing and procurement requirements. On September 2<sup>nd</sup>, 2010 the WDA Board voted to authorize its Executive Director to proceed with the acquisition of property for the sole purpose of constructing a new office building at the corner of Spring and Bullitt Streets in downtown Charleston.
  
- 4) The Executive Directors of the WDA and UDC have toured various proposed office sites both inside and outside the corporate limits of Charleston. None of the sites within the city limits offer the facilities required, and the WDA/UDC believe that moving either agency outside of the capital city would not be convenient to the many agencies that are directly involved with all UDC projects. Moreover, the WDA recently completed a municipal re-zoning of the proposed site from an industrial to a commercial designation.

For the above-stated reasons, the WDA seeks to proceed in its efforts to construct a new office building in order to facilitate its extensive and much-needed improvements to the State's infrastructure development capabilities.

Respectfully Submitted,



Chris E. Jarrett  
Executive Director

**WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS**  
A COMPONENT UNIT OF THE STATE OF WEST VIRGINIA AND  
WEST VIRGINIA DEPARTMENT OF TRANSPORTATION

AUDITED FINANCIAL STATEMENTS  
WITH ADDITIONAL INFORMATION

YEAR ENDED JUNE 30, 2010  
AND  
INDEPENDENT AUDITORS' REPORTS

**Gibbons  
& Kawash**  
Certified Public Accountants

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS

YEAR ENDED JUNE 30, 2010

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 11
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements	
Balance Sheet - Governmental Funds	14
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	15
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds to the Statement of Activities	17
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis) - State Road Fund	18
Notes to the Financial Statements	19 - 41
COMPLIANCE AND INTERNAL CONTROL REPORT	
Independent Auditors' Report On Internal Control Over Financial Reporting and On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	42 - 43
Schedule of Findings and Responses	44 - 48

## INDEPENDENT AUDITORS' REPORT

Joint Committee on Government and Finance  
West Virginia Legislature

We have audited the accompanying financial statements of the governmental activities and each major fund, of the West Virginia Department of Transportation, Division of Highways (the Division), as of and for the year ended June 30, 2010, which collectively comprise the Division's financial statements as listed in the table of contents. These financial statements are the responsibility of the Division's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Division are intended to present the financial position and the changes in financial position of only that portion of the governmental activities and each major fund of the West Virginia Department of Transportation and of the State of West Virginia that is attributable to the transactions of the Division. As a result, the financial statements do not purport to, and do not, present fairly, the financial position of the West Virginia Department of Transportation or the State of West Virginia as of June 30, 2010 and the changes in their financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the West Virginia Department of Transportation, Division of Highways as of June 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparison for the State Road (General) Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2010, on our consideration of the Division's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and on compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Johnson & Kawash*

November 12, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Unaudited

This section of the West Virginia Department of Transportation, Division of Highways (Division) annual financial report presents our discussion and analysis of the Division's financial performance during the fiscal year that ended June 30, 2010. This section introduces the financial statements and provides an analytical overview of the Division's financial activities. Please read it in conjunction with the Division's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS - PRIMARY GOVERNMENT**

*Net Assets* - The Division's total combined net assets are \$7.53 billion as of the close of fiscal year 2010.

*Changes in Net Assets* - During the year the Divisions' Net Assets increased \$176 million or 2.39%. This percentage of increase is a slight increase from the prior year, when Net Assets increased \$160 million or 2.22%.

*Revenues and Expenses* - Total revenues increased by \$86 million or 7.48%. Total expenses increased \$70 million or 7.07%. There were no significant changes in the programs carried out by the Division during the year.

*Governmental Funds - Fund Balances* - As of the close of fiscal year 2010, the Division's governmental funds reported combined total fund equity of \$235 million, a decrease of \$66 million in comparison with the restated prior year balance.

*Long-term Debt* - The Division's total outstanding general obligation bonds, net of bond premiums, decreased by \$33 million during the current fiscal year. The Division's total outstanding special obligation notes, net of note premium, decreased by \$22 million decreasing total long-term debt by 9.78% during the current fiscal year.

**OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

The discussion and analysis serves as an introduction to the Division's financial statements. The Division's financial statements are comprised of three components, government-wide financial statements, fund financial statements, and notes to the financial statements.

**Government-wide Statements**

Government-wide financial statements provide both long-term and short-term information about the Division's financial condition. Changes in the Division's financial position may be measured over time by increases and decreases in the Statement of Net Assets. Information on how the Division's net assets changed during the fiscal year are presented in the Statement of Activities.

**Fund Financial Statements**

The fund financial statements focus on the individual parts of the Division, reporting the Division's operations in more detail than the government-wide financial statements. Fund financial statements can include the statements for governmental, proprietary, and fiduciary funds. The Division has only governmental funds.



WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 Unaudited

**Notes to the Financial Statements**

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

**CONDENSED FINANCIAL INFORMATION**

**Condensed Statement of Net Assets**

The following condensed financial information was derived from the government-wide statement of net assets and summarizes the Division's net assets as of June 30, 2010 and 2009 (amounts in thousands).

**Net Assets as of June 30**

	2010	2009	% Change
Total current assets	\$ 365,756	\$ 388,892	-5.95%
Capital assets, net of accumulated depreciation	7,852,616	7,656,377	2.56%
Other non-current assets	2,378	2,694	-11.73%
Total assets	<u>8,220,750</u>	<u>8,047,963</u>	2.15%
Total current liabilities	160,055	144,717	10.60%
Long term liabilities	532,935	551,139	-3.30%
Total liabilities	<u>692,990</u>	<u>695,856</u>	-0.41%
Invested in capital assets, net of related debt	7,358,147	7,144,763	2.99%
Restricted	17,035	18,119	-5.98%
Unrestricted	152,578	189,225	-19.37%
Total net assets	<u>\$ 7,527,760</u>	<u>\$ 7,352,107</u>	2.39%

The largest component (97.75%) of the Division's net assets reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure and others) less any related debt outstanding (excluding debt proceeds that have yet to be expended for infrastructure construction) that was needed to acquire or construct the assets. The Division uses these capital assets to provide services to the citizens and businesses in the State; consequently, these net assets are not available for future spending. The remaining portion is classified as either restricted or unrestricted net assets. The unrestricted net assets may be used at the Division's discretion. The restricted net assets have constraints as to how these funds may be used. Enabling legislation directs the use of these funds.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 Unaudited

**Condensed Statement of Activities**

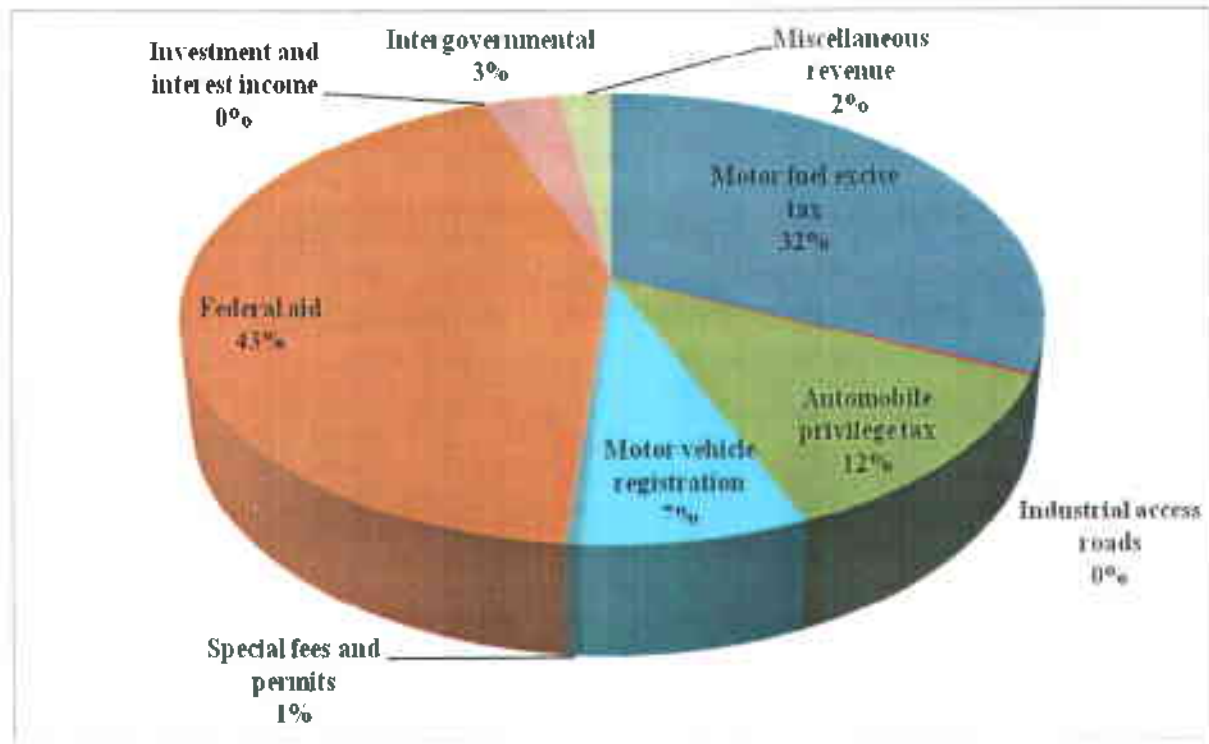
The following condensed financial information was derived from the government-wide statement of activities and reflects how the Division's net assets changed during the fiscal year (amounts in thousands):

	<u>2010</u>	<u>2009</u>	<u>% Change</u>
<b>Revenues</b>			
Taxes	\$ 541,023	\$ 533,833	1.35%
Investment and interest income	(457)	1,919	-128.81%
Intergovernmental	41,318	27,924	49.97%
Miscellaneous revenues	<u>25,012</u>	<u>28,647</u>	-12.69%
Total general revenues	<u>606,896</u>	<u>592,323</u>	2.46%
Capital grants and contributions	535,020	463,790	15.36%
Charges for service	<u>93,393</u>	<u>93,213</u>	0.19%
Total program revenues	<u>628,413</u>	<u>557,003</u>	12.82%
Total revenues	<u>1,235,309</u>	<u>1,149,326</u>	7.48%
<b>Expenses</b>			
Road maintenance	411,816	464,083	-11.26%
Other road operations	522,766	425,687	22.81%
General and administration	99,118	73,854	34.21%
Interest on long-term debt	22,514	22,730	-0.95%
Unallocated depreciation	<u>3,442</u>	<u>3,364</u>	2.32%
Total expenses	<u>1,059,656</u>	<u>989,718</u>	7.07%
Change in net assets	175,653	159,608	10.05%
Net assets, beginning	<u>7,352,107</u>	<u>7,192,499</u>	2.22%
Net assets, ending	<u>\$ 7,527,760</u>	<u>\$ 7,352,107</u>	2.39%

Over time, increases and decreases in net assets measure whether the Division's financial position is improving or deteriorating. During the fiscal year, the net assets of the governmental activities increased by \$176 million or 2.39% percent.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Unaudited

The following chart depicts the revenues of the Division for the fiscal year ended June 30, 2010.



Total revenues increased by approximately \$86 million. Total tax revenues increased by approximately \$7 million. Federal aid revenue increased by approximately \$71 million or 15.46%. The following summarizes revenues for the years ended June 30, 2010 and June 30, 2009 (amounts in thousands):

	2010	2009	Increase (Decrease)	% Increase (Decrease)
Motor fuel excise tax	\$ 393,557	\$ 391,903	\$ 1,654	0.42%
Industrial access roads	3,000	3,010	(10)	-0.33%
Automobile privilege tax	147,466	141,930	5,536	3.90%
Motor vehicle registration fees	87,600	87,255	345	0.40%
Special fees and permits	5,793	5,958	(165)	-2.77%
Federal aid	532,020	460,780	71,240	15.46%
Investment and interest income	(457)	1,919	(2,376)	-123.81%
Intergovernmental	41,318	27,924	13,394	47.97%
Miscellaneous revenues	25,012	28,647	(3,635)	-12.69%
	<u>\$ 1,235,309</u>	<u>\$ 1,149,326</u>	<u>\$ 85,983</u>	<u>7.48%</u>

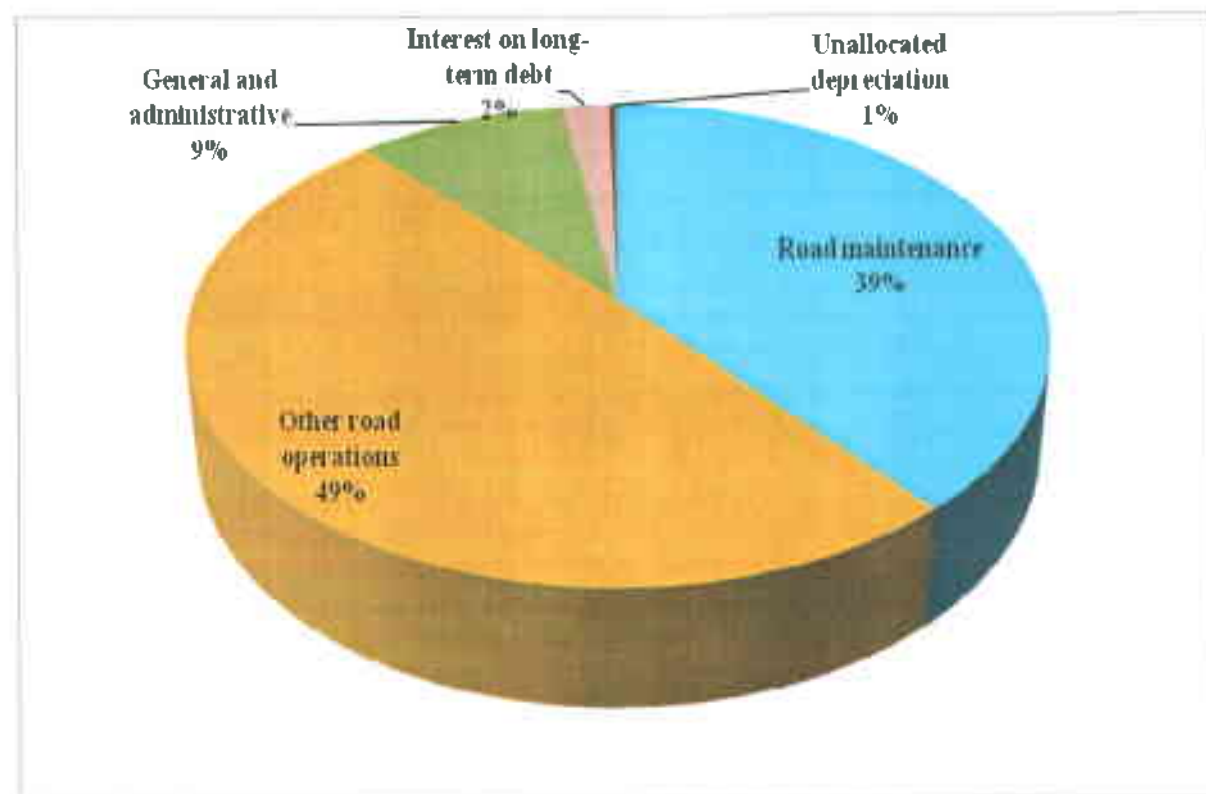
The Division's primary sources of revenue for funding of ongoing administration of the Division, general maintenance and construction of the State Road System and for providing resources to match available Federal funds are derived from fuel taxes, automobile privilege taxes, motor vehicle registration and license fees, net of costs incurred by the Division of Motor Vehicles in collecting funds for deposit into the State Road Fund.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
Unaudited

The lingering effects of the recession continue to impact State Road Fund tax revenue collections in FY2010. Reported on a cash basis, the revenues were only \$1.72 million ( 27%) higher than in FY2009. Sales (Privilege) Tax collections continued to lag significantly; \$12.24 million (7.62%) below estimates and \$2.48 million (1.64%) below FY2009 revenues. Registration Fees were \$2.02 million below estimates and \$2.04 million (2.28%) below FY2009 revenues. The one revenue source that appeared to weather the recession successfully was the Motor Fuel Excise Tax. That revenue exceeded estimates by \$10.92 million (2.87%) and was \$6.38 million (1.66%) above FY2009 revenues. The overages in Motor Fuel Excise Tax revenue, however, were not able to completely offset the shortages reported in the other revenue sources. Overall, FY2010 tax revenues were \$3.49 million ( 55%) below estimates. In FY2011, minimal revenue growth is expected. As a result, many programs that are operated by the Division will experience little, if any, real growth in the foreseeable future, and it is possible that some programs may be reduced.

The Division also relies on federal funds as a source of revenue. The federal aid is obtained in the form of reimbursable grants. Federal transportation legislation and special spending authorizations provide funds that are available for obligation by the Federal Government in specific years, and the Division expects to continue to fully obligate available funds, thus ensuring that it captures all federal dollars. Revenue under these grants is recognized when expenditures occur on specific projects that have qualified for federal participation. Federal funds received during 2010 were authorized under the Highway Transit Bill, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) and the American Recovery and Reinvestment Act of 2009.

The following chart depicts expenses of the Division for the fiscal year.



WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 Unaudited

Total expenses increased by approximately \$70 million or 7.07%. The following summarizes expenditures for the years ended June 30, 2010 and June 30, 2009 (amounts in thousands):

	2010	2009	Increase (Decrease)	% Increase (Decrease)
Road maintenance	\$ 411,816	\$ 464,083	\$ (52,267)	-11.26%
Other road operations	522,766	425,687	97,079	22.81%
General and administration	99,118	73,854	25,264	34.21%
Interest on long-term debt	22,514	22,730	(216)	-0.95%
Unallocated depreciation	3,442	3,364	78	2.32%
	<u>\$ 1,059,656</u>	<u>\$ 989,718</u>	<u>\$ 69,938</u>	7.07%

The maintenance expenses of the Division are comprised primarily of routine maintenance, small bridge repair, and contract paving.

Operating units are allocated yearly amounts for routine maintenance. The type of routine maintenance expenses incurred is dependent, to a degree, on the level of snow and ice removal (SRIC) that is required in a given year. In FY 2010, the agency continued its core maintenance plan, which emphasizes ditching, mowing, brush-cutting, and patching maintenance activities. County crews concentrate on these activities during all non-SRIC periods. The intent is to improve safety and perform maintenance that will extend the life of the highway system.

Other road operations expenditures reported in the Government-Wide Financial Statements include the total expended for all other road operations and small construction activities that fail to meet the criteria established for capitalization as infrastructure assets. A discussion of the change in actual funds expended is included in the financial analysis of the Division's Fund Financial Statements below.

#### FINANCIAL ANALYSIS OF THE DIVISION'S MAJOR FUNDS

At June 30, 2010, the Division reported fund balances of approximately \$235 million. Of this total amount, \$180 million, 76.6%, constitutes unassigned fund balance, which is available for the general purposes of the funds. The remainder of fund balance is restricted for capital projects and nonspendable as it is not available for new spending because it is dedicated for various commitments, such as inventories.

##### State Road Fund

The State Road Fund is the Division's General Fund. At the end of the 2010 fiscal year, unassigned fund balance of the General Fund was \$180 million and nonspendable fund balance was \$37 million. The total General Fund balance decreased \$27 million over the prior year restated general fund balance during the year primarily due to increases in fiscal year 2010 federal aid program expenditures.

##### Capital Projects Fund

The Capital Projects Fund accounts for financial resources to be used for road construction financed by the proceeds from the sale of Surface Transportation Improvements Special Obligation Notes. The notes were issued as a Grant Anticipation Revenue Vehicle (GARVEE), a debt-financing instrument authorized to receive federal reimbursement of debt service and related financing costs under Section 122 of Title 23, United States Code. In general, projects funded with the proceeds of a GARVEE debt instrument are subject to the same requirements as other federal-aid projects. The exception is the reimbursement process; reimbursement of GARVEE project costs occurs when debt service is due rather than when construction costs are incurred. To allow for effective use of federal obligation authority, a state may request partial conversion of GARVEE projects to coincide with GARVEE debt service payments. In West Virginia, under terms of the Memorandum of Agreement between the Federal Highway Administration and the Division of Highways, the yearly debt service must be the first obligation in the federal fiscal

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 Unaudited

year. The Division sold \$77 million in GARVEE notes during the fiscal year ended June 30, 2009. Those GARVEE note sales were for the construction of portions of the US Route 35 corridor. At June 30, 2010 the capital projects balance of approximately \$18 million represented unexpended note funds associated with the 2009A note issue.

**State Road (General) Fund and Budgetary Highlights**

The Division is dependent on revenues generated from the purchase and use of motor fuel, motor vehicle fees, privilege tax on consumer purchases of motor vehicles, and federal funding generated from motor fuel purchases. Revenues are affected by state and national economic conditions, world events affecting availability and pricing of motor fuel, and fuel consumption rates for motor vehicles. Due to the faltering economy, individuals and businesses continued, in FY2010, to delay vehicle/fleet purchases. Many of the vehicles that were purchased are more fuel-efficient, which will reduce fuel consumption and impact future revenue collections. The following table summarizes tax and fee collections for FY 2010 and FY 2009.

	2010	2009	Increase (Decrease)	% Increase (Decrease)
Motor fuel excise and wholesale fuel	\$ 393,557	\$ 391,903	\$ 1,654	0.42%
Motor vehicle registration	87,600	87,255	345	0.40%
Privilege tax	147,466	141,930	5,536	3.90%
	<u>\$ 628,623</u>	<u>\$ 621,088</u>	<u>\$ 7,535</u>	1.21%

On January 1, 2005, the gasoline and special fuels excise tax was repealed, and the motor fuel excise tax was imposed on motor fuel. The motor fuel excise tax is the combination of a flat 20.5 cents per invoiced gallon rate and a variable sales and use tax rate that is calculated yearly. West Virginia Senate Bill 4004 passed on November 20, 2009, and established the base average wholesale price of motor fuel at \$2.34 and included a provision that on and after January 1, 2011, the average wholesale prices shall not vary more than 10% from the average wholesale price of motor fuel as calculated by the Tax Commissioner for the previous calendar year. This will eliminate the large swings in the variable component of the motor fuel tax rate that have occurred in recent years as oil prices have fluctuated wildly. That same legislation removed the requirement that the legislature had to renew every six years the \$.05 flat tax rate increase enacted in 1993.

The Division's federal revenue, on a cash (budgetary) basis for fiscal year 2010 was \$495.27 million, used primarily for design, right-of-way and construction of Corridor D, Corridor H, WV 9, US Route 35 and other major corridors including King Coal Highway, WV 16, and WV 10 and all other federal highways. As previously discussed the recognition of revenue under these grants occurs when expenditures occur on specific projects that have qualified for federal participation. The budgeted amounts for federal revenue and expenditures are based on projects that have been approved and estimates of the timing of each phase of the project. Since the timing of such expenditures are dependent on variables such as the weather, the existence of differing site conditions that require plan modification, or delays caused by environmental issues or the results of public meetings, expenditures often do not occur as planned. Federal revenue recognized in the Statement of Activities in each of the last two years is summarized below (amounts in thousands):

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 Unaudited

	2010	2009	Increase (Decrease)	% Increase (Decrease)
Federal reimbursement - Budgeted funds	\$ 494,588	\$ 441,658	\$ 52,930	11.98%
Federal reimbursement - Surface Transportation	27,591	14,692	12,899	87.80%
Federal reimbursement - Emergency funds	9,842	4,430	5,412	122.17%
<b>Total Federal Aid</b>	<b>\$ 532,021</b>	<b>\$ 460,780</b>	<b>\$ 71,241</b>	<b>15.46%</b>

SAFETEA-LU expired in August 2009, and Congress has yet to pass the next six-year federal highway funding authorization. Consequently, the Division is receiving its obligation authority through continuing resolutions. This will not have any immediate impact on budgets but could eventually lead to a reduction in expenditures due to the Division's reduced funding authority.

State revenues are projected to grow minimally over the next five years and will be unable to keep pace with increases in operating costs. Projected revenues will not enable the Division of Highways to maintain the state's roads and bridges at acceptable levels; paving and small bridge repair and replacement expenditures will be reduced in future years. Eventually, other areas of expenditures also will need to be reduced to maintain a fiscally sound fund equity balance.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

As of June 30, 2010, the Division had invested \$7.85 billion, net of accumulated depreciation, in a range of capital assets (see note 8 for additional details). Depreciation charges for the fiscal year totaled \$314 million.

The \$196 million increase in capital assets, net of depreciation, reflects the nature of the State's road system. While the Division continues to expand the state road system, these expansions are focused primarily on upgrading existing roadways and completion of Appalachian Highway Corridors. While these are significant construction projects, the additions are offset by \$293 million in depreciation of the infrastructure. The Division expended \$560 million dollars during the year ended June 30, 2010 for additions to capital assets. Of this amount, \$477 million was related to the acquisition of right of way and construction of roads and bridges. Construction costs for completed projects in the amount of \$391 million were reclassified from construction in process to roads and bridges. Major construction expenditures during the year included continued construction related to Corridor H in Hardy County and Grant Counties, upgrade of WV 9 in the Eastern Panhandle, upgrade of US Route 35 in Putnam county, preservation projects on Interstates 64 and 70, and construction on WV 2, WV 10, Coalfields Expressway, and King Coal Highway, and continued environmental studies on various projects in process.

**Long-term Debt**

The Division has been authorized to issue bonds by constitutional amendments and all bonds are general obligation bonds of the State of West Virginia. All bonds authorized under prior constitutional amendments have been issued. At June 30, 2010, the Division had \$340 million in outstanding bonds. The amount outstanding decreased by \$31 million or 8.51% due to net principal payments.

The Division has also been authorized to issue revenue notes in the amount of \$200 million by constitutional amendment. The Division issued revenue notes in the amount of \$76 million in October 2006, \$33 million in April 2007, and \$77 million during fiscal year 2009. These notes are revenue notes and the debt service payments will be funded through federal aid revenue. At June 30, 2010, the Division had \$144 million in outstanding revenue notes. The amount decreased by \$21 million or 12.62% due to net principal payments.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 MANAGEMENT'S DISCUSSION AND ANALYSIS  
 Unaudited

The following is a summary of the amounts outstanding, including insured status and bond and note ratings:

Issue	Status of insurance	Bond Rating	Amount (in thousands)
Safe Roads 98A - All Bonds maturing on or before June 1, 2023	Insured by FGIC	Fitch: AAA Moody's: Aaa S&P: AAA	\$ 36,025
Safe Roads 01A - Bonds maturing between June 1, 2007 to 2013	Insured by FSA	Fitch: AAA Moody's: Aaa S&P: AAA	25,595
Safe Roads 05A - Bonds maturing on or before June 1, 2025	Insured by FSA	Fitch: AAA Moody's: Aaa S&P: AAA	277,895
Surface Transportation Improvements Special Obligation Notes (Garvee 2006A) - Notes maturing on or before June 1, 2016	Not Insured - notes maturing Sept. 1, 2008, Insured by FSA - notes maturing after Sept. 1, 2008	Fitch: AAA Moody's: Aaa S&P: AAA	53,935
Surface Transportation Improvements Special Obligation Notes (Garvee 2007A) - Notes Maturing on or before June 1, 2016	Not Insured - notes maturing Sept. 1, 2008, Insured by FSA - notes maturing after Sept. 1, 2008	Fitch: AAA Moody's: Aaa S&P: AAA	23,385
Surface Transportation Improvements Special Obligation Notes (Garvee 2009A) - Notes Maturing on or before June 1, 2016	Insured by FSA	Fitch: AAA Moody's: Aaa S&P: AAA	66,995
			<u>\$ 483,830</u>

More detailed information regarding capital asset and long-term debt activity is included in the notes 8 and 10, respectively to the financial statements.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide an overview of the finances of the Division for those with an interest in this organization. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the West Virginia Department of Transportation, Division of Highways at 1900 Kanawha Boulevard, East, Building 5, Room 220, Charleston, West Virginia 25305.



BASIC FINANCIAL STATEMENTS

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 STATEMENT OF NET ASSETS  
 JUNE 30, 2010  
 (amounts expressed in thousands)

ASSETS	<u>Governmental Activities</u>
Current assets:	
Cash and cash equivalents	\$ 191,750
Accounts receivable, net	78,697
Taxes receivable	55,834
Due from other State of West Virginia agencies	2,318
Inventories	37,157
Total current assets	<u>365,756</u>
Non-current assets:	
Capital assets not being depreciated	
Land - non-infrastructure	15,477
Land - infrastructure	928,577
Construction in progress	1,117,065
Capital assets net of accumulated depreciation:	
Land improvements	6,606
Buildings	69,816
Furniture and fixtures	596
Rolling stock	75,455
Scientific equipment	635
Shop equipment	58
Roads	3,745,318
Bridges	1,893,013
Total capital assets	<u>7,852,616</u>
Other non-current assets	2,378
Total non-current assets	<u>7,854,994</u>
Total assets	<u>8,220,750</u>

(Continued)

	<u>Governmental Activities</u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	57,805
Retainages payable	4,985
Accrued payroll and related liabilities	19,507
Due to other State of West Virginia agencies	3,333
Accrued interest payable	3,572
Current maturities of long-term obligations	70,853
Total current liabilities	<u>160,055</u>
Non-current liabilities	
Claims and judgments	16,920
Compensated absences	16,152
Other post employment benefits	44,656
Long-term debt obligations	455,207
Total non-current liabilities	<u>532,935</u>
Total liabilities	<u>692,990</u>
 <b>NET ASSETS</b>	
Invested in capital assets, net of related debt	7,358,147
Unrestricted	152,578
Restricted	
Coal resource	7,474
Waste tire	2,363
Industrial access	7,198
Total net assets	<u>\$ 7,527,760</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010  
(amounts expressed in thousands)

Functions/Programs	Expenses	Program Revenues		Net Revenue (Expenses) and Changes in Net Assets
		Charges for Services	Capital Grants and Contributions	
Government activities				
Road maintenance				
Expressway, trunkline & feeder & SLS	\$ 319,219	\$ -	\$ -	\$ (319,219)
Contract paving and secondary roads	62,542	-	-	(62,542)
Small bridge repair & replacement	10,416	-	-	(10,416)
Litter control program	1,688	-	-	(1,688)
Depreciation	17,951	-	-	(17,951)
Other road operations				
Interstate highways	86,148	-	112,435	26,287
Appalachian highways	5,482	-	81,840	76,358
Other federal aid programs	129,913	-	337,745	207,832
Non federal aid improvements	5,500	-	-	(5,500)
Industrial access roads	3,121	-	3,000	(121)
Depreciation	292,602	-	-	(292,602)
General and administrative				
Support and administrative operations	55,956	5,793	-	(50,163)
Claims	11,172	-	-	(11,172)
Cost associated with DMV	31,990	87,600	-	55,610
Interest on long-term debt	22,514	-	-	(22,514)
Unallocated depreciation	3,442	-	-	(3,442)
	<u>\$ 1,059,656</u>	<u>\$ 93,393</u>	<u>\$ 535,020</u>	<u>\$ (431,243)</u>
General revenues				
Taxes:				
Gasoline and motor carrier				\$ 393,557
Automobile privilege				147,466
Investment and interest income				(457)
Intergovernmental				41,318
Miscellaneous revenues				25,012
Total general revenues				<u>606,896</u>
Change in net assets				175,653
Net assets, beginning				7,352,107
Net assets, ending				<u>\$ 7,527,760</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010  
 (amounts expressed in thousands)

	State Road (General)	Capital Projects	Total Governmental Funds
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 171,413	\$ 20,337	\$ 191,750
Receivables	78,697	-	78,697
Taxes receivable	55,834	-	55,834
Due from other funds	6,430	-	6,430
Due from other State of West Virginia agencies	2,318	-	2,318
Inventories	37,157	-	37,157
Total assets	<u>\$ 351,849</u>	<u>\$ 20,337</u>	<u>\$ 372,186</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	\$ 55,637	\$ 2,168	\$ 57,805
Retainages payable	4,985	-	4,985
Accrued payroll and related liabilities	19,507	-	19,507
Other post employment benefits	44,656	-	44,656
Due to other funds	6,289	141	6,430
Due to other State of West Virginia agencies	3,333	-	3,333
Total liabilities	<u>134,407</u>	<u>2,309</u>	<u>136,716</u>
Fund balances			
Nonspendable	37,157	-	37,157
Restricted for capital projects by trust indenture	-	18,028	18,028
Unassigned	180,285	-	180,285
Total fund balances	<u>217,442</u>	<u>18,028</u>	<u>235,470</u>
Total liabilities and fund balances	<u>\$ 351,849</u>	<u>\$ 20,337</u>	<u>\$ 372,186</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2010  
 (amounts expressed in thousands)

Total fund balances - governmental funds \$ 235,470

Amounts reported for governmental activities in the statements of net assets and different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Capital assets not being depreciated:

Land - non-infrastructure	\$ 15,477	
Land - infrastructure	928,577	
Construction in progress	1,117,065	

Capital assets net of accumulated depreciation:

Land improvements	6,606	
Buildings	69,816	
Furniture and fixtures	596	
Rolling stock	75,455	
Scientific equipment	635	
Shop equipment	58	
Roads	3,745,318	
Bridges	<u>1,893,013</u>	7,852,616

Bonds issued by the Division have associated costs that are paid from current available financial resources in the funds. However, these costs are deferred on the statement of net assets. 2,378

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Accrued interest payable	(3,572)	
Claims and judgments	(18,485)	
Compensated absences	(28,150)	
General obligation bonds and revenue notes	<u>(512,497)</u>	<u>(562,704)</u>

Net assets of governmental activities \$ 7,527,760

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2010  
 (amounts expressed in thousands)

	State Road (General)	Capital Projects	Total Governmental Funds
<b>Revenues</b>			
Taxes			
Gasoline and motor carrier	\$ 393,557	\$ -	\$ 393,557
Automobile privilege	147,466	-	147,466
Industrial access roads	3,000	-	3,000
License, fees and permits			
Motor vehicle registrations and license	87,600	-	87,600
Special fees and permits	5,793	-	5,793
Federal aid			
Interstate highways	112,435	-	112,435
Appalachian highways	81,840	-	81,840
Other federal aid programs	310,155	27,591	337,746
Investment and interest income, net of arbitrage rate	510	(967)	(457)
Intergovernmental	41,520	(202)	41,318
Miscellaneous revenues	25,012	-	25,012
	<u>1,208,888</u>	<u>26,422</u>	<u>1,235,310</u>
<b>Expenditures</b>			
Current:			
Road maintenance:			
Expressway, trunkline and feeder, state and local services	318,389	-	318,389
Contract paving and secondary roads	62,542	-	62,542
Small bridge repair and replacement	27,638	-	27,638
Litter control program	1,688	-	1,688
Support and administrative operations	96,251	-	96,251
Division of motor vehicle operations	31,990	-	31,990
Claims	497	-	497
Capital outlay and other road operations:			
Road construction and other road operations:			
Interstate highways	125,499	-	125,499
Appalachian highways	102,626	-	102,626
Other federal aid programs	389,235	37,745	426,980
Nonfederal aid construction and road operations	26,714	-	26,714
Industrial access roads	3,121	-	3,121
Debt service:			
Bond issue cost	4	-	4
Principal	31,590	20,845	52,435
Interest	18,388	6,746	25,134
	<u>1,236,172</u>	<u>65,336</u>	<u>1,301,508</u>
Deficiency of revenue under expenditure:	(27,284)	(38,914)	(66,198)
Fund balances, beginning of year (previously reported)	258,826	56,942	315,768
Prior period adjustment	(14,100)	-	(14,100)
Fund balances, beginning of year (restated)	<u>244,726</u>	<u>56,942</u>	<u>301,668</u>
Fund balances, end of year	<u>\$ 217,442</u>	<u>\$ 18,028</u>	<u>\$ 235,470</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS TO  
 THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2010  
 (amounts expressed in thousands)

Net change in fund balances - total governmental funds \$ (66,198)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$510,745 exceeded depreciation of (\$313,995) in the current period. 196,750

In the statement of activities only the loss on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus the change in the net assets differs from the change in fund balance by the undepreciated cost of the assets sold. (513)

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of assets. 52,435

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This is the amount by which the increase in claims of \$(10,676) amortization of bond issue cost of \$(316) and decrease in interest payable of \$288, exceed the decrease in compensated absences \$1,228 and the accretion of bond premium of \$2,655. (6,821)

Change in net assets of governmental activities \$ 175,653



WEST VIRGINIA DEPARTMENT OF TRANSPORTATION, DIVISION OF HIGHWAYS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
(BUDGETARY BASIS) - STATE ROAD FUND  
FOR THE YEAR ENDED JUNE 30, 2010  
(amounts expressed in thousands)

	Original Budget	Budget Amendments	Final Budget	Actual Amounts	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>					
<b>Taxes</b>					
Gasoline and motor carrier	\$ 380,000	\$ -	\$ 380,000	\$ 390,916	\$ 10,916
Automobile privilege	160,550	-	160,550	148,314	(12,236)
Motor vehicle registrations and licenses	89,407	-	89,407	87,388	(2,019)
Revenue transfer to industrial access roads	(3,000)	-	(3,000)	(3,000)	-
Federal aid	684,087	-	684,087	495,266	(188,821)
Miscellaneous revenues	36,199	23,478	59,677	56,083	(3,594)
	<u>1,347,243</u>	<u>23,478</u>	<u>1,370,721</u>	<u>1,174,967</u>	<u>(195,754)</u>
<b>Expenditures</b>					
<b>Road construction and other road operations:</b>					
Interstate highways	115,000	-	115,000	89,665	25,335
Appalachian highways	112,000	-	112,000	95,718	16,282
Other (federal aid programs)	350,700	-	350,700	300,635	50,065
Nonfederal aid construction	32,000	-	32,000	26,213	5,787
Federal economic stimulus	204,572	-	204,572	108,128	96,444
<b>Road maintenance</b>					
Maintenance	309,184	20,000	329,184	319,530	9,654
Contract paving and secondary roads	40,000	27,319	67,319	55,390	11,929
Small bridge repair and replacement	33,500	-	33,500	28,311	5,189
Litter control program	1,691	-	1,691	1,691	-
<b>Support and administrative operations</b>					
General operations	56,500	-	56,500	30,178	26,322
Equipment revolving	20,000	-	20,000	14,531	5,469
Inventory revolving	4,000	-	4,000	(4,009)	8,009
Debt service	50,000	-	50,000	49,969	31
DMV operations	37,481	-	37,481	31,464	6,017
Claims - DOI and DMV	509	-	509	509	0
	<u>1,367,137</u>	<u>47,319</u>	<u>1,414,456</u>	<u>1,147,923</u>	<u>266,533</u>
Excess (deficiency) of revenues over expenditure:	(19,894)	(23,841)	(43,735)	27,044	70,779
Fund balance, beginning of year:	<u>98,419</u>	<u>29,492</u>	<u>127,911</u>	<u>127,911</u>	<u>-</u>
Fund balance, end of year	<u>\$ 78,525</u>	<u>\$ 5,651</u>	<u>\$ 84,176</u>	<u>\$ 154,955</u>	<u>\$ 70,779</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010  
(amounts expressed in thousands)

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**BASIS OF PRESENTATION** - The accompanying financial statements of the West Virginia Department of Transportation, Division of Highways (the "Division") have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

**REPORTING ENTITY** - The Division is an operating unit of the West Virginia Department of Transportation and represents separate funds of the State of West Virginia (the "State") that are not included in the State's general fund. The Division is a legally separate entity defined by the State constitution, and has statutory responsibility for the construction, reconstruction, maintenance, and improvement of all State roads. The Division is governed by a commissioner who is appointed by the Governor, but does not have a governing board separate from the State Legislature. The Division is considered a component unit of the State and its financial statements are blended with the financial statements of the primary government in the State's comprehensive annual financial report.

The financial statements of the Division are intended to present the financial position, and the results of operations of only that portion of the financial reporting entity of the West Virginia Department of Transportation and the State of West Virginia, that is attributable to the transactions of the Division. They do not purport to, and do not, present fairly the financial position of the West Virginia Department of Transportation or the State of West Virginia as of June 30, 2010 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management has considered all potential component units to be included in the Division's reporting entity by applying the criteria set forth in accounting principles generally accepted in the United States of America. These criteria include consideration of organizations for which the Division is financially accountable, or organizations for which the nature and significance of their relationship with the Division are such that exclusion would cause the Division's financial statements to be misleading or incomplete. Since no organizations meet these criteria, the Division has no component units.

The Division of Motor Vehicles is an operating division of the West Virginia Department of Transportation, which collects certain revenues for expenditure by the Division. The expenditures related to the collection of these revenues are recorded in the State Road Fund of the Division.

The Public Service Commission collects revenues from coal companies that are operating trucks with excessive weights. These revenues are deposited into the Coal Resource Fund, which is controlled by the Division.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS** - The government-wide financial statements (the statement of net assets and the statement of activities) report information of all of the activities of the primary government and its component units, if any. For the most part, the effect of interfund activity has been removed from these government-wide statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010  
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or component unit are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment, or component unit. Program revenues include charges to customers who purchase, use or directly benefit from goods or services provided by a given function, segment, or component unit. Program revenues also include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function, segment, or component unit. Taxes and other items not properly included among program revenues are reported instead as general revenues. Resources that are dedicated internally are reported as general revenues rather than as program revenues. The Division does not allocate general government (indirect) expenses to other functions.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. The government-wide statement of net assets reports \$17,035 restricted assets, of which all is restricted by enabling legislation.

When both restricted and unrestricted resources are available for use, generally it is the Division's policy to use restricted resources first, then unrestricted resources, as they are needed. Separate financial statements are provided for governmental funds, proprietary funds, fiduciary funds and similar component units, and major component units, if applicable. However, the fiduciary funds are not included in the government-wide statements. Major individual governmental funds and major individual enterprise funds, if applicable, are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION -

**GOVERNMENT-WIDE FINANCIAL STATEMENTS** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**GOVERNMENTAL FUND FINANCIAL STATEMENTS** - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Division considers revenues to be available if they are collected within 45 days of the end of the current fiscal year. Principal revenues subject to accrual include gasoline and wholesale fuel taxes, automobile privilege taxes, federal reimbursements and other reimbursements for use of materials and services.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Modifications to the accrual basis of accounting for the governmental fund financial statements include:

- Employees' vested annual leave is recorded as expenditures when utilized. The amount of accumulated annual leave unpaid at June 30, 2010, has been reported only in the government-wide financial statements.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010  
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Division employees earn sick leave benefits, which accumulate, but do not vest. When separated from employment with the Division, an employee's sick leave benefits are considered ended and no reimbursement is provided. Any employee who retires, however, may convert any unused accumulated sick leave to increase service credits for retirement purposes. Additionally, certain employees may choose to apply any unused accumulated sick leave to pay a portion of the employee's postemployment health care insurance premium in lieu of increasing their service credits. Those employees cannot split their unused leave between the two options.
- Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated for transfer to the fiscal agent or for payment to be made early in the following year.
- Claims and judgments are recorded only when payment is due.

FUND ACCOUNTING - The Division uses funds to report its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. The following summarizes the major governmental funds that are presented in the accompanying financial statements:

- State Road (General) Fund - This fund serves as the Division's general fund and is used to account for all financial resources, except those required to be accounted for in another fund. The State Road Fund is funded primarily by dedicated highway user taxes and fees and matching federal highway funds.
- The Capital Projects Fund - This fund accounts for financial resources to be used for road construction financed by the proceeds from the sale of Surface Transportation Improvements Special Obligation Notes. The notes were issued as a Grant Anticipation Revenue Vehicle (GARVEE), a debt-financing instrument authorized to receive federal reimbursement of debt service and related financing costs under Section 122 of Title 23, United States Code

INTERFUND ACTIVITY - As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges from the government's various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. The Division processes certain routine payments, such as payroll through the State Road Fund and allocates those costs to the other governmental funds based on individual projects charged. The interfund balances at June 30, 2010 are a result of these routine payments and transfers.

BUDGETING AND BUDGETARY CONTROL - The Division's expenditures are subject to the legislative budget process of the State, with annual budgets adopted utilizing the cash basis of accounting. The cash basis is modified at year-end to allow for payment of invoices up to 45 days after year-end for goods or services received prior to year-end. Appropriated budgeted expenditures, which lapse 45 days after the end of the fiscal year, are incorporated into the Division's overall financial plan, which includes revenue estimates developed by the Division and the State's executive branch. Expenditures are budgeted using natural categories of activity including specific categories of construction, maintenance, and operations, as well as special items. Any revisions that alter overall budgeted expenditures for an expenditure category must be approved by the State Legislature.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2010  
 (amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Division's State Road (General) Fund which includes the State Road Fund and A. James Manchin Fund has a legislatively approved budget. However, the Coal Resource Fund, Industrial Access Fund and certain monies reported within the State Road Fund in accordance with accounting principles generally accepted in the United States of America are not considered appropriated funds in accordance with the Division's budgetary reporting policy. Accordingly, these funds have not been reported in the Division's Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Budgetary Basis) - State Road Fund. A reconciliation of the excess of revenues over expenditures and other financing uses for the year ended June 30, 2010, on the budgetary basis to the GAAP basis for the State Road fund follows:

Excess of revenues over expenditures - budgetary basis	\$ 27,044	
Basis of accounting differences (budgetary to GAAP)	(60,279)	
Unbudgeted funds	<u>5,951</u>	
Deficiency of revenues under expenditures - GAAP basis	<u>\$ (27,284)</u>	

**CASH AND CASH EQUIVALENTS** - Cash and cash equivalents are short-term investments with original maturities of 90 days or less. Cash and cash equivalents principally consist of amounts on deposit in the State Treasurer's Office (STO) that are pooled funds managed by the West Virginia Board of Treasury Investments (BTI). Interest income from these investments is prorated to the Division at rates specified by the BTI based on the balance of the Division's deposits maintained in relation to the total deposits of all state agencies participating in the pool. Deposits are available with overnight notice to the BTI.

The STO has statutory responsibility for the daily cash management activities of the State's agencies, departments, boards, and commissions. The STO determines which funds to transfer to the BTI for investment in accordance with the West Virginia Code, policies set by the BTI, and provisions of bond indentures and trust agreements when applicable. The West Virginia Legislature, effective July 8, 2005, established the BTI to manage the short-term operating funds of the State. Prior to this date, the West Virginia Investment Management Board (the "IMB") was responsible for investment of both the short-term and long-term funds. The Legislature declared this transfer to ensure direct governmental oversight of state general and special revenue funds. The IMB continues to manage the retirement funds, the employment security funds, and other assets with longer time horizons.

**INVENTORIES** - Inventories are stated at weighted average cost generally using the "consumption method" whereby expenditures are recognized in the period in which inventory usage, as opposed to purchase, occurs. The portion of fund balance relating to inventories is reported as "Nonspendable" in accordance with GASB Statement No. 54 in the Government Fund Financial Statements.

**CAPITAL ASSETS** - Capital assets, which include buildings, non-infrastructure land, furniture and fixtures, rolling stock, scientific equipment, shop equipment and infrastructure assets (which are normally immovable and of value only to the Division, such as roads, bridges, and similar items), are reported in the statement of net assets in the government-wide financial statements. Capital assets are defined by the Division as follows:

- Non-infrastructure assets with a useful life of at least three years and:
  - A cost of five thousand dollars or more for machinery, equipment, rolling stock, furniture and fixtures; or
  - An acquisition cost of twenty-five thousand dollars or more for buildings at the date of acquisition; and
- Infrastructure assets with a cost in excess of one million dollars.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010  
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Purchased and constructed capital assets are valued at historical cost or estimated historical cost. Donated capital assets are recorded at their fair market value at the date of donation.

The estimates of historical costs of buildings and other improvements were based on values that were compiled in 1983. Buildings and non-infrastructure land have been recorded at cost since 1983. Infrastructure constructed from July 1, 1980 to July 1, 2001 has been recorded at estimated historical cost. The estimated historical cost for years 1980-2001 was based on capital outlay expenditures reported by the West Virginia Department of Transportation in the annual reports for those years, less an amount estimated for the historical cost of the acquisition of land for right-of-way. The Division has not capitalized any infrastructure expenditures for assets constructed prior to July 1, 1980, as permitted by GASB 34. The costs of normal maintenance and repairs that do not add to the asset's value or materially extend an asset's useful life are not capitalized. Interest incurred during construction of capital facilities is not capitalized.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets are depreciated on the straight-line method over the assets' estimated useful lives. There is no depreciation recorded for land and construction in progress. Generally, estimated useful lives are as follows:

- Machinery and equipment 5 - 20 years
- Buildings 40 years
- Furniture and fixtures 3 - 20 years
- Rolling stock 3 - 20 years
- Scientific equipment 3 - 25 years
- Infrastructure roads 30 years
- Infrastructure bridges 50 years

**ACCOUNTS AND TAXES RECEIVABLE** - Accounts receivable in all funds report amounts that have arisen in the ordinary course of business and are stated net of allowances for uncollectible amounts. Governmental fund type receivables consist primarily of amounts due from the Federal government. Interest and investment revenue receivable in all funds consist of revenues due on each investment. Taxes receivable in governmental funds represent taxes subject to accrual, primarily motor fuel excise taxes and automobile privilege taxes, which are collected within forty-five days after year end. The uncollectible amounts are based on collection experience and a review of the status of existing receivables.

**OTHER ASSETS** - Other assets represent payments that reflect costs applicable to future accounting periods and are recorded as other assets in both government-wide and fund financial statements.

**CLAIMS** - Claims awarded against the Division in the West Virginia State Court of Claims must be approved and funded by legislative action. Expenditures in the fund financial statements for such claims are recognized to the extent that claims awarded are approved and funded by the Legislature. A liability for unfunded claims is recorded in the government-wide financial statements when management and the Division's legal section determine that it is probable that a loss has occurred and the loss can be reasonably estimated. Such claims are segregated as either tort or contract actions and estimates of loss are based on an analysis of the individual claims and historical experience.

**COMPENSATED ABSENCES** - Division employees generally earn vacation and sick leave on a monthly basis. Vacation, up to specific limits, is fully vested when earned, and sick leave, while not vesting to the employee prior to retirement, can be carried over to subsequent periods. The Legislation allows regular full time employees hired before July 1, 2001, having accumulated at least 65 days of sick leave, to be paid, at their option, for a portion of their unused sick leave, not to exceed the number of sick leave days that would reduce the employee's sick leave balance to less than fifty days. The employee shall be paid at a rate equal to one quarter of their usual rate of daily pay during that calendar year. Expenditures for compensated absences are recognized as incurred in the governmental fund financial statements. The government-wide financial statements present the cost of accumulated compensated absences as a liability.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010  
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**POSTEMPLOYMENT BENEFITS** – For employees hired prior to July 1, 2001, any unused sick leave accumulated at employee retirement vests to the employee and may be provided in the form of post-retirement payment of all or a portion of the employee's health insurance premiums, or as service credits for retirement purposes, based on hire dates, periods of service and benefit amendments. To the extent that eligible conversion and retirement benefits are determined, a liability in the governmental fund financial statements has been accrued as a result of the Division's participation in the State's post-employment benefits plan, in accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. See Note 14.

**RETIREMENT BENEFITS** - The Division's employees are covered by the West Virginia Public Employees Retirement System (PERS), a multi-employer cost-sharing defined benefit pension plan. PERS covers substantially all employees of the Division, with employer contributions prescribed by the State Legislature as a percentage of covered payroll.

**PREMIUMS, DISCOUNTS AND ISSUANCE COSTS** - In the government-wide financial statements long-term debt and other long-term obligations are presented in the columns for governmental activities. Where material, bond and note premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt. Bonds and notes payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges in other assets and are amortized over the term of the related debt. In the governmental fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

**INTERGOVERNMENTAL REVENUE** - Intergovernmental revenue represents legally authorized appropriations under West Virginia State Code by the West Virginia Legislature.

**NET ASSETS** - As required by GASB Statement No. 34, the Division displays net assets in the government-wide financial statements in three components: invested in capital assets, net of related debt; restricted, and unrestricted.

**INVESTED IN CAPITAL ASSETS** - This component of net assets consists primarily of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**RESTRICTED NET ASSETS** - Restricted net assets are assets whose use or availability has been restricted and the restrictions limit the Division's ability to use the resources to pay current liabilities. When both restricted and unrestricted resources are available for use, it is the Division's policy to use restricted resources first, then unrestricted resources as needed.

**UNRESTRICTED NET ASSETS** - Unrestricted net assets consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt." In the governmental environment, net assets are often designated to indicate that management does not consider them to be available for general operations. These types of constraints on resources are internal and management can remove or modify them. Such internal designations are not reported on the face of the statement of net assets.

**FUND BALANCE** - In accordance with GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* the Division has classified in the governmental fund financial statements its fund balances in the following categories: nonspendable, restricted, committed, assigned and unassigned as applicable.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not spendable form or legally or contractually required to be maintained intact.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010  
(amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The restricted fund balance classification includes amounts restricted for use to specific purposes including externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; imposed by law through constitutional provisions, or enabling legislation including *legally enforceable* requirement that those resources be used only for the specific purposes stipulated in the legislation. *Legal enforceability* means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed amounts reported in fund balance can only be used for specific purposes pursuant to constraints imposed by formal action of the West Virginia State Legislature. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts. The Division has no committed fund balances at June 30, 2010.

Amounts that are constrained by the Division's *intent* to be used for specific purposes as expressed by the West Virginia State Legislature or budget and or finance officers of the Division to be used for specific purposes, but are neither restricted nor committed, are reported as assigned fund balance. The Division has no assigned fund balances at June 30, 2010.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

The Division considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available; and committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**NEWLY ADOPTED STATEMENTS ISSUED BY THE GASB** - The Division adopted GASB Statement No. 51. *Accounting and Financial Reporting for Intangible Assets*, during the year ended June 30, 2010. This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance was applied in addition to the existing authoritative guidance for capital assets. The adoption of this statement had no impact on the June 30, 2010 financial statements.

The Division adopted GASB Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments*, during the year ended June 30, 2010. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions. Derivative instruments can be used as effective risk management or investment tools. Derivative instruments can also expose governments to significant risks and liabilities. The adoption of this statement had no impact on the June 30, 2010 financial statements.

The Division adopted GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The early adoption of this statement changed the terminology used to describe fund balances in the governmental funds and expanded the disclosure of those new definitions in the accompanying notes to financial statements of the Division for the year ended June 30, 2010.



WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2010  
 (amounts expressed in thousands)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**RECENT STATEMENTS ISSUED BY THE GASB** - The GASB has issued Statement No. 59, *Financial Instruments Omnibus*, the provisions of this Statement are effective for financial statements for periods beginning after June 15, 2010. The requirements of this Statement will improve financial reporting by providing more complete information, by improving consistency of measurements, and by providing clarifications of existing standards. Applying the reporting provisions of Statement No. 31 for interest-earning investment contracts to unallocated insurance contracts improves consistency of investment measurements that are reported by pension and other postemployment benefit plans. Emphasizing the applicability of SEC requirements to 2a7-like external investment pools provides practitioners with improved guidance. Limiting interest rate risk disclosures for investments in mutual funds, external investment pools, and other pooled investments to debt investment pools provides better guidance regarding the applicability of interest rate risk disclosures. Finally, addressing the applicability of Statement No. 53 to certain financial instruments refines which financial instruments are within the scope of that Statement. The Division does not anticipate this Statement to have a significant effect on the financial statements.

**NOTE 2: RESTATEMENT OF FUND BALANCE (GOVERNMENTAL FUNDS)** - The Division has restated the beginning fund balance of the State Road Fund (the Fund) to account for liabilities of the Fund that were not previously recorded in the Fund for post employment benefits.

	July 1, 2009
Fund balance (as previously reported)	\$ 258,826
Liabilities previously not reported in the fund	(14,100)
Fund balance (as restated)	\$ 244,726

NOTE 3: CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents were as follows at June 30:

	Amortized Cost	Estimated Fair Value
Cash on deposit with State Treasurer	\$ 17,578	\$ 17,578
Cash on deposit with State Treasurer in Debt Service Fund	26	26
Cash on deposit with State Treasurer invested in BTI WV Money Market Pool	138,581	138,581
Cash on deposit with State Treasurer invested in BTI WV Short Term Bond Pool	15,133	15,133
Cash on deposit with State Treasurer invested in BTI WV Government Money Market Pool - (Garvee 2009A)	20,334	20,334
Cash in transit	98	98
	\$ 191,750	\$ 191,750

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010  
(amounts expressed in thousands)

NOTE 3: CASH AND CASH EQUIVALENTS (Continued)

**West Virginia Board of Treasury Investments (BTI) WV Money Market Pool, WV Government Money Market Pool, and WV Short Term Bond Pool**

Cash on deposit with the State Treasurer is a non-safeguarded deposit in accordance with GASB Statement No. 3, *Deposits with Financial Institutions, Investments, (including Repurchase Agreements), and Reverse Repurchase Agreements*. Additionally, such deposits are subject to the following BTI policies and procedures.

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

**WV Money Market Pool**

*Credit risk* - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. For the year ended June 30, 2010, the WV Money Market Pool has been rated AAAM by Standard & Poor's. A fund rated "AAAM" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAM" is the highest principal stability fund rating assigned by Standard & Poor's. As this pool has been rated, specific information on the credit ratings of the underlying investments of the pool have not been provided.

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all corporate bonds to be rated AA- by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P1 by Moody's. The pool must have at least 15% of its assets in U.S. Treasury issues.

At June 30, 2010, the WV Money Market Pool investments had a total carrying value of \$2,876,711, of which the Division's ownership represents 4.82%.

**WV Government Money Market Pool**

*Credit risk* - For the year ended June 30, 2010, the WV Government Money Market Pool has been rated AAAM by Standard & Poor's. A fund rated "AAAM" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAM" is the highest principal stability fund rating assigned by Standard & Poor's. As this pool has been rated, specific information on the credit ratings of the underlying investments of the pool have not been provided.

The BTI limits the exposure to credit risk in the WV Government Money Market Pool by limiting the pool to U.S. Treasury issues, U.S. government agency issues, money market funds investing in U.S. Treasury issues and U.S. government agency issues, and repurchase agreements collateralized by U.S. Treasury issues and U.S. government agency issues. The pool must have at least 15% of its assets in U.S. Treasury issues.

At June 30, 2010, the WV Government Money Market Pool investments had a total carrying value of \$221,183, of which the Division's ownership represents 9.19%.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010  
(amounts expressed in thousands)

NOTE 3: CASH AND CASH EQUIVALENTS (Continued)

**WV Short Term Bond Pool**

*Credit risk* – The BTI limits the exposure to credit risk in the WV Short Term Bond Pool by requiring all corporate bonds to be rated A by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P1 by Moody's. The following table provides information on the credit ratings of the WV Short Term Bond Pool's investments:

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
Corporate asset backed securities	Aaa	AAA	24,330	5.37
	Aaa	NR*	10,353	2.28
	Aa3	AAA	1,000	0.22
	** Ba1	CC	45	0.01
	** Ba2	BB	219	0.05
	** B1	BBB	605	0.13
	** B1	CCC	857	0.19
	** B2	CCC	366	0.08
	** B3	B	442	0.10
	** B3	BBB	247	0.05
	** B3	CCC	554	0.12
	** Caa1	CCC	230	0.05
	** Caa2	CCC	779	0.17
	NR	AAA	3,538	0.78
Total corporate asset backed securities			43,565	9.60
Corporate bonds and notes	Aaa	AAA	72,549	16.00
	Aaa	AA	2,060	0.46
	Aa1	AA	5,430	1.20
	Aa2	AA	6,650	1.47
	Aa3	AA	6,722	1.48
	Aa3	A	13,850	3.05
	A1	AA	15,485	3.41
	A1	A	21,098	4.65
	A2	A	41,093	9.06
	A3	A	4,158	0.92
Total corporate bonds and notes			189,095	41.70
U.S. agency bonds	Aaa	AAA	40,180	8.86
U.S. Treasury notes ***	Aaa	AAA	158,423	34.93
U.S. agency mortgage backed securities ****	Aaa	AAA	4,540	1.00
Money market funds	Aaa	AAA	17,715	3.91
			<u>\$ 453,518</u>	<u>100.00%</u>

\* NR = Not Rated

\*\* These securities were not in compliance with BTI Investment Policy at June 30, 2010. The securities were in compliance when originally acquired, but were subsequently downgraded. BTI management and its investment advisors have determined that it is in the best interests of the participants to hold the securities for optimal outcome.

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

\*\*\*\* U.S. agency mortgage backed securities are issued by the Government National Mortgage Association and are explicitly guaranteed by the United States government and are not subject to credit risk.

At June 30, 2010, the Division's ownership represents 3.34% of these amounts held by BTI.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2010  
 (amounts expressed in thousands)

NOTE 3: CASH AND CASH EQUIVALENTS (Continued)

**Interest Rate Risk (Continued)**

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

The overall weighted average maturity of the investments of the WV Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool:

Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 174,980	1
U.S. Treasury notes	65,153	140
U.S. Treasury bills	476,670	35
Commercial paper	855,844	18
Certificates of deposit	281,000	45
U.S. agency discount notes	606,048	52
Corporate bonds and notes	20,000	19
U.S. agency bonds/notes	246,990	55
Money market funds	150,026	1
	<u>\$ 2,876,711</u>	33

The overall weighted average maturity of the investments of the WV Government Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase. The following table provides information on the weighted average maturities for the various asset types in the WV Government Money Market Pool:

Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 66,600	1
U.S. Treasury notes	8,526	114
U.S. Treasury bills	29,982	72
U.S. agency discount notes	36,465	115
U.S. agency bonds/notes	79,532	30
Money market funds	78	1
	<u>\$ 221,183</u>	44

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2010  
 (amounts expressed in thousands)

**NOTE 3: CASH AND CASH EQUIVALENTS (Continued)**

The overall effective duration (overall weighted average maturity in 2009) of the investments of the WV Short Term Bond Pool cannot exceed 731 days. Maximum maturity of individual securities cannot exceed 1,827 days (five years) from date of purchase. The following table provides information on the effective duration for the various asset types in the WV Short Term Bond Pool at June 30, 2010:

Security Type	Carrying Value (in Thousands)	Effective Duration (Days)
U.S. Treasury bonds/notes	\$ 158,423	583
Corporate notes	189,095	560
Corporate asset backed securities	43,565	679
U.S. agency bonds/notes	40,180	288
U.S. agency mortgage backed securities	4,540	360
Money market funds	17,715	1
	<u>\$ 453,518</u>	530

**Other Investment Risks**

Other investment risks include concentration of credit risk, custodial credit risk, and foreign currency risk. None of the BTI's Consolidated Fund's investment pools is exposed to these risks as described below.

Concentration of credit risk is the risk of loss attributed to the magnitude of a BTI Consolidated Fund Pool investment in a single corporate issuer. The BTI investment policy prohibits those pools permitted to hold corporate securities from investing more than 5% of their assets in any one corporate name or one corporate issue.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. Securities lending collateral that is reported on the BTI's Statement of Fiduciary Net Assets is invested in the lending agent's money market fund in the BTI's name. In all transactions, the BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. None of the BTI's Consolidated Fund's investment pools holds interests in foreign currency or interests valued in foreign currency.

**Securities Lending**

At June 30, 2010, the fair value of securities on loan and the collateral held by the pools of the BTI are as follows. Of the collateral held, approximately \$133,606 was received as cash. The collateral received as cash is invested in a collateral pool. For securities loaned at June 30, 2010, the BTI has no credit risk exposure to borrowers because the amount the BTI owes the borrowers exceeds the amounts the borrowers owe the BTI. There were no losses during the year resulting from borrower default, and there were no significant violations of legal or contractual provisions. The BTI is exposed to cash reinvestment risk, which is the risk that the cash reinvestment assets would not be sufficient to cover the liabilities due the borrowing brokers. Maturities of investments made with cash collateral are not matched to maturities of securities loaned.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2010  
 (amounts expressed in thousands)

NOTE 3: CASH AND CASH EQUIVALENTS (Continued)

	Fair Value of Securities on Loan	Collateral Held
WV Money Market Pool	\$ 79,708	\$ 81,332
WV Short Term Bond Pool	51,473	52,274
	\$ 131,181	\$ 133,606

**Deposits**

Custodial credit risk of deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits include nonnegotiable certificates of deposit. None of the above pools contain nonnegotiable certificates of deposit. The BTI does not have a deposit policy for custodial credit risk.

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2010 consisted of the following:

Federal aid billed and not paid	\$ 10,684
Federal aid earned but not billed	57,124
Total federal aid receivable	67,808
Other receivables	11,381
Combined total receivables	79,189
Less: allowance for uncollectibles	(492)
Net accounts receivable	\$ 78,697

Accounts receivable representing federal aid earned but not billed relate principally to the Federal Highway Administration's (FHWA) participating share of expenditures on highway projects.

NOTE 5: TAXES RECEIVABLE

Taxes receivable at June 30, 2010 consisted of the following:

Automobile privilege taxes	\$ 18,733
Motor fuel excise taxes	34,808
Registration and other fees	2,293
Total taxes receivable	\$ 55,834

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2010  
 (amounts expressed in thousands)

NOTE 6: DUE FROM/TO OTHER STATE OF WEST VIRGINIA AGENCIES

Amounts due from other State of West Virginia agencies at June 30, 2010 consisted of the following:

The Department of Motor Vehicles	\$ 2,060
Other agencies	<u>258</u>
Total amounts due from other State of West Virginia agencies	<u><u>\$ 2,318</u></u>

Amounts due to other State of West Virginia agencies at June 30, 2010 consisted of the following:

Public Employees Insurance Agency	\$ 1,800
Public Employees Retirement System	1,472
Other agencies	<u>61</u>
Total amounts due to other State of West Virginia agencies	<u><u>\$ 3,333</u></u>

NOTE 7: INVENTORIES

Inventories at June 30, 2010 consisted of the following:

Materials and supplies	\$ 26,341
Equipment repair parts	7,863
Gas and lubrication supplies	<u>2,953</u>
Total inventories	<u><u>\$ 37,157</u></u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2010  
 (amounts expressed in thousands)

NOTE 8: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows:

	July 1, 2009	Increases	Decreases	June 30, 2010
Capital assets not being depreciated:				
Land - non infrastructure	\$ 14,221	\$ 1,256	\$ -	\$ 15,477
Land - infrastructure	898,613	29,964	-	928,577
Construction-in-progress - buildings	14,331	11,108	11,088	14,351
Construction-in-progress - land improvements	1,118	1,288	1,833	573
Construction-in-progress - roads	765,591	311,599	230,210	846,980
Construction-in-progress - bridges	287,490	164,695	197,024	255,161
	<u>1,981,364</u>	<u>519,910</u>	<u>440,155</u>	<u>2,061,119</u>
Capital assets being depreciated:				
Buildings	102,399	10,050	347	112,102
Furniture and fixtures	3,861	439	169	4,131
Land improvements - non infrastructure	8,567	1,486	-	10,053
Rolling stock	217,600	27,939	7,800	237,739
Shop equipment	3,040	15	5	3,050
Scientific equipment	2,739	46	-	2,785
Infrastructure - roads	7,539,386	196,232	-	7,735,618
Infrastructure - bridges	2,150,585	194,785	-	2,345,370
	<u>10,028,177</u>	<u>430,992</u>	<u>8,321</u>	<u>10,450,848</u>
Less accumulated depreciation:				
Buildings	39,730	2,846	290	42,286
Furniture and fixtures	3,535	169	169	3,535
Land improvements - non infrastructure	3,019	428	-	3,447
Rolling stock	151,853	17,776	7,345	162,284
Shop equipment	2,987	9	4	2,992
Scientific equipment	1,985	165	-	2,150
Infrastructure - roads	3,744,862	245,438	-	3,990,300
Infrastructure - bridges	405,193	47,164	-	452,357
	<u>4,353,164</u>	<u>313,995</u>	<u>7,808</u>	<u>4,659,351</u>
Total capital assets being depreciated, net	<u>5,675,013</u>	<u>116,997</u>	<u>513</u>	<u>5,791,497</u>
Governmental activities capital assets, net	<u>\$ 7,656,377</u>	<u>\$ 702,783</u>	<u>\$ 506,544</u>	<u>\$ 7,852,616</u>



WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2010  
 (amounts expressed in thousands)

NOTE 8: CAPITAL ASSETS (Continued)

Current year depreciation totaling \$310,553 was allocated to separate line items in the statement of activities under the major functions of the Division, such as Maintenance and/or Improvements. The remaining \$3,442 unallocated depreciation expense is included as a separate line item in the statement of activities. Infrastructure depreciation is primarily related to construction type activities; depreciation of shop and rolling stock assets is primarily related to maintenance type activities; and depreciation of buildings and improvements and furniture and fixtures support all of the various activities of the Division.

A summary of depreciation on each capital asset type follows:

<u>Asset Type</u>	<u>Depreciation</u>
Buildings and improvements	\$ 2,845
Furniture and fixtures	169
Land improvements	428
Total unallocated	<u>3,442</u>
Rolling stock	17,776
Shop equipment	10
Scientific equipment	165
Total road maintenance	<u>17,951</u>
Infrastructure - roads	245,437
Infrastructure - bridges	47,165
Total other road operations	<u>292,602</u>
Total depreciation expense	<u>\$ 313,995</u>

NOTE 9: RETAINAGES PAYABLE

Retainages payable includes funds withheld from payments to consulting firms and construction contractors. Retainage payments are made to the consultants and contractors when work is satisfactorily completed. The Division has entered into an arrangement with the BTI whereby amounts retained from payments to construction contractors may, at the option of the contractor, be deposited in an interest bearing account in the contractor's name. The funds on deposit in these accounts are not reported as assets of the Division. At June 30, 2010, retainages payable included \$237 that was on deposit at BTI for construction contractors.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2010  
 (amounts expressed in thousands)

NOTE 10: LONG-TERM OBLIGATIONS

Long-term obligations at June 30, 2010, and changes for the fiscal year then ended are as follows:

	Issue Date	Interest Rates	Maturity Through	Beginning Balance	Additions	Reductions	Ending Balance
General obligation bonds payable from tax revenue:							
Safe road bonds	1998	4.30% - 5.25%	06/01/2023	\$ 36,025	\$ -	\$ -	\$ 36,025
Safe road bonds	2001	3.50% - 5.50%	06/01/2013	36,745	-	11,150	25,595
Safe road bonds	2005	3.00% - 5.00%	06/01/2025	298,335	-	20,440	277,895
Total general obligation bonds				371,105	-	31,590	339,515
Note premium				24,184	-	1,633	22,551
Total general obligation bonds payable including premium				395,289	-	33,223	362,066
Revenue notes payable from federal aid revenue							
Surface transportation improvements special notes (Garvee 2006A)	2006	3.75% - 5.00%	06/01/2016	61,600	-	7,665	53,935
Surface transportation improvements special notes (Garvee 2007A)	2007	4.00% - 5.00%	06/01/2016	26,725	-	3,340	23,385
Surface transportation improvements special notes (Garvee 2009A)	2009	3.75% - 5.00%	06/01/2016	76,835	-	9,840	66,995
Total revenue notes payable				165,160	-	20,845	144,315
Note premium				7,135	-	1,019	6,116
Total general obligation notes payable including premium				172,295	-	21,864	150,431
Claims and judgments				7,809	11,185	509	18,485
Compensated absences				29,378	-	1,228	28,150
Other postemployment benefits				14,101	30,555	-	44,656
Total long-term obligations				\$ 618,872	\$ 41,740	\$ 36,824	\$ 603,788

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010  
(amounts expressed in thousands)

NOTE 10: LONG-TERM OBLIGATIONS (Continued)

General obligation bond issues are authorized by constitutional amendments and are general obligations of the State of West Virginia. Legislation implementing the amendments requires that debt service on the bonds be paid from the State Road Fund and, to the extent that there are insufficient funds therein, from a levy of an annual state tax. All bonds authorized under prior constitutional amendments have been issued and include amounts outstanding above.

Surface Transportation Improvement Special Obligation Notes are authorized under Chapter 17, Article 17A of the Code of West Virginia, 1931, as amended. The Code provides for the issuance of special obligation notes to facilitate the construction of highways, secondary roads and bridges to be funded wholly or in part by federal dollars and in anticipation of reimbursement from such sources. The federal legislation that enables reimbursement of such costs is included in Title 23, Section 122. The Memorandum of Agreement executed between the Federal Highway Administration and the Division of Highways documents the procedures for managing the stewardship and oversight of highway projects that are financed with the proceeds of these notes.

Debt service expenditures for debt service funds included interest of \$25,148 for the year ended June 30, 2010. Total debt service costs, exclusive of coupon redemption costs, for each of the next five years and thereafter, on general obligation bonds payable and revenue notes payable liquidated through debt service funds, are as follows:

	2011	2012	2013	2014	2015	2016- 2020	2021- 2025	Total
General obligation bonds payable from tax revenue:								
Safe road bonds	\$ 49,993	\$ 49,995	\$ 38,618	\$ 36,973	\$ 36,981	\$ 131,045	\$ 117,577	\$ 461,182
Less: interest	16,828	15,130	13,388	12,133	10,891	37,740	15,557	121,667
Total principal	33,165	34,865	25,230	24,840	26,090	93,305	102,020	339,515
Bond premium	1,586	1,541	1,499	1,494	1,494	7,469	7,468	22,551
Total principal and bond premium	<u>\$ 34,751</u>	<u>\$ 36,406</u>	<u>\$ 26,729</u>	<u>\$ 26,334</u>	<u>\$ 27,584</u>	<u>\$ 100,774</u>	<u>\$ 109,488</u>	<u>\$ 362,066</u>
Revenue notes payable from federal aid revenue:								
Surface transportation special obligation notes	\$ 27,575	\$ 27,588	\$ 27,547	\$ 27,519	\$ 27,504	\$ 27,499	\$	\$ 165,232
Less: interest	6,055	5,163	4,177	3,044	1,854	624	-	20,917
Total principal	21,520	22,425	23,370	24,475	25,650	26,875	-	144,315
Note premium	1,019	1,019	1,019	1,019	1,019	1,021	-	6,116
Total principal and note premium	<u>\$ 22,539</u>	<u>\$ 23,444</u>	<u>\$ 24,389</u>	<u>\$ 25,494</u>	<u>\$ 26,669</u>	<u>\$ 27,896</u>	<u>\$</u>	<u>\$ 150,431</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2010  
 (amounts expressed in thousands)

NOTE 10: LONG-TERM OBLIGATIONS (Continued)

During the year ended June 30, 1997, the State was authorized by constitutional amendment to issue \$550,000 of general obligation bonds to fund highway and road construction projects known as Safe Road Bonds. These bonds will be repaid from revenues of the State Road Fund. Safe Road Bonds of \$220,000 were issued during July 1998; \$110,000 were issued during July 1999; \$110,000 were issued during July 2000; and an additional \$110,000 were issued during July 2001.

In 2005, the State refinanced part of the above mentioned bonds in the amount of \$321,405. These bonds will be repaid from revenues of the State Road Fund through the year 2025.

During the year ended June 30, 2007, the State was authorized by constitutional amendment to issue \$200,000 of Surface Transportation Improvements Special Obligation Notes (Garvee Notes) to fund highway and road construction projects. These notes will be repaid from future federal highway revenues. Garvee Notes of \$76,000 were issued during October 2006 and \$33,000 were issued during April 2007. The Division sold \$76,835 of additional Garvee notes during the fiscal year ending June 30, 2009.

In 2005, the State refinanced \$321,405 in general obligation bonds to advance-refund \$319,860 of outstanding 1998, 1999 and 2000 Series bonds. The net proceeds of \$351,405 (after payment of \$1,606 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. Government State and Local Government Series securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refinanced portions of the 1998, 1999, and 2000 Series bonds. As a result, the refinanced portion of the 1998 and 1999 Series bonds along with all 2000 Series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$1,545. This amount is being netted against the new debt and amortized over the remaining useful life of the refunded debt. This advance refunding was undertaken to reduce total debt service payments over the next 20 years by \$19,689 and resulted in an economic gain of \$18,821.

The portion of long-term and short-term compensated absences, other post-employment benefits, claims payable, and general obligation bonds are as follows:

	Compensated Absences	Other Post Employment Benefits	Claims and Judgments	General Obligation Bonds and Revenue Notes and Premium	Total
Short-term liability	\$ 11,999	\$ -	\$ 1,564	\$ 57,290	\$ 70,853
Long-term liability	16,151	44,656	16,921	455,207	532,935
	<u>\$ 28,150</u>	<u>\$ 44,656</u>	<u>\$ 18,485</u>	<u>\$ 512,497</u>	<u>\$ 603,788</u>

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
 DIVISION OF HIGHWAYS  
 NOTES TO THE FINANCIAL STATEMENTS  
 YEAR ENDED JUNE 30, 2010  
 (amounts expressed in thousands)

NOTE 10: LONG-TERM OBLIGATIONS (Continued)

The following summarizes the estimated claims liability for the current year and that of the preceding two years.

	Year Ended June 30, 2010	Year Ended June 30, 2009	Year Ended June 30, 2008
Estimated claims liability, July 1	\$ 7,809	\$ 12,729	\$ 6,050
Additions for claims incurred during the year	1,564	509	714
Changes in estimates for claims of prior periods	9,621	(4,715)	6,595
Payments on claims	<u>(509)</u>	<u>(714)</u>	<u>(630)</u>
Estimated claims liability, June 30	<u>\$ 18,485</u>	<u>\$ 7,809</u>	<u>\$ 12,729</u>

At June 30, 2010, approximately \$13,871 of tort claims, \$1,850 in environmental claims, and \$1,200 of construction claims, including non-incremental claims, were pending against the Division in the West Virginia State Court of Claims. With respect to these claims, the Division has an estimated obligation of \$18,485 recorded in the government-wide Statement of Net Assets, based on management's evaluation of the nature of such claims and consideration of historical loss experience for the respective types of action. Such claims will be recognized primarily as expenditures of the State Road Fund if, and when, they are approved for payment by the Legislature in accordance with legal statutes. Also included in claims are claims that have been settled in the court of claims and approved for payment through legislative action. These amounts total approximately \$1,564. During the normal course of operations, the Division may become subject to other litigation. No provision has been made in the financial statements for liabilities, if any, from such litigation.

The Division's obligation for accrued vacation leave time includes leave time and related costs expected to be paid to employees in the future and are determined using wage levels in effect at the date the obligation is calculated. Upon retirement, an employee may apply unused sick leave to reduce their future insurance premiums paid to the West Virginia Public Employees Insurance Agency or apply unused sick leave or annual leave or both to obtain a greater benefit under the West Virginia Public Employees Retirement System.

NOTE 11: RELATED PARTY TRANSACTIONS WITH THE STATE OF WEST VIRGINIA

The Division enters into certain transactions with various agencies of the State of West Virginia. The following summarizes the nature and terms of the most significant transactions:

- The Division leases from the Department of Administration substantially all of State Office Building No. 5 and a portion of State Office Building No. 3 which are owned by the State Building Commission. The Division may be released from its obligation only at the option of the lessor. The Division is obligated under these operating leases, which expire June 30, 2011, for rental payments of approximately \$2.0 million annually. Management expects the leases to be renewed upon expiration.
- The Division's employees participate in various benefit plans offered by the State of West Virginia. Employer contributions to these plans are mandatory. During the year ended June 30, 2010 the Division incurred payroll related expenditures of approximately \$22,846 for employee health insurance benefits provided through the West Virginia Public Employees Insurance Agency and approximately \$18,040 in employer matching contributions to the State Public Retirement System.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010  
(amounts expressed in thousands)

NOTE 12: COMMITMENTS AND CONTINGENCIES

The amount of unexpended balances of highway design and construction contracts entered into by the Division with various contractors approximated \$655,569 at June 30, 2010.

The Division participates in several federal programs which are subject to audit by the federal awarding agency. Any disallowed claims, including amounts already collected by the Division, may constitute a liability to the federal awarding agency of the applicable funds. The amount, if any, of expenditures that may be disallowed by the federal awarding agency cannot be determined at this time. The Division expects such amounts, if any, to be immaterial to the financial position of the Division. The Division records these disallowed costs in the period the audit is finalized.

Based on the Division's Inspection Program the Division has reviewed the information on obsolete and deficient bridges. The Division is concerned about safety and tries to prioritize bridges for repair and replacement based on engineering assessments. The Division's long range plans to address this issue will be impacted by actions that may be taken by both the federal and state government, including funding levels provided for this purpose.

Various legal proceedings and claims related to condemnation and eminent domain cases are pending against the Division. At June 30, 2010, there were approximately 416 open cases. These cases involve the acquisitions of properties by the Division for right of way purposes. The Division has paid the applicable courts, on behalf of the land grantors, estimated fair values of the properties acquired. The open cases may result in condemnation commissioners or jury verdicts awarding amounts in excess of the previously paid estimated fair value amounts. In these situations, the excess award amount plus a statutory interest rate of 10% would be paid to the grantor. The interest amount would be calculated on the excess award amount from the date of the petition filing to the date of the excess payment amount to the court. Several of these cases relate to condemnations from the 1960s and 1970s. There is no estimate available as to the amount of monies needed to resolve these cases. Management is of the opinion that any liability resulting from these claims would have no adverse effect on the financial position of the Division.

NOTE 13: RETIREMENT PLAN

**PLAN DESCRIPTION** - The Division contributes to the West Virginia Public Employees' Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board. Chapter 5, Article 10 of the West Virginia State Code assigns the authority to establish and amend benefit provisions to the PERS Board of Trustees. Employees who retire at or after age 55 and have completed 25 years of credited service 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 final average salary, multiplied by the number of years of the employee's credited service at the time of retirement. PERS also provides deferred retirement, early retirement, death, and disability benefits to plan members and beneficiaries. The West Virginia Consolidated Public Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to the West Virginia Consolidated Public Retirement Board, 4101 MacCorkle Avenue S.E., Charleston, West Virginia 25304-1636 or by calling (304) 558-3570.

**FUNDING POLICY** - The PERS funding policy has been established by action of the State Legislature. State statute requires that plan participants contribute 4.5% of compensation. The current combined contribution rate is 15.5% of annual covered payroll, including the Division's contribution of 11% which is established by PERS. The Division's contributions to PERS for the years ended June 30, 2010, 2009, and 2008 were \$18,040, \$18,154, and \$16,912, respectively, equal to the required contributions for each year.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010  
(amounts expressed in thousands)

**NOTE 14: OTHER POST EMPLOYMENT BENEFITS**

The Division participates in the West Virginia Other Postemployment Benefit Plan (OPEB) of the West Virginia Retiree Health Benefit Trust Fund (RHBTF), a cost sharing multiple-employer defined benefit postemployment healthcare plan administered by the West Virginia Public Employee Insurance Agency (WVPEIA). The OPEB Plan, established in accordance with GASB Statement No. 45, provides retiree post-employment health care benefits for participating state and local government employers. The provisions of the Code of West Virginia, 1931, as amended (the Code), assigns the authority to establish and amend benefit plans to the WVPEIA Board of Trustees. The WVPEIA issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by writing to West Virginia Public Employees Insurance Agency, 601 57<sup>th</sup> Street, Charleston, WV 25304 or by calling 1-888-680-7342.

The Code requires the RHBTF to bill the participating employers 100% of the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. State of West Virginia plan employers are billed per active health policy per month.

The OPEB Plan costs are accrued based upon invoices received from PEIA based upon actuarially determined amounts. The ARC rate is nine hundred one dollars per employee per month for the year ending June 30, 2010. The Division's ARC was \$30,555, \$19,296, and \$22,605 and the Division has paid premiums of \$7,516, \$10,267, and \$11,622, which represent 24.6%, 53.2%, and 51.4% of the ARC, respectively, for the years ending June 30, 2010, 2009, and 2008. At June 30, 2010, the liability related to OPEB costs was \$44.656.

**NOTE 15: RISK MANAGEMENT**

The Division is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health and life coverage; and natural disasters. The State of West Virginia established the Board of Risk and Insurance Management (BRIM) and the Public Employees Insurance Agency (PEIA), to account for and finance uninsured risks of losses for state agencies, institutions of higher education, and component units.

BRIM is a public entity risk pool that provides coverage for general, property, medical malpractice, and automobile liability. PEIA is also a public entity risk pool and provides coverage for employee and dependent health, life and prescription drug insurance. The Division retains the risk of loss on certain tort and contractor claims in excess of the amount insured or covered by BRIM's insurance carrier. Other than the amounts disclosed in Note 10, amounts of settlements have not exceeded insurance coverage in the past three years. The Division has evaluated this potential risk of loss as discussed in Note 10.

Through its participation in the PEIA, the Division has obtained health coverage for its employees. In exchange for payment of premiums to PEIA, the Division has transferred its risks related to health coverage. PEIA issues publicly available financial reports that include financial statements and required supplementary information, these reports may be obtained by writing to PEIA. These reports may be obtained by writing to West Virginia Public Employees Insurance Agency, 601 57<sup>th</sup> Street, Charleston, WV 25304 or by calling 1-888-680-7342.

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

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS  
NOTES TO THE FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2010  
(amounts expressed in thousands)

NOTE 16: SUBSEQUENT EVENTS

The Division issued on behalf of the State of West Virginia, \$35,135 in General Obligation State Road Refunding Bonds, Series 2010A on July 22, 2010, resulting in proceeds of \$38,388. This bond issue refunds Series 1998 and Series 2001 General Obligation State Road Bonds with cumulative outstanding principal of \$37,730, and will result in a net present value savings of \$4,265 over the life of the bond issue. The effects of this transaction are not reflected in the accompanying financial statements.



COMPLIANCE AND INTERNAL CONTROL REPORT

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS*

Joint Committee on Government and Finance  
West Virginia Legislature

We have audited the financial statements of the West Virginia Department of Transportation, Division of Highways (the Division) as of and for the year ended June 30, 2010, and have issued our report thereon dated November 12, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Division's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Division's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Division's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described as items 2010-1 and 2010-3 in the accompanying schedule of findings and responses to be material weaknesses.

A *significant deficiency* is a deficiency , or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described as item 2010-2 in the accompanying schedule of findings and responses to be a significant deficiency.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Division's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to the Joint Committee on Government and Finance of the West Virginia Legislature in a separate letter dated November 12, 2010.

The Division's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Division's response and, accordingly, we express no opinion on it.

This report is intended solely for the information of management of the Division, and the Joint Committee on Government and Finance of the West Virginia Legislature and is not intended to be and should not be used by anyone other than these specified parties.

*Holtz & Kawash*

November 12, 2010

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2010

**2010-1 FINANCIAL REPORTING - CAPITAL ASSETS**

Criteria:

Expenditures for infrastructure assets are required by accounting principles generally accepted in the United States of America to be capitalized in the Government-wide Financial Statements and depreciated over their estimated useful lives.

Condition:

The Division's process for identifying expenditures for infrastructure assets that meet its established capitalization threshold is dependent on the project completion date as reported in the project management system. We noted that the Division does not have effective controls established to ensure that the project completion date entered into the project management system is accurate.

Cause:

The Division has not established effective procedures to ensure that the project completion date used to evaluate and determine the capitalization of expenditures is accurate.

Context:

We noted a \$22.047 million reduction of expenditures for infrastructure assets in the current fiscal year that related to the correction of prior year errors made in extracting data from the project management system to arrive at final capital asset balances in the Government-wide Financial Statements. The Division's net infrastructure capital assets reported in its Government-wide Financial Statements were \$5.638 billion at June 30, 2010.

Effect:

Errors in the reported balances for capital assets and expenses in the Division's Government-wide Financial Statements could occur without being detected by management.

Recommendation:

To ensure that capitalized expenditures and related depreciation expense are complete and accurate, management should establish procedures to ensure that the project completion date in the project management system is accurate. The Division should consider changes in supervisory review procedures to ensure that infrastructure items are appropriately identified and capitalized.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2010

**2010-1 FINANCIAL REPORTING - CAPITAL ASSETS (Continued)**

Views of Responsible Officials:

Agree. We will work with the appropriate Engineering personnel to establish definitive criteria for Capital Assets and implement that criteria with the new PRIMAVERA database that will track DOH projects. PRIMAVERA is scheduled for "roll-out" in the Spring 2011 and should be fully operational for the audit of FYE June 30, 2011.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS

SCHEDULE OF FINDINGS AND RESPONSES  
(Continued)

Year Ended June 30, 2010

**2010-2 INFORMATION TECHNOLOGY SYSTEM CONTROLS**

Criteria:

Management is responsible for establishing and maintaining effective internal controls over financial reporting. A fundamental concept of internal control is adequate segregation of incompatible duties, the premise being that responsibilities for authorizing transactions, recording transactions, and maintaining custody of assets are assigned to different employees.

Condition:

The Division operates several information technology systems that affect the information that is reported in the Division's financial statements. During our review of the information technology systems, we noted:

- The process for system change management for the contract management system (PRS) is informal and the key authorizations (initial system change request, testing of the change, and migration to production) are not documented.
- The process for system change management in the Division's primary accounting system (REMIS) lacks adequate segregation of duties. Specifically, two Information Services Managers have the ability to make changes in the development environment and migrate those changes to the production environment. Additionally, we noted that an independent review of the system change reports is not performed to determine if any unauthorized changes have occurred.
- The process to grant, modify, or revoke user rights within PRS is not formally documented and reviewed.

Cause:

The Division has not established or monitored the existing information technology systems policies and procedures over change management and certain system access controls.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS

SCHEDULE OF FINDINGS AND RESPONSES  
(Continued)

Year Ended June 30, 2010

**2010-2 INFORMATION TECHNOLOGY SYSTEM CONTROLS (Continued)**

Context:

All financial transactions of the Division are processed through these information technology systems.

Effect:

Changes to the information technology systems programming can be placed in production without appropriate supervisory review and approval. Additionally, unauthorized access to these information technology systems may occur and go undetected.

Recommendation:

The Division should implement procedures to:

- Document the change management process for PRS. This documentation should include the change requested, individual making the request, and appropriate supervisory review and approval, which must occur prior to the changes being migrated to production.
- Segregate the incompatible duties over change management to REMIS and implement a process for independent review of system change reports for unauthorized changes.
- Document the process for changing existing user rights within PRS. This documentation should include the change requested, individual making the request, and appropriate supervisory review and approval of the change.

Views of Responsible Officials:

Agree. Information Systems has developed a program to document and track all changes made to PRS and all other programs which may be applicable. The Information Systems Division agrees that management should be periodically reviewing the changes. However, with the limited programming staff available, there is not sufficient time for other experienced programmers to review changes in comprehensive detail. Should the additional programmers be employed, more compliance with this finding would be expected. The process to add or delete a user to the SQL tables has been made the same as the rules for adding and deleting to the PRS domain user group. It is anticipated with the implementation of the Statewide Enterprise Resource Program in July 2013, all the system control issues will be resolved.

WEST VIRGINIA DEPARTMENT OF TRANSPORTATION  
DIVISION OF HIGHWAYS

SCHEDULE OF FINDINGS AND RESPONSES  
(Continued)

Year Ended June 30, 2010

**2010-3 NON-FEDERAL AID RECEIVABLE RECONCILIATION**

Criteria:

To ensure the completeness and accuracy of financial information, procedures should be in place to ensure that the amounts recorded in accounts receivable are properly recorded.

Condition:

We noted that the Division does not have a process to ensure that balances in the accounts receivable non-federal aid earned and unbilled are valid receivables that represent amounts that will be collected in the future.

Cause:

The Division has no procedure established to ensure that amounts recorded as non-federal aid receivables earned and unbilled are timely reconciled to subsidiary records for accuracy.

Context:

The unadjusted general ledger balance was overstated by \$3.43 million. Non-federal aid accounts receivable net of estimates for uncollectable accounts were \$10.9 million in the accompanying financial statements.

Effect:

Without an effective procedure to ensure that receivables are properly recorded, misstatements of the financial statements can occur, and have occurred, and gone undetected by the Division's personnel in the normal course of performing their assigned functions.

Recommendation:

We recommend that the Division establish procedures to ensure that recorded receivables exist and are recorded for the proper amount. The procedures should include analysis of individual recorded items to ensure that all recorded items represent amounts to be collected in the future.

Views of Responsible Officials:

Agree. The Accounts Receivable Section will develop and implement reconciliation procedures for the Non-Federal Aid Receivables.



November 16, 2010

To the Members of the  
West Virginia Legislature  
Joint Committee on Government  
and Finance  
Charleston, West Virginia

We have audited the financial statements of the West Virginia Division of Transportation, Division of Highways (the Division) for the year ended June 30, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our communication on June 9, 2010. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management of the Division and the West Virginia Financial Accounting and Reporting Section (FARS) are responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Division are described in Note 1 to the financial statements. The Division, at the request of FARS, early implemented Governmental Accounting Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended June 30, 2010. This GASB statement did not require restatement of previously reported balances. No other new accounting policies were adopted that affect the Division's financial statements and the application of existing policies was not changed during 2010. We noted no transactions entered into by the Division during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

- Management's estimate of depreciation which is based on the estimated economic useful lives of long-term capital acquisitions assuming normal usage and maintenance. We evaluated the key factors and assumptions used to develop current year and accumulated depreciation in determining that it is reasonable in relation to the financial statement taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most case sensitive disclosures affecting the financial statements were:

- The disclosure of long-term obligations and subsequent events in Notes 10 and 16 to the financial statements described the Division's financial obligations for all future periods based on currently known facts and circumstances.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedules summarize the uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to each opinion unit's financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated November 12, 2010.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Joint Committee on  
Government and Finance  
Page 3  
November 16, 2010

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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This information is intended solely for the use of the West Virginia Legislature and management of West Virginia Department of Transportation, Division of Highways and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Hobbs & Kawash*

West Virginia Department of Transportation, Division of Highways  
 Schedule of Uncorrected Misstatements - STATE ROAD FUND

Year Ended June 30, 2010

(In Thousands)

Description	Overstatement (Understatement) of Financial Statements					Change in Fund Balance
	Asset	Liabilities	Fund Balance	Revenues	Expenditures	
To consider calculation errors with regard to payroll, inventory, and equipment noted during testing	\$ -	\$ -	\$ -	\$ -	\$ 477	\$ (477)
To consider effects of prior year unrecorded liabilities on current year balances	-	-	-	-	4,783	(4,783)
To consider effects of unrecorded liabilities at year end	-	(5,817)	5,817	-	(5,817)	5,817
	<u>\$ -</u>	<u>\$ (5,817)</u>	<u>\$ 5,817</u>	<u>\$ -</u>	<u>\$ (557)</u>	<u>\$ (557)</u>
Total Financial Statement Categories	<u>\$ 351,849</u>	<u>\$ 134,407</u>	<u>\$ 217,442</u>	<u>\$ 1,208,888</u>	<u>\$ 1,236,172</u>	<u>\$ 27,284</u>

West Virginia Department of Transportation, Division of Highways  
 Schedule of Uncorrected Misstatements - GOVERNMENT WIDE FINANCIAL STATEMENT

Year Ended June 30, 2010

(In Thousands)

Description	Overstatement (Understatement) of Financial Statements					Change in Net Assets
	Asset	Liabilities	Net Assets	Revenues	Expenses	
To consider the effects of the change in claim liabilities for prior year understatements	\$ -	\$ -	\$ -	\$ -	\$ 5,770	\$ (5,770)
To consider the effects of unrecorded claims estimated at year end	-	(4,771)	4,771	-	(4,771)	4,771
To consider the effects of State Road Fund Uncorrected Misstatements	-	(5,817)	5,817	-	(557)	557
To consider net effect of improperly capitalized current and prior fiscal year infrastructure transactions	-	-	-	-	22,047	(22,047)
	<u>\$ -</u>	<u>\$ (10,588)</u>	<u>\$ 10,588</u>	<u>\$ -</u>	<u>\$ 22,489</u>	<u>\$ (22,489)</u>
Total Financial Statement Categories	<u>\$ 8,220,750</u>	<u>\$ 692,990</u>	<u>\$ 7,527,760</u>	<u>\$ 1,235,309</u>	<u>\$ 1,059,656</u>	<u>\$ 175,653</u>

November 12, 2010

To the Members of the  
Joint Committee on Government and Finance  
West Virginia Legislature

In planning and performing our audit of the financial statements of the West Virginia Department of Transportation, Division of Highways (the Division) as of and for the year ended June 30, 2010, we considered the Division's internal control in order to plan our auditing procedures for the purpose of expressing our opinion on the financial statements, and not to provide assurance on the internal control.

During our audit we became aware of matters that are opportunities for strengthening the internal control, compliance with laws, regulations, and grant agreements, and improving operating efficiency. This letter summarizes our comments regarding these matters. We have reported on the Division's internal control over financial reporting and compliance in a separate report dated November 12, 2010. This report does not affect our audit report dated November 12, 2010, on the financial statements of the Division.

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#### **COST RECOVERY – WATER AND SEWER PROJECT INSPECTIONS**

The Division performs inspections on water and sewer projects that cross the Division's roads or rights-of-way. A fee of \$.43 per linear foot for water projects and \$.80 per linear foot for sewer projects is charged by the Division, based on a fee schedule established by management of the Division. During our audit procedures we noted that these fees are generally not sufficient to cover the costs of these services. We recommend that the Division evaluate the current fee schedule for these services and consider charging these projects the actual costs incurred to ensure that the Division does not need to use other financial resources to subsidize these inspections.

#### **PHYSICAL ACCESS TO THE DATA CENTER**

During the assessment of information technology controls, we noted that the access to the data center located in Building five of the West Virginia State Capitol Complex that houses the Division's contract management system's (PRS System) test and development servers was not restricted. We noted that the door remains open throughout the work day and anyone with building access has access to this data center. Additionally, we noted that this data center also serves as an employee break room and does not have adequate environmental controls, including a dedicated air conditioning or a zoned dry-pipe fire suppression system. We recommend that the Division secure the data center so that only authorized individuals have access. Additionally, we recommend that the Division consider the addition of appropriate environmental controls.

## **DRAFT POLICIES AND PROCEDURES – INFORMATION TECHNOLOGY**

As was noted during the prior year audit of the Division, several key policies and procedures remain in draft form, including: Incident Management and Password Standards. We recommend that the Division work with the West Virginia Office of Technology to ensure that these policies are completed and approved in a timely manner.

### **REMIS AND DMV BACKUPS**

We noted that backups of REMIS and DMV systems are not rotated offsite. To ensure that all data is stored properly in the unlikely event of catastrophic failure of the system and the primary backup, we recommend that backups be rotated off site on a regular basis.

### **MAINFRAME SECURITY**

During our review of Mainframe security (RACF), we noted the following:

- Password and lockout settings did not follow proposed West Virginia Office of Technology (WVOT) password standards.
- A former user's account was still active, and being used by a current employee when needed.
- User IBMUSER was not disabled.

To prevent the system from being compromised, we recommend that all password settings comply with WVOT standards. Furthermore, only active employee accounts should be enabled.

### **PURCHASE CARDS (P-CARDS)**

While performing procedures over purchases made using P-Cards (credit cards), we noted several instances in which documentation supporting the transactions was not adequately reviewed and approved or that the documentation did not include sufficient detail to allow an effective review. The P-Cards allow Division personnel to make small purchases more efficiently. This ease of use increases the risk of improper use and fraud. The Division has established significant controls including supervisory review of transaction details and reconciliations between the card holders log and the credit card statement. None of the exceptions we noted were determined to be improper transactions. However, the lack of adherence to the established controls for documentation of review and approval increases the risks that improper charges could occur. We recommend that the Division establish monitoring procedures to test the application of the existing controls.

### **USE OF STATE VEHICLES – COMMUTING**

The Division has established a written policy prohibiting the personal use of employer provided automobiles, for other than commuting. Approximately 300 employees, for at least part of the year, used an employer provided automobile for commuting during the fiscal year ended June 30, 2010. However, the Division does not have procedures to determine if prohibited personal use is occurring. Additionally, the West Virginia Legislative Auditor's Post Audit Division issued a report titled "State Vehicle Use" during the year ended June 30, 2009, that contains a recommendation for state agencies that use the

“commuting valuation rule” for tax reporting purposes. This legal opinion recommends that the agency assure (and retain sufficient records to evidence) that at least 50% of the vehicle’s total miles are for the agency’s business.

We recommend that the Division establish procedures that require employees using an employer provided automobile for commuting to maintain a log of mileage use of that automobile. Additionally, this log should be reconciled regularly to the actual mileage recorded on the vehicle odometer by someone other than the vehicle operator. Also, the Division should evaluate any potential tax liability to which the Division or its employees may be exposed in situations in which the agency business usage (commuting) is less than 50% of the total vehicle usage.

#### **FUEL USAGE RECORDKEEPING**

The Division operates over 100 fuel dispensing locations throughout the State of West Virginia. These fuel dispensing locations are used by the Division, other State of West Virginia agencies, and local government agencies. The Division issues cards with account numbers to authorized entities and outside agencies and their personnel that are authorized to purchase fuel. However, recordkeeping for fuel dispensing is a manual system in which the person dispensing the fuel either uses a manual impression based credit card machine (non-electronic) or simply writes the account number on the fuel dispensing voucher. These vouchers are the basis for the cost allocation within the Division and billings for fuel usage to the other State of West Virginia Agencies and/or local governments. This manual process exposes the Division to increased risk that fuel may be improperly dispensed or charged/billed to the wrong project or entity, either through error or fraud.

We recommend that the Division replace its existing manual recordkeeping system and equip its existing pumps with an electronic card based fuel tracking system or purchase new pumps equipped with such a system. Such a system should require fuel dispensed to be recorded in the District’s computer system to more efficiently and accurately charge the appropriate activity or purchaser.

#### **DEFERRED REVENUE**

The Division did not properly record a deferred revenue liability for unearned boat registrations processed by the Division of Motor Vehicles (DMV). Boat registrations are renewed every third year, with the current renewal period expiring on April 1, 2011. Therefore, collections related to the registration period from July 1, 2010 through March 31, 2011 should have been recorded as a liability because this revenue has not yet been earned as of June 30, 2010. We recommend that the Division revise the deferred revenue calculation to ensure that all revenue not earned is recorded as a liability at year end.

#### **ACCOUNTS PAYABLE**

We noted that the Division’s accounts payable procedures failed to identify \$5.8 million and \$4.8 million of expenditures in the State Road Fund that should have been recorded as liabilities at June 30, 2010 and 2009, respectively. The Division’s accounts payable cutoff procedures should be designed to ensure that all significant liabilities are identified as of year end and properly reported in the Division’s financial statements. We recommend that the Division ensure that all significant expenditures incurred prior to year end are properly identified as a liability.



## PHYSICAL INVENTORY COUNT PROCEDURES

The initial physical count of parts, materials and supplies inventory as of June 30, 2010, conducted for Division of Highways District 8 and District 7 Org 0704, was not completed accurately by the respective District personnel, which required a recount to be conducted. The annual physical count of inventory is an integral component of the Division's control activities over its inventory and should be conducted by personnel that have been adequately trained and instructed in the inventory count procedures. We recommend that the Division evaluate the physical inventory count process to ensure that all personnel performing the counts are properly trained in the count procedures.

## ACCOUNT DESCRIPTIONS

We noted an instance for which an account description did not accurately describe the items recorded in the account. To prevent miscoding of transactions, we recommend that the Division periodically review all accounts to ensure that descriptions accurately represent the nature of the account balance.

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## IMMATERIAL INSTANCES OF NONCOMPLIANCE

*Government Auditing Standards* requires communication of immaterial instances of noncompliance to those charged with governance. We noted the following:

### Advertising for Construction Procurement

West Virginia Code Section 17-4-19(b) and 17-4-19(c) requires that, for procuring construction services, the Division must advertise for sealed proposals in one daily newspaper in Charleston. We noted 2 instances in which the Division could not demonstrate that they had complied with this advertising requirement. We recommend that the Division monitor the established controls to ensure that the advertisements are made as required and copy of the advertisement is maintained in the procurement file to evidence the Division's compliance with West Virginia Code.

### State-Wide Auction

Code of State Rules Section 157-3.2 requires that the Highways Commissioner or his designee shall make a finding that equipment is obsolete or unusable prior to disposal. We noted that the Division does not have an established procedure to ensure that this determination is documented. We recommend that the Division implement a process that ensures that the determination of equipment as obsolete be documented prior to the disposal.

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To the Members of the  
Joint Committee on Government and Finance  
Page 5  
November 12, 2010

This report is intended solely for the information and use of the Joint Committee on Government and Finance, the West Virginia Legislature and management of the Division and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Jefferson J. Kanawha*

(Speaker Thompson presides)

**AGENDA**  
**JOINT COMMITTEE ON GOVERNMENT AND FINANCE**  
November 17, 2010

2:00 - 3:00 p.m.

Senate Finance Room

1. **Approval of October 13, 2010, minutes**

2. **Committee Reports/Requests:**

**Parks, Recreation and Natural Resources Subcommittee** (Senator Fanning, Chair; Delegate Eldridge, Chair) *Requests expense reimbursement for site visitations to North Bend Resort State Park, North Bend Rail Trail and Blennerhassett Island Historical State Park on December 6, 7 and 8, 2010. - John Homburg*

**MOVE** that expense reimbursement be approved for site visitations for the Parks, Recreation and Natural Resources Subcommittee members.

**Joint Committee on Economic Development**(Senator Browning, Chair; Delegate Kominar, Chair) *Requests full expense reimbursement for travel expenses to the Toyota Plant in Buffalo, WV. - John Homburg*

**MOVE** that full expense reimbursement be approved for travel expenses to the Toyota Plant in Buffalo.

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

Status Reports on the Lottery Commission, Unemployment Compensation Trust Fund, and General Revenue Fund

4. **Consolidated Public Retirement Board:** *Harry Mandel, Board Actuary*

5. **Workforce WV Unemployment Compensation Trust Fund Distribution:** *Russell Fry, Acting Executive Director*

6. **Monthly/Quarterly Reports Distribution:** *Robert Ferguson, Jr., Secretary, Dept. of Administration*

PEIA

BRIM

CHIP

Real Estate Report

7. **Monthly/Quarterly Report Distribution from Department of Health and Human Resources:** *Nancy Atkins, Commissioner for Bureau for Medical Services*  
Medicaid Report
8. **Investment Management Board:** *Craig Slaughter, Executive Director*
9. **Workers' Compensation:** *Bill Kenny, Deputy Commissioner*
10. **Board of Treasury Report Distribution**
11. **Water Development Authority Distribution**
12. **Other Business**
13. **Scheduled Interim Dates:** December 13-15 (Monday, Tuesday and Wednesday)  
January 9-11 (Sunday, Monday and Tuesday)
14. **Adjournment**