

The Honorable William P. Cole, III, Chair

**JOINT COMMITTEE ON
GOVERNMENT AND FINANCE**

Materials Distributed

September 20, 2016

West Virginia Legislature 

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Interim Committee Attendance - Results

Tuesday, September 20, 2016 - 01:00 PM

Joint Committee on Government and Finance

Attended:

- Delegate Shott
- Delegate Nelson, E.
- Delegate Miller, C.
- Delegate Cowles
- Delegate Boggs
- Speaker Armstead
- Senator Trump
- Senator Plymale
- Senator M. Hall
- Senator Carmichael
- President Cole

Submitter:

Terri Stowers

Phone:

304 347-4813

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(Speaker Armstead presides)

AGENDA
JOINT COMMITTEE ON GOVERNMENT AND FINANCE
September 20, 2016

1:00 - 2:00pm

Senate Finance Room

1. **Approval of August 22, 2016 minutes:**

2. **Committee Reports/Requests:**

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

Status Reports on Lottery, Unemployment Compensation Fund, General Revenue Fund & State Road Fund **(William Spencer, Director –will answer any questions.)**

Workforce WV Unemployment Compensation Trust Fund Distribution
(Beth Carenbauer, Acting Deputy Executive Director for Workforce West Virginia)

Monthly/Quarterly Reports from PEIA, BRIM, Real Estate Report
(Jennelle Jones, Deputy General Counsel, Department of Administration)
Jon Amores letter regarding marketing rental rates

Department of Health & Human Resources, Medicaid Report & Medicaid Waiver, CHIP
(Melanie Pagliaro, Legislative Liaison, Department of Health & Human Resources)

Investment Management Board Distribution
(Tom Sauvageot, Fixed Income and Real Estate Investment Officer)

Workers' Compensation
(Mike Riley, Commissioner)

Board of Treasury Report Distribution

4. **Other Business:**

5. **Adjournment:**

JOINT COMMITTEE ON GOVERNMENT AND FINANCE

Monday, August 22, 2016

12:00 pm – 1:00 pm

Senate	House
Cole, Chair	Armstead, Chair
Carmichael	Cowles
M. Hall	Miller, C.
Trump	Nelson, E.
Kessler	Shott
Plymale	Boggs
Prezioso	Miley

Speaker Armstead presides:

Speaker Armstead: “The Committee will come to order. The first item on the agenda is the approval of the June 12th minutes. President Cole is recognized.”

President Cole: “I move the minutes of the June 12th meeting of the Joint Committee on Government and Finance as contained in the members packets be approved.”

Speaker Armstead: “President Cole moves the minutes be approved. Is there discussion? All in favor say aye. Those opposed no. The ayes appear to have it, the ayes do have it. I declare the minutes are approved.”

Speaker Armstead: “I recognize President Cole for a motion.”

President Cole: “Mr. Speaker, Joint Committee on Government and Finance requests the formation of Joint Government Accountability, Transparency, and Efficiency (GATE) Committee. It will be comprised of nine members from each House to be appointed by the President and the Speaker and its purpose will be to evaluate all state spending to ensure that tax dollars are being spent in the most efficient way possible. That the Joint Gate Committee may meet at any time, including outside of regularly scheduled interim meetings at the discretion of the chairs, after adjournment *sine die* of the Regular Session of the 2016 Session, under the supervision of the Joint Committee on Government and Finance, and all members of the committee are entitled to compensation and reimbursement of expenses as authorized for members of the Legislature in accordance with the performance of their interim duties. That at the conclusion of its study, the Joint Committee report to the Joint Committee on Government and Finance its findings, conclusions, and recommendations, together with drafts of any legislation necessary to effectuate its recommendations. That the expenses necessary to conduct this study, to prepare a report to draft necessary legislation be paid from legislative appropriations to the Joint Committee on Government and Finance.”

Speaker Armstead: “Heard the President’s motion. Is there discussion? If not, all in favor of the motion say aye. Those opposed no. The ayes appear to have it, the ayes do have it, I declare the motion adopted.”

Speaker Armstead: “President Cole and I will also be sending letters requesting information from state government agencies regarding special revenue accounts and re-appropriated general revenue fund balances, the purpose and necessity for such funds and the amount that could be actually returned to the general revenue fund as part of our ongoing GATE community effort.”

Speaker Armstead: “I recognize President Cole for another motion.”

President Cole: “Mr. Speaker, I move that Parks, Recreation and Natural Resources be authorized to conduct site visitations to Hawks Nest State Park, Babcock State Park, Greenbrier River Trail and Greenbrier State Forest on September 11, 12 and 13, 2016 for the members and staff (And for the members and staff) to be reimbursed for their expenses.”

Speaker Armstead: “For President Cole’s motion is there discussion? If not, all in favor of the motion say aye. Those opposed no. The ayes appear to have it, the ayes do have it, I declare the motion adopted.”

Speaker Armstead: “Next on the Agenda are the monthly and quarterly reports. First is the status report on Lottery, Unemployment Compensation Fund General Revenue Fund & State Road Fund. William Spencer, Director is here to answer any questions. Do any of the members have questions regarding Lottery, Unemployment Compensation, General Fund and State Road Fund? Hearing none. Next is a report from Workforce West Virginia Unemployment Compensation Trust Fund. Connie Kirk, Assistant Director for Benefits & Technical Support is here. Ms. Kirk.”

Ms. Kirk: “Mr. President, Mr. Speaker and members of the Committee, good afternoon. I am Connie Kirk, I am Assistant Director in the Benefit area of the Unemployment Compensation Fund and I am here today to provide you with the trust fund projections for August of this year. As you can see by the report in your packet, the August 2016 projection is \$47,285,364. As I am sure you are aware, the Agency borrowed \$38M from the rainy day fund in March of this year and paid all monies back to the fund in May. According to the job trends in the area and the agency’s current unemployment statistics at this time, the agency anticipates additional funds will be needed to strengthen the fund in the latter part of 2016. If you have any questions, feel free to ask.”

Speaker Armstead: “Are there any questions from Ms. Kirk? President Cole.”

President Cole: “Thank you. This fund has to hold a \$50M balance, is that? Do I recall that?”

Ms. Kirk: “You mean on where we can borrow?”

President Cole: “I thought there was a minimum balance that had to be maintained in the fund. Am I?”

Ms. Kirk: “No.”

President Cole: “Okay.”

Ms. Kirk: “There is a minimum of what we can borrow and that’s \$50M.”

President Cole: “Okay. And so you are projecting to go under water by December is..?”

Ms. Kirk: “Well, actually we are hoping that we will have to, will have, to borrow additional money probably until the latter part of maybe middle of November.”

President Cole: “Okay. Thank you.”

Speaker Armstead: “Are there any further questions from Ms. Kirk? Hearing none. Thank you.”

Ms. Kirk: “Thank you.”

Speaker Armstead: “Next is the monthly and quarterly reports from PEIA, BRIM, and Real Estate Report. Mary Jane Pickens is the Acting Secretary of the Department of Administration. Ms. Pickens.”

Ms. Pickens: “Good Afternoon Mr. Speaker, Mr. President and Members of the Committee. I am Mary Jane Pickens here on behalf of the Department of the Administration. We have filed reports relating to PEIA, BRIM, and the Real Estate Division and I believe those are in your packets. I don’t have anything particularly to add in addition to those reports. I’m here to respond to questions if you have any. I’ve got representatives from those agencies here as well.”

Speaker Armstead: “Are there any questions of Ms. Pickens or any of the agencies? President Cole.”

President Cole: “Thank you Mr. Speaker. On the real estate report I just noticed just a couple of things there were...There were two cancellations that happened both in Clarksburg, Harrison County and one was a per square foot rate of \$4.81, the other one at a \$11.71. But then I look at new contract of lease and this is Department of Administration owned for DHHR and we are paying \$19.00 a square foot. Is that.. How could that be? I mean is there a market price that we pay or is that just any price that...”

Ms. Pickens: “No. I am sorry. That is the price that has been determined to be the price for the new Clarksburg office building. That shows DHHR moving from the old space to the new space and again Mr. Amores is here to fill in any details because that is what he does. But, yeah, that is moving into the new Clarksburg office building which you know is a premium office space type of building. I can’t speak to the nature of the space that they are moving out of in terms of any comparisons, but you are right, that is a significantly higher per square foot rate but we believe that it reflects, you know, appropriate market rates for that type of premium commercial office space in the new building.”

President Cole: “Do we actually do any study that determines a market rate?”

Ms. Pickens: “With leave of the committee I think those questions might better be answered by Mr. Amores.”

President Cole: “Thank you.”

Mr. Amores: “Jon Amores, Director of the Real Estate Division. Mr. President, I am not aware of any formal written study, having said that, our folks are involved statewide in the leasing of office spaces both in the private and with state properties. Our pricing is based upon what is determined to be, as the Secretary said, market rate for class A space in that area. And it was also done with an eye toward the generating of revenue that can reasonably be generated for servicing bond indebtedness to pay for that and other new constructions. So, to answer your question, this study would be just from the many transactions that we have done in that area and our experience with what the market rate would be similar to asking a realtor, for example, what’s the market rate for a house in this part of town, but nothing written or formal that we are aware of.”

President Cole: “Well, you know it seems it is one agency of state government holding another agency hostage so this will be the price, and that’s the price, and I’m not sure that’s necessarily, I mean, maybe it is, but I don’t know that necessarily we’re making a proper investment. I mean, those dollars might be better spent somewhere else. Maybe it’s to go lease from the private sector. I’d truly be interested if there was a study to determine market rate, and you know not just call it market rate, but that actually here is the going price for this type of property in the area.”

Mr. Amores: “Well in having said that, we are not aware of any but I certainly... I’m very.. my understanding is that you could result to like an MLS listing and the market...the private market can provide to consumers. I just don’t know if we have any that we generated and paid for. But, if you are asking is there is a market study just by virtue of the fact that the market wants to know, we can have made available to us... information... statistical information. You know, you gather comps on the lease rate and you would make a determination of what the market will bear from transactions that have been done. So, we can have that available to us. As to whether or not in the long run it’s a fiscally sound decision, I can only say that many agencies... and you can see clear as day the difference in the rate they are pleased to go, because a lot of facilities are difficult to get to and are spread hither and yon. Especially like the DHHR, everything from children to parents under conditions of the court dropping children off with other parents they need a secure place, a safe place. We’ve got a lot of agencies, especially in the Fairmont in that north central area that have been very appreciative of the fact that you know typically a client of state service is also a client of another state service and the consolidation of these services in one area has made it very easy for folks who frankly sometimes it is difficult to get transportation to begin with. So there is value in that and again it is a market rate and we do have to pay for it.”

President Cole: “You keep saying that it is a market rate and that is what I think I am taking exception to because I don’t believe that you know it is or isn’t. I appreciate the accessibility and the desire to provide the best services to our residents, to our..., but having said that, I

really would like to know whether it's our government dealing with another branch of government or government dealing with the private sector. I still think we have a responsibility to properly invest any money that we do at what would be considered a market rate so if you are agreeable, I would certainly like to have somebody reach out to local market experts and just see what's the going rate."

Mr. Amores: "Absolutely, in fact..."

President Cole: "And report that back if you don't mind."

Mr. Amores: "I'll ask now if we haven't done that already. I know we have determined that rate and I will dig a little deeper and see how that's been done and be happy to provide that to the committee."

President Cole: "Thank you very much. I appreciate it."

Speaker Armstead: "Delegate Shott."

Delegate Shott: "Thank you Mr. Speaker. Further clarification on that issue maybe Mr. Amores would return to the podium. I see two leases cancelled and I assume that these two sites are going to be combined into one in the new facility is that right?"

Ms. Pickens: "You are referring to the DHHR leases?"

Delegate Shott: "DHHR. I'm sorry. Both of those. We are combining two, are there more than two sites we're combining?"

Mr. Amores: "That's my understanding as well. No. That is it. That is it. If there is anything else, I'll..."

Delegate Shott: "We're basically going for the double the square footage, same number of employees I assume and maybe more than three times the cost that we currently had at the moment, is that right?"

Mr. Amores: "Now yes, and having said that I would have to get back to you on... We work with the agencies themselves. I mean we don't put upon them more space than they need so I would have to find out why that is so. I presume there is some consolidation and some additional services that need to be brought into that area. As to the thinking for why that much space was needed... What is happened is the... the... move from one to another that might also be a DHHR question, but we certainly have the space. The agency tells us what they may need and we kind of start from where they are. And that's what we ended up with."

Delegate Shott: "It would be helpful to know if they are increasing staff or services because that's a pretty substantial cost change as well as space change."

Mr. Amores: "Right."

Delegate Shott: “Thank you.”

Speaker Armstead: “Further questions of Ms. Pickens or Mr. Amores? Senator Trump.”

Senator Trump: “Thank you Mr. Speaker. Ms. Pickens, Patient Injury Compensation Fund.”

Ms. Pickens: “Yep. I expected you to ask about that. We do have some updates since the last time we were here. The Patient Injury Compensation Fund has closed. We did get more claims in sort of the ... right at the close of the patient compensation fund than we had talked about during the session so I guess that was not a great thing.. but not terribly surprising. Of the fiscal year 2016 final awards, one has been paid. And that was the one that was actually subject to the Order from Judge Kaufman to pay in full, kind of immediately. That was on appeal to the Supreme Court, but that one has been resolved and has been paid. There were four more that became final in 2016 that we’re currently working on methods for paying those claims. We received 11 new claims between March 24th and June 30th, the close, so we got 11 new ones in, brand new ones. And that leaves us with a total of 16 that either were not final in fiscal year 16 but had been received before the bill passed, and then the new ones that came in through June 30th. So we have 16 more that have to go through the process of review at the first committee and then the second committee. So we see no reason why those cannot become final in this fiscal year, so that by next summer, by July or August of next summer, we will start figuring out how we can pay those. One of things that is concerning is that the income stream, you know to pay these claims is going to come in over a period of about four years. But, we’ll know by next summer, what the liability is, what the amount is that we have to figure out how to pay and then we’ll just see what the options are at that time.”

Senator Trump: “But, the maximum, the maximum potential liability is sixteen times \$1M, is that right.”

Ms. Pickens: “A million, yes.”

Senator Trump: “\$16M, so, ok. Thank you.”

Speaker Armstead: “Further questions of Ms. Pickens? If not, thank you.”

Ms. Pickens: “Thank you.”

Speaker Armstead: “Next, we have the Department of Health and Human Resources Medicaid Report & Medicaid Waiver, and CHIP report. Melanie Pagliaro is the Legislative Liaison for DHHR.”

Ms. Pagliaro: “Mr. Speaker, Mr. President, Members of the Committee, Melanie Pagliaro-DHHR. We have provided Medicaid Medicare Waiver and Chip Reports for your review. If you have any questions, we do have staff here that can answer those.”

Speaker Armstead: “Any questions? Delegate Boggs.”

Ms. Pagliaro: “I think you probably need Commissioner Beane. We’ll see, is it financial or more...?”

Delegate Boggs: “Just talking about the waiver.”

Melanie Pagliaro: “Ok.”

Delegate Boggs: “Just very briefly.”

Ms. Beane: “Good afternoon, Cindy Beane, Acting Commissioner, Bureau for Medical Services.”

Delegate Boggs: “Cindy, thank you for being here. Just...I noticed if I’m reading this correctly, 280 on the waiver, 80 waiver on the waiting list?”

Ms. Beane: “Yes and so, as of the time of your report, there were 280. I did... anticipating that there might be questions, get a more recent date, so as of August 16th, we have 133.”

Delegate Boggs: “So, its, I noticed for a couple of months this summer it kind of hovered around the same... same level, so it sounds like it is taking another down turn.”

Ms. Beane: “Yes, so as in July, when we rolled over to the new fiscal year we had some slots that we were able to roll over. And so, we are currently at 133.. as people... as all the slots have been given out that what happens is, Delegate Boggs, for whatever reason, some people choose not to use our slot, perhaps they move to another state or maybe they are in a facility and...”

Delegate Boggs: “Or they could have passed away.”

Ms. Beane: “Or they could have passed away. So, right now we, as of last week it was 133.”

Delegate Boggs: “Do you anticipate the.. I know the longest day spent on the list was 136 days. Do you anticipate that continuing to go down?”

Ms. Beane: “It will continue to go down until we have actually all those slots filled, and then once those slots are filled, then it will slowly rise until the next fiscal year, probably.”

Delegate Boggs: “Ok. Alright, well, thank you.”

Ms. Beane: “No problem.”

Delegate Boggs: “Thank you.”

Speaker Armstead: “Any further questions? If not, thank you.”

Ms. Beane: “Thank you.”

Speaker Armstead: “Next, is the Investment Management Board Report, Craig Slaughter.”

Mr. Slaughter: “Good afternoon ladies and gentleman. The report you have is the report dated June 30th of 2016. So the full fiscal year we are a little down on the year just about .3% negative. Quite frankly, that is somewhat of a relief given how the markets performed this past year, so its not all together that bad in a relative context. July has looked quite a bit better as you probably well know the markets have trended up since June 30th and its looking a lot better for this coming year. International markets especially which we have significant allocations to look a whole lot better. We have a very conservative allocation of fixed income which hurt us last year but it was conservative because we were worried about rising interest rates. I feel that there is a lot more risk involved in our portfolio in rising interest rates rather than falling interest rates. Happy to take questions.”

Speaker Armstead: “Any questions for Mr. Slaughter? If not, thank you Mr. Slaughter.”

Mr. Slaughter: “Thank you.”

Speaker Armstead: “Next is the Workers’ Compensation Report by Commissioner Mike Riley.”

Mr. Riley: “Good afternoon Mr. Speaker and Mr. President, Mike Riley Insurance Commissioner. The Committee has a copy of the Workers’ Compensation Funds Report. I will just hit the standard numbers. The old fund had 13,436 active claims as of July; Coal Worker’s 873; Uninsured only 17; and then the Guarantee and Security Fund which if you combine those, most of that is the Patriot Claims, it’s 953. If I turn your attention to page 12 of the Cash Statement and you can kind of see the last three years history in the right columns there and you can see for fiscal year 2016 our revenues were \$153M down from \$275M and it’s due to the legislation that redirected severance taxes, surcharges, and video lottery money to General Revenue. Investment income was negative. This is a month behind as far as investment returns, but it does show you that we are not making a lot of money on investments and we ended the year-end with \$1.2B in assets. So, again, the recurring theme is investment income has not been where we like it to be. I don’t anticipate that that is going to change dramatically. We are primarily in bonds so we are a fixed income, a low income or low coupon on those bonds will continue to be a challenge in that we do have this cash flow pay off estimated at a 5% discount and it is somewhat of a challenge to make 5% in the near term. I will be happy to answer questions.”

Speaker Armstead: “Any questions for Mr. Riley? If not, thank you.”

Mr. Riley: “Thank you.”

Speaker Armstead: “At the end of the packet is the Board of Treasury Report. Also, in the packet are two matters: West Virginia University-awarding of an energy savings contract to Siemens Industries, Inc. and the Department of Highways- Wellsburg Bridge public private partnership agreement. Those don’t require action of the Committee but are for the committee’s reference. Is there any further business to come before the Committee?”

Senator Plymale: “Yes.”

Speaker Armstead: “Senator Plymale.”

Senator Plymale: “Thank you Mr. Speaker. I did request-sent a letter to both you and the President related to Cabwaylingo. I’ve had some people from Wayne County contact me particularly related to the severance of timber and where that money is going, and what’s the status of the park. And just as a familiarity for people that don’t know, Cabwaylingo stands for Cabell, Wayne, Lincoln, Mingo and it is near the Cabell- I mean- the Wayne and Mingo line. I just want to make sure that next Interims, if we could have someone from wherever it is... Natural Resources or Forestry... come and give us a break down of where that money is going and what the status of the park is. We hear that they are talking about selling it. We also know that they did not open the pool this year and some different things like that so I just want you know... Some Wayne county residents have contacted me and I want to make sure that we do follow-up on that in the Interims for September 2016 if we could please.”

Speaker Armstead: “Certainly. I believe that we can request that someone attend our meeting in September as requested.”

Senator Plymale: “Thank you very much.”

Speaker Armstead: “Any further business? If not, I entertain the motion we adjourn.”

President Cole: “Mr. Speaker, I move we adjourn.”

Speaker Armstead: “President Cole moves we adjourn. All of those in favor say Aye. Those opposed no. Ayes appear to have it, Ayes do have it. The meeting is 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

September 12, 2016

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

- West Virginia Lottery as of July 31, 2016:
Gross profit for July 2016 - June 2017 was \$44.7 million.
- West Virginia Unemployment Compensation Fund as of August 31, 2016:
Total disbursements were \$ 1.5 million lower than last fiscal year. Overall ending trust fund balance was \$ 65 million lower on August 31, 2016, than on August 31, 2015.
- General Revenue Fund as of August 31, 2016:
The general revenue collections ended the second month of fiscal year 2016-2017 at 92% of the estimate for the year.
- State Road Fund as of August 31, 2016:
The state road fund collections ended the second month of fiscal year 2016-2017 at 118% of the estimate for the year.

WEST VIRGINIA LEGISLATURE
Office of the Legislative Auditor



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

MEMORANDUM

To: Honorable Chairmen and Members of the Joint Committee on
Government and Finance

From: William Spencer, CPA
Director Budget Division
Legislative Auditor's Office

Date: September 12, 2016

Re: Review of West Virginia Lottery Financial Information
As of July 31, 2016

We performed an analysis of the Statement of Revenues, Expenses and Changes in Fund Net Position for July 31, 2016, 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 \$98.8 million for July 2016. Table games accounted for \$3.9 million of this total. Historic Resort Hotel video lottery and table games accounted for \$281 thousand of total gross receipts. Gross lottery revenue has increased by 1.03% when compared with July of fiscal year 2016. This number does not include commission and prize deductions. Gross profit (gross revenues minus commissions and prize costs) for July 2016 was \$44.7 million; for July 2015 of last fiscal year it was \$44.1 million. Expressed as a percentage, gross profit is 1.23% higher for fiscal year 2017 than for fiscal year 2016.

Lottery continued

Operating Transfers to the State of West Virginia:

A total of \$42,431,000.00 has been accrued to the state of West Virginia for fiscal year 2016-2017. This is on an accrual basis and may not correspond to the actual cash transfers made during the same time period. Amount owed to the different accounts according to the Lottery Act are calculated monthly and accrued to the state; actual cash transfers are often made based upon actual cash flow needs of the day-to-day operation of the lottery.)

A schedule of cash transfers follows:

State Lottery Fund:

Bureau of Senior Services	\$18,300,000.00
Community and Technical College	\$500,000.00
Department of Education	\$6,443,000.00
Library Commission	\$4,090,000.00
Higher Education-Policy Commission	\$2,560,000.00
Tourism	\$2,224,000.00
Department of Natural Resources	\$1,108,000.00
Division of Culture and History	\$1,550,000.00
Economic Development Authority	\$1,000,000.00
Department of Education and Arts	\$425,000.00
School Building Authority	\$1,800,000.00
<u>SUBTOTAL BUDGETARY TRANSFERS</u>	\$40,000,000.00

Lottery continued

Excess Lottery Fund

Economic Development Fund	\$1,899,000.00
Higher Education Improvement Fund	\$1,500,000.00
General Purpose Fund	\$0.00
Higher Education Improvement Fund	\$0.00
State Park Improvement Fund	\$0.00
School Building Authority	\$1,899,000.00
Refundable Credit	\$0.00
WV Racing Commission	\$0.00
WV DHHR	\$0.00
Teacher's Retirement Savings	\$0.00
Division of Human Services	\$0.00
WV Lottery Statutory Transfers	\$0.00
Excess Lottery Surplus	\$0.00
WV Infrastructure Council Fund	\$600,000.00
Total State Excess Lottery Revenue Fund	\$5,898,000.00

Total Budgetary Distributions:	\$45,898,000.00
Veterans Instant Ticket Fund	\$73,000.00
TOTAL TRANSFERS	*\$45,971,000.00

* CASH BASIS

Total Accrued last FY 2016:	\$135,265,000.00
Total Cash Distributions FY 2017:	\$45,971,000.00
Applied to FY 2016:	\$45,971,000.00
Applied to FY 2017:	\$0.00
Accrued for FY 2016 as of July 31:	\$89,294,000.00
Accrued for FY 2017 as of July 31:	\$42,431,000.00



P.O. BOX 2067
CHARLESTON, WV 25327

PHONE: 304-558-0500
1-800-WVA-CASH

Earl Ray Tomblin
Governor

John A. Myers
Acting Director

MEMORANDUM

TO: Joint Committee on Government and Finance
FROM: John Myers, Acting Director *John A. Myers*
RE: Monthly Report on Lottery Operations
Month Ending July 31, 2016

DATE: August 16, 2016

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

Financial statements of the Lottery for the month ending July 31, 2016 are attached. Lottery revenue, which includes on-line, instant, video lottery sales, table games, and historic resort, was \$98,804,067 for the month of July.

Transfers of lottery revenue totaling \$45,970,361 made for the month of July to the designated state agencies per Senate Bill 160, Veterans Instant Ticket Fund, Racetrack Video Lottery Act (§29-22A-10), and the Racetrack Table Games Act (§29-22C-27). The amount transferred to each agency is shown in Note 10 on pages 18 and 19 of the attached financial statements.

The number of traditional and limited retailers active as of July 31, 2016 was 1,498 and 1,338 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.

JM
Attachment

pc: Honorable Earl Ray Tomblin, Governor
Robert S. Kiss, Cabinet Secretary – Dept. of Revenue
John Perdue, Treasurer
Lisa A. Hopkins, Acting Auditor
Members of the West Virginia Lottery Commission

MEMORANDUM

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

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pc: Honorable Earl Ray Tomblin, Governor
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John Perdue, Treasurer
Lisa A. Hopkins, Acting Auditor
Members of the West Virginia Lottery Commission



WEST VIRGINIA LOTTERY

STATE OF WEST VIRGINIA

**FINANCIAL STATEMENTS
-UNAUDITED-**

July 31, 2016

WEST VIRGINIA LOTTERY

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

ASSETS	July 31, 2016	June 30, 2016
Current Assets:		
Cash and cash equivalents	\$ 152,855	\$ 166,621
Accounts receivable	34,236	26,643
Inventory	376	380
Other assets	1,794	1,788
Total Current Assets	<u>189,261</u>	<u>195,432</u>
Noncurrent Assets:		
Restricted cash and cash equivalents	-	-
Capital assets	55,960	55,960
Less accumulated depreciation and amortization	<u>(11,195)</u>	<u>(11,086)</u>
Net Capital Assets	<u>44,765</u>	<u>44,874</u>
Total Noncurrent Assets	<u>44,765</u>	<u>44,874</u>
Total Assets	<u>\$ 234,026</u>	<u>\$ 240,306</u>
Deferred outflows of resources	<u>\$ 1,099</u>	<u>\$ 1,099</u>
Total assets and deferred outflows	<u>\$ 235,125</u>	<u>\$ 241,405</u>
Current Liabilities:		
Accrued nonoperating distributions to the State of West Virginia	\$ 131,725	\$ 135,265
Estimated prize claims	15,790	15,981
Accounts payable	1,392	1,961
Other accrued liabilities	<u>30,277</u>	<u>32,257</u>
Total Current Liabilities	<u>179,184</u>	<u>185,464</u>
Noncurrent Liabilities		
Net pension liability	<u>2,035</u>	<u>2,035</u>
Total liabilities	<u>\$ 181,219</u>	<u>\$ 187,499</u>
Deferred inflows	<u>\$ 2,153</u>	<u>2,153</u>
Net Position:		
Restricted by enabling legislation	-	-
Net Investment in capital assets	44,765	44,874
Unrestricted	<u>6,988</u>	<u>6,879</u>
Total Net Position	<u>51,753</u>	<u>51,753</u>
Total net position, liabilities, and deferred inflows	<u>\$ 235,125</u>	<u>\$ 241,405</u>

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

WEST VIRGINIA LOTTERY
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
FOR THE ONE MONTH PERIOD ENDED JULY 31, 2016

(In Thousands)

-Unaudited-

	CURRENT MONTH		YEAR TO DATE	
	2017	2016	2017	2016
Lottery revenues				
On-line games	\$ 9,186	\$ 5,494	\$ 9,186	\$ 5,494
Instant games	7,871	7,978	7,871	7,978
Racetrack video lottery	48,948	48,996	48,948	48,996
Limited video lottery	28,650	30,862	28,650	30,862
Table games	3,868	3,964	3,868	3,964
Historic resort	281	502	281	502
	<u>98,804</u>	<u>97,796</u>	<u>98,804</u>	<u>97,796</u>
Less commissions				
On-line games	634	384	634	384
Instant games	551	558	551	558
Racetrack video lottery	26,855	26,881	26,855	26,881
Limited video lottery	14,039	15,122	14,039	15,122
Table games	1,639	1,680	1,639	1,680
Historic resort	151	283	151	283
	<u>43,869</u>	<u>44,908</u>	<u>43,869</u>	<u>44,908</u>
Less on-line prizes	4,491	2,743	4,491	2,743
Less instant prizes	5,169	5,270	5,169	5,270
Less ticket costs	161	125	161	125
Less vendor fees and costs	428	607	428	607
	<u>10,249</u>	<u>8,745</u>	<u>10,249</u>	<u>8,745</u>
Gross profit	<u>44,686</u>	<u>44,143</u>	<u>44,686</u>	<u>44,143</u>
Administrative expenses				
Advertising and promotions	652	584	652	584
Wages and related benefits	619	582	619	582
Telecommunications	78	108	78	108
Contractual and professional	226	296	226	296
Rental	38	40	38	40
Depreciation and amortization	109	89	109	89
Other administrative expenses	216	110	216	110
	<u>1,938</u>	<u>1,809</u>	<u>1,938</u>	<u>1,809</u>
Other Operating Income	<u>154</u>	<u>224</u>	<u>154</u>	<u>224</u>
Operating Income	<u>42,902</u>	<u>42,558</u>	<u>42,902</u>	<u>42,558</u>
Nonoperating income (expense)				
Investment income	100	57	100	57
Distributions to municipalities and counties	(561)	(605)	(561)	(605)
Distributions -capital reinvestment	(10)	(19)	(10)	(19)
Distributions to the State of West Virginia	(42,431)	(41,991)	(42,431)	(41,991)
	<u>(42,902)</u>	<u>(42,558)</u>	<u>(42,902)</u>	<u>(42,558)</u>
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position, beginning of period	<u>54,096</u>	<u>54,096</u>	<u>54,096</u>	<u>54,096</u>
Net position, end of period	<u>\$ 54,096</u>	<u>\$ 54,096</u>	<u>\$ 54,096</u>	<u>\$ 54,096</u>

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

WEST VIRGINIA LOTTERY

**STATEMENTS OF CASH FLOWS
FOR THE ONE MONTH PERIOD ENDED JULY 31, 2016**

(In Thousands)
-Unaudited-

	2017	2016
Cash flows from operating activities:		
Cash received from customers and other sources	\$ 91,365	\$ 103,188
Cash payments for:		
Personnel costs	(606)	(552)
Suppliers	(1,772)	(1,546)
Other operating costs	(54,853)	(56,566)
Cash provided by operating activities	<u>34,134</u>	<u>44,524</u>
Cash flows from noncapital financing activities:		
Nonoperating distributions to the State of West Virginia	(45,971)	(45,979)
Distributions to municipalities and counties	(543)	(588)
Distributions to racetrack from racetrack cap. reinv. fund	(1,472)	(723)
Cash used in noncapital financing activities	<u>(47,986)</u>	<u>(47,290)</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	<u>-</u>	<u>(155)</u>
Cash flows from investing activities:		
Investment earnings received	<u>86</u>	<u>49</u>
Cash provided by investing activities	<u>86</u>	<u>49</u>
Increase (decrease) in cash and cash equivalents	(13,766)	(2,872)
Cash and cash equivalents - beginning of period	<u>166,621</u>	<u>164,722</u>
Cash and cash equivalents - end of period	<u>\$ 152,855</u>	<u>\$ 161,850</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 42,902	\$ 42,558
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation and amortization	109	89
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(7,593)	5,168
(Increase) decrease in inventory	4	(24)
(Increase) decrease in other assets	8	10
Increase (decrease) in deferred outflows	-	-
Increase (decrease) in estimated prize claims	(191)	(255)
Increase (decrease) in accounts payable	(569)	(412)
Increase (decrease) in other accrued liabilities	(536)	(2,610)
Cash provided by operating activities	<u>\$ 34,134</u>	<u>\$ 44,524</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” game; Daily 3 and 4 “numbers” games; and Travel, a daily “keno” game. Revenue is recognized when the agent sells the tickets to the public. Prize expense is recognized on the basis of actual drawing results.

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

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

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

COMPENSATED ABSENCES – The Lottery has accrued \$569,988 and \$563,913 of at June 30, 2016 and 2015, respectively, for estimated obligations that may arise in connection with compensated absences for vacation at the current rate of employee pay. Employees fully vest in all earned but unused vacation. To the extent that accumulated sick leave is expected to be converted to benefits on termination or retirement, the Lottery participates in another postemployment benefits plan (see Note 16).

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

NOTE 3 - CASH AND CASH EQUIVALENTS

At July 31, 2016 the carrying amounts of deposits (overdraft) with financial institutions were \$475 thousand with a bank balance (overdraft) of \$561 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):

	July 31, 2016	June 30, 2016
Deposits with financial institutions	\$ 475	\$ 1,430
Cash on hand at the Treasurer's Office	3,104	7,386
Investments with BTI reported as cash equivalents	149,276	157,805
	\$ 152,855	\$ 166,621

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 July 31, 2016 is as follows (in thousands):

Capital Assets:

	Historical Cost At June 30, 2015	Additions	Deletions	Historical Cost At July 31, 2016
Construction in Progress	\$ 1,164	\$ -	\$ -	\$ 1,164
Buildings	46,207	-	-	46,207
Land	1,434	-	-	1,434
Improvements	260	-	-	260
Equipment	6,895	-	-	6,895
	<u>\$ 55,960</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 55,960</u>

Accumulated Depreciation:

	Historical Cost At June 30, 2015	Additions	Deletions	Historical Cost At July 31, 2016
Buildings	\$ 4,064	\$ 99	\$ -	\$ 4,163
Improvements	260	-	-	260
Equipment	6,762	10	-	6,772
	<u>\$ 11,086</u>	<u>\$ 109</u>	<u>\$ -</u>	<u>\$ 11,195</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 designee 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 July 31, 2016 and fiscal year-to-date is as follows:

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

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

<u>Revenues</u>	<u>Month</u>	<u>Y-T-D</u>
Powerball	\$ 4,794,202	\$ 4,794,202
Hot Lotto	443,927	443,927
Mega Millions	2,189,382	2,189,382
Total	\$ 7,427,511	\$ 7,427,511
<u>Expenses (Prizes)</u>	<u>Month</u>	<u>Y-T-D</u>
Powerball	\$ 2,397,444	\$ 2,397,444
Hot Lotto	221,969	221,969
Mega Millions	1,099,903	1,099,903
Total	\$ 3,719,316	\$ 3,719,316

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	\$45,000,000

At July 31, 2016, the Lotteries share of the prize reserve fund balances were as follows:

Game	<u>Total Prize Reserve</u>	<u>Lottery Share</u>
Powerball	\$ 113,620,337	\$ 1,625,725
Hot Lotto	7,170,477	497,214
Mega Millions	35,410,519	508,846
Total	<u>\$ 156,201,333</u>	<u>\$ 2,631,785</u>

Lottery prize reserves held by the MUSL are invested according to a Trust agreement the Lottery has with MUSL outlining investment policies. The policies restrict investments to direct obligations of the United States Government, perfected repurchase agreements, and obligations issued or guaranteed as to payment of 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

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

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

of the portfolio may have an average maturity of up to two years. The maximum maturity for any one security does not exceed five years.

The interest earned on prize reserve fund monies is used to pay MUSL operating expenses and any amounts over and above that are credited to an unreserved fund. The Lottery records this as interest when earned. This fund had a balance of \$16,259,687 at July 31, 2016, of which the Lottery's share was \$1,565,451.

NOTE 6 - RACETRACK VIDEO LOTTERY

The Racetrack Video Lottery legislation stipulates the distribution of racetrack video lottery revenues. This legislation has been amended since inception to restate revenue distribution based on revenue benchmarks and has been amended again by HB 101 as passed during the first extraordinary session of 2014. For a complete summary of the impacts of HB 101, see Note 11 titled "Summary Impact of Recent Legislation." Initially, four percent (4%) of gross terminal revenue is allocated for lottery administrative costs. Sixty-six percent (57%) of net terminal revenue (gross less 4%) is allocated in lieu of commissions to: the racetracks (46.5%); other private entities associated with the racing industry (8.7%); and the local county and municipal governments (2%). The remaining revenues (42.8%) of net terminal revenue is allocated for distribution to State as specified in the Racetrack Video Lottery Act or subsequent State budget, as described in the Note 10 titled "Nonoperating Distributions to the State of West Virginia."

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

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

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

After deduction of the surcharge, 49% of net terminal revenue is allocated in lieu of commissions to: the racetracks (42%); other private entities associated with the racing industry (5%); and the local county and incorporated municipality governments (2%).

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

NOTE 6 - RACETRACK VIDEO LOTTERY (continued)

The remaining net terminal revenue (51%) is allocated for distribution to the State as specified in the Racetrack Video Lottery Act or subsequent State budget, as described in Note 10.

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

The WV Lottery, along with the Ohio, Rhode Island, Maryland, and Delaware lotteries, participate in Multi-Jurisdictional Wide Area Progressive (MWAP) video games. This allows each of the lotteries to offer a higher progressive jackpot than they could generate alone. MUSL manages the progressive games and charges each participant a MWAP contribution fee of .74% of the amount wagered. A summary of racetrack video lottery revenues for the month ended July 31, 2016 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2017	2016	2017	2016
Total credits played	\$ 547,285	\$ 539,492	\$ 547,285	\$ 539,492
Credits (prizes) won	(491,485)	(483,786)	(491,485)	(483,786)
Promotional credits played	(6,843)	(6,685)	(6,843)	(6,685)
MWAP Contributions	(9)	(25)	(9)	(25)
Gross terminal income	48,948	48,996	48,948	48,996
Administrative costs	(1,958)	(1,960)	(1,958)	(1,960)
Net Terminal Income	46,990	47,036	46,990	47,036
Less distribution to agents	(26,855)	(26,881)	(26,855)	(26,881)
Racetrack video lottery revenues	<u>\$ 20,135</u>	<u>\$ 20,155</u>	<u>\$ 20,135</u>	<u>\$ 20,155</u>

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

	July 31, 2016	Year-to-Date
State Lottery Fund	\$ 14,097	\$ 14,097
State Excess Lottery Revenue Fund	6,038	6,038
Capital Reinvestment Fund	-	-
Total nonoperating distributions	<u>\$ 20,135</u>	<u>\$ 20,135</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 a alcohol or non-intoxicating beer. The Lottery has been charged with the administration, monitoring and regulation of these machines. The legislation further stipulates the distribution of revenues from the limited video lottery games, and requires any licensees to comply with all related rules and regulations of the Lottery in order to continue its retailer status. The Limited Video Lottery legislation

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 7 - LIMITED VIDEO LOTTERY (continued)

stipulates that 2% of gross terminal income be deposited into the state lottery fund for administrative costs. Then, the state share percentage of gross profit is to be transferred to the State Excess Lottery Revenue Fund. Such percentage is between 30 and 50 percent and is subject to change on a quarterly basis. Two percent is distributed to counties and incorporated municipalities in the manner prescribed by the statute. The remaining amount of gross profit is paid to retailers and/or operators as prescribed in the Act, and is recorded as limited video lottery commissions in the financial statements. Municipal and county distributions are accounted for as nonoperating expenses.

A summary of limited video lottery revenues for the month ended July 31, 2016 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2017	2016	2017	2016
Total credits played	\$ 345,336	\$ 365,177	\$ 345,336	\$ 365,177
Credits (prizes) won	(316,686)	(334,315)	(316,686)	(334,315)
Gross terminal income	\$ 28,650	\$ 30,862	\$ 28,650	\$ 30,862
Administrative costs	(573)	(617)	(573)	(617)
Gross Profit	28,077	30,245	28,077	30,245
Commissions	(14,039)	(15,122)	(14,039)	(15,122)
Municipalities and Counties	(561)	(605)	(561)	(605)
Limited video lottery revenues	<u>\$ 13,477</u>	<u>\$ 14,518</u>	<u>\$ 13,477</u>	<u>\$ 14,518</u>

NOTE 8 – TABLE GAMES

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

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

Retain 3% of the adjusted gross receipts for administrative expenses of which at least \$100,000 and not more than \$500,000 annually will be transferred to the Compulsive Gambling Treatment Fund. Transfer two percent of the adjusted gross receipts from each licensed racetrack to the county commissions of the counties where racetracks with West Virginia Lottery table games are located. Transfer three percent of the adjusted gross receipts from each licensed racetrack to the governing bodies of municipalities within counties where racetracks with West Virginia Lottery table games are located as prescribed by statute. And transfer one-half of one percent of the adjusted gross receipts to the governing bodies of municipalities in which a racetrack table games licensee is located to be divided equally among the municipalities. The commission will distribute the remaining amounts, hereinafter referred to as the net amounts in the Racetrack Table Games Funds as follows:

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

NOTE 8 – TABLE GAMES (continued)

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

The cash transferred to the State Excess Lottery Revenue Fund in the current month is included in Note 10- Nonoperating Distributions to the State of West Virginia. The table games adjusted gross receipts for the month and year ended July 31, 2016 were \$ 11,051,115 and \$11,051,115, respectively. The following table shows the month and year totals of the privilege tax and the accrued distributions (in thousands) to be transferred in the subsequent month:

	Current Month		Year-to-Date	
	2017	2016	2017	2016
Table Games Privilege Tax	\$ 3,868	\$ 3,964	\$ 3,868	\$ 3,964
Interest on Table Games Fund	2	-	2	-
Administrative costs	(332)	(340)	(332)	(340)
Total Available for Distribution	<u>3,538</u>	<u>3,624</u>	<u>3,538</u>	<u>3,624</u>
<u>Less Distributions:</u>				
Racetrack Purse Funds	249	255	249	255
Thoroughbred & Greyhound Development Funds	199	204	199	204
Racing Association Pension Plan	97	100	97	100
Municipalities/ Counties	<u>1,094</u>	<u>1,121</u>	<u>1,094</u>	<u>1,121</u>
Total Distributions	<u>1,639</u>	<u>1,680</u>	<u>1,639</u>	<u>1,680</u>
Excess Lottery Fund	<u>\$ 1,899</u>	<u>\$ 1,944</u>	<u>\$ 1,899</u>	<u>\$ 1,944</u>

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 9 – HISTORIC RESORT HOTEL

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

Historic Resort Video Lottery

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

A summary of historic resort hotel video lottery revenues for the month ended July 31, 2016 and fiscal year-to-date follows (in thousands):

	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Total credits played	\$ 3,403	\$ 5,481	\$ 3,403	\$ 5,481
Credits (prizes) won	(3,162)	(5,013)	(3,162)	(5,013)
Promotional credits played	(28)	(61)	(28)	(61)
MWAP Contributions	-	-	-	-
Gross terminal income	<u>213</u>	<u>407</u>	<u>213</u>	<u>407</u>
Capital reinvestment	(10)	(19)	(10)	(19)
Excess Lottery Fund	(2)	(4)	(2)	(4)
Administrative costs	(12)	(22)	(12)	(22)
Hotel commissions	<u>(90)</u>	<u>(173)</u>	<u>(90)</u>	<u>(173)</u>
Net terminal income	99	189	99	189
Historic Resort Hotel Fund	64	120	64	120
Human Resource Benefit Fund	35	69	35	69

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 9 – HISTORIC RESORT HOTEL (continued)

Historic Resort Table Games

Each historic resort hotel licensee is subject to a privilege tax of thirty five percent (35%) of adjusted gross receipts, of which thirty percent (30%) is deposited directly into the Historic Resort Hotel Fund and five percent (5%) is deposited directly into the Human Resource Benefit Fund. The historic resort hotel table games adjusted gross receipts for the month and year ended July 31, 2016 were \$193,276 and \$193,276, respectively.

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

	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Table games privilege tax	\$ 68	\$ 95	\$ 68	\$ 95
Administrative Costs	<u>(9)</u>	<u>(12)</u>	<u>(9)</u>	<u>(12)</u>
Total Available for Distribution	59	83	59	83
Historic Resort Hotel Fund	49	68	49	68
Human Resource Benefit Fund	10	15	10	15

Historic Resort Hotel Fund

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

- 1) Eighty-six percent (86%) is paid to the State Excess Lottery Revenue Fund;
- 2) Four percent (4%) is paid to the county where the gaming facility is located;
- 3) Two and one-half percent (2.5%) is paid to the municipality where the gaming facility is located as prescribed by statute;
- 4) Two and one-half percent (2.5%) is divided and paid in equal shares to the remaining municipalities in the county where the gaming facility is located;
- 5) Two and one-half percent (2.5%) is divided and paid in equal shares, to each county commission in the state where the gaming facility is not located;
- 6) Two and one-half percent (2.5%) is divided and paid in equal shares, to each municipality in the state not already receiving a distribution as described in item five (5) or item six (6) above.

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

	<u>Current Month</u>	<u>Year-to-Date</u>
Historic Resort Hotel Video Lottery	\$ 64	\$ 64
Historic Resort Table Games	49	49
Interest on Historic Resort Hotel Fund	-	-
Historic Resort Hotel Fund Net Income	<u>113</u>	<u>113</u>
Municipalities/ Counties	16	16
Excess Lottery Fund	97	97
Total Distributions	<u>\$ 113</u>	<u>\$ 113</u>

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

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, 2017 the State Legislature budgeted \$135,557,444 of estimated profits of the Lottery for distributions to designated special revenue accounts of the State of West Virginia. With regard to the State Lottery Fund, legislation stipulates that debt service payments be given a priority over all other transfers in instances where estimated profits are not sufficient to provide for payment of all appropriated distributions. Debt service payments of \$1,800,000, \$1,000,000, and \$500,000 per month for the first ten months of each fiscal year currently have such priority. Transfers made pursuant to the State Excess Lottery Revenue Fund have similar requirements; currently payments are \$5,300,000 per month for the first ten months of each fiscal year. In addition, Legislation provides that, if in any month, there is a shortage of funds in the State Excess Lottery Revenue Fund to make debt service payments, the necessary amount shall be transferred from the State Lottery Fund to cover such shortfall, after the State Lottery Fund debt service payments have been made. Repayments to the State Lottery Fund are required to be made in subsequent months as funds become available. For the month ended July 31, 2016 the Lottery has accrued additional distributions of \$131,725,448. The Lottery is a non-appropriated state agency and therefore does not have a budget adopted by the Legislature.

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

<u>BUDGETARY DISTRIBUTIONS</u>	<u>July 31, 2016</u>	<u>Year-to-Date</u>
<u>State Lottery Fund:</u>		
Community and Technical College	\$ 500	\$ 500
Bureau of Senior Services	18,300	18,300
Department of Education	6,443	6,443
Library Commission	4,090	4,090
Higher Education-Policy Commission	2,560	2,560
Tourism	2,224	2,224
Natural Resources	1,108	1,108
Division of Culture & History	1,550	1,550
Department of Education & Arts	425	425
Economic Development Authority	1,000	1,000
School Building Authority	1,800	1,800
Total State Lottery Fund	<u>\$ 40,000</u>	<u>\$ 40,000</u>

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

State Excess Lottery Revenue Fund:

Economic Development Fund	\$ 1,899	\$ 1,899
Higher Education Improvement Fund	1,500	1,500
General Purpose Account		
Higher Education Improvement Fund		
State Park Improvement Fund		
School Building Authority	1,899	1,899
Refundable Credit		
WV Racing Commission		
WV Department of Health and Human Resources		
Teacher's Retirement Savings		
Division of Human Services		
WV Lottery Statutory Transfers		
Excess Lottery Surplus		
West Va. Infrastructure Council	60 0	60 0
Total State Excess Lottery Revenue Fund	<u>\$ 5,898</u>	<u>\$ 5,898</u>
Total Budgetary distributions:	<u>\$ 45,898</u>	<u>\$ 45,898</u>
Veterans Instant Ticket Fund	\$ 73	\$ 73
Total nonoperating distributions to the State of West Virginia (cash basis)	\$ 45,971	\$ 45,971
Accrued nonoperating distributions, beginning	(135,265)	(135,265)
Accrued nonoperating distributions, end	<u>131,725</u>	<u>131,725</u>
	<u>\$ 42,431</u>	<u>\$ 42,431</u>

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 fiscal year-to-date ended July 31, 2016 and July 31, 2015 approximated \$37,975 and \$40,344 respectively.

The Lottery leases office space under the terms of a non-cancellable operating lease to various tenants. Rental revenues for the fiscal year-to-date ended July 31, 2016 and July 31, 2015 approximated \$86,157 and \$20,365 respectively.

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 12 – RESTRICTED NET POSITION

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, 2016 and June 30, 2015 were as follows:

	June 30, 2016	June 30, 2015
Beginning balance	\$ 1,130	\$ 1,397
Additions		
Legislative Appropriations		
Deductions		
Asset acquisition	(1,130)	(267)
Surplus of excess funds		
Ending balance	\$ -	\$ 1,130

NOTE 13 – COMMITMENTS

For the years ended June 30, 2016 and 2015 the Lottery Commission has not designated any unexpended administrative funds for the acquisition of capital assets. As of June 30, 2016 and 2015, \$9,655,947 and \$8,416,061, respectively, are included in unrestricted net position and net investment in capital assets for this purpose.

NOTE 14 - RETIREMENT BENEFITS

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

Employees who retire at or after age sixty with five or more years of contributory service or who retire at or after age fifty-five and have completed twenty-five years of credited service with age and credited service equal to eighty or greater are eligible for retirement benefits as established by State statute. Retirement benefits are payable monthly for life, in the form of a straight-line annuity equal to two percent of the

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

NOTE 14 - RETIREMENT BENEFITS (continued)

employee's average annual salary from the highest 36 consecutive months within the last 10 years of employment, multiplied by the number of years of the employee's credited service at the time of retirement.

Covered employees hired prior to July 1, 2015 are required to contribute 4.5% of their salary to the PERS. Covered employees hired on or after July 1, 2015 will contribute 6.0% of their salary to the PERS Tier II. The Lottery is required to contribute 13.5% of covered employees' salaries to the PERS. The required employee and employer contribution percentages have been established and changed from time to time by action of the State Legislature. The required contributions are not actuarially determined; however, actuarial valuations are performed to assist the Legislature in determining appropriate contributions. The Lottery and employee contributions, for the month ending July 31, 2016 and fiscal year-to-date are as follows (in thousands):

	July 31, 2016	Year-to-Date
Employee contributions	\$ 31	\$ 31
Lottery contributions	85	85
Total contributions	\$ 116	\$ 116

NOTE 15 - RISK MANAGEMENT

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

WORKERS' COMPENSATION INSURANCE

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

PUBLIC EMPLOYEES' INSURANCE AGENCY (PEIA)

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

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

NOTE 15 - RISK MANAGEMENT (continued)

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.

NOTE 16– OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

Funding Policy

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

The ARC rate is \$429 and \$389 per employee per month for the years ending June 30, 2016 and 2015 respectively. Through June 30, 2016 and 2015, the Lottery has paid premiums of \$284,421 and \$287,861. As of June 30, 2016 and 2015, the Lottery has recorded a liability of \$4,990,361 and \$4,631,089 on its balance sheet for OPEB.

**SCHEDULE OF REVENUES AND NET REVENUES OF THE
 LOTTERY FUND AND EXCESS LOTTERY FUND
 FOR THE ONE MONTH PERIOD ENDED JULY 31, 2016
 (In Thousands)**

	Current Month		FISCAL YEAR	
	<u>Actual</u>	<u>Projected</u>	<u>Actual</u>	<u>Projected</u>
Gross Revenues				
Instant games	7,871	7,917	7,871	7,917
On-line games	9,186	5,417	9,186	5,417
Racetrack video lottery	48,947	41,091	48,947	41,091
Limited video lottery	28,650	28,630	28,650	28,630
Racetrack table games	3,868	3,509	3,868	3,509
Historic resort	281	594	281	594
Total gross revenues	<u>98,803</u>	<u>87,158</u>	<u>98,803</u>	<u>87,158</u>
Net Revenues - Lottery Fund and Excess Lottery Fund				
Lottery Fund				
Instant games	1,006	1,000	1,006	1,000
On-line games	2,783	1,544	2,783	1,544
Racetrack Video Lottery	14,114	11,835	14,114	11,835
Total Lottery Fund net revenues	<u>17,903</u>	<u>14,379</u>	<u>17,903</u>	<u>14,379</u>
Excess Lottery Fund				
Racetrack Video Lottery	6,045	5,068	6,045	5,068
Limited Video Lottery	13,544	13,468	13,544	13,468
Limited Video Lottery Fees	20	-	20	0
Racetrack table games	1,899	1,722	1,899	1,722
Historic resort	99	226	99	226
Total Excess Lottery Fund Net Revenues	<u>21,607</u>	<u>20,484</u>	<u>21,607</u>	<u>20,484</u>
Total Net Revenues	<u>39,510</u>	<u>34,863</u>	<u>39,510</u>	<u>34,863</u>

WEST VIRGINIA LEGISLATURE
Office of the Legislative Auditor



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

304-347-4870

Memorandum

To: Honorable Chairmen and Members of the Joint Committee on
Government and Finance

From: William Spencer, C.P.A.
Director, Budget Division
Legislative Auditor's Office

Date: September 7, 2016

Re: Status of General Revenue Fund and State Road Fund as of
August 31, 2016 (FY 17)

We have reviewed the cash flow of the West Virginia general revenue fund as of August 31, 2016 which is the end of the second month of the fiscal year. The status of the fund collections for the month is as follows:

The net collections were 92% of the estimate for the fiscal year. Total collections were \$48.9 million below the estimate for the fiscal year.

Personal Income Tax collections were \$13.7 million below the estimate for the fiscal year.

Consumer sales and use tax collections were \$26 million below the estimate for the year.

Severance Tax was \$14.6 million below the estimate for the fiscal year.

Corporate Income and Business Franchise Tax collections were \$4.6 million below the estimate for the fiscal year.

State Road Fund

The state road fund collections were 118% of the estimate for the fiscal year. Total collections were \$21.6 million above the estimate for the fiscal year.

Rainy Day and Personal Income Tax Reserve

Revenue Shortfall Reserve Fund A (Rainy Day Fund) had a cash balance of \$282,835,322.06 as of August 31, 2016.

Balance July 1, 2016	391,572,994.64
Earnings	-48,737,672.58
Loan to General Revenue Fund 7/1/2016 for beginning of year cash flow, to be repaid within 90 days	-60,000,000.00
Balance August 31, 2016	282,835,322.06

Revenue Shortfall Reserve Fund B (Tobacco Settlement Monies) had a cash balance of \$399,065,377.37 as of August 31, 2016.

Balance July 1, 2016	387,130,049.09
Earnings	11,935,328.28
Balance August 31, 2016	399,065,377.37

The Personal Income Tax Reserve Fund had a \$5 million cash balance as of August 31, 2016.

Balance July 1, 2016	8,000,000.00
One-time draw for budget resolution	-3,000,000.00
Balance August 31, 2016	5,000,000.00

GENERAL REVENUE FUND FY 2016-2017

By Source and by Month
 Monthly Revenue Estimates
 as of August 31, 2016 OASIS

	MONTH ESTIMATES	NET MONTH COLLECTIONS	FINAL MONTHLY COLLECTIONS OVER ESTIMATES	YTD ESTIMATES	NET YTD COLLECTIONS	YEARLY COLLECTIONS OVER ESTIMATES
Personal Income Tax	137,483,000	134,979,904	-2,503,096	265,144,000	251,421,965	-13,722,035
Consumer Sales Tax & Use Tax	107,527,000	103,576,118	-3,950,882	194,230,000	168,180,937	-26,049,063
Severance Tax	35,483,000	18,843,660	-16,639,340	26,654,000	12,110,836	-14,543,164
Corp Income /Business Franchise	2,000,000	483,575	-1,516,425	9,000,000	4,407,228	-4,592,772
Insurance Tax	1,580,000	6,130,945	4,550,945	27,740,000	28,292,008	552,008
Tobacco Products Tax	22,300,000	24,424,821	2,124,821	30,100,000	37,928,278	7,828,278
Business and Occupation	12,200,000	13,829,248	1,629,248	18,400,000	19,387,920	987,920
Liquor Profit Transfers	1,300,000	1,525,500	225,500	2,600,000	2,994,706	394,706
Departmental Collections	1,200,000	1,194,990	-5,010	2,300,000	2,212,975	-87,025
Property Transfer Tax	990,000	889,680	-100,320	1,880,000	1,967,974	87,974
Property Tax	400,000	396,384	-3,616	500,000	489,352	-10,648
Beer Tax and Licenses	620,000	689,645	69,645	1,413,000	1,455,033	42,033
Miscellaneous Transfers	700,000	956	-699,044	700,000	956	-699,044
Interest Income	500,000	564,734	64,734	1,000,000	1,508,118	508,118
Senior Tax Credit Reimbur Lot	845,000	312,685	-532,315	845,000	312,685	-532,315
HB 102 - Lottery Transfers	4,542,000	5,434,393	892,393	4,542,000	5,434,393	892,393
Miscellaneous Receipts	250,000	306,323	56,323	370,000	458,479	88,479
Business Fran Registration Fees	70,000	65,107	-4,893	200,000	109,157	-90,843
Liquor License Renewal	0	0	0	0	0	0
Special Revenue Transfer - SB 364	0	0	0	0	0	0
Charter Tax	0	749	749	0	1,027	1,027
Video Lottery Transfers	0	36,303	36,303	0	45,423	45,423
July-Dec Retro Rev Adj	0	0	0	0	0	0
Cash Flow Transfer	0	0	0	0	60,000,000	60,000,000
SUBTOTALS	329,990,000	313,685,720	-16,304,280	587,618,000	598,719,450	11,101,450
Less: Cash Flow Transfer		0	0		(60,000,000)	(60,000,000)
TOTALS	329,990,000	313,685,720	-16,304,280	587,618,000	538,719,450	-48,898,550

Percent of Estimates

95.06%

91.68%

Collections this day

17,002,450

**STATE ROAD FUND FY 2016-2017
By Source and by Month
Monthly Revenue Estimates
as of August 31, 2016 OASIS**

	MONTH ESTIMATES	NET MONTH COLLECTIONS	FINAL MONTHLY COLLECTIONS OVER ESTIMATES	YTD ESTIMATES	NET YTD COLLECTIONS	YEARLY COLLECTIONS OVER ESTIMATES
Gasoline & Motor Carrier Rd Tax	37,900,000	38,817,811	917,811	65,800,000	71,868,242	6,068,242
Privilege Tax	18,593,000	20,604,849	2,011,849	36,105,000	37,151,317	1,046,317
Licenses & Registration	7,641,000	8,306,116	665,116	17,446,000	16,240,897	-1,205,103
Miscellaneous	0	679,515	679,515	0	15,624,311	15,624,311
Highway Litter Control	143,000	174,705	31,705	327,000	329,007	2,007
TOTALS	64,277,000	68,582,997	4,305,997	119,678,000	141,213,774	21,535,774
Percent of Estimates		106.70%			117.99%	
Collections this day		6,567,830				

REVENUE SHORTFALL RESERVE FUND 7005, Part A as of July 31, 2016 : \$336,067,697.15

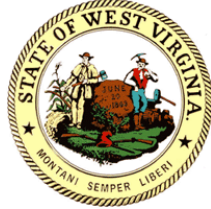
(\$60 million loaned to state General Revenue Fund 7/1/2016 for beginning of the year cash flow, to be repaid within 90 days, not reflected.)

REVENUE SHORTFALL RESERVE FUND 7006, Part B as of July 31, 2016: \$390,669,265.59

PERSONAL INCOME TAX REFUND RESERVE FUND as of July 31, 2016: \$5,000,000.00

Prepared by the 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 Chairmen and Members of the Joint Committee on
Government and Finance

From: William Spencer, C.P.A.
Director Budget Division
Legislative Auditor's Office

Date: September 14, 2016

Re: West Virginia Unemployment Compensation Trust Fund

We have reviewed the August 31, 2016 monthly report of the Unemployment Compensation Trust Fund we received from WorkForce West Virginia.

As of August 31, 2016 of fiscal year 2016-2017, the trust fund cash flow was as follows:

Trust Fund Beginning Cash Balance 7-1-2016	\$ 53,108,141.17
Receipts July 1, 2016 thru June 30, 2017	\$ 47,388,182.28
Disbursements July 1, 2016 thru June 30, 2017	\$ 41,799,298.85
Balance August 31, 2016	\$ 58,697,024.60

ITEMS OF NOTE:

Regular benefits paid for August 2016 were \$ 1.8 million less than August 2015.

Federal emergency benefits totaled \$ -10 thousand for August 2015. For August 2016, federal emergency benefits totaled \$ -9 thousand.

Total disbursements were \$ 1.9 million less in August 2016 than the preceding August 2015.

Receipts as of August 2016 were \$ 3 million more than in August 2015. Overall ending trust fund balance was \$ 65 million lower on August 31, 2016 than on August 31, 2015.

Seasonally adjusted unemployment rates for August 2016 were 5.7 percent for West Virginia and 4.9 percent nationally.

Since August 2015, employment has increased by 1,500. Employment gains included 5,100 in educational and health services, 2,600 in leisure and hospitality, 500 in government, and 200 in trade, transportation, and utilities. Employment declines included 3,900 in mining and logging, 400 in information, 300 in professional and business services, 800 in construction, 500 in other services, 800 in manufacturing, and 200 in financial activities.

September 7, 2016

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

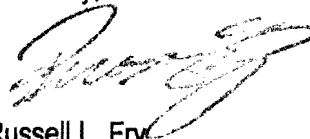
RE: Monthly Status Report

Dear Mr. Spencer:

Please find attached, the Monthly Status Report for the Unemployment Compensation Trust Fund for the month of August 2016.

If you have any questions or need any additional information, please feel free to contact this office at 304-558-7024.

Sincerely,



Russell L. Fry
Acting Executive Director

RLF/gew

Enclosure

pc: Earl Ray Tomblin

112 California Avenue
Charleston, WV 25305

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

www.workforcewv.org

**MONTHLY STATUS REPORT FOR THE JOINT COMMITTEE ON GOVERNMENT AND FINANCE
FOR THREE MONTHS STARTING JUNE 2015 AND JUNE 2016**

	JUNE 2015	JULY 2015	AUGUST 2015	JUNE 2016	JULY 2016	AUGUST 2016	THREE MONTH TOTAL VARIANCE *
Balance Forward	<u>\$133,605,137.80</u>	<u>\$115,210,747.46</u>	<u>\$117,536,674.18</u>	<u>\$71,104,289.89</u>	<u>\$53,108,141.17</u>	<u>\$47,281,988.69</u>	<u>(\$194,858,139.69)</u>
Add Receipts:							
1. Bond Assessment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2. Regular Contributions:	\$1,554,468.12	\$24,038,360.29	\$27,554,977.13	\$1,457,020.62	\$16,353,671.14	\$30,694,850.46	(\$4,642,263.32)
3. Federal Emergency Benefits (EUC08)	\$178.00	\$196.99	\$6.00	(\$430,000.00)	\$0.00	\$0.00	(\$430,380.99)
4. Federal Share Extended Benefits (EB)	\$0.00	\$0.00	\$186.99	(\$2,500.00)	\$0.00	\$0.00	(\$2,686.99)
5. Temp Federal Additional Comp (FAC)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
6. UCFE (Federal Agencies)	\$158,972.41	\$127,406.22	\$140,398.31	\$58,251.96	\$54,001.98	\$75,101.15	(\$239,421.85)
7. Special Administrative Transfer	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
8. Reed Act Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
9. UC Modernization Incentive	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10. Treasury Interest Credits	\$609,481.28	\$0.00	\$0.00	\$403,149.00	\$0.00	\$0.00	(\$206,332.28)
11. UCX (Military Agencies)	\$145,330.35	\$123,044.84	\$140,279.19	\$100,483.48	\$94,350.96	\$116,206.59	(\$97,613.35)
12. WV Senate Bill 558	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
13. CMIA Receipts	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Monthly Receipts	<u>\$2,468,430.16</u>	<u>\$24,289,008.34</u>	<u>\$27,835,847.62</u>	<u>\$1,586,405.06</u>	<u>\$16,502,024.08</u>	<u>\$30,886,158.20</u>	<u>(\$5,618,698.78)</u>
Less Disbursements:							
Debt Bond Repayment	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)
Regular Benefits:	\$20,629,796.23	\$20,725,904.07	\$21,106,610.82	\$19,442,745.40	\$22,171,265.89	\$19,307,308.57	(\$1,540,991.26)
Federal Emergency Benefits (EUC08)	(\$37,784.88)	(\$12,175.52)	(\$10,055.68)	(\$19,143.08)	(\$7,606.28)	(\$9,326.66)	\$23,940.06
Federal Share Extended Benefits (EB)	(\$773.00)	(\$50.00)	\$174.98	\$0.00	(\$40.00)	\$0.00	\$608.02
Emergency Benefits (TEUC)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Temp Federal Additional Comp (FAC)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
UCFE (Federal Workers) Benefits	\$139,634.19	\$127,543.86	\$146,863.09	\$60,601.45	\$59,400.59	\$67,771.74	(\$226,267.36)
UCX (Military Workers) Benefits	\$131,947.96	\$121,859.21	\$141,864.27	\$98,350.01	\$105,156.36	\$105,368.64	(\$86,796.43)
Reed Act Funds	\$0.00	\$1,000,000.00	\$0.00	\$0.00	\$0.00	\$0.00	(\$1,000,000.00)
Special Administrative Transfer**	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Monthly Disbursements	<u>\$20,862,820.50</u>	<u>\$21,963,081.62</u>	<u>\$21,385,457.48</u>	<u>\$19,582,553.78</u>	<u>\$22,328,176.56</u>	<u>\$19,471,122.29</u>	<u>(\$2,829,506.97)</u>
Trust Fund Balance	<u>\$115,210,747.46</u>	<u>\$117,536,674.18</u>	<u>\$123,987,064.32</u>	<u>\$53,108,141.17</u>	<u>\$47,281,988.69</u>	<u>\$58,697,024.60</u>	<u>(\$197,647,331.50)</u>

* 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.

UC TRUST FUND BALANCES & PROJECTIONS
 September 7, 2016

Month	Receipts	Disbursements	Trust Fund Balance
2015			
Balance - 1/1/2015			\$ 106,142,501
January	\$ 8,714,176	\$ 21,349,596	\$ 93,507,081
February	\$ 16,594,587	\$ 22,289,775	\$ 87,811,893
March	\$ 1,767,322	\$ 24,343,821	\$ 65,235,394
April	\$ 30,340,648	\$ 19,700,305	\$ 75,875,737
May	\$ 76,657,428	\$ 18,928,027	\$ 133,605,138
June	\$ 2,163,949	\$ 20,558,340	\$ 115,210,747
July	\$ 24,038,360	\$ 21,712,433	\$ 117,536,674
August	\$ 27,554,977	\$ 21,104,587	\$ 123,987,064
September	\$ 1,595,387	\$ 15,807,320	\$ 109,775,131
October	\$ 12,383,227	\$ 16,077,248	\$ 106,081,110
November	\$ 17,812,262	\$ 21,545,384	\$ 102,347,988
December	\$ 1,423,261	\$ 20,910,561	\$ 82,860,688
Totals - 2015	\$ 221,045,584	\$ 244,327,397	\$ 82,860,688

2016			
January	\$ 8,216,947	\$ 30,212,357	\$ 60,865,278
February	\$ 15,974,620	\$ 30,998,355	\$ 45,841,543
March	\$ 1,759,403	\$ 24,122,941	\$ 23,478,005
April	\$ 28,214,028	\$ 23,726,292	\$ 27,965,741
May	\$ 71,069,093	\$ 27,930,544	\$ 71,104,290
June	\$ 1,860,170	\$ 19,864,198	\$ 53,100,262
July	\$ 16,353,671	\$ 22,179,823	\$ 47,274,110
August	\$ 30,694,850	\$ 19,271,935	\$ 58,697,025
September	\$ 1,480,519	\$ 19,144,245	\$ 41,033,299
October	\$ 11,491,635	\$ 19,471,155	\$ 33,053,779
November	\$ 16,529,779	\$ 26,093,615	\$ 23,489,943
December	\$ 1,320,786	\$ 25,324,780	\$ (514,051)
Totals - 2016	\$ 204,965,501	\$ 288,340,240	\$ (514,051)

112 California Avenue
 Charleston, WV 25305

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www.workforcewv.org

PEIA

September Interim Talking Points

- **PEIA and RHBT preliminary financial results for July 2016 are available for your review.**
- **PEIA is currently behind plan by \$11 million. This is primarily due to higher than forecast Medical claims.**
- **RHBT is currently ahead of plan by \$12 million. This is attributable to higher than forecast investment income.**
- **The 2017 year-end reserve for the State Fund and non-State Fund are projected to be \$75 and \$25 million respectively.**
- **These reserve levels represent 10% and 18% of the respective funds' expenses. The required reserve for the State Fund is 14% of expenses.**



Financial Statements

July 2016

West Virginia Legislative Interims
September 2016

West Virginia Public Employees Insurance Agency
Statement of Changes in Plan Net Position
For the One Month Ending Sunday, July 31, 2016
(Dollars in Thousands)
(Unaudited-For Internal Use Only)

ACTUAL	BUDGET	PRIOR YR		BUDGET VARIANCE		PRIOR YR VARIANCE	
				\$	%	\$	%
			PREMIUM REVENUE				
\$43,631	\$44,365	\$164,260	Health Insurance - State Gov. - Employers	(\$734)	(2%)	(\$120,629)	(73%)
10,845	11,054	9,803	Health Insurance - State Gov. - Employees	(209)	(2%)	1,042	11%
9,485	9,452	34,062	Health Insurance - Local Gov. - All	33	0%	(24,577)	(72%)
104	185	175	Life Insurance	(81)	(44%)	(71)	(41%)
	833		Direct Transfer	(833)	(100%)		0%
2,759	654	641	Interest and Investment Income	2,105	322%	2,118	330%
			Litigation Settlement		0%		0%
168	207	115	Other Premium Revenue	(39)	(19%)	53	46%
370	395	371	Administrative Fees, Net of Refunds	(25)	(6%)	(1)	(0%)
67,362	67,145	209,427	TOTAL REVENUE	217	0%	(142,065)	(68%)
			OPERATING EXPENSES				
39,897	28,083	28,493	Claims Expense - Medical	(11,814)	(42%)	(11,404)	(40%)
9,015	8,006	8,553	Claims Expense - Drugs	(1,009)	(13%)	(462)	(5%)
3,168	3,237	3,048	Payments to Managed Care Org.	69	2%	(120)	(4%)
604	946	1,039	Administrative Service Fees	342	36%	435	42%
105	185	178	Life Insurance Expense	80	43%	73	41%
128	141	142	Wellness and Disease Management	13	9%	14	10%
26	26	29	ACA Comparative Effectiveness Fee		0%	3	10%
150	150	450	ACA Reinsurance Contribution		0%	300	67%
323	350	286	Other Operating Expenses	27	8%	(37)	(13%)
14,696	15,000	162,884	WV RHBT Pay Go Premiums	304	2%	148,188	91%
68,112	56,124	205,102	TOTAL EXPENSES	(11,988)	(21%)	136,990	67%
			YTD SURPLUS (DEFICIT)				
(750)	11,021	4,325		(11,771)	(107%)	(5,075)	(117%)
52,465	52,465	129,978	Total Net Position, Beginning of Period	0	0%	(77,513)	(60%)
\$51,715	\$63,486	\$134,303	TOTAL NET POSITION, END OF PERIOD	(\$11,771)	(19%)	(\$82,588)	(61%)

West Virginia Retiree Health Benefit Trust Fund
STATEMENT OF CHANGES IN PLAN NET POSITION
For the One Month Ending Sunday, July 31, 2016
PRELIMINARY
(In Thousands)

ACTUAL	BUDGET	PRIOR YR		BUDGET VARIANCE		PRIOR YR VARIANCE	
				\$	%	\$	%
Net Position Restricted for Post Employment Benefits							
660,599	660,599	656,953	Beginning of Period- Restricted	0	0%	3,646	1%
21,603	9,310	4,192	Net Postion Increase	12,293	132%	17,411	415%
682,202	669,909	661,145	End of Period- Restricted	12,294	2%	21,057	3%
19,439	19,439	47,639	Beginning of Period- PSR	0	0%	(28,200)	(59%)
(1,620)	(1,620)	(2,681)	PSR Transfer	0	0%	1,061	(40%)
17,819	17,819	44,958	End of Period- PSR	0	0%	(27,139)	(60%)
680,038	680,038	704,592	Beginning of Period Total Net Position	0	0%	(24,554)	(3%)
\$700,021	\$687,728	\$706,103	End of Period Total Net Position	\$12,294	2%	(\$6,082)	(1%)

Accrual Basis / Unaudited / Internal Use Only
9/7/2016 8:50 AM

	Restricted	PSR	
Beginning of Period Balance	\$ 660,599	\$ 19,439	
Period Net Position Increase (Decrease) from Operations	\$ 19,983	\$ -	
YTD PSR Transfer	\$ 1,620	\$ (1,620)	
	\$ 682,202	\$ 17,819	\$ 700,021

***Premium Stabilization Transfer:

\$ 19,439,335 All used in FY 2017

	Month	YTD
Original Budget	\$ 1,619,944	\$ 1,619,944

Earl Ray Tomblin
Governor



Ted Cheatham
Director

WV Toll-free: 1-888-680-7342 • Phone: 1-304-558-7850 • Fax: 1-304-558-2470 • Internet: www.wvpeia.com

September 14, 2016

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

1. The March 31, 2016 Quarterly Report (Quarterly) Appendix for Fiscal Year 2017 indicates the June 30, 2017 balance will be as follows:

	PEIA		RHBT
	State Fund	Non State Fund	OPEB Fund
June 30, 2017	\$74,592,954	\$25,479,497	\$791,142,655

2. Per §5-16-25 the statutorily required reserve for the purposes of offsetting unanticipated claims losses (current FY costs) is the actuarial recommended reserve.

The current recommendation is 14% of a fiscal year expenses for PEIA and RHBT. Per the Quarterly Report, the percentage will be as follows at year end:

June 30, 2017	State Fund Reserve	Non State Fund Reserve	Total
Reserve Balance	\$74,592,954	\$25,479,497	\$100,072,451
Percentage	10%	18%	11%
	reserve/current FY costs		

3. The objective of the OPEB Reserve is to reach a fully funded status of the actuarially accrued liability (AAL). Therefore the target is 100%. The percentage balance represents of actuarially required balance:

	RHBT
June 30, 2017	OPEB Reserve
Reserve Balance	\$791,142,655
Percentage	23%
	OPEB Reserve/Actuarial Accrued Liability

4. Anticipated events that may significantly reduce or increase the amount of funds:

The primary anticipated reduction events are the ongoing forecast increases in the cost of healthcare. The below chart indicates the actuarial projected increases in costs for the medical and prescription drugs of the plan. These increased costs represent a total increase of \$236 million over the next four years, requiring an average of \$59 million a year in either increased premiums or benefit reductions.

	FY 2017	FY 2018	FY 2019	FY 2020
Medical Trend	7.0%	7.5%	8.0%	8.5%
Rx Trend	9.0%	9.5%	10.0%	10.5%

5. Total amount of benefit payments paid:

	PEIA	RHBT	Total
July 30, 2017	\$52,080,000	\$22,082,000	\$74,162,000

Sincerely,



Jason A. Haught, CPA
Chief Financial

West Virginia Board of Risk and Insurance Management
UNAUDITED BALANCE SHEET AND INCOME STATEMENT
For the Month Ending July 31, 2016

Talking Points

1. **Premium Revenue** reflects the premiums earned for the first month of the fiscal year.
2. **Claims Expense** reflects claims payments made thru July. The total claims payments made for the first month of this year are considerably lower when compared to the same month a year ago. Actual claims payments can vary considerably from month to month.
3. **Investment Income** for fiscal year 2016 reflects positive returns in both the fixed income and equity markets vs. the same month last year.
4. BRIM has no un-funded liability and continues to pursue pro-active loss control initiatives.

West Virginia Board of Risk and Insurance Management
 Statements of Net Position
 For the One Month Ended July 31st



	2016	2015
<i>(In Thousands)</i>		
Assets		
Current assets:		
Cash and cash equivalents	21,342	19,957
Advance deposits with insurance company and trust	206,308	209,545
Receivables	12,170	8,626
Prepaid insurance	5,441	4,829
Restricted cash and cash equivalents	10,198	8,314
Premiums due from other entities	620	597
Total current assets	256,079	251,868
Noncurrent assets:		
Equity position in internal investments pools	85,619	84,417
Restricted investments	49,445	48,745
Total noncurrent assets	135,064	133,162
Total assets	391,143	385,030
Deferred Outflows of Resources	127	127
Liabilities		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	50,819	47,890
Unearned premiums	20,206	12,071
Agent commissions payable	1,192	1,105
Claims Payable	0	578
Accrued expenses and other liabilities	6,532	16,853
Total current liabilities	78,749	78,497
Estimated unpaid claims and claims adjustment expense	117,916	113,731
Compensated absences	92	76
Net pension liability	253	253
Total noncurrent liabilities	118,261	114,060
Total liabilities	197,010	192,557
Deferred Inflows of Resources	270	270
Net position:		
Restricted by State code for House Bill 601 Program	57,123	55,427
Unrestricted	133,870	137,393
Net Assets (Deficiency)	2,997	(490)
Net position	\$ 193,990	\$ 192,330

DRAFT - Unaudited - Management Purposes Only

West Virginia Board of Risk and Insurance Management



Statements of Revenues, Expenses, and Changes in Net Position

For the one month ended July 31st

	<u>2016</u>		<u>2015</u>
	(in thousands)		
Operating Revenues			
Premium Revenues	\$ 5,930	\$	5,466
Less - Excess Insurance	(678)		(521)
Net Operating Revenues	<u>5,253</u>		<u>4,945</u>
Operating Expenses			
Claims Expense	4,743		6,166
General & Administrative Expense	415		348
Total Operating Expenses	<u>5,158</u>		<u>6,514</u>
Operating Income (Loss)	<u>95</u>		<u>(1,569)</u>
Nonoperating Revenues			
Investment Income	<u>2,902</u>		<u>1,079</u>
Total Nonoperating Revenues	<u>2,902</u>		<u>1,079</u>
Changes in net position	2,997		(490)
Total net position, beginning of period	190,993		192,820
Total net position, end of period	\$ 193,895	\$	192,330

DRAFT - Unaudited - Management Purposes Only

Department of Administration Real Estate Division Leasing Report
For the period of August 1 - 31, 2016

There were a total of 12 leasing changes for this period and they are as follows:

- 3 – New Contract of Lease – DOA Owned
- 1 – New Contract of Lease
- 2 – Straight Renewal
- 4 – Renewal with Increase in Rent
- 2 – Renewal with Decrease in Rent

Department of Administration Real Estate Division Leasing Report
For the period of August 1, 2016 through August 31, 2016

NEW CONTRACT OF LEASE – DOA OWNED

DIVISION OF MOTOR VEHICLES

DMV-059-SUB New Contract of Lease for 3 years consisting of 10,074 square feet of office space at the annual per square foot rate of \$19.00, annual cost \$191,406.00, full service, 153 West Main Street, in the City of Clarksburg, Harrison County, West Virginia.

WEST VIRGINIA BOARD OF SOCIAL WORK EXAMINERS

SOC-003 New Contract of Lease for 3 years consisting of 1,187 square feet of office space at the annual per square foot rate of \$12.00, annual cost \$14,244.00, full service, 1124 Smith Street, in the City of Charleston, Kanawha County, West Virginia.

REGION VI WORKFORCE INVESTMENT BOARD, INC.

WIB-003-SUB New Contract of Lease for 1 year consisting of 1 cubicle at the monthly rate of \$225.00, annual cost \$2,700.00, full service, 153 West Main Street, in the City of Clarksburg, Harrison County, West Virginia.

NEW CONTRACT OF LEASE

DIVISION OF JUVENILE SERVICES

DJS-034 New Contract of Lease for 3 years consisting of lodging, meals, classroom and conference space at the annual cost of \$75,948.00, Cedar Lakes Conference Center, in the City of Ripley, Jackson County, West Virginia.

STRAIGHT RENEWAL

WEST VIRGINIA STATE POLICE

PSA-010 Renewal for 2 years consisting of 1,272 square feet of office space at the current annual per square foot rate of \$2.83, annual cost \$3,600.00, White Avenue, in the City of Richwood, Nicholas County, West Virginia.

WORKFORCE WEST VIRGINIA

WWV-017-SUB Renewal for 1 year consisting of 224 square feet of office space at the current monthly rate of \$700.00, annual cost \$8,400.00, full service, 404 Main Street, in the City of Point Pleasant, Mason County, West Virginia.

RENEWAL WITH INCREASE IN RENT

DEPARTMENT OF HEALTH AND HUMAN RESOURCES

HHR-248 Renewal for 5 years consisting of 11,980 square feet of office space with an increase in the annual per square foot rate from \$12.00 to \$12.50, annual cost \$149,750.04, full service, 235 Barrett Street, in the City of Grafton, Taylor County, West Virginia.

RENEWAL WITH INCREASE IN RENT - CONTINUED

DEPARTMENT OF HEALTH AND HUMAN RESOURCES

HHR-135 Renewal of Lease for 10 years consisting of 3,696 square feet of office space with an increase in the annual per square foot rate from \$10.50 to \$14.50, annual cost \$53,592.00, Edray Business Park, Lot 2, in the City of Marlinton, Pocahontas County, West Virginia.

DIVISION OF CORRECTIONS

COR-030 Renewal for 1 year consisting of 1,532 square feet of office space with an increase in the monthly rate from \$1,456.68 to \$1,816.68 (due to addition of 6 parking spaces @ \$60 per space), annual cost \$21,800.16, 1025 Main Street, in the City of Weirton, Ohio County, West Virginia.

DIVISION OF MOTOR VEHICLES

DMV-022 Renewal for 5 year(s) consisting of 8,000 square feet of office space with an increase in the annual per square foot rate from \$10.60 to \$10.92, annual cost \$87,360.00, full service, 198 Davis Street, in the City of Princeton, Mercer County, West Virginia.

RENEWAL WITH DECREASE IN RENT

DIVISION OF MOTOR VEHICLES

DMV-051 Renewal for 5 years consisting of 8,000 square feet of office space with a decrease in the annual per square foot rate from \$21.17 to \$19.41, annual cost \$155,280.00, 8157 Charles Town Road, in the City of Kearneysville, Jefferson County, West Virginia.

DIVISION OF CORRECTIONS

COR-049 Increase of square feet from 2,937 square feet to 3,798 square feet of office space at the current annual per square foot rate of \$11.60, annual cost \$44,056.80, full service, 215 West Main Street, in the City of Clarksburg, Harrison County, West Virginia.

Real Estate Division
 Monthly Summary of Lease Activity
 August 1 - 31, 2016

# of Transactions	Agency	Lease #	County	Square Feet	Rental Rate	Annual Rent	Term in years	Total Aggregate
1	Division of Motor Vehicles	DMV-059	Harrison	10,074	19.00	191,406	3	574,218
2	West Virginia Board of Social Work Examiners	SOC-003	Kanawha	1,187	12.00	14,244	3	42,732
3	Region VI WorkForce Investment Board, INC.	WIB-003	Harrison	1	0.00	2,700	1	2,700
4	Division of Juvenile Services	DJS-034	Jackson	1	0.00	75,948	3	227,844
5	West Virginia State Police	PSA-010	Nicholas	1,272	2.83	3,600	2	7,200
6	WorkForce West Virginia	WWV-017	Mason	224	0.00	8,400	1	8,400
7	Department of Health and Human Resources	HHR-248	Taylor	11,980	12.50	149,750	5	748,750
8	Department of Health and Human Resources	HHR-135	Pocahontas	3,696	14.50	53,592	10	535,920
9	Division of Corrections	COR-030	Ohio	1,532	0.00	21,800	1	21,800
10	Division of Motor Vehicles	DMV-022	Mercer	8,000	10.92	87,360	5	436,800
11	Division of Motor Vehicles	DMV-051	Jefferson	8,000	19.41	155,280	5	776,400
12	Division of Corrections	COR-049	Harrison	3,798	11.60	44,057	3	132,170

	102.76
Total Rentable Square Feet	<u>49,765</u>
Average Annual Rental Rate	12.85
Total Annual Rent	<u>808,137</u>

Joint Committee on Government and Finance

September 2016

Department of Health and Human Resources

**MEDICAID REPORT
July 2016 Data**

WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES
 BUREAU FOR MEDICAL SERVICES
 EXPENDITURES BY PROVIDER TYPE
 SFY2017

MONTH OF JULY 2016

	ACTUALS	TOTAL	ACTUALS	ESTIMATE	ACTUALS	PROJECTED
	SFY2016	SFY2017	Current Month Ended 7/31/16	Current Month Ended 7/31/16	Year To-Date Thru 7/31/16	8/1/16 Thru 6/30/17
EXPENDITURES:						
Inpatient Hospital - Reg. Payments	186,720,433	191,663,554	12,124,111	14,745,169	12,124,111	179,539,443
Inpatient Hospital - DSH	54,542,207	53,803,200	-	-	-	53,803,200
Inpatient Hospital - Supplemental Payments	88,772,449	126,027,542	5,301,925	5,301,925	5,301,925	120,725,617
Inpatient Hospital - GME Payments	9,200,784	8,027,882	-	-	-	8,027,882
Mental Health Facilities	60,774,362	76,856,261	4,806,847	5,914,798	4,806,847	72,049,414
Mental Health Facilities - DSH Adjustment Payments	18,887,044	18,886,800	-	-	-	18,886,800
Nursing Facility Services - Regular Payments ⁽²⁾	630,230,973	644,177,879	52,065,059	53,701,443	52,065,059	592,112,820
Nursing Facility Services - Supplemental Payments	-	-	-	-	-	-
Intermediate Care Facilities - Public Providers	-	-	-	-	-	-
Intermediate Care Facilities - Private Providers	68,590,373	69,718,700	6,065,600	5,809,892	6,065,600	63,653,100
Intermediate Care Facilities - Supplemental Payments	-	-	-	-	-	-
Physicians Services - Regular Payments	117,140,779	107,471,018	6,620,239	8,269,557	6,620,239	100,850,779
Physicians Services - Supplemental Payments	33,313,589	21,769,930	4,892,930	5,442,483	4,892,930	16,877,000
Physician and Surgical Services - Evaluation and Management	129,275	-	(101)	-	(101)	101
Physician and Surgical Services - Vaccine Codes	288	-	-	-	-	-
Outpatient Hospital Services - Regular Payments	107,370,522	97,980,515	7,376,099	7,539,840	7,376,099	90,604,416
Outpatient Hospital Services - Supplemental Payments	85,182,603	208,258,173	926,441	1,282,111	926,441	207,331,732
Prescribed Drugs	310,642,861	299,765,411	19,923,484	23,334,267	19,923,484	279,841,927
Drug Rebate Offset - National Agreement	(247,362,655)	(238,221,600)	(29,380,893)	(42,856,065)	(29,380,893)	(208,840,707)
Drug Rebate Offset - State Sidebar Agreement	(9,422,134)	(13,890,000)	(662,391)	(2,498,811)	(662,391)	(13,227,609)
Drug Rebate Offset - MCO National	(89,719,160)	(46,188,000)	(36,609,879)	(8,309,221)	(36,609,879)	(9,578,121)
Drug Rebate Offset - MCO State Sidebar Agreement	(7,465,402)	(4,285,200)	(758,749)	(770,907)	(758,749)	(3,526,451)
Dental Services	17,904,695	18,576,878	1,152,078	1,431,563	1,152,078	17,424,800
Other Practitioners Services - Regular Payments	10,762,231	12,001,150	610,473	928,566	610,473	11,390,677
Other Practitioners Services - Supplemental Payments	-	-	-	-	-	-
Clinic Services	3,328,805	4,401,083	188,505	341,029	188,505	4,212,578
Lab & Radiological Services	26,879,927	22,300,416	1,512,586	1,716,188	1,512,586	20,787,830
Home Health Services	42,832,510	46,917,519	2,936,619	3,663,124	2,936,619	43,980,900
Hysterectomies/Sterilizations	234,860	215,096	5,186	16,546	5,186	209,910
Pregnancy Terminations ⁽⁴⁾	-	274,326	20,896	21,102	20,896	253,430
EPSDT Services	1,557,174	1,920,918	118,335	147,886	118,335	1,802,583
Rural Health Clinic Services	9,206,515	12,285,791	616,290	945,175	616,290	11,669,501
Medicare Health Insurance Payments - Part A Premiums	18,084,672	18,042,000	1,565,918	1,503,500	1,565,918	16,476,082
Medicare Health Insurance Payments - Part B Premiums	96,216,407	111,651,355	8,454,331	9,304,280	8,454,331	103,197,024
120% - 134% Of Poverty	7,659,976	6,920,700	748,583	532,362	748,583	6,172,117
135% - 175% Of Poverty	-	-	-	-	-	-
Coinsurance And Deductibles	9,743,197	10,599,800	639,211	815,369	639,211	9,960,589

WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES
 BUREAU FOR MEDICAL SERVICES
 EXPENDITURES BY PROVIDER TYPE
 SFY2017

MONTH OF JULY 2016

	ACTUALS	TOTAL	ACTUALS	ESTIMATE	ACTUALS	PROJECTED
	SFY2016	SFY2017	Current Month Ended 7/31/16	Current Month Ended 7/31/16	Year To-Date Thru 7/31/16	8/1/16 Thru 6/30/17
Medicaid Health Insurance Payments: Managed Care Organizations (MCO)	1,286,596,440	1,501,169,123	121,751,210	125,097,427	121,751,210	1,379,417,913
Medicaid MCO - Evaluation and Management	1,760	-	-	-	-	-
Medicaid MCO - Vaccine Codes	89	-	-	-	-	-
Medicaid Health Insurance Payments: Prepaid Ambulatory Health Plan	-	-	-	-	-	-
Medicaid Health Insurance Payments: Prepaid Inpatient Health Plan	-	-	-	-	-	-
Medicaid Health Insurance Payments: Group Health Plan Payments	577,361	645,800	48,051	49,677	48,051	597,749
Medicaid Health Insurance Payments: Coinsurance	-	-	-	-	-	-
Medicaid Health Insurance Payments: Other	-	-	-	-	-	-
Home & Community-Based Services (MR/DD)	331,969,032	370,267,300	27,419,630	28,482,100	27,419,630	342,847,670
Home & Community-Based Services (Aged/Disabled)	103,740,104	109,486,361	7,649,068	8,471,418	7,649,068	101,837,293
Home & Community-Based Services (Traumatic Brain Injury)	1,288,545	1,338,311	103,884	102,924	103,884	1,234,427
Home & Community-Based Services (State Plan 1915(i) Only)	-	-	-	-	-	-
Home & Community-Based Services (State Plan 1915(j) Only)	-	-	-	-	-	-
Community Supported Living Services	-	-	-	-	-	-
Programs Of All-Inclusive Care Elderly	-	-	-	-	-	-
Personal Care Services - Regular Payments	75,461,043	81,069,514	6,018,020	6,245,366	6,018,020	75,051,494
Personal Care Services - SDS 1915(j)	-	-	-	-	-	-
Targeted Case Management Services - Com. Case Management	-	-	-	-	-	-
Targeted Case Management Services - State Wide	2,684,324	3,134,547	181,963	241,151	181,963	2,952,584
Primary Care Case Management Services	118,509	-	24	-	24	(24)
Hospice Benefits ⁽³⁾	24,326,119	28,764,002	2,762,281	2,212,616	2,762,281	26,001,721
Emergency Services Undocumented Aliens	726,066	567,619	29,204	43,663	29,204	538,415
Federally Qualified Health Center	26,234,192	36,013,699	1,420,779	2,770,737	1,420,779	34,592,920
Non-Emergency Medical Transportation	33,057,538	31,937,126	2,985,470	2,459,718	2,985,470	28,951,656
Physical Therapy	2,760,390	2,429,083	270,749	186,949	270,749	2,158,334
Occupational Therapy	636,335	754,433	82,354	58,033	82,354	672,079
Services for Speech, Hearing & Language	572,905	585,848	45,603	45,070	45,603	540,245
Prosthetic Devices, Dentures, Eyeglasses	1,889,277	1,840,232	150,462	141,752	150,462	1,689,770
Diagnostic Screening & Preventive Services	896,178	699,236	45,557	53,787	45,557	653,679
Nurse Mid-Wife	292,426	418,463	12,659	32,189	12,659	405,804
Emergency Hospital Services	192	-	-	-	-	-
Critical Access Hospitals	45,094,773	41,345,935	3,522,512	3,181,609	3,522,512	37,823,423
Nurse Practitioner Services	3,879,118	4,269,983	258,946	328,525	258,946	4,011,037
School Based Services	10,725,290	27,116,380	993,208	2,085,882	993,208	26,123,172
Rehabilitative Services (Non-School Based)	72,279,284	81,100,199	5,848,243	6,243,932	5,848,243	75,251,956
Private Duty Nursing	7,572,074	8,116,442	761,678	625,262	761,678	7,354,764
Freestanding Birth Centers	-	52,723	-	4,056	-	52,723
Health Home for Enrollees w Chronic Conditions	283,848	310,938	24,246	23,918	24,246	286,692
Other Care Services	23,840,734	24,979,301	1,736,133	1,938,929	1,736,133	23,243,168
Less: Recoupments	-	-	(1,242,088)	-	(1,242,088)	1,242,088
NET MEDICAID EXPENDITURES:	3,719,444,105	4,246,341,693	254,139,579	289,399,861	254,139,579	3,992,202,114

WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES
 BUREAU FOR MEDICAL SERVICES
 EXPENDITURES BY PROVIDER TYPE
 SFY2017

MONTH OF JULY 2016

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

ACTUALS	TOTAL	ACTUALS	ESTIMATE	ACTUALS	PROJECTED
SFY2016	SFY2017	Current Month Ended 7/31/16	Current Month Ended 7/31/16	Year To-Date Thru 7/31/16	8/1/16 Thru 6/30/17
(16,895,131)	-	-	-	-	-
(528,556)	-	-	-	-	-
(136,975)	-	-	-	-	-
(22,712,394)	-	-	-	-	-
3,679,171,049	4,246,341,693	254,139,579	289,399,861	254,139,579	3,992,202,114
38,334,392	43,492,293	3,411,921	3,624,358	3,411,921	40,080,372
643,193	677,984	40,601	52,153	40,601	637,383
1,225,231	2,372,514	101,813	182,501	101,813	2,270,701
\$ 3,719,373,866	\$ 4,292,884,484	\$ 257,693,913	\$ 293,258,873	\$ 257,693,913	\$ 4,035,190,570
3,982,371	4,980,394	252,708	383,107.21	252,708	4,727,686
271,038	280,566	10,880	21,582	10,880	269,686
6,343,904	20,000,000	195,500	1,538,462	195,500	19,804,500
\$ 3,729,971,178	\$ 4,318,145,444	\$ 258,153,001	\$ 295,202,023	\$ 258,153,001	\$ 4,059,992,443

NET EXPENDITURES and CMS-64 ADJUSTMENTS:

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

TOTAL MEDICAID EXPENDITURES

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

TOTAL EXPENDITURES

- (1) This amount will revert to State Only if not reimbursed.
- (2) Of the amount in the "Nursing Facility Services-Regular Payments" line, \$1,704,142 is the amount paid to State Facilities year to date.
- (3) Of the amount in the "Hospice Benefits" line, \$2,232,279 is the amount paid to Nursing Facilities for Hospice Benefits year to date.
- (4) Pregnancy Terminations are State Only expenditures and are not currently claimed.

WV DEPARTMENT OF HEALTH AND HUMAN RESOURCES
 BUREAU FOR MEDICAL SERVICES
 MEDICAID CASH REPORT
 SFY2017

MONTH OF JULY 2016

REVENUE SOURCES

Beg. Bal. 7/01/16 (5084/1020 prior mth)

MATCHING FUNDS

General Revenue (0403/189)
 MRDD Waiver (0403/466)
 Rural Hospitals Under 150 Beds (0403/940)
 Tertiary Funding (0403/547)
 Traumatic Brain Injury (0403/835)
 Title XIX Waiver for Seniors (0403-533)
 Medical Services Surplus (0403/633)
 Waiver for Senior Citizens Surplus (0403/526)
 Lottery Waiver (Less 550,000) (5405/539)
 Lottery Waiver (0420/539)
 Lottery Transfer (5405/871)
 Excess Lottery (5365/189)
 Lottery Surplus (5405/68199)
 Lottery Surplus (5365/68100)
 Trust Fund Appropriation (5185/189)
 Provider Tax (5090/189)
 NSGO UPL (5084/6717)
 Certified Match
 Reimbursables - Amount Reimbursed
 Other Revenue (MWIN, Escheated Warrants, etc.) 5084/4010 & 4015
 CHIP State Share
 CMS - 64 Adjustments

TOTAL MATCHING FUNDS

FEDERAL FUNDS

TOTAL REVENUE SOURCES

TOTAL EXPENDITURES:

Provider Payments

TOTAL

	ACTUALS SFY2016	ACTUALS Current Month Ended 7/31/16	ACTUALS Year-To-Date Thru 7/31/16	PROJECTED 8/1/16 Thru 6/30/17	TOTAL SFY2017
Beg. Bal. 7/01/16 (5084/1020 prior mth)	\$ 19,797,518	\$ 22,715,798	\$ 22,715,798	\$ -	\$ 22,715,798
MATCHING FUNDS					
General Revenue (0403/189)	367,629,797	49,405,758	49,405,758	370,591,916	419,997,674
MRDD Waiver (0403/466)	88,753,483	5,916,899	5,916,899	82,836,584	88,753,483
Rural Hospitals Under 150 Beds (0403/940)	2,596,000	216,333	216,333	2,379,667	2,596,000
Tertiary Funding (0403/547)	6,356,000	529,667	529,667	5,826,333	6,356,000
Traumatic Brain Injury (0403/835)	800,000	53,334	53,334	746,666	800,000
Title XIX Waiver for Seniors (0403-533)	11,377,874	906,241	906,241	12,687,379	13,593,620
Medical Services Surplus (0403/633)	-	-	-	5,500,000	5,500,000
Waiver for Senior Citizens Surplus (0403/526)	-	-	-	-	-
Lottery Waiver (Less 550,000) (5405/539)	24,587,271	-	-	-	-
Lottery Waiver (0420/539)	5,906,641	-	-	21,824,274	21,824,274
Lottery Transfer (5405/871)	8,670,000	-	-	12,142,184	12,142,184
Excess Lottery (5365/189)	24,512,140	-	-	8,670,000	8,670,000
Lottery Surplus (5405/68199)	15,125,755	-	-	31,377,985	31,377,985
Lottery Surplus (5365/68100)	20,000,000	-	-	8,000,000	8,000,000
Trust Fund Appropriation (5185/189)	66,292,331	-	-	30,000,000	30,000,000
Provider Tax (5090/189)	209,832,017	16,345,313	16,345,313	149,654,988	149,654,988
NSGO UPL (5084/6717)	4,378,592	366,426	366,426	186,935,694	203,281,007
Certified Match	11,857,611	965,802	965,802	874,977	1,241,403
Reimbursables - Amount Reimbursed	4,138,564	487,605	487,605	13,883,189	14,848,990
Other Revenue (MWIN, Escheated Warrants, etc.) 5084/4010 & 4015	602,343	50,554	50,554	4,492,788	4,980,394
CHIP State Share	3,567,160	-	-	849,446	900,000
CMS - 64 Adjustments	647,987	-	-	-	-
TOTAL MATCHING FUNDS	\$ 897,429,083	\$ 97,959,730	\$ 97,959,730	\$ 949,274,070	\$ 1,047,233,800
FEDERAL FUNDS	\$ 2,887,088,843	\$ 200,421,564	\$ 200,421,564	\$ 3,117,903,101	\$ 3,318,324,666
TOTAL REVENUE SOURCES	\$ 3,784,517,927	\$ 298,381,294	\$ 298,381,294	\$ 4,067,177,172	\$ 4,365,558,466
TOTAL EXPENDITURES:					
Provider Payments	\$ 3,729,971,178	\$ 258,153,001	\$ 258,153,001	\$ 4,059,992,443	\$ 4,318,145,444
TOTAL	\$ 54,546,748	\$ 40,228,293	\$ 40,228,293		\$ 47,413,022

Note: FMAP (71.42% applicable Jul. - Sep. 2016) (71.80% applicable Oct. 2016 - Jun. 2017)

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

September 2016

Department of Health and Human Resources

**MEDICAID WAIVER REPORT
July 2016 Data**

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

Aged & Disabled Waiver Reported July 31, 2016		FY 2016 YTD	Jul 16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	FY2017 YTD
Slots Approved By CMS (1)		6,385	6,151	6,151	6,151	6,151	6,151	6,151	6,151	6,151	6,151	6,151	6,151	6,151	6,151
-Slots Available for Traditional (non TMH-WV) enrollees		6,305	6,071												6,071
-Slots reserved for Take Me Home-WV (TMH-WV) enrollees		80	80												80
Total number of members served YTD (unduplicated slots used) (2) YTD Column reflects most recent month's count		6,385	5,760												5,760
Applicants determined eligible this month and added to MEL (3)		1,897	78												78
Applicants determined ineligible		195	3												3
ACTIVE MEMBERS															
Active members at the end of the month (unduplicated slots active) YTD Column reflects most recent month's count		5,571	5,726												5,726
Active members enrolled during the calendar month		825	234												234
Total Active Traditional members enrolled during the calendar month		N/A	230												230
-Total Active TMH-WV members enrolled during the calendar month		N/A	4												4
Members discharged during the calendar month		1,045	79												79
ADW Members whose case was closed by reason	Member is deceased	573	46												46
	Other (4)	472	33												33
MANAGED ENROLLMENT LIST (MEL)															
# Eligible applicants closed during the calendar month (removed from MEL)		1,903	165												165
ADW Applicants removed from the MEL	Applicant offered a slot	919	113												113
	Applicant became deceased	169	33												33
	Other (5)	815	19												19
Applicants on the MEL who are in a nursing facility YTD Column reflects average # members in setting		34	5												5
Applicants on the MEL receiving Personal Care YTD Column reflects average # members in setting		86	26												26
Applicants on the MEL at the end of the month		274	187												187
Days -Longest time spent on the MEL to date (6) YTD Column reflects average # of days		190	195												195

(1) Of the 6,151 slots approved by CMS, 80 are reserved for the Money Follows the Person and Rebalancing Demonstration Grant.

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

(3) Monthly number added to MEL is being reported in the month an applicant is determined medically eligible; however, the individual's placement date on the managed enrollment list will be based on their

(4) Other reason for closing a case may include, but is not limited to: No services for 180 days, unsafe environment, member non-compliance with program, member no longer desires services, member no longer a WV resident, member no longer medically or financially eligible.

(5) "Other" includes those who are no longer a WV resident, voluntarily decline the program, etc.

(6) Reported by in actual number of days on the MEL.

NOTE: All data reported by Utilization Management Contractor is effective as of the transpire date in the web-based system. Data is point-in-time.

WV Department of Health and Human Resources
Bureau for Medical Services I/DD Waiver Program Report

Intellectual/Developmental Disabilities Waiver Reported July 31, 2016	FY 2016	July-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	YTD2017
Slots approved by CMS	4,634	4,634												4,634
Total number of members served YTD (unduplicated slots used) (1)	4,634	4,587												4,587
Applicants determined eligible (2)	293	16												16
Applicants determined ineligible (3)	287	11												11
ACTIVE MEMBERS														
# of active members at the end of the month (unduplicated slots active) (1)	4,534	4,577												4,577
Discharged members at the end of the calendar month	104	11												11
Discharged members who were discharged by reason	Deceased	53	6											6
	Left program to enter a facility	9	2											2
	Other (6)	40	3											3
MANAGED ENROLLMENT LIST (MEL)														
Total number of applicants on the MEL at the end of the month	1,260	1,220												1,220
Number of applicants added to the MEL (4)	293	16												16
Applicants enrolled (removed from the MEL)	115	54												54
Applicants removed from the MEL due to Death (5)	9	0												0
Applicants removed from the MEL due to Other (6)	7	2												2
Applicants on the MEL who are in a Nursing Facility	2	1												1
Applicants on the MEL who are in an ICF/IID Group Home	85	93												93
Applicants on the MEL receiving Personal Care Services each month	76	82												82
Longest on the MEL to date (7)	1303 Days	1,334												1334

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

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

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

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

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

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

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

Traumatic Brain Injury Waiver Reported July 31, 2016		FY 2016 YTD	Jul 16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	FY 2017 YTD
Slots Approved By CMS (1)		74	70												70
-Slots Available for Traditional (non TMH-WV) enrollees		64	60												60
-Slots reserved for Take Me Home-WV (TMH-WV) enrollees		10	10												10
Total number of members served YTD (unduplicated slots used) (2) YTD Column reflects most recent month's count		73	63												63
Applicants determined eligible this month and added to MEL (3)		NA	1												1
Applicants determined ineligible		5	0												0
ACTIVE MEMBERS															
Active members at the end of the month (unduplicated slots active) YTD Column reflects most recent month's count		63	63												63
Active members enrolled during the calendar month		63	0												0
-Total Active Traditional members enrolled during the calendar month		62	62												62
-Total Active TMH-WV members enrolled during the calendar month		1	1												1
Members discharged during the calendar month		17	0												0
TBIW Members whose case was closed by reason	Member is deceased	4	0												0
	Other (4)	13	0												0
MANAGED ENROLLMENT LIST (MEL)															
# Eligible applicants closed during the calendar month (removed from MEL)		0	0												0
TBIW Applicants removed from the MEL	Applicant offered a slot	6	0												0
	Applicant became deceased	0	0												0
	Other (5)	0	0												0
Applicants on the MEL who are in a nursing facility YTD Column reflects average # members in setting		1	1												1
Applicants on the MEL receiving Personal Care YTD Column reflects average # members in setting		0	0												0
Applicants on the MEL at the end of the month		0	1												1
Days -Longest time spent on the MEL to date (6) YTD Column reflects average # of days		39	3												3

(1) Of the 70 slots approved by CMS, 10 are reserved for the Money Follows the Person and Rebalancing Demonstration Grant. Beginning SFY 2016-2017, the program was over the number of slots available for Traditional enrollees. There are no available Traditional slots beginning SFY 2016-2017, therefore medically eligible applicants that are Traditional will be placed on the MEL.

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

(3) Monthly number added to MEL is being reported in the month an applicant is determined medically eligible; however, the individual's placement date on the managed enrollment list will be based on their initial application date.

(4) Other reason for closing a case may include, but is not limited to: No services for 180 days, unsafe environment, member non-compliance with program, member no longer desires services, member no longer a WV resident, member no longer medically or financially eligible.

(5) "Other" includes those who are no longer a WV resident, voluntarily decline the program, etc.

(6) Reported by in actual number of days on the MEL.

NOTE: All data as reported by the Utilization Management Contractor is point-in-time

Joint Committee on
Government and Finance
Report

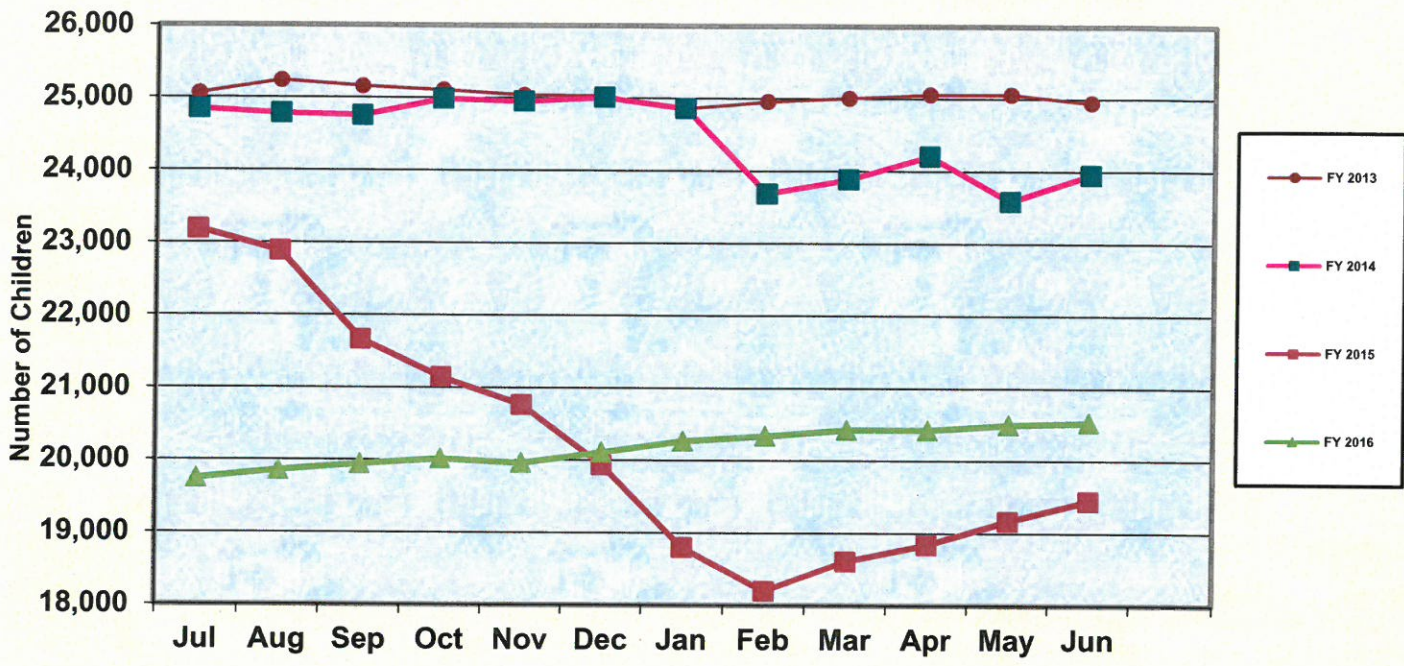
SEPTEMBER 2016

Department of Health and Human Resources

State Children's Health Insurance Program
UPDATE

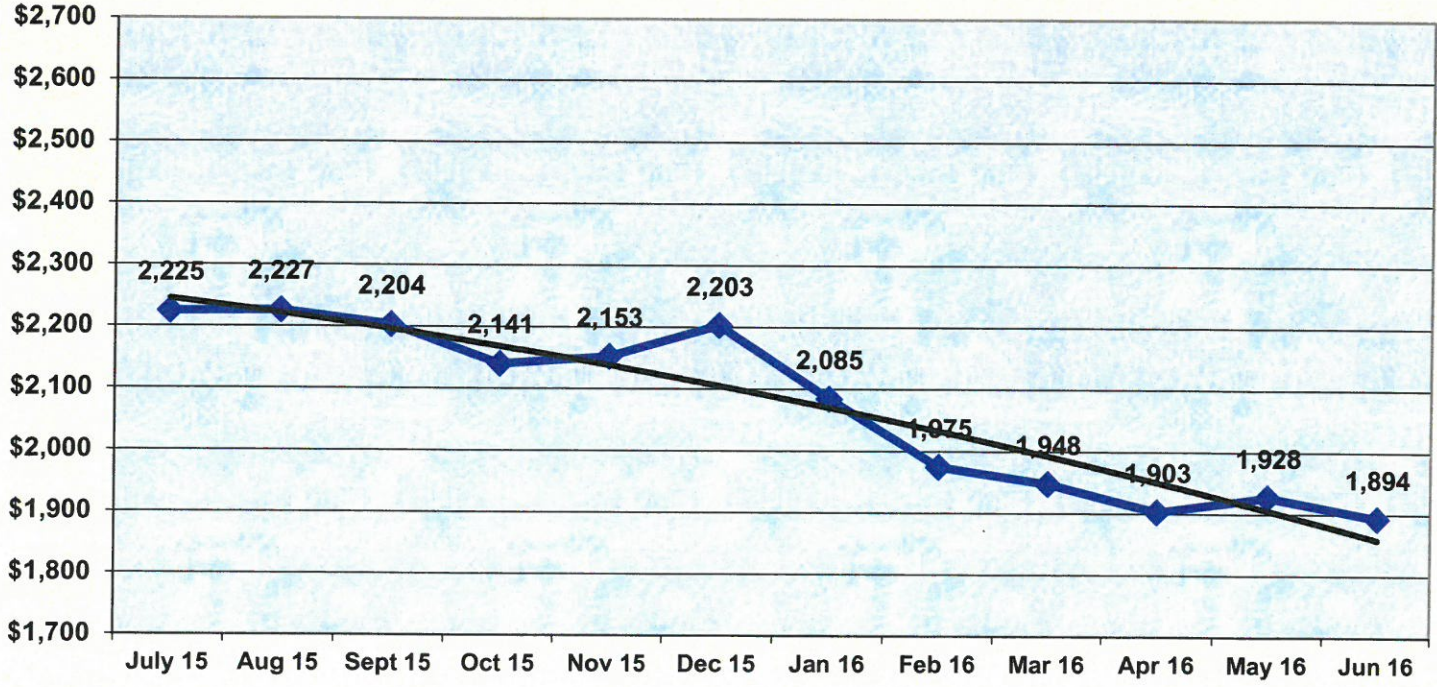


WV CHIP Enrollment



June 30th Enrollment 20,531

Annualized Health Care Expenditures (Cost per Child)



**West Virginia Children's Health Insurance Program
Comparative Balance Sheet**

**June 30, 2016 and 2015
(Accrual Basis)**

	June 30, 2016	June 30, 2015	Variance	
Assets:				
Cash & Cash Equivalents	\$6,546,839	\$9,953,901	(\$3,407,062)	-34%
Due From Federal Government	\$12,321,254	\$3,144,682	\$9,176,572	292%
Due From Other Funds	\$0	\$740,039	(\$740,039)	-100%
Accrued Interest Receivable	\$6,236	\$7,491	(\$1,255)	-17%
Fixed Assets, at Historical Cost	<u>\$82,046</u>	<u>\$82,046</u>	<u>\$0</u>	<u>0%</u>
 Total Assets	 <u>\$18,956,375</u>	 <u>\$13,928,159</u>	 <u>\$5,028,216</u>	 <u>36%</u>
Liabilities:				
Accounts Payable	\$1,238,344	\$227,602	\$1,010,742	444%
Unpaid Insurance Claims Liability	<u>\$9,450,000</u>	<u>\$3,428,717</u>	<u>\$6,021,283</u>	<u>176%</u>
 Total Liabilities	 <u>\$10,688,344</u>	 <u>\$3,656,319</u>	 <u>\$7,032,025</u>	 <u>192%</u>
 Fund Equity	 <u>\$8,268,031</u>	 <u>\$10,271,840</u>	 <u>(\$2,003,809)</u>	 <u>-20%</u>
 Total Liabilities and Fund Equity	 <u>\$18,956,375</u>	 <u>\$13,928,159</u>	 <u>\$5,028,216</u>	 <u>36%</u>

PRELIMINARY FINANCIAL STATEMENTS

Unaudited - For Management Purposes Only - Unaudited

West Virginia Children's Health Insurance Program
Comparative Statement of Revenues, Expenditures and Changes in Fund Balances
For the Twelve Months Ending June 30, 2016 and June 30, 2015
(Modified Accrual Basis)

	June 30, 2016	June 30, 2015	Variance	
Revenues				
Federal Grants	\$44,164,727	\$37,938,660	\$6,226,067	16%
State Appropriations	\$0	\$6,093,437	(\$6,093,437)	-100%
Premium Revenues	\$1,360,586	\$1,209,744	\$150,842	12%
Investment Income:				
Investment Earnings	<u>\$65,271</u>	<u>\$75,140</u>	<u>(\$9,869)</u>	<u>-13%</u>
Total Revenues	<u>\$45,590,584</u>	<u>\$45,316,981</u>	<u>\$273,603</u>	<u>1%</u>
Expenditures:				
Claims:				
Outpatient Services	\$10,297,894	\$12,319,675	(\$2,021,781)	-16%
Physicians & Surgical	\$10,322,869	\$9,050,279	\$1,272,590	14%
Prescribed Drugs	\$8,913,432	\$8,453,297	\$460,135	5%
Dental	\$5,415,059	\$6,088,365	(\$673,306)	-11%
Inpatient Hospital Services	\$3,770,040	\$3,034,938	\$735,102	24%
Outpatient Mental Health	\$844,630	\$1,265,905	(\$421,275)	-33%
Durable & Disposable Med. Equip.	\$820,628	\$987,524	(\$166,896)	-17%
Inpatient Mental Health	\$541,469	\$840,634	(\$299,165)	-36%
Vision	\$694,743	\$668,068	\$26,675	4%
Therapy	\$1,029,313	\$613,821	\$415,492	68%
Medical Transportation	\$422,902	\$354,895	\$68,007	19%
Other Services	\$461,018	\$87,660	\$373,358	426%
Less: Collections**	-\$1,222,807	-\$976,356	(\$246,451)	25%
Total Claims	<u>\$42,311,190</u>	<u>\$42,788,705</u>	<u>(\$477,515)</u>	<u>-1%</u>
General and Admin Expenses:				
Salaries and Benefits	\$570,269	\$609,865	(\$39,596)	-6%
Program Administration	\$3,177,851	\$3,347,357	(\$169,506)	-5%
Eligibility	\$363,476	\$72,020	\$291,456	405%
Outreach & Health Promotion	\$12,898	\$474,758	(\$461,860)	-97%
Current	<u>\$165,965</u>	<u>\$207,078</u>	<u>(\$41,113)</u>	<u>-20%</u>
Total Administrative	<u>\$4,290,459</u>	<u>\$4,711,078</u>	<u>(\$420,619)</u>	<u>-9%</u>
Total Expenditures	<u>\$46,601,649</u>	<u>\$47,499,783</u>	<u>(\$898,134)</u>	<u>-2%</u>
Excess of Revenues				
Over (Under) Expenditures	<u>-\$1,011,065</u>	<u>-\$2,182,802</u>	<u>\$1,171,737</u>	<u>-54%</u>
Unrealized Gain(loss) On Investments*	\$20,261	-\$8,629	\$28,890	-335%
Fund Equity, Beginning	<u>\$10,674,682</u>	<u>\$12,866,113</u>	<u>(\$2,191,431)</u>	<u>-17%</u>
Adjustments to Fund Equity	-\$1,415,847	-\$402,842	(\$1,013,005)	0%
Fund Equity, Ending	<u>\$8,268,031</u>	<u>\$10,271,840</u>	<u>(\$2,003,809)</u>	<u>-20%</u>

** Collections are primarily drug rebates and subrogation

PRELIMINARY FINANCIAL STATEMENTS

West Virginia Children's Health Insurance Program
WVFIMS Fund 5071
For the Month June 30, 2016
(Accrual Basis)

Investment Account

Funds Invested	\$6,360,354
Interest Earned	<u>6,236</u>
Total	<u>\$6,366,590</u>

Unaudited - For Management Purposes Only - Unaudited

**West Virginia Children's Health Insurance Program
Budget to Actual Statement
State Fiscal Year 2016
For the Twelve Months Ended June 30, 2016**

	Budgeted for Year	Year to Date Budgeted Amt	Year to Date Actual Amt	Year to Date Variance*		Monthly Budgeted Amt	Actual Amt Jun-16	Actual Amt May-16	Actual Amt Apr-16
Projected Cost	\$46,514,413	\$46,514,413	\$39,495,908	\$7,018,505	15%	\$3,876,201	\$3,331,767	\$3,052,427	\$3,599,185
Premiums	\$1,854,664	\$1,854,664	\$1,366,018	(\$488,646)	-26%	\$154,555	\$98,585	\$108,553	\$116,250
Subrogation & Rebates	<u>\$1,015,410</u>	<u>\$1,015,410</u>	<u>\$1,158,986</u>	<u>\$143,576</u>	<u>14%</u>	<u>\$84,618</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Net Benefit Cost	\$43,644,339	\$43,644,339	\$36,970,904	\$6,673,435	15%	\$3,714,594	\$3,233,182	\$2,943,874	\$3,482,935
Salaries & Benefits	\$646,556	\$646,556	\$570,269	\$76,287	12%	\$53,880	\$43,709	\$43,566	\$42,532
Program Administration	\$3,500,000	\$3,500,000	\$2,469,839	\$1,030,161	29%	\$291,667	\$312,147	\$81,399	\$56,195
Eligibility	\$250,000	\$250,000	\$53,026	\$196,974	79%	\$20,833	\$17,505	\$0	\$6,101
Outreach & Health Prom.	\$300,000	\$300,000	\$22,437	\$277,563	93%	\$25,000	\$0	\$0	\$300
Current Expense	<u>\$250,000</u>	<u>\$250,000</u>	<u>\$164,147</u>	<u>\$85,853</u>	<u>34%</u>	<u>\$20,833</u>	<u>\$26,734</u>	<u>\$2,798</u>	<u>\$12,166</u>
Total Admin Cost	\$4,946,556	\$4,946,556	\$3,279,718	\$1,666,838	34%	\$412,213	\$400,096	\$127,764	\$117,294
Total Program Cost	<u>\$48,590,895</u>	<u>\$48,590,895</u>	<u>\$40,250,622</u>	<u>\$8,340,273</u>	<u>17%</u>	<u>\$4,126,807</u>	<u>\$3,633,278</u>	<u>\$3,071,638</u>	<u>\$3,600,229</u>
Federal Share 100.00%	\$46,155,276	\$46,155,276	\$38,163,858	\$7,991,419	17%	\$3,291,541	\$3,633,278	\$3,071,638	\$3,600,229
State Share 0.00%	<u>\$2,435,619</u>	<u>\$2,435,619</u>	<u>\$2,086,764</u>	<u>\$348,855</u>	<u>14%</u>	<u>\$835,266</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Total Program Cost **	<u>\$48,590,895</u>	<u>\$48,590,895</u>	<u>\$40,250,622</u>	<u>\$8,340,273</u>	<u>17%</u>	<u>\$4,126,807</u>	<u>\$3,633,278</u>	<u>\$3,071,638</u>	<u>\$3,600,229</u>

* Positive percentages indicate favorable variances

** Budgeted Year Based on CCRC Actuary 6/30/2015 Report.

Unaudited - Cash Basis For Management Purposes Only - Unaudited

WVCHIP Enrollment Report

ATTACHMENT 1

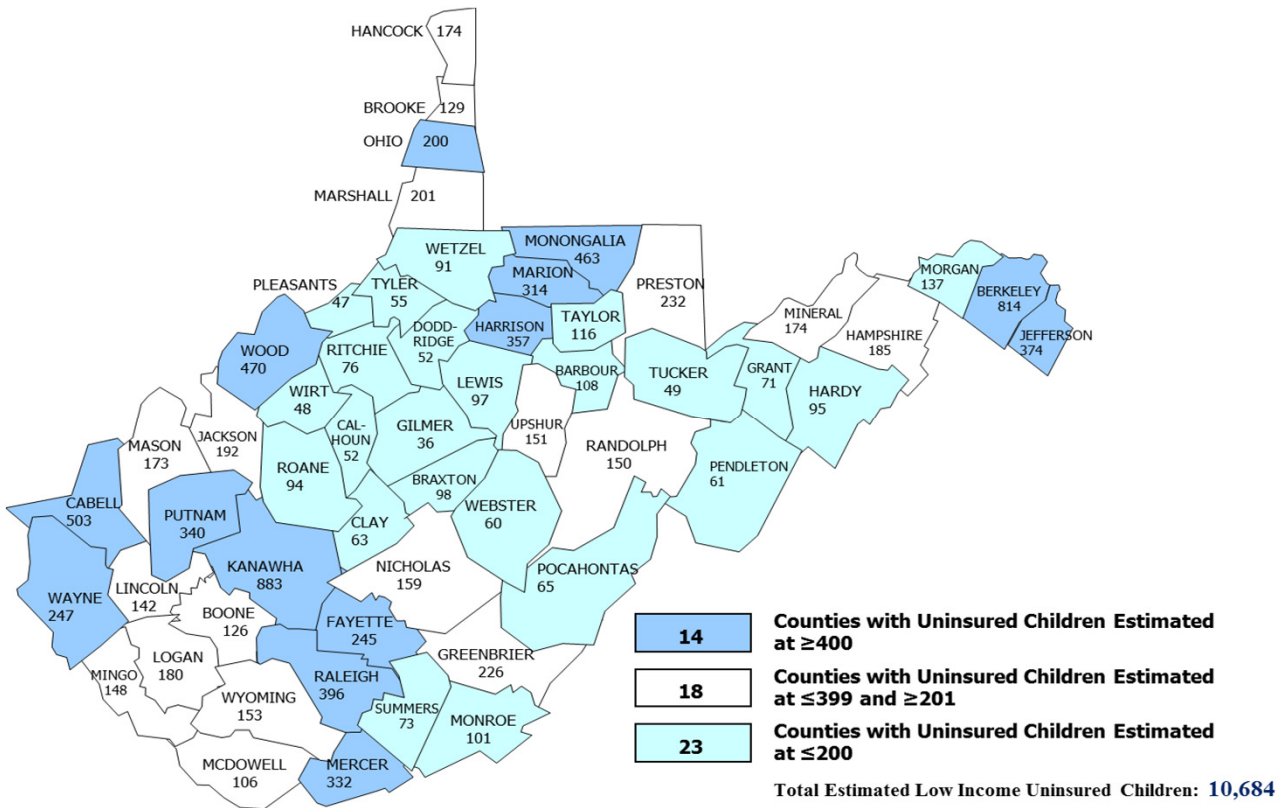
August 2016

County	County Pop.	Total CHIP	Total Medicaid	Total	CHIP/Medicaid	2010	2010
	2010 Est. (0-18 Yrs)	Enrollment Aug-16	Enrollment Aug-16	CHIP/Medicaid Enrollment	Enrollment % of Population	Est. Uninsured 3%	# Children Uninsured Ranking*
Barbour	3,600	240	1,722	1,962	54.5%	108	33
Berkeley	26,251	1,414	11,681	13,095	49.9%	788	2
Boone	5,615	251	3,431	3,682	65.6%	168	25
Braxton	3,006	158	1,711	1,869	62.2%	90	40
Brooke	4,573	234	1,693	1,927	42.1%	137	31
Cabell	18,879	1,009	9,478	10,487	55.5%	566	4
Calhoun	1,518	77	858	935	61.6%	46	51
Clay	2,215	139	1,449	1,588	71.7%	66	44
Doddridge	1,673	78	785	863	51.6%	50	48
Fayette	9,438	729	5,439	6,168	65.4%	283	13
Gilmer	1,260	53	624	677	53.7%	38	54
Grant	2,555	110	1,104	1,214	47.5%	77	42
Greenbrier	7,131	566	3,658	4,224	59.2%	214	16
Hampshire	5,392	220	2,498	2,718	50.4%	162	27
Hancock	6,166	319	2,821	3,140	50.9%	185	20
Hardy	3,015	166	1,645	1,811	60.1%	90	39
Harrison	15,202	835	6,633	7,468	49.1%	456	7
Jackson	6,602	380	3,131	3,511	53.2%	198	18
Jefferson	12,679	560	3,865	4,425	34.9%	380	10
Kanawha	39,771	1,955	19,765	21,720	54.6%	1,193	1
Lewis	3,389	222	1,968	2,190	64.6%	102	37
Lincoln	4,930	257	3,269	3,526	71.5%	148	30
Logan	7,496	385	4,741	5,126	68.4%	225	15
Marion	11,227	587	5,385	5,972	53.2%	337	11
Marshall	6,886	272	3,100	3,372	49.0%	207	17
Mason	5,929	242	2,943	3,185	53.7%	178	21
McDowell	4,423	212	3,400	3,612	81.7%	133	32
Mercer	12,764	847	8,105	8,952	70.1%	383	9
Mineral	5,868	240	2,443	2,683	45.7%	176	23
Mingo	5,905	232	4,078	4,310	73.0%	177	22
Monongalia	15,294	799	5,450	6,249	40.9%	459	6
Monroe	2,835	231	1,209	1,440	50.8%	85	41
Morgan	3,596	227	1,572	1,799	50.0%	108	34
Nicholas	5,561	322	3,065	3,387	60.9%	167	26
Ohio	8,444	414	3,633	4,047	47.9%	253	14
Pendleton	1,462	69	636	705	48.2%	44	52
Pleasants	1,551	79	651	730	47.1%	47	50
Pocahontas	1,561	129	861	990	63.4%	47	49
Preston	6,536	396	3,215	3,611	55.2%	196	19
Putnam	13,150	588	4,442	5,030	38.3%	395	8
Raleigh	16,403	1,011	9,643	10,654	65.0%	492	5
Randolph	5,705	457	2,948	3,405	59.7%	171	24
Ritchie	2,205	114	1,096	1,210	54.9%	66	45
Roane	3,239	261	1,870	2,131	65.8%	97	38
Summers	2,521	150	1,405	1,555	61.7%	76	43
Taylor	3,514	191	1,613	1,804	51.3%	105	35
Tucker	1,371	97	588	685	50.0%	41	53
Tyler	1,924	95	866	961	49.9%	58	47

WVCHIP Enrollment Report

August 2016

County	County Pop. 2010 Est. (0-18 Yrs)	Total CHIP Enrollment Aug-16	Total Medicaid Enrollment Aug-16	Total CHIP/Medicaid Enrollment	CHIP/Medicaid % of Population	2010 Est. Uninsured 3%	2010 # Children Uninsured Ranking*
Upshur	4,996	311	2,912	3,223	64.5%	150	29
Wayne	9,516	376	4,907	5,283	55.5%	285	12
Webster	1,977	117	1,372	1,489	75.3%	59	46
Wetzel	3,466	185	1,852	2,037	58.8%	104	36
Wirt	1,201	65	763	828	69.0%	36	55
Wood	18,956	906	9,544	10,450	55.1%	569	3
Wyoming	5,116	299	3,111	3,410	66.7%	153	28
Totals	387,459	20,878	192,647	213,525	55.1%	11,624	

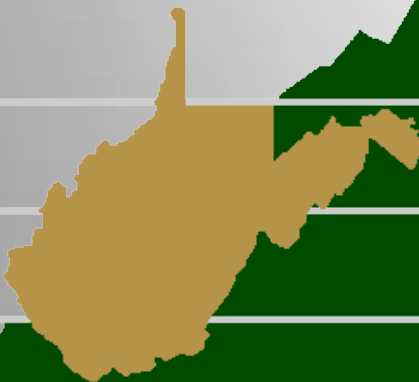


The above map shows the most recent 2013 county level data provided by the U.S. Census Bureau Small Area Health Insurance Estimates (SAHIE) for children under 19 years. While the statewide average for children under 19 is now about 3%, the SAHIE data reflects more accurately the variation from county to county depending on the availability of employer sponsored insurance and should be a more accurate way to target outreach than in previous years.

WEST VIRGINIA INVESTMENT MANAGEMENT BOARD

Participant Plan Performance Report

July 31, 2016



Participant Plans Allocation & Performance Net of Fees - Preliminary

Period Ending: July 31, 2016

	6/30/2016		7/31/2016		Performance %						
	Asset (\$000)	%	Asset (\$000)	%	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
WVIMB Fund Assets	16,714,806	100.0	16,960,426	100.0							
Pension Assets	13,199,263	79.0	13,517,341	79.6							
Public Employees' Retirement System	5,584,415	33.4	5,734,045	33.8	2.9	3.1	2.9	2.2	6.9	7.5	6.4
Teachers' Retirement System	6,498,170	38.9	6,638,084	39.1	2.8	3.1	2.8	2.1	6.9	7.4	6.1
EMS Retirement System	58,707	0.4	60,547	0.4	2.9	3.1	2.9	2.2	6.9	7.5	
Public Safety Retirement System	577,433	3.5	590,248	3.5	2.8	3.1	2.8	2.2	6.9	7.5	6.4
Judges' Retirement System	166,789	1.0	171,224	1.0	2.9	3.1	2.9	2.3	6.9	7.5	6.3
State Police Retirement System	137,807	0.8	142,077	0.8	2.9	3.1	2.9	2.3	6.9	7.5	6.4
Deputy Sheriffs' Retirement System	171,548	1.0	176,516	1.0	2.9	3.1	2.9	2.2	6.9	7.5	6.4
Municipal Police & Firefighter Retirement System	3,073	0.0	3,241	0.0	2.8	3.0	2.8	2.1	6.6	7.6	
Municipal Model A	1,321	0.0	1,359	0.0	2.9	3.1	2.9	2.1	6.8		
Insurance Assets	2,544,436	15.2	2,557,740	15.2							
Workers' Compensation Old Fund	1,284,840	7.7	1,304,521	7.7	2.1	2.7	2.1	3.4	4.1	4.3	4.5
Workers' Comp. Self-Insured Guaranty Risk Pool	33,418	0.2	34,035	0.2	2.1	2.5	2.1	1.7	4.1	4.5	3.9
Workers' Comp. Self-Insured Security Risk Pool	53,881	0.3	54,769	0.3	2.1	2.6	2.1	1.9			
Workers' Comp. Uninsured Employers' Fund	10,841	0.1	11,058	0.1	2.0	2.2	2.0	1.3	3.8	4.3	3.7
Pneumoconiosis	246,635	1.5	250,846	1.5	2.1	2.4	2.1	1.5	4.0	4.4	4.8
Board of Risk & Insurance Management	132,322	0.8	135,063	0.8	2.1	2.4	2.1	1.4	4.0	4.5	5.3
Public Employees' Insurance Agency	176,828	1.0	144,242	0.9	2.0	2.4	2.0	1.6	4.1	4.7	5.0
WV Retiree Health Benefit Trust Fund	605,671	3.6	623,206	3.7	2.9	3.1	2.9	2.3	6.9	7.3	
Endowment Assets	971,107	5.8	885,345	5.2							
Berkeley County Development Authority	6,075	0.0	6,250	0.0	2.9	3.1	2.9				
Wildlife Fund	54,443	0.3	56,051	0.3	2.9	3.1	2.9	2.3	6.9	7.5	6.4
Prepaid Tuition Trust	54,948	0.3	53,368	0.3	2.7	3.1	2.7	4.1	6.2	6.6	6.2
Revenue Shortfall Reserve Fund	336,013	2.0	238,361	1.4	0.9	1.9	0.9	4.0	2.8	2.8	2.7
Revenue Shortfall Reserve Fund - Part B	390,669	2.4	399,065	2.4	2.1	2.8	2.1	3.6	4.1	4.4	4.0
WV DEP Trust	7,808	0.1	8,073	0.1	3.4	3.0	3.4	0.3	5.7	6.8	
WV DEP Agency	121,151	0.7	124,177	0.7	2.5	2.7	2.5	1.5			

Composite Asset Allocation & Performance Net of Fees - Preliminary

Period Ending: July 31, 2016

	Asset (\$000)	%	Performance %							
			1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year	
Investment Pools Composite	16,971,700	100.00								
Total Equity Composite	8,564,601	50.46	4.72	3.72	4.72	0.68	6.99	8.24	6.22	
+/- Total Equity Policy Index (b)			0.21	(0.20)	0.21	0.58	0.60	0.76	1.17	
US Equity Composite	4,088,238	24.09	3.55	5.61	3.55	3.03	10.41	12.91	7.82	
+/- Russell 3000 Index			(0.42)	(0.44)	(0.42)	(1.41)	(0.18)	(0.08)	0.00	
Large Cap Composite	3,275,499	19.30	3.08	5.75	3.08	4.75	11.41	13.52	7.82	
+/- S&P 500 Index			(0.61)	(0.07)	(0.61)	(0.86)	0.25	0.14	0.07	
Non-Large Cap Composite	812,739	4.79	5.48	5.01	5.48	(4.46)	6.35	10.34	7.86	
+/- Russell 2500 Index			0.26	(2.38)	0.26	(6.00)	(1.81)	(1.12)	(0.35)	
International Equity Composite	4,476,363	26.37	5.82	1.95	5.82	(1.73)	3.40	3.50	4.84	
+/- MSCI AC World ex US IMI Index (c)			0.76	0.16	0.76	2.41	1.17	1.43	1.99	
Fixed Income Composite	3,268,082	19.26	1.13	2.39	1.13	4.54	3.87	3.85	5.00	
+/- Barclays Capital Universal (d)			0.31	(0.29)	0.31	(1.53)	(0.50)	(0.01)	(0.31)	
Core Fixed Income	1,020,535	6.02	0.62	2.48	0.62	6.11	4.61	4.13		
+/- Barclays Capital Aggregate			(0.01)	0.01	(0.01)	0.17	0.38	0.56		
Total Return Fixed Income	2,247,547	13.24	1.36	2.36	1.36	3.82	3.54	3.74	5.18	
+/- Barclays Capital Universal			0.54	(0.32)	0.54	(2.25)	(0.83)	(0.12)	(0.07)	
TIPS Composite	379,453	2.23	0.87	2.22	0.87	5.00	2.33	2.01		
+/- Barclays Capital U.S. TIPS			0.00	(0.01)	0.00	(0.04)	(0.03)	(0.01)		
Cash Composite	199,872	1.18	0.03	0.08	0.03	0.25	0.15	0.15	1.11	
+/- Citigroup 90 Day T-Bill (e)			0.01	0.01	0.01	0.06	0.05	0.00	0.01	
Private Equity Composite	1,415,336	8.34	0.47	3.01	0.47	5.86	12.74	11.64		
+/- Russell 3000 + 3% (f, g)								(5.28)		
Real Estate Composite	1,530,182	9.02	0.27	3.34	0.27	10.16	10.62	9.86		
+/- NCREIF + 1% (f)								(2.93)		
Hedge Fund Composite	1,614,174	9.51	0.99	1.28	0.99	(3.91)	3.23	4.07		
+/- HFRI FOF + 1% (h)			(0.56)	(0.45)	(0.56)	(0.66)	1.17	1.09		

Participant Plans Allocation vs. Strategy - Preliminary

Period Ending: July 31, 2016

	Domestic Equity		Int'l Equity		Fixed Income		Private Equity		Real Estate		Hedge Funds		Cash	
	Actual %	Strategy %	Actual %	Strategy %	Actual %	Strategy %	Actual %	Strategy %	Actual %	Strategy %	Actual %	Strategy %	Actual %	Strategy %

Pension Assets

Public Employees' Retirement System	26.0	27.5	28.6	27.5	13.8	15.0	10.0	10.0	10.8	10.0	10.5	10.0	0.3	0.0
Teachers' Retirement System	26.2	27.5	28.4	27.5	13.2	15.0	9.9	10.0	10.9	10.0	10.1	10.0	1.3	0.0
EMS Retirement System	26.2	27.5	28.5	27.5	13.8	15.0	9.9	10.0	10.1	10.0	10.6	10.0	0.9	0.0
Public Safety Retirement System	25.9	27.5	28.2	27.5	13.1	15.0	9.8	10.0	10.9	10.0	9.8	10.0	2.3	0.0
Judges' Retirement System	26.3	27.5	28.8	27.5	13.9	15.0	10.0	10.0	10.1	10.0	10.8	10.0	0.1	0.0
State Police Retirement System	26.2	27.5	28.6	27.5	14.2	15.0	9.9	10.0	10.0	10.0	10.7	10.0	0.4	0.0
Deputy Sheriffs' Retirement System	26.3	27.5	28.6	27.5	13.6	15.0	10.0	10.0	10.4	10.0	10.8	10.0	0.3	0.0
Municipal Police & Firefighter Retirement System	25.8	27.5	27.8	27.5	13.8	15.0	9.6	10.0	9.6	10.0	10.1	10.0	3.3	0.0
Municipal Model A	26.3	27.5	28.5	27.5	13.1	15.0	9.9	10.0	10.1	10.0	10.9	10.0	1.2	0.0

Insurance Assets

Workers' Compensation Old Fund	14.4	15.0	16.3	15.0	65.3	70.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0	0.0
Workers' Comp. Self-Insured Guaranty Risk Pool	14.3	15.0	16.3	15.0	43.3	45.0	0.0	0.0	0.0	0.0	22.1	20.0	4.0	5.0
Workers' Comp. Self-Insured Security Risk Pool	14.3	15.0	16.6	15.0	45.2	45.0	0.0	0.0	0.0	0.0	20.2	20.0	3.7	5.0
Workers' Comp. Uninsured Employers Fund	14.0	15.0	15.9	15.0	38.5	40.0	0.0	0.0	0.0	0.0	21.8	20.0	9.8	10.0
Pneumoconiosis	14.5	15.0	16.1	15.0	44.8	45.0	0.0	0.0	0.0	0.0	20.2	20.0	4.4	5.0
Board of Risk & Insurance Mgmt.	14.3	15.0	16.0	15.0	43.2	45.0	0.0	0.0	0.0	0.0	21.5	20.0	5.0	5.0
Public Employees' Insurance Agency	14.5	15.0	16.1	15.0	48.0	50.0	0.0	0.0	0.0	0.0	14.7	20.0	6.7	0.0
WV Retiree Health Benefit Trust Fund	26.2	27.5	29.0	27.5	13.7	15.0	10.0	10.0	10.4	10.0	10.7	10.0	0.0	0.0

Endowment Assets

Berkeley County Development Authority	26.2	27.5	28.7	27.5	13.7	15.0	10.0	10.0	10.6	10.0	10.8	10.0	0.0	0.0
Wildlife Fund	26.0	27.5	28.9	27.5	13.8	15.0	10.0	10.0	10.4	10.0	10.7	10.0	0.2	0.0
Prepaid Tuition Trust	27.2	27.5	23.0	22.5	47.9	50.0	0.0	0.0	0.0	0.0	0.0	0.0	1.9	0.0
Revenue Shortfall Reserve Fund	0.0	0.0	0.0	0.0	100.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue Shortfall Reserve Fund - Part B	14.3	15.0	16.0	15.0	69.7	70.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
WV DEP Trust	30.2	32.5	34.3	32.5	14.4	15.0	0.0	0.0	0.0	0.0	21.1	20.0	0.0	0.0
WV DEP Agency	18.6	20.0	21.4	20.0	37.8	40.0	0.0	0.0	0.0	0.0	21.3	20.0	0.9	0.0

- (a) As of January 2014, the PERS Policy is 30% Russell 3000, 30% MSCI ACW ex USA (IMI), and 40% Barclays Capital Universal. From April 2008 to December 2013, the PERS Policy was 30% Russell 3000, 30% MSCI ACW ex USA (Standard), and 40% Barclays Capital Universal. Prior periods were 42% Russell 3000, 18% MSCI ACW ex USA, and 40% Barclays Capital Aggregate.
- (b) As of January 2014, the Total Equity Policy Index is 50% Russell 3000 and 50% MSCI ACW ex USA (IMI). From April 2008 to December 2013, the Total Equity Policy Index was 50% Russell 3000 and 50% MSCI ACW ex USA (Standard). Prior periods were 40% S&P 500, 30% Russell 2500, and 30% MSCI ACW ex USA.
- (c) Prior to January 2014, the index was the MSCI ACW ex USA (Standard).
- (d) Prior to April 2008, the index was Barclays Capital Aggregate.
- (e) Prior to January 2014, the index was Citigroup 90 Day T-Bill plus 15 basis points.
- (f) The Private Equity Composite and Real Estate Composite are long-term programs whose benchmarks are only reported for 5 years and beyond.
- (g) Prior to January 2014, the index was S&P 500 plus 500 basis points.
- (h) Prior to January 2014, the index was Libor plus 400 basis points.
- (i) Franklin Benchmark is 50% JPM EMBI Global Diversified and 50% JPM GBI EM Diversified.
- (j) Prior to April 2008, the index was a custom index.

Note: Participant returns are net of fees. Portfolio returns are net of management fees. Returns shorter than one year are unannualized.

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Status Report:
Workers' Compensation

Joint Committee on Government & Finance

September 2016

Provided by the West Virginia Offices of the Insurance Commissioner



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Introduction

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

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

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

Definitions:

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

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

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

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

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

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

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

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

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

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

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

Med Only: claim under which only the payment of medical benefits were sought or awarded, i.e. no payment of wage replacement benefits (indemnity) is being made.

Office of Judges: (OOJ) An office comprised of administrative law judges who are charged with resolving protests or appeals to workers' compensation claims management decisions. The Office of Judges conducts hearings, receives and weighs evidence and arguments, and issues written decisions on protests or appeals from initial claim management decisions. Any final decision of the Office of Judges may be appealed to the workers' compensation Board of Review. The OOJ hears protests involving Old Fund claims as well as those arising from the private market (private carrier or privately insured.)

Old Fund: The residual assets and liabilities of the former Worker's Compensation Fund are now reported in a fund known as the Workers' Compensation Old Fund. Disbursements from the Old Fund are related to the liabilities and appropriate administrative expenses necessary for the administration of all claims, actual and incurred but not reported, for any claims with a date of injury on or before June 30, 2005.

OP/OD: claim of Occupational Pneumoconiosis or Occupational Disease. An OP claim could be considered the State level equivalent of an FBL claim; however, State OP claims provide for varying percentages of impairment where the FBL applicant must prove total impairment to be eligible. (State OP claims are awarded more frequently than FBL, but afford lesser benefits.) An example of an OD claim would be occupational hearing loss.

Protest (OOJ): An objection to a ruling of a workers' compensation claim administrator (Old Fund or Private Market) which prompts the initiation of the adjudication process at the Office of Judges.

PPD: (Permanent Partial Disability) paid to compensate an injured worker for permanent impairment that results from an occupational injury or disease. The American Medical Association defines permanent impairment as impairment that has become static or well stabilized with or without medical treatment and is not likely to remit despite medical treatment. It should be noted, some injuries that are total loss by severance have statutory impairment ratings that are defined per WV Code §23-4-6(f). Payment for PPD is based upon 4 weeks of compensation for each one percent of disability.

PTD: (Permanent Total Disability) A disability which renders a claimant unable to engage in gainful employment requiring skills or abilities which can be acquired or which are comparable to those of any gainful employment in which the claimant previously engaged with some regularity. While the comparison of pre-injury income and post-disability income is not a factor to be considered in determining whether or not a claimant is permanently and totally disabled, the geographic availability of gainful employment should be considered. Specifically, the geographic availability of gainful employment within a 75 mile driving distance

of the claimant's home, or within the distance from the claimant's home to his or her pre-injury employment, whichever is greater, is a factor to be considered in determining whether or not a claimant is PTD.

Self-Insured: an employer who has met certain specific guidelines, and who is then permitted to guarantee their own payment and handling of workers' compensation claims to their employees in accordance with WV statutes.

Self-Insured Guaranty Fund: State managed fund consisting of those funds transferred to it from the guaranty pool created pursuant to 85 CSR §19 (2004) and any future funds collected through continued administration of that exempt legislative rule as administered by the WVOIC and out of which workers' compensation benefits may be paid. Covers claims liabilities of bankrupt or defaulted self-insured employers with dates of injury or last exposure after 07/01/2004.

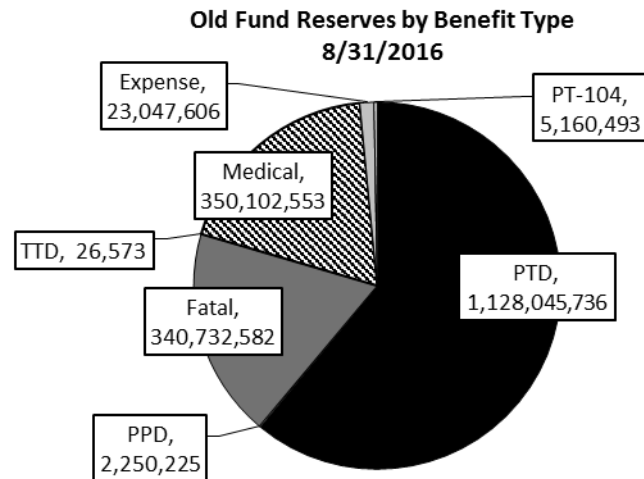
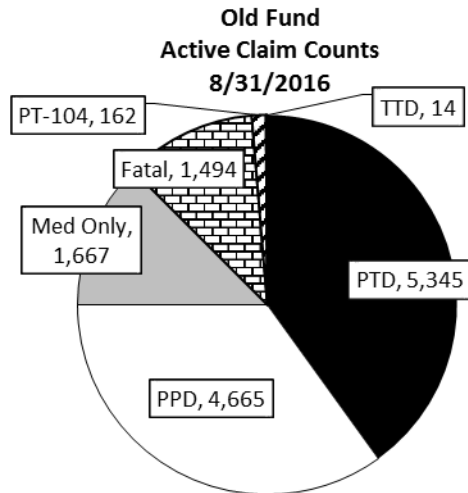
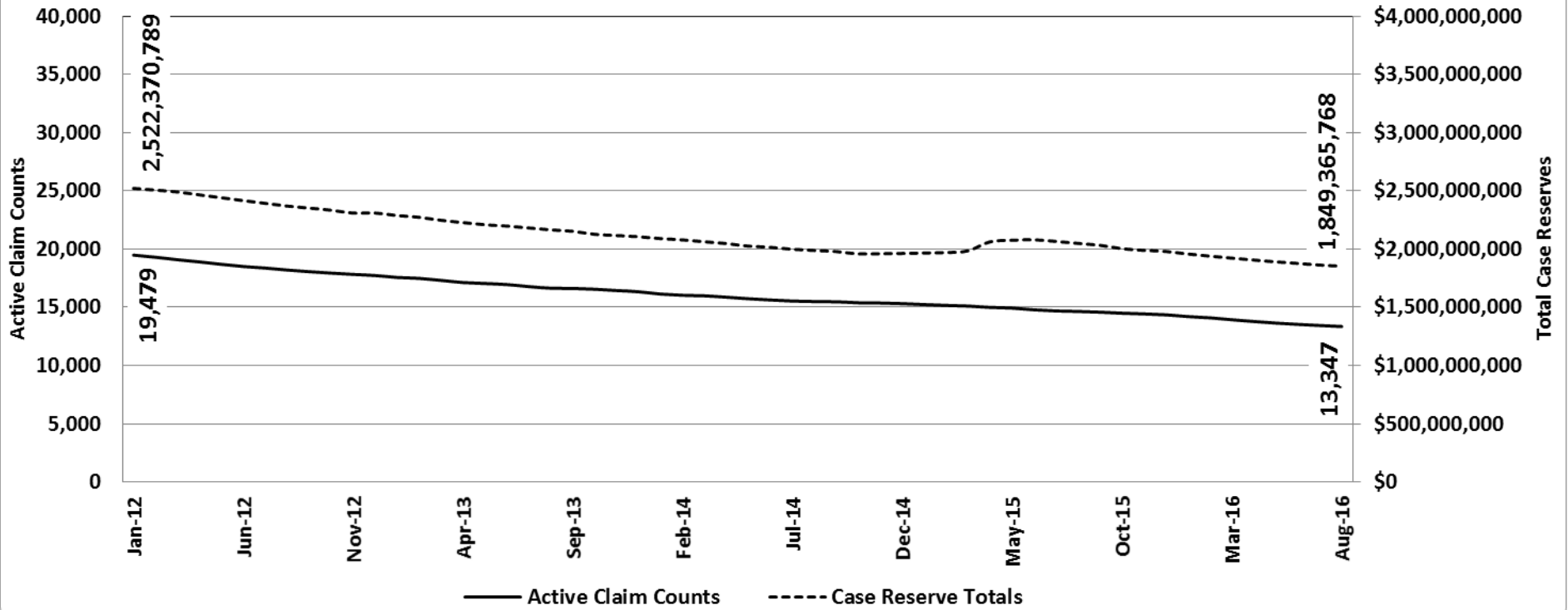
Self-Insured Security Fund: State managed fund consisting of those funds paid into it thru the WVOIC's administration of 85 CSR §19 (2004), and out of which workers' compensation benefits may be paid. Covers claims liabilities of bankrupt or defaulted self-insured employers with dates of injury or last exposure before 07/01/2004. This fund is limited to claimants of those self-insured employers who have defaulted on their claims obligations after 12/31/2005.

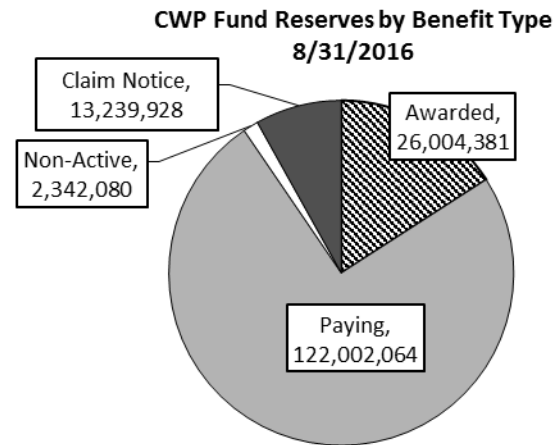
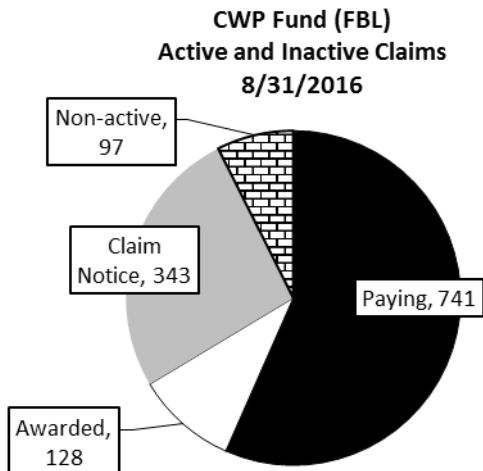
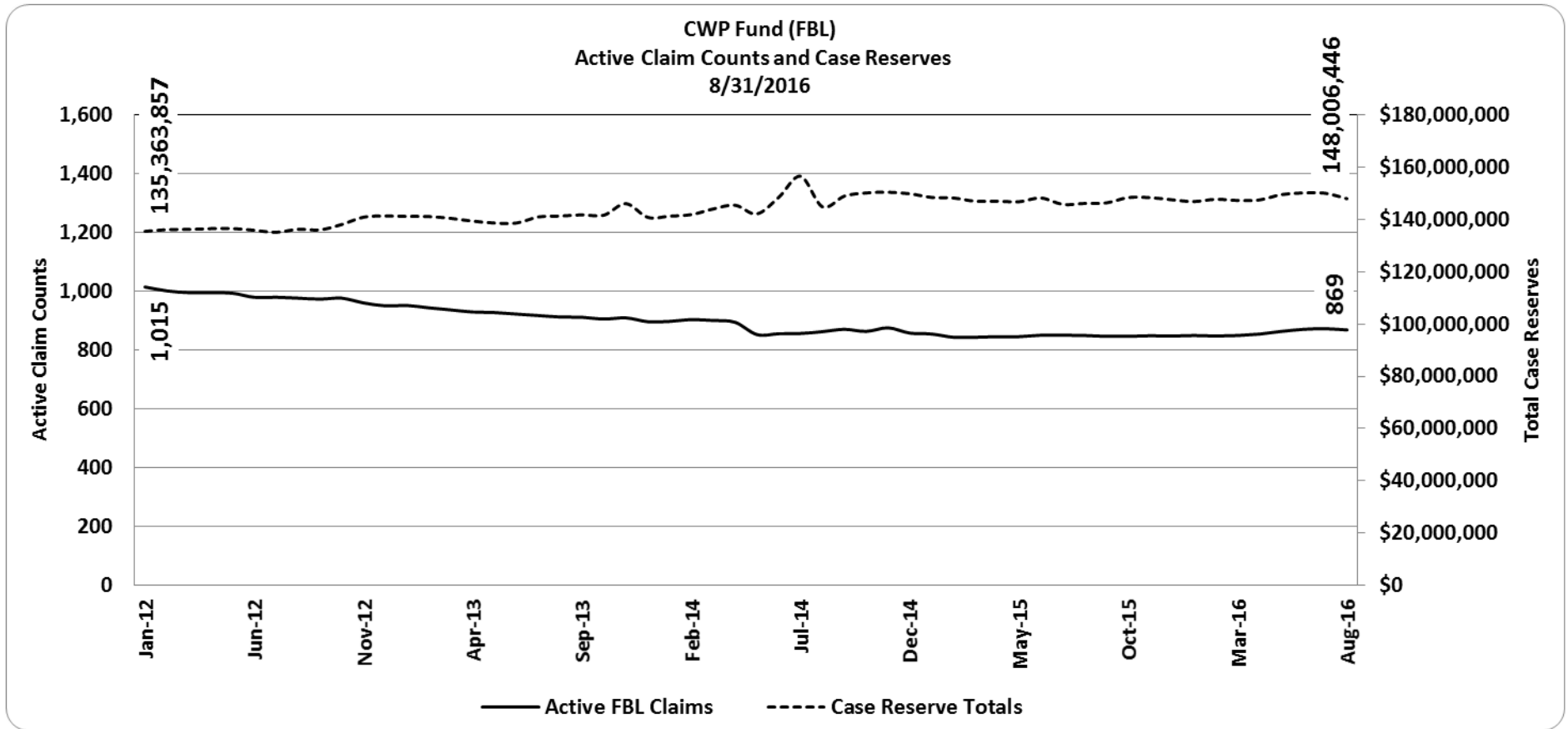
TPD: (Temporary Partial Disability) also referred to as TPR, is paid when an injured worker is released to return to work with restrictions or modifications that restrict he/she from obtaining their pre-injury wages. The TPD benefit is paid at seventy percent of the difference between the average weekly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

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

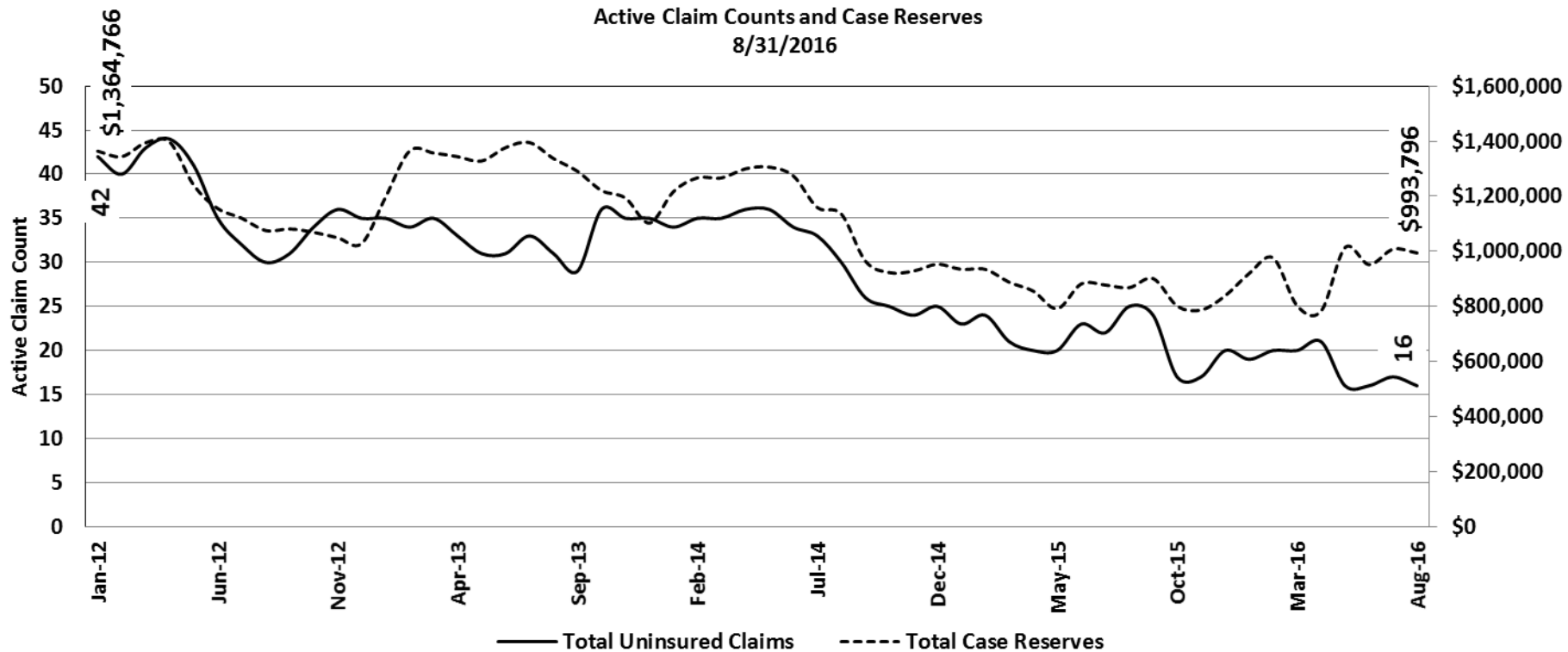
Uninsured Fund: State managed fund into which assessments to carriers or employers received are held, and out of which workers' compensation benefits may be paid to claimant employees of employers who were uninsured if the date of injury or date of last exposure is January 1, 2006 or later.

**Old Fund
Active Claim Counts and Case Reserves
8/31/2016**

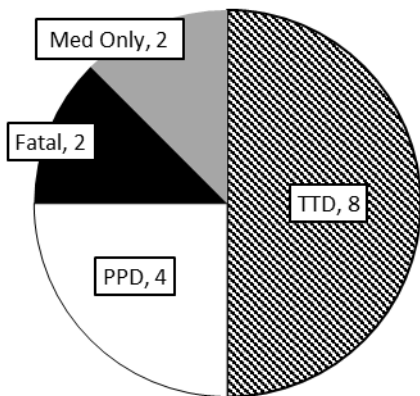




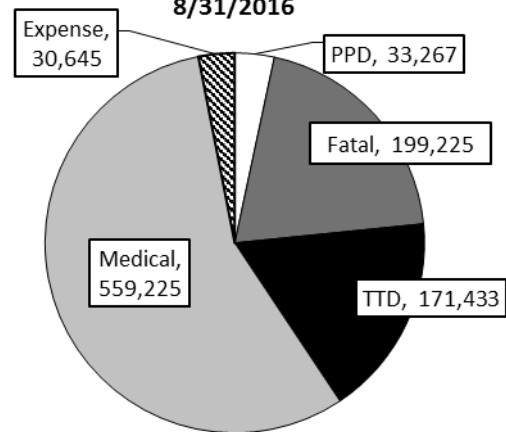
**Uninsured Fund
Active Claim Counts and Case Reserves
8/31/2016**



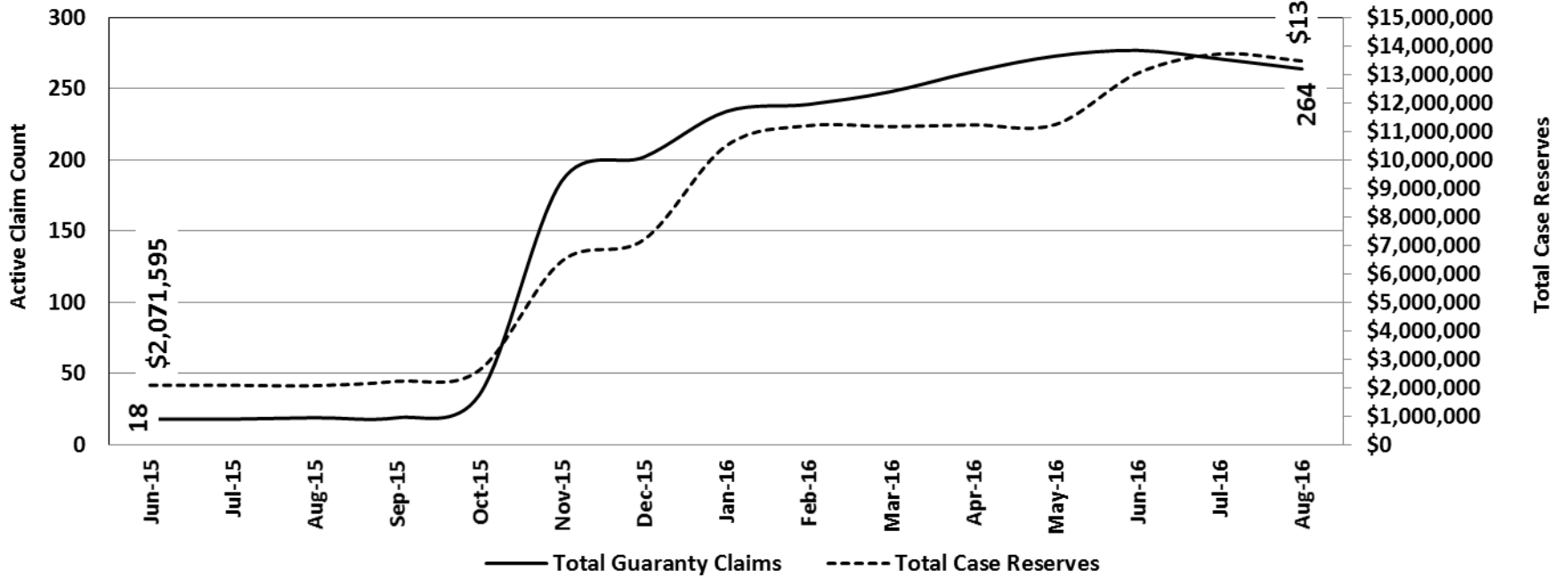
**Uninsured Fund
Active Claim Counts
8/31/2016**



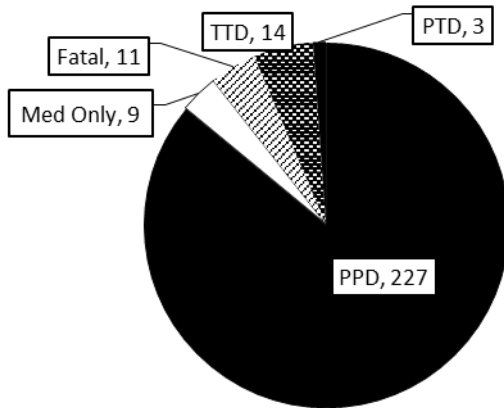
**Uninsured Fund Reserves by Benefit Type
8/31/2016**



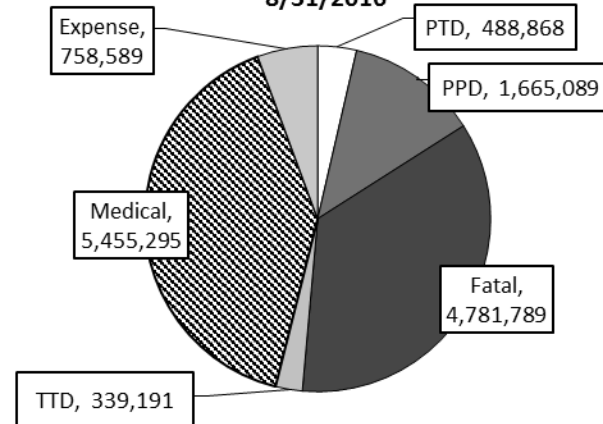
**Guaranty Fund
Active Claim Counts and Case Reserves
8/31/2016**



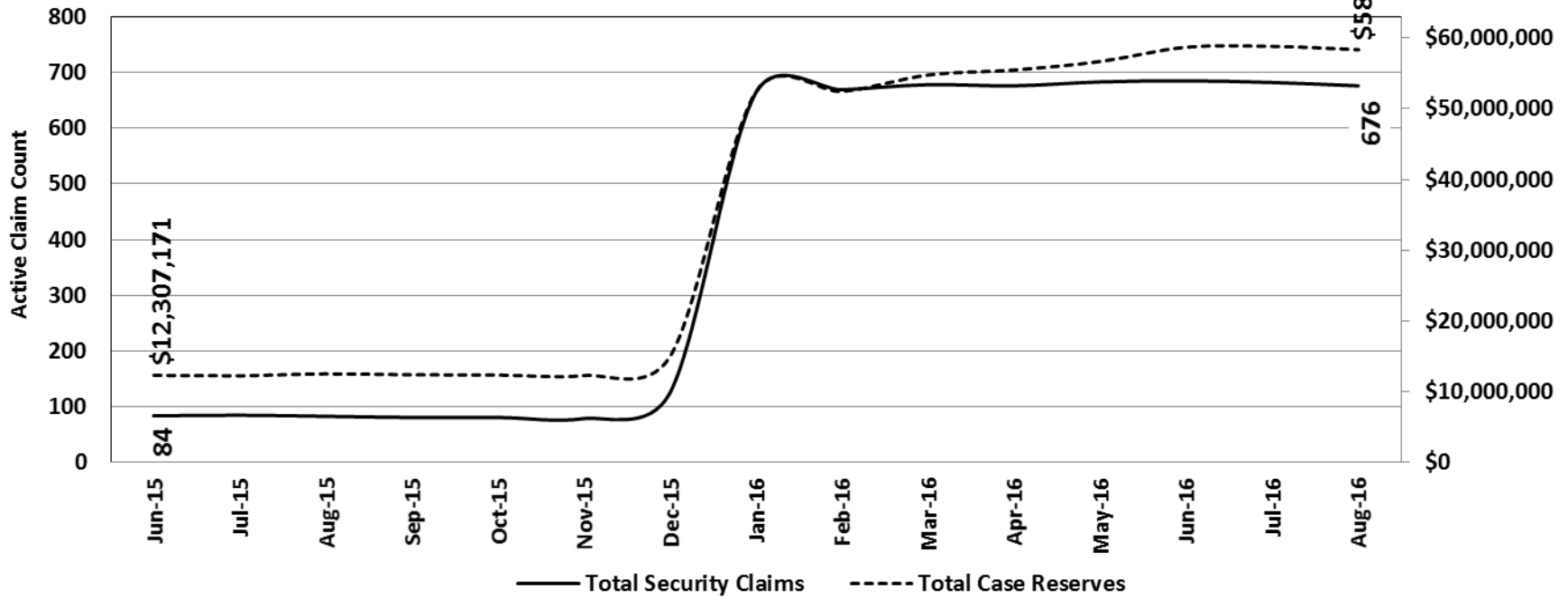
**Guaranty Fund
Active Claim Counts
8/31/2016**



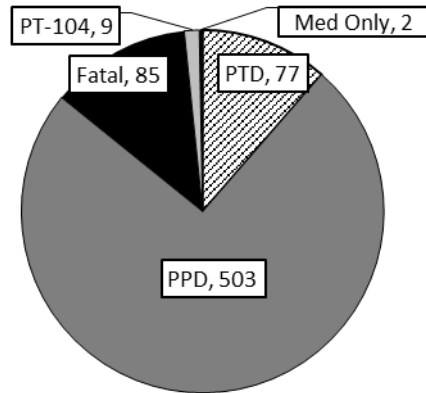
**Guaranty Fund Reserves by Benefit Type
8/31/2016**



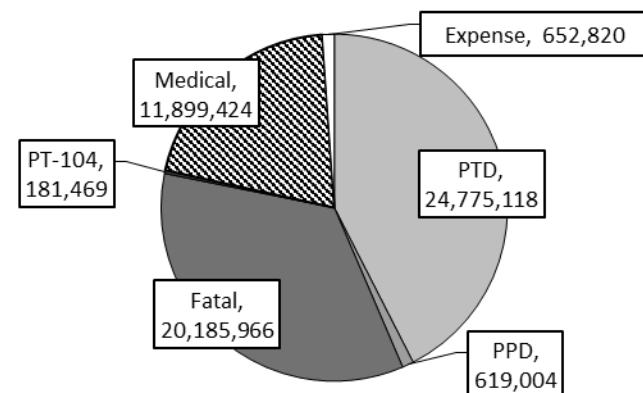
**Security Fund
Active Claim Counts and Case Reserves
8/31/2016**



**Security Fund
Active Claim Counts
8/31/2016**



**Security Fund Reserves by Benefit Type
8/31/2016**



OLD FUND CASH STATEMENT

August 31, 2016

	YTD FY2017	YTD FY2016	Change	Three Year History for years ended:		
				FY2016	FY2015	FY2014
Cash Beginning Balances	1,280,647,632	1,311,665,427	(31,017,795)	1,311,653,269	1,190,142,811	1,061,595,681
Revenues						
Personal Income Tax	-	-	-	42,400,000	95,400,000	95,400,000
Severance Tax	11,051,529	16,462,402	(5,410,873)	73,068,796	125,703,925	109,467,900
Debt Reduction Surcharge	5,577,956	7,553,847	(1,975,892)	25,211,458	34,106,221	34,138,820
Self-Insured Debt Reduction Surcharge	1,821,849	1,991,311	(169,462)	6,209,330	8,859,759	8,493,207
Video Lottery	919,666	903,256	16,410	6,734,934	11,000,000	11,000,000
Employer Premium	20,479	27,166	(6,687)	111,955	202,532	284,075
Other Income - Return of Unclaimed Property	-	8,672	(8,672)	184,888	153,763	92,953
Operating Revenues	19,391,479	26,946,654	(7,555,175)	153,921,361	275,426,199	258,876,955
Investment / Interest Earnings (Losses)	37,668,017	(12,346,135)	50,014,152	(5,981,504)	34,715,474	67,734,120
Total Revenues	57,059,496	14,600,519	42,458,977	147,939,857	310,141,673	326,611,075
Expenditures						
Claims Benefits Paid:						
Medical	5,334,021	3,978,660	1,355,361	26,890,541	29,881,043	31,791,671
Permanent Total Disability	15,777,364	16,778,062	(1,000,698)	98,784,921	104,948,107	111,490,282
Permanent Partial Disability	65,888	32,151	33,736	232,699	353,749	720,723
Temporary Disability	-	-	-	8,554	-	7,741
Fatals	3,946,071	4,104,785	(158,714)	24,098,586	25,497,598	26,407,057
104 weeks death benefit	1,025,158	1,102,603	(77,444)	6,990,581	5,883,387	6,200,020
Settlements	1,832,763	1,219,626	613,137	12,718,425	12,206,388	9,136,495
Loss Adjustment Expenses	215,261	378,055	(162,794)	1,970,779	2,029,136	1,467,221
Total	28,196,526	27,593,943	602,583	171,695,087	180,799,408	187,221,209
Less: Claims credits and overpayments	1,050,059	395,105	654,954	3,044,395	2,240,415	3,265,629
Total Benefits Paid	27,146,467	27,198,838	(52,371)	168,650,692	178,558,993	183,955,580
Administrative Expenses	1,048,831	1,065,537	(16,706)	10,294,801	10,060,064	14,108,365
Total Expenditures	28,195,298	28,264,375	(69,077)	178,945,493	188,619,057	198,063,945
Excess (Deficiency) of Revenues over Expenditures	28,864,198	(13,663,856)	42,528,053	(31,005,636)	121,522,616	128,547,130
Cash Ending Balances	1,309,511,830	1,298,001,571	11,510,258	1,280,647,632	1,311,665,427	1,190,142,811

Note: The purpose of this report is to enhance the user's ability to monitor the cash activities of the Old Fund. The Old Fund assets consist of cash and investments with the WV Investment Management Board. Investment earnings are presented in the month in which the State Treasurer records the earnings in the statewide accounting system, wvOASIS. The liabilities of the Old Fund consist of the worker's compensation claims and related expenses for all claims, actual and incurred but not reported for claims with dates of injury on or before June 30, 2005. This report is intended to provide a summary of the cash based transactions related to the Fund's assets and liabilities and is not an accrual based presentation. The Old Fund Cash Statement is unaudited information.

COAL WORKERS PNEUMOCONIOSIS FUND
August 31, 2016

	YTD FY2017	YTD FY2016	Change	Three Year History for years ended:		
				FY2016	FY2015	FY2014
Cash Beginning Balances	245,945,240	264,657,327	(18,712,088)	264,657,327	267,173,190	266,720,430
Revenues						
Investment Earnings (Losses)	6,041,949	(2,566,981)	8,608,930	(5,091,164)	10,347,881	17,915,475
Other Income - Return of Unclaimed Property	-	-	-	3,797	876	-
Total Revenues	6,041,949	(2,566,981)	8,608,930	(5,087,367)	10,348,758	17,915,475
Expenditures						
Payment of Claims	2,474,550	1,953,043	521,507	12,878,025	11,990,810	17,376,923
Contractual / Professional	135,667	140,483	(4,816)	746,381	873,390	85,747
Legal	-	-	-	-	-	-
General and Administrative	30	105	(75)	315	420	45
Total Expenditures	2,610,247	2,093,631	516,616	13,624,721	12,864,620	17,462,715
Excess (Deficiency) of Revenues over Expenditures	3,431,703	(4,660,612)	8,092,314	(18,712,088)	(2,515,863)	452,760
Cash Ending Balances	249,376,942	259,996,716	(10,619,773)	245,945,240	264,657,327	267,173,190

Note: The Coal Worker's Pneumoconiosis Fund (CWP Fund) ceased operations December 31, 2005 and is in run-off status under the administrative oversight of the Insurance Commissioner. Established in 1973, the CWP Fund existed to provide insurance coverage to companies for liabilities incurred as a result of the Federal Coal Mine Health and Safety Act of 1969. Participation in the CWP Fund was voluntary for employers. The current revenues of the CWP Fund are limited to the earnings from invested assets. Assets of the CWP Fund are invested with the WV Investment Management Board. The investment earnings are presented in the month in which the State Treasurer records the earnings. The liabilities of the CWP Fund consist of the claims for coal miners who are totally disabled or beneficiaries of coal miners who have died as a result of coal worker's pneumoconiosis. To be eligible for benefits from the CWP Fund, the date of last exposure of the coal miner must be on or before December 31, 2005. The Coal Workers Cash Statement is unaudited information.

SELF-INSURED GUARANTY RISK POOL
August 31, 2016

	YTD FY2017	YTD FY2016	Change	Three Year History for years ended:		
				FY2016	FY2015	FY2014
Cash Beginning Balances	33,462,454	16,014,340	17,448,114	16,014,340	15,603,319	14,815,337
Revenues						
Guaranty Risk Pool Assessments	-	-	-	18,684	89,571	124,520
Collateral Proceeds	-	-	-	19,422,025	-	-
Investment Earnings (Losses)	833,684	(150,619)	984,302	(155,883)	612,972	1,027,230
	<hr/>			<hr/>		
Total Revenues	833,684	(150,619)	984,302	19,284,826	702,542	1,151,751
Expenditures						
Payment of Claims	404,854	37,362	367,492	1,683,481	263,947	255,607
Contractual / Professional	36,656	1,653	35,003	153,231	27,575	107,348
Legal	-	-	-	-	-	815
	<hr/>			<hr/>		
Total Expenditures	441,510	39,015	402,495	1,836,711	291,522	363,769
Excess (Deficiency) of Revenues over Expenditures	392,174	(189,633)	581,807	17,448,114	411,021	787,981
	<hr/>			<hr/>		
Cash Ending Balances	33,854,628	15,824,706	18,029,921	33,462,454	16,014,340	15,603,319

The Self-Insured Guaranty Risk Pool covers the claims liabilities of bankrupt or defaulted self-insured employers with dates of injury subsequent to July 1, 2004. The revenues of the Self-Insured Guaranty Fund are comprised of the guaranty risk pool assessments levied on all self-insured employers and the earnings on invested assets. The assets of the Self-insured Guaranty Risk Pool are invested with the WV Investment Management Board. Investment earnings are presented in the month in which the State Treasurer records the earnings in the statewide accounting system, wvOASIS. The Self Insured Guaranty Cash Statement is unaudited information.

SELF-INSURED SECURITY RISK POOL
August 31, 2016

	YTD FY2017	YTD FY2016	Change	Three Year History for years ended:		
				FY2016	FY2015	FY2014
Cash Beginning Balances	53,859,338	9,208,803	44,650,535	9,208,803	7,137,316	6,754,601
Revenues						
Security Risk Pool Assessments	-	-	-	230,340	1,114,180	1,072,311
Collateral Proceeds	-	-	-	47,503,193	1,425,061	-
Investment Earnings (Losses)	1,395,787	(89,284)	1,485,071	201,775	310,550	151,334
Total Revenues	1,395,787	(89,284)	1,485,071	47,935,308	2,849,791	1,223,645
Expenditures						
Payment of Claims	712,637	115,725	596,913	2,996,676	736,434	789,254
Contractual / Professional	52,866	9,441	43,425	288,097	41,774	48,446
Legal	-	-	-	-	96	3,230
Total Expenditures	765,503	125,166	640,338	3,284,773	778,304	840,930
Excess (Deficiency) of Revenues over Expenditures	630,284	(214,449)	844,733	44,650,535	2,071,487	382,715
Cash Ending Balances	54,489,622	8,994,354	45,495,268	53,859,338	9,208,803	7,137,316

The Self-Insured Security Risk Pool is liable for the worker's compensation claims of bankrupt or defaulted self-insured employers with dates of injury prior to July 1, 2004. However, the obligations of this Fund are limited to the exposures of self-insured employers who default subsequent to December 31, 2005. The assets of the Self-insured Security Risk Pool are invested with the WV Investment Management Board. Investment earnings are presented in the month in which the State Treasurer records the earnings in the statewide accounting system, wvOASIS. The Self Insured Security Cash Statement is unaudited information.

UNINSURED EMPLOYERS FUND
August 31, 2016

				Three Year History for years ended:		
	YTD FY2017	YTD FY2016	Change	FY2016	FY2015	FY2014
Cash Beginning Balances	11,864,792	12,125,188	(260,397)	12,125,188	11,714,178	10,801,353
Revenues						
Fines and Penalties	94,883	85,252	9,631	625,093	765,082	768,532
Investment Earnings (Losses)	244,387	(101,241)	345,628	(205,615)	408,442	682,644
Total Revenues	<u>339,270</u>	<u>(15,988)</u>	<u>355,259</u>	<u>419,478</u>	<u>1,173,523</u>	<u>1,451,176</u>
Expenditures						
Payment of Claims	40,572	21,875	18,696	450,719	589,781	286,421
Contractual/Professional	66	201	(135)	14,051	8,922	26,825
General and Administrative	15	30	(15)	105	60	105
Insurance	53,750	53,750	-	215,000	163,750	225,000
Total Expenditures	<u>94,403</u>	<u>75,856</u>	<u>18,546</u>	<u>679,875</u>	<u>762,513</u>	<u>538,351</u>
Excess (Deficiency) of Revenues over Expenditures	244,868	(91,845)	336,713	(260,397)	411,010	912,825
Cash Ending Balances	<u><u>12,109,659</u></u>	<u><u>12,033,344</u></u>	<u><u>76,316</u></u>	<u><u>11,864,792</u></u>	<u><u>12,125,188</u></u>	<u><u>11,714,178</u></u>

The Uninsured Employer's Fund (UEF) was established January 1, 2006 to provide worker's compensation benefits to injured workers of uninsured WV employers. The revenues of the UEF consist of fines levied on uninsured employers and the earnings on invested assets. The assets of the UEF are invested with the WV Investment Management Board. Investment earnings are presented in the month in which the State Treasurer records the earnings in the statewide accounting system, wvOASIS. The Insurance Commissioner has the right to levy assessments on employers in order to maintain the solvency of the Fund. The Commissioner may recover all payments made from this fund, including interest, from an uninsured employer who is found liable for benefits paid from the UEF. The Uninsured Cash Statement is unaudited information.

BOARD OF TREASURY INVESTMENTS

CALENDAR NOTE

Board Meeting
October 27, 2016

OPERATING REPORT

JULY 2016

Board of Treasury Investments

1900 Kanawha
Boulevard East
Suite E-122
Charleston WV
25305
(304) 340-1564
www.wvbt.com

Board of Directors

John D. Perdue,
State Treasurer,
Chairman

Earl Ray Tomblin,
Governor

Lisa A. Hopkins,
State Auditor

Richard "Chap"
Donovan, CPA

Michael L. Glasser,
Esq. Attorney
Appointed by the
Governor

Executive Staff

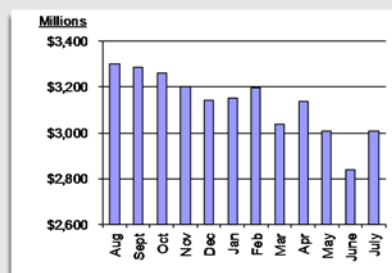
Executive
Director
Kara K. Hughes,
CPA, MBA, CFE
Chief Financial
Officer
Karl Shanholtzer,
CFA, CPA, CIA

Total Net Assets Under Management

\$3,007,823,000

Last Month
\$2,839,161,000

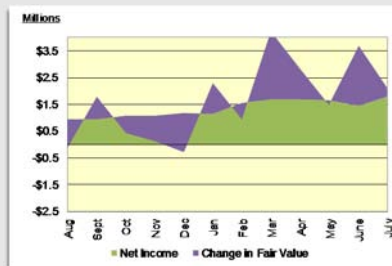
Beginning of Fiscal Year
\$2,839,161,000



Net Assets for the Past 12 Months

Total Net Income & Changes in Fair Value

Fiscal Year
\$2,128,000



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

Money Market Pools

As of July 31, 2016

<u>Pool</u>	<u>30-Day Avg. Yield *</u>	<u>W.A.M. **</u>	<u>Net Assets</u>
WV Money Market	0.5221%	56 Days	\$1.7 Billion
WV Gov't Money Market	0.2704%	53 Days	\$204.8 Million

* Yields represent the simple money market yield net of fees.

** W.A.M. is the weighted average maturity.

WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

THE ECONOMIC STATE

JULY 2016

Post Brexit – Unexpected Stabilization

Market Environment

After a rocky end to the second quarter, global equities bounced back in July and posted gains in most major markets. As Brexit shockwaves dissipated, equity volatility subsided and international equities surged amid a supportive central banking backdrop. The MSCI EAFE returned 5.1% as the European Central Bank and Bank of Japan both continued expansive asset purchasing programs. The MSCI EM Index extended its rally, returning 5.0% on the month as positive flows offset declining commodity prices and investors pursued higher returning assets. In the US, the Russell 2000 gained 6.0% compared to the S&P 500 return of 3.7% as investors favored a risk-on posture for the month.

In fixed income markets, investors continued to search for positive yielding assets. Much of the developed bond world is awash in negative yields as 10 year German and Japanese government bonds finished the month at negative 12 and 19 basis points, respectively. Despite the negative yields, the Citi WGBI Index rose 0.5% as central bank buying and demands for safe assets pushed prices higher. The 10 year Treasury fell marginally during July, down three basis points to 1.46%. The global interest rate environment provided a solid background for core fixed income returns as the Barclays US Aggregate Index gained 0.6%. Further out on the risk spectrum, US high yield issues returned 2.7%, extending their year-to-date rally. Emerging market bond issues also rallied as the search for yield drove positive asset flows to the space.

Equity Market Results

As noted above, US equity markets shook off the post-Brexit blues and posted gains during the month. Blue chip stocks, represented by the S&P 500 Index, posted a 3.69% return. Small cap stocks, as represented by the Russell 2000 Index, fared better, generating a 5.97% return.

International equity markets also rose during July. Developed international markets, represented by the MSCI EAFE Index, increased 5.07%. Emerging markets fared almost equally as well as their developed market counterparts, rising 5.03%.

Bond Market Results

Bonds investors also saw appreciation in their portfolios. Core US bonds, represented by the Barclays Capital Aggregate Index, rose 0.63%. International bonds, as represented by the Citigroup Non-US World Government Bond Index (WGBI) hedged, rose 0.60%. High yield bonds, one of the riskier segments, generated equity-like results, rising 2.44% during July. Cash-like instruments generated positive results during the month, with the BofA ML 3-month T-bill and LIBOR each returning 0.02% and 0.06%, respectively.

Market Outlook

Despite the surprise Brexit outcome, many assets seemed to stabilize by the end of June, inconsistent with the market calamity many had expected at the peak of the volatility. While this particular sell off was not large enough to create a major buying opportunity for risk assets, we do remind investors to be vigilant in the face of elevated volatility and to maintain rebalancing discipline when and if deeper sell offs occur. Though we still favor developed market equities outside of the US we acknowledge the likelihood of additional volatility and new political downside risk, especially in Europe, and continue to recommend employing a partially currency hedged approach as a strategy to mitigate volatility. While we recognize long term effects of Brexit are still relative unknowns, we believe investors will benefit by staying the course and maintaining a long term perspective as additional consequences become apparent.

West Virginia Board of Treasury Investments

Financial Highlights as of July 31, 2016

WV Short Term Bond Pool

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

<u>Aug 1 - July 31</u>	<u>Return</u>	<u>Net Assets At July 31 (In Millions)</u>
2016	1.6%	\$ 782.7
2015	0.7%	\$ 803.3
2014	1.1%	\$ 775.7
2013	0.7%	\$ 716.1
2012	0.8%	\$ 499.3

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

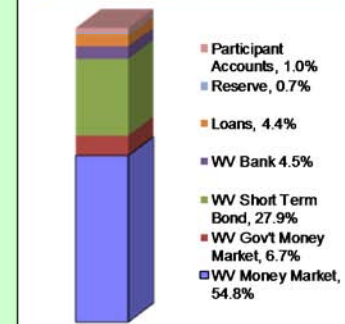
WV Short Term Bond Pool Rates of Return



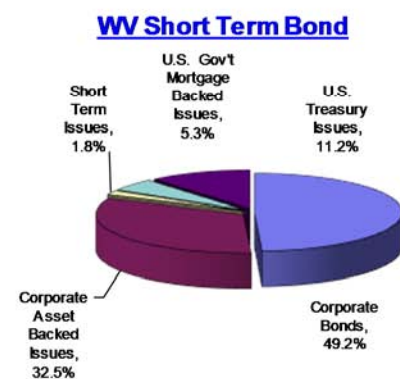
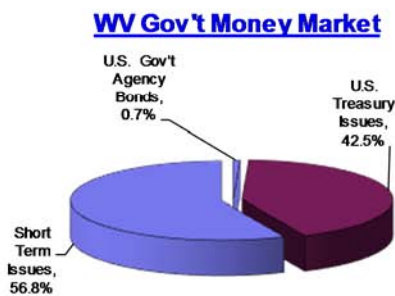
Summary of Value and Earnings (In Thousands)

<u>Pool</u>	<u>Net Asset Value</u>	<u>Jul Net Income (Loss)</u>	<u>Fiscal YTD Net Income (Loss)</u>
WV Money Market	\$ 1,693,681	\$ 770	\$ 770
WV Gov't Money Market	204,795	47	47
WV Short Term Bond	782,653	1,221	1,221
WV Bank	129,346	52	52
Loans	123,623	35	35
Reserve	18,771	5	5
Participant Accounts	54,954	(2)	(2)
	<u>\$ 3,007,823</u>	<u>\$ 2,128</u>	<u>\$ 2,128</u>

Percent of Total Net Asset Value



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



WEST VIRGINIA BOARD OF TREASURY INVESTMENTS
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – UNAUDITED

JULY 31, 2016

(IN THOUSANDS)

	<u>WV Money Market Pool</u>	<u>WV Government Money Market Pool</u>	<u>WV Short Term Bond Pool</u>	<u>WV Bank Pool</u>	<u>Other Pools</u>	<u>Participant Directed Accounts</u>	<u>Total</u>
Assets							
Investments:							
At amortized cost	\$ 2,699,606	\$ 7,649	\$ -	\$ 129,204	\$ 2,363	\$ -	\$ 2,178,822
At fair value	-	-	785,891	-	-	54,834	840,725
Other assets	25,916	197	1,955	155	44	121	28,388
Total assets	1,725,522	207,846	787,846	129,359	142,407	54,955	3,047,935
Liabilities							
Accrued expenses, dividends payable & payables for investments purchased							
	31,841	3,051	5,193	13	13	1	40,112
Total liabilities	31,841	3,051	5,193	13	13	1	40,112
Net Position							
Held in trust for investment pool participants	1,693,681	204,795	782,653	129,346	142,394	-	2,952,869
Held in trust for individual investment account holders	-	-	-	-	-	54,954	54,954
Total net position	\$ 1,693,681	\$ 4,795	\$ 782,653	\$ 129,346	\$ 2,394	\$ 54,954	\$ 3,007,823
Additions							
Investment income:							
Interest and dividends	\$ 499	\$ 56	\$ 1,000	\$ 56	\$ 44	\$ 40	\$ 1,695
Net (amortization) accretion	391	7	(49)	-	-	(19)	330
Provision for uncollectible loans	-	-	-	-	-	-	-
Total investment income	890	63	951	56	44	21	2,025
Investment expenses:							
Investment advisor, custodian bank & administrative fees	120	16	90	4	4	-	234
Total investment expenses	120	16	90	4	4	-	234
Net investment income	770	47	861	52	40	21	1,791
Net realized gain (loss) from investments	-	-	3	-	-	-	3
Net increase (decrease) in fair value of investments	-	-	357	-	-	(23)	334
Net increase (decrease) in net position from operations	770	47	1,221	52	40	(2)	2,128
Participant transaction additions:							
Purchase of pool units by participants	954,797	50,903	-	48	204	-	1,005,952
Reinvestment of pool distributions	770	47	869	52	40	-	1,778
Contributions to individual investment accounts	-	-	-	-	-	26,107	26,107
Total participant transaction additions	955,567	50,950	869	100	244	26,107	1,033,837
Total additions	956,337	50,997	2,090	152	284	26,105	1,035,965
Deductions							
Distributions to pool participants:							
Net investment income	770	47	861	52	40	-	1,770
Net realized gain (loss) from investments	-	-	3	-	-	-	3
Total distributions to pool participants	770	47	864	52	40	-	1,773
Participant transaction deductions:							
Redemption of pool units by participants	818,389	36,315	9,722	48	1,055	-	865,529
Withdrawals from individual investment accounts	-	-	-	-	-	1	1
Total participant transaction deductions	818,389	36,315	9,722	48	1,055	1	865,530
Total deductions	819,159	36,362	10,586	100	1,095	1	867,303
Net increase (decrease) in net position from operations	137,178	14,635	(8,496)	52	(811)	26,104	168,662
Inter-pool transfers in	10,000	-	-	10,000	-	-	20,000
Inter-pool transfers out	(10,000)	-	-	(10,000)	-	-	(20,000)
Net inter-pool transfers in (out)	-	-	-	-	-	-	-
Change in net position	137,178	14,635	(8,496)	52	(811)	26,104	168,662
Net position at beginning of period	1,556,503	190,160	791,149	129,294	143,205	28,850	2,839,161
Net position at end of period	\$ 1,693,681	\$ 4,795	\$ 782,653	\$ 129,346	\$ 2,394	\$ 54,954	\$ 3,007,823



STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION
REAL ESTATE DIVISION
900 Pennsylvania Avenue, Suite 500
Charleston, West Virginia 25302

LEGISLATIVE MANAGER

SEP 15 2016

RECEIVED

Earl Ray Tomblin
Governor

Mary Jane Pickens
Acting Cabinet Secretary

Jon Amores
Executive Director

September 12, 2016

Aaron Allred, Legislative Manager
West Virginia Legislature,
Joint Committee on Government and Finance
Building 1, Room E-132
1900 Kanawha Boulevard, East
Charleston WV 25305-0610

Re: Request for information from Joint Committee

Dear Mr. Allred,

Thank you for your letter of 26 August 2016 regarding the Joint Committee's request for information regarding the setting of rental rates for the new State Office Building in Clarksburg.

As indicated to the Joint Committee, in preparation for securing bond financing for the building and managing operational costs, the staff at the Real Estate Division ("RED") was requested to provide information to the Department of Administration on the market rate for commercial office space in the Clarksburg area. In making this determination, RED staff consulted LoopNet, which is the premier industry database for commercial properties for sale or lease. This database provides a comprehensive online listing of local commercial properties and their rental rates. Our most recent search of the Clarksburg market on LoopNet, conducted last week, indicated that first 11 properties advertised for lease averaged a rate of \$19.83 per square foot. RED Deputy Director David Hildreth has extensive experience and is familiar with most of the Clarksburg buildings listed on LoopNet, and indicates that the new state office building is of a better quality than the spaces listed on the database. Moreover, the data reaffirmed our own staff expertise on market rates, gleaned from negotiating state leases with local private landlords. Accordingly, RED advised the Department of Administration that \$19 per square foot for a "full service" lease (this includes janitorial services and utility expenses) was a more than appropriate market rate for office space in the new Clarksburg building.

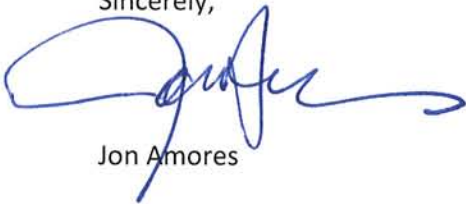
Aaron Allred, Legislative Manager
West Virginia Legislature,
Joint Committee on Government and Finance
September 8, 2016
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In the Joint Committee meeting on 22 August, Delegate Shott also asked about the additional space occupied by the DHHR in the new Clarksburg building, compared to the square footage previously occupied in their prior leases. DHHR previously had 4 leases in Clarksburg totaling 20,348 square feet and they housed 100 employees. This equates to about 200 square feet per employee. Based upon the prior construction of other DHHR facilities, the average space requirement is 250 square feet per employee. This is a public facing agency, so that also includes adequate space and facilities for the public. Additionally, the two DHHR sections that were most undersized were the Child Support Section and the Northern Training Center, and that is where most of the space increase was located in the new building.

As a result, in the new Clarksburg building DHHR went from 20,348 square feet of usable space to 27,424 square feet of usable space, which is more in alignment with the proper space allocation. In addition to that, the DHHR has a common space factor of 29.14%, which is its pro-rata share of common area in the building. This increases its rentable space to 38,415 square feet. Common area includes elevators, internal stairways, large mechanical rooms, vertical penetrations for HVAC ductwork, large lobbies and multiple public restrooms complying with ADA regulations. This is part of the public convenience of having consolidated services under one roof. With the opening of the new Clarksburg state office building, the DHHR can now more effectively and efficiently serve the public, and do so for decades to come.

Thank you for the opportunity to provide the committee with this information. If I can be of any additional service, please do not hesitate to contact me.

Sincerely,

A handwritten signature in blue ink, appearing to read "Jon Amores", with a stylized flourish extending to the right.

Jon Amores