

The Honorable Mitch Carmichael, Chair

JOINT COMMITTEE ON
GOVERNMENT AND FINANCE

Materials Distributed

February 7, 2017

President Carmichael Presides

AGENDA
JOINT COMMITTEE ON GOVERNMENT AND FINANCE
February 7, 2017

4:00 - 5:00pm

Senate Finance Room

1. Approval of January 11, 2017 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
(Connie Kirk, Acting UI Director for Workforce West Virginia)

Monthly/Quarterly Reports from PEIA, BRIM, Real Estate Report
(John Myers, Secretary, Department of Administration)

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

Investment Management Board Distribution
(Craig Slaughter, Executive Director,)

Workers' Compensation
(Andrew Pauley, Acting Insurance Commissioner)

Board of Treasury Report Distribution

4. Other Business

Financial Audit of the Division of Highway
Gibbons & Kawash, CPA

5. Adjournment



West Virginia Legislature
1ST SESSION OF THE 93RD LEGISLATURE

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Interim Committee Attendance - Results

Tuesday, February 07, 2017 - 04:00 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 Prezioso
- Senator Plymale
- Senator M. Hall
- Senator Ferns
- Senator Blair
- President Carmichael

Submittor:

Terri Stowers

Phone:

304-347-4813

[Back to Attendance](#)

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JOINT COMMITTEE ON GOVERNMENT AND FINANCE

Wednesday, January 11, 2017

4:30 pm – 5:30 pm

Senate	House
Carmichael, Chair	Armstead, Chair
Blair	Cowles
Ferns	Miller, C.
Hall	Nelson, E.
Plymale	Shott
Prezioso	Boggs
Trump	Miley(Absent)

Speaker Armstead: “The Committee will come to order. The first item on the agenda is the approval of the December 6, 2016 minutes. President Carmichael is recognized.”

President Carmichael: “I move the minutes of the December 6, 2016 meeting of the Joint Committee on Government and Finance as contained in the members packets be approved.”

Speaker Armstead: “Is there any discussion? If not, the motion is that the minutes be approved. All in favor say aye, those opposed no. They ayes appear to have it, the ayes do have it. The minutes are approved. There is a procedural motion. Committee recognizes President Carmichael for a motion.”

President Carmichael: “Thank you Mr. Speaker. “I hereby move that the Joint Committee on Government and Finance hereby reappoints Aaron Allred as the Legislative Manager to oversee the offices of the Committee. Subject to the general direction and control of the President of the West Virginia Senate and the Speaker of the West Virginia House of Delegates, the Legislative Manager: 1) shall be in complete charge of the administrative operations of the Committee and the management of the offices thereunder except for the Commission on Special Investigations; 2) serve as the chief administrative manager for all Joint Committee personnel except for the Commission on Special Investigations; and 3) have authority to enter into contracts on behalf of the Committee.”

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

Aaron Allred: “Thank you.”

Speaker Armstead: “I recognize President Carmichael.”

President Carmichael: “Thank you Mr. Speaker. I move that the Joint Committee on Government and Finance being authorized by the West Virginia Code §4-2-3 hereby reappoints Aaron Allred as the Legislative Auditor.”

Speaker Armstead: “On this motion. All in favor say aye, those opposed no. The ayes appear to have it, the ayes do have it. The motion is adopted.

Alright, first on our Agenda today we have a presentation by our incoming Auditor, Auditor-Elect, John J.B. McCuskey.”

John McCuskey: “Thank you Mr. Speaker and Mr. President. Congratulations to both of you. To my legislative colleagues, it is interesting to be on this side of the microphone. I hope you are as nice to me as I was to people giving these presentations when I was in the Legislature. So, what I would like to speak to you guys a little bit about today is transparency and what we live in today is an era of speed and data that is basically unforeseen in governmental history. And, as we move forward into a new Legislative Session, where we have unquestioned and very difficult budget decisions ahead of us, where we have a government that is more expensive than we can afford, where we have revenues that are continuing to decline, it is incumbent upon this government and the Auditor, specifically as the officer whose job it is to provide not only you with information about how the State’s dollars are being spent, but also the citizens of the State of West Virginia. It is incumbent upon all of us to shed as much light on that money and how it is being spent as possible. And, what we have in front of us is a real opportunity, I believe, to transform the way that we deal with this information. And, as I campaigned throughout the State, one of the things that I heard more and more from the citizens of West Virginia is that we need to know how our money is being spent. We want to know how our money is being spent. And, there are ways to do that now but we don’t make that as easy as we could. And we don’t make that as searchable as we could and we don’t make that as accessible as we should. But, more than that, we don’t prioritize the ideals of transparency enough. I prioritized it in my campaign and today I am asking members of this Committee as well as both houses of the Legislature to prioritize transparency and I will tell you why. We live in a time when we need as many auditors as possible. I am one Auditor, but we need every citizen of this state to have the same information that you and I have regarding how their tax dollars are being spent. Because, they need to be able to tell us what we are doing correct and what we are doing wrong. And, we need to find the best system that enables every citizen to have that information and more than that, we need to provide you with the best system to find that information. As we sit in budget hearings how often do we say, “I’ll get you that information,” and it takes a week, or it takes ten days. Well, that information is available. That information should be available to every Legislator who is making decisions in real time on our budget that we only get two months to work on. That information is available and we need to have it in a manner so it can be used in real time. And so, as we move forward, I would ask that you all treat this idea of transparency with some expediency. Because, more than anything what we found and in my speaking

with other states who have gone down this road, it changes the way we spend money. When you put the dollars online and people put a name with an expenditure it changes the fundamental ways in which governments spend the people's money. I think now more than ever that change is needed and I think that this is an incredibly cost effective way to begin changing the culture of our state government and the way the people's dollars are spent. And, I would be happy to answer anybody's questions."

Speaker Armstead: "Any members of the committee have any questions of the incoming Auditor?"

John McCuskey: "That was easy. This is great."

Speaker Armstead: "Senator Ferns."

Senator Ferns: "Mr. Chairman, I don't have any questions for the Auditor but I do understand that there are some folks here from OPENGOV and at the leave of the committee and at the appropriate time, if we could have them come forth and talk about their experience in other states if possible."

Speaker Armstead: Objection? Well, then if there are no other questions for Mr. McCuskey, then thank you.

John McCuskey: "Thank you guys very much and good luck to everybody."

Speaker Armstead: "Any objection for the representatives from OPENGOV? Come forward."

Tim Melton: "Thank you Mr. Speaker and Mr. President, members of the committee. My name is Tim Melton and I am a Director at OPENGOV and this is Jared Borg. First, I would like to thank the Auditor-Elect for his leadership on this issue. This issue is not easy for one to tackle to begin with. We started meeting with Auditor-Elect last summer, before he was elected, and started to look at what things that were happening out there so that he could hit the ground running. I wanted to show you a couple things. We had a slide show but I will get into what I can show you where West Virginia compares to some other states, what we have done in some other states, in particular in one of our neighboring states- the State of Ohio and how they rank throughout the country."

Jared Borg: So, I will talk a little bit about my experience in Ohio. I worked for the State Treasurer's office in Ohio under Treasurer Mandel and we had an initiative, much like Auditor-Elect McCuskey, to make Ohio number one in transparency rankings. We really looked around the country to see what other states were doing, how they were being transparent and as my boss said, and much to the point of Auditor- Elect McCuskey is that really he is one of 11.5 million citizen auditors out there. And so, what we did at the Ohio Treasurer's Office is that we took every expenditure at the state level so now going back to 2008, and so we have over half a billion dollars of expenditures online. And, as

part of that, we have also partnered with local governments. So, now there is over 700 local governments on this platform. By doing so, and that technology partner to do that was OPENGOV. So, by doing so, we actually went from a D- rating (number 46 in the country) to now, number 1 in the country for the State of Ohio. That is part of the reason why I wanted to join a company like OPENGOV. We are the technology vendor behind that. And so, part of the reason why we wanted to do that, as treasurer Mandel would say, he doesn't have a white paper on how it's affected change for those that are making those expenditures, but really to Auditor-Elect's point, when you have folks with their name online and those expenditures... So, for example, we work with governments of all sizes across the country, so everywhere, from a small township in Pennsylvania to the State of Arizona, or the State of the Colorado. And so, transparency is a tipping point for us. And so, we started this transparency in Ohio. Ohio was at the cutting edge of this about a year and a half ago. From that time, we have partnered now with several other states. For example, in the State of Pennsylvania there is an economic distress organization and so now those local governments are feeding their information into this economic development community. So, now they can take those expenditures and revenues and really see how that money is being spent. In Colorado, the State Treasurer's Office in Colorado, what happened to them was that they were actually fined by the SCC for missed filings and missed deadlines. So, it was because the State Treasurer's office was compiling this data and it was scattered across many different systems. So, this is a common theme that we see across the country. And so, what the State Treasurer's office did in Colorado, partnered with us for internal management reporting. We visualize that data. We take that from multiple systems and we can roll it all up into one visual platform. We have done similar things with the State of Arizona. We are working closely now with Massachusetts."

Tim Melton: "To tell you a little about the company. The company is about five years old and is based in California. We only do government. That's all we do. I am a former elected official myself. Served three terms in the County Commission and three terms in the State Legislature and I would tell you, and I told some of you before, I wish I would have had this tool when I was in the Legislature, particularly on appropriations, when you are sitting there having to make decisions about billions of dollars and not having access to the data at your fingertips; that's what this tool does. When we look at the states now, we went from zero customers over five years ago to over 1400 governments now. We're almost in 47 states and we visualize over a trillion dollars in actual revenues. And, the key thing is our original vision of the company was to really spread out among all municipalities in the country so you actually have a network of governments to compare yourself to, particularly states. One thing, I think when you look at the audit capabilities of... what the Auditor-Elect mentioned by having all of these different eyes on the data... like I said the Treasurer in Ohio doesn't have a white paper on the money that has been saved, but has seen first-hand when you have a p card report and it has the name of the person actually buying pizza from Joes, it really changes the way the process is working. Mr. Speaker, Mr. President, what I maybe could recommend is that we could stick around and maybe try to get this to work... "I know you have a busy Agenda."

Speaker Armstead: “Perhaps the members of the committee could talk with you afterwards.”

Jared Borg: “I really apologize about the technical difficulty. I appreciate your time and sorry for the inconvenience.

Speaker Armstead: “Okay. Next on our Agenda is the status reports on Lottery, Unemployment Compensation Fund, General Revenue Fund and State Road Fund, Mr. William Spencer. In your packet, I believe Mr. Spencer is here if there are any questions. Does anyone have any questions on any of those reports? Do you have questions?”

President Carmichael: “Yes, on unemployment compensation fund.”

Speaker Armstead: “President Carmichael. Is Mr. Spencer here?”

William Spencer: “Thank you Mr. President. My name is William Spencer. I am the Director of the Legislative Budget Division.”

Speaker Armstead: “Okay.”

President Carmichael: “Unemployment Compensation Fund is what I am looking for...the questions.”

William Spencer: “Ok.”

Speaker Armstead: “Okay, alright.”

Connie Kirk: “That’s what I thought, ok. I am sorry.”

Speaker Armstead: “Whoever would like to come forward and answer questions about Unemployment Compensation.”

Connie Kirk: “Yes. Mr. President, Mr. Speaker and members of the committee. I am here to answer your questions. I am Connie Kirk. I am the acting UI Director for Unemployment Compensation.”

President Carmichael: “Well, I’ve been concerned about this for some time. The fund is... We have already borrowed the complete amount, right?”

Connie Kirk: “Yes. We have borrowed 50M in November 29, I believe.”

President Carmichael: “And I’ve been reading these papers and so forth and there is a lot of talk about potential strikes and so forth like at WVU Hospital. I think there is what... around 800 employees that could potentially go on strike there or at least there is a labor dispute and so forth. And I am just wondering how 800... what would that do to our

Unemployment Compensation Fund?”

Connie Kirk: “Well, actually I do have some good news. The projection that you have in your packet for December, that was prepared December 6, 2016, we actually have numbers at this point for December that are actual numbers. So, the actual balance is not 26M at this point, it’s 31M. So, the projection of what we were going to spend is actually higher than what we actually set. We actually had disbursements of about 14,914,096.00. So, this balance in this report does not include the 50M that we borrowed.”

President Carmichael: “Does not?”

Connie Kirk: “Does not. No, it does not.”

President Carmichael: “If it doesn’t include that, how much is in the account?”

Connie Kirk: “Well, it would be 50M on top of the 31M, so it would be about 81M.”

President Carmichael: “Okay, thank you. I found the...”

Connie Kirk: “I mean the expenditure.. it seems to be... I mean, I can’t guarantee what January will bring because January is usually a huge month. But, it seems to still be trending the good way. We still are not having as much unemployment and the unemployment that we are having is not at the maximum weekly benefit amount. So, it looks like we are still going the right direction.”

President Carmichael: “Okay.”

Connie Kirk: “Okay?”

President Carmichael: “Thank you.”

Connie Kirk: “You’re welcome.”

Speaker Armstead: “Senator Trump.”

Senator Trump: “Thank you Mr. Speaker. When will we get projections for the full 2017 calendar year?”

Connie Kirk: “They are working on them right now. They use the actual numbers for 2016 to do those projections in 2017 and we just received the actual December numbers. So, they are doing preliminary ones now and you will have them at your next meeting for January.”

Senator Trump: “Thank you.”

Connie Kirk: “Probably they will project them through the full year.”

Senator Trump: “Thank you.”

Speaker Armstead: “Delegate Cowles.”

Delegate Cowles: “Thank you Mr. Speaker. Just to follow up, when the labor dispute issues voluntary strikes, members who go on voluntary strike aren’t allowed to draw out of the unemployment trust fund are they?”

Connie Kirk: “They are not.”

Delegate Cowles: “Are striking workers ever allowed to draw out of the unemployment trust fund?”

Connie Kirk: “Actually, it goes to a tribunal board and our board of review and it is based on the facts of the case and they either award benefits or they do not award benefits. So, until you had the facts of the strike and everything in front of you, you would not be able to make that determination.”

Delegate Cowles: “And the standards by which the facts are graded...what are the standards for a striking worker to receive or to not receive unemployment benefits?”

Connie Kirk: “I really can’t honestly answer that to the full extent because that is outside of unemployment jurisdiction because it’s handled by that tribunal.”

Delegate Cowles: “Okay. Thank you. Thank you Mr. Speaker.”

Speaker Armstead: “President Carmichael.”

President Carmichael: “I just have a quick follow up on that. It runs in my mind that one of the criteria is that the tribunal uses to determine whether or not it’s a strike or a labor dispute, those people involved in it receive unemployment compensation is whether or not the facility remains open.”

Connie Kirk: “That’s true. If the facility would close, then they would be locked out and it would make a difference.”

President Carmichael: “But something like... I am just speculating in my mind, something like WVU Hospitals... that’s not going to close, right?”

Connie Kirk: “No, correct. It would not. It would be their voluntary... they would be voluntarily striking so they would not be awarded benefits.”

President Carmichael: “See, I understand it to be the exact opposite.”

Connie Kirk: “That they would be awarded benefits?”

President Carmichael: “Is that not the way...it’s written? I thought that if the facility remains open, then it’s basically a lock out, or construed to be a lockout, in which case the workers would be awarded unemployment compensation.”

Connie Kirk: “I don’t care to research it and get back with you on that.”

President Carmichael: “Okay, alright.”

Connie Kirk: “It’s not my expertise.”

President Carmichael: “You would agree that... ok that’s not really your area of expertise. Okay, thank you. Thank you Mr. Speaker.”

Speaker Armstead: “Further questions for Ms. Kirk. If not, thank you. Next, we have the monthly and quarterly reports from PEIA, BRIM and the Real Estate Report...Mary Jane Pickens.”

Mary Jane Pickens: “Good afternoon Mr. Speaker, Mr. President, members of the committee. Mary Jane Pickens, Acting Secretary of the Department of Administration. We have filed the reports on the agencies that we normally report on; BRIM, PEIA and the Real Estate Division. I’ve got the appropriate folks from each of those agencies in the event that there are questions that the Committee has and with that I will be happy to try to field any questions.”

Speaker Armstead: “Any questions for Secretary Pickens or any of the agencies within her department? Alright, if not, thank you.”

Mary Jane Pickens: “Thank you.”

Speaker Armstead: “Next, we have Melanie Pagliaro, with the DHHR, relating to the Medicaid Report and the Medicaid Waiver.”

Melanie Pagliaro: “Mr. Speaker, Mr. President, Members of the Committee, Melanie Pagliaro with DHHR. We do have staff here if you have any questions on Medicaid, Medicaid Waiver, or CHIP reports.

Speaker Armstead: “Are there any questions for any of those departments? If not, thank you.”

Melanie Pagliaro: “Thank you.”

Speaker Armstead: “Alright, next we have Craig Slaughter, Executive Director of the

Investment Management Board. Mr. Slaughter.”

Craig Slaughter: “Good afternoon ladies and gentleman. Craig Slaughter, Executive Director of the Investment Management Board. We have the November performance data in your packet and shows us up for the fiscal year today a little over 4%. December was actually a pretty good month so I think we are up... projecting up a little over a point and a half for December, and January doesn’t look too bad either so far. So, things are trending upward. I hope that they hold steady. I would be happy to answer questions.”

Speaker Armstead: “Any questions for Mr. Slaughter? Delegate Nelson.”

Delegate Nelson: “Thank you Mr. Speaker and Mr. President, given the way the market has gone since the election... is the board... what kind of discussions have gone on as it relates to reprioritizing or changing the investment structure right now, if any?”

Craig Slaughter: “We haven’t really done anything as a result of the election, anything different. We have been talking...actually the only really new idea we have been talking about pursuing more is private lending type investment strategies. It could be in real estate... it could be in just general, business loans and so forth. These are all private market deals. The reason we like them is that they are floating rate deals which allow and account for inflation perhaps to help protect against inflation and the returns on the rates you get are pretty good. We are looking at things that will kind of protect us in an inflationary environment but also give us a boost in fairly high returns. So, that’s the conundrum. You know, it’s just hard to pick the right thing for the future.”

Delegate Nelson: “That it is, but you mentioned last meeting, I guess, focused on a short duration. Has that changed in any way?”

Craig Slaughter: “No. Our fixed income portfolio still has a relatively short duration, so yeah, we continue to feel that way. I can tell you, I don’t necessarily see runaway inflation so I don’t know if it is going to be a big problem but there is a risk out there that inflation does spike up quite a bit.”

Delegate Nelson: “Thanks Craig. Thanks Mr. Speaker.”

Speaker Armstead: “Senator Plymale, did you have further questions for Mr. Slaughter? If not, thank you.”

Craig Slaughter: “Thank you gentlemen.”

Speaker Armstead: “Next, we have Mike Riley, Commissioner of Workers’ Compensation. Next, is the workers compensation report.”

Mike Riley: “Good afternoon, Mr. Speaker, Mr. President, Mike Riley, Insurance Commissioner. You have a copy of the Workers’ Compensation Funds Report. Not a

whole lot of change from the last month. I will remind everyone that the executive order had been signed so right now there are no dedicated revenues going to pay down the dedicated revenues. The surcharges have been moved over to general revenue. So, right now it is living on investment income and investment income has been a little bit better than it has in the past. I would be happy to answer any specific questions.”

Speaker Armstead: “Any questions for the Commissioner? If not, thank you very much.”

Mike Riley: “Thank you.”

Speaker Armstead: “You also have the Board of Treasury Report in your packet. Is there any other business to come before the committee? President Carmichael.”

President Carmichael: “I hereby move that the Joint Committee meet on February 7, 2017.”

Speaker Armstead: “President Carmichael moves that the Joint Committee on Government and Finance meet on February 7, 2017. Is there any discussion? If not, all in favor say aye, those opposed no. The ayes appear to have it, the ayes do have it. The motion is adopted. So, we will schedule the meeting and get the time out for that to the members. Any further business to come before the committee? If not, I entertain the motion we adjourn.”

President Carmichael: “I move we adjourn.”

Speaker Armstead: “President Carmichael moves we adjourn. All in favor say aye, those opposed no. The ayes appear to have it, the 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

February 2, 2017

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

- West Virginia Lottery as of December 31, 2016:
Gross profit for July 2016 - June 2017 was \$242.3 million.
- West Virginia Unemployment Compensation Fund as of December 31, 2016:
Total disbursements were \$17 million lower than last fiscal year. Overall ending trust fund balance was \$1.3 million lower on December 31, 2016, than on December 31, 2015.
- General Revenue Fund as of January 31, 2017:
The general revenue collections ended the seventh month of fiscal year 2016-2017 at 95.1% of the estimate for the year.
- State Road Fund as of January 31, 2017:
The state road fund collections ended the seventh month of fiscal year 2016-2017 at 111.8 % 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: February 2, 2017

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

We performed an analysis of the Statement of Revenues, Expenses and Changes in Fund Net Position for December 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 \$536 million for July - December 2016. Table games accounted for \$20.5 million of this total. Historic Resort Hotel video lottery and table games accounted for \$2.6 million of total gross receipts. Gross lottery revenue has decreased by 5% when compared with July - December of fiscal year 2015-2016. This number does not include commission and prize deductions. Gross profit (gross revenues minus commissions and prize costs) for July – December 2016 was \$242.3 million; for July - December of last fiscal year it was \$255.7 million. Expressed as a percentage, gross profit is 5.2% lower for fiscal year 2017 than for fiscal year 2016.

Lottery continued

Operating Transfers to the State of West Virginia:

A total of \$228,427,000.00 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	\$56,809,000.00
Community and Technical College	\$2,999,000.00
Department of Education	\$17,186,000.00
Library Commission	\$10,908,000.00
Higher Education-Policy Commission	\$6,831,000.00
Tourism	\$5,933,000.00
Department of Natural Resources	\$2,955,000.00
Division of Culture and History	\$4,134,000.00
Department of Education and Arts	\$1,132,000.00
General Revenue Fund	13,700,000.00
Economic Development Authority	\$5,999,000.00
School Building Authority	\$10,800,000.00
<u>SUBTOTAL BUDGETARY TRANSFERS</u>	\$139,386,000.00

Lottery continued

Excess Lottery Fund

Economic Development Fund	\$11,392,000.00
Higher Education Improvement Fund	\$9,000,000.00
General Purpose Fund	\$26,142,000.00
Higher Education Improvement Fund	\$11,663,000.00
State Park Improvement Fund	\$2,011,000.00
School Building Authority	\$11,395,000.00
Refundable Credit	\$553,000.00
WV Racing Commission	\$804,000.00
WV DHHR	\$0.00
Teacher's Retirement Savings	\$0.00
Division of Human Services	\$30,000,000.00
WV Lottery Statutory Transfers	\$24,557,000.00
General Revenue	\$8,119,000.00
Excess Lottery Surplus	\$0.00
WV Infrastructure Council Fund	\$11,643,000.00
Total State Excess Lottery Revenue Fund	\$147,279,000.00

Total Budgetary Distributions:	\$286,665,000.00
Veterans Instant Ticket Fund	\$271,000.00
TOTAL TRANSFERS	*\$286,936,000.00

* CASH BASIS

Total Accrued last FY 2016:	\$135,265,000.00
Total Cash Distributions FY 2017:	\$286,936,000.00
Applied to FY 2016:	\$135,265,000.00
Applied to FY 2017:	\$151,671,000.00
Accrued for FY 2017 as of December 31:	\$228,427,000.00

P.O. BOX 2067
CHARLESTON, WV 25327



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

Jim Justice
Governor

Alan H. Larrick
Director

MEMORANDUM

TO: Joint Committee on Government and Finance
FROM: Alan H. Larrick, Director

A handwritten signature in blue ink, appearing to read "Alan H. Larrick".

RE: Monthly Report on Lottery Operations
Month Ending December 31, 2016

DATE: January 18, 2016

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

Financial statements of the Lottery for the month ending December 31, 2016 are attached. Lottery revenue, which includes on-line, instant, video lottery sales, table games, and historic resort, was \$84,925,387 for the month of December.

Transfers of lottery revenue totaling \$34,234,536 made for the month of December 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 December 31, 2016 was 1,503 and 1,326 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.

AHL
Attachment

pc: Honorable Jim Justice, Governor
Dave Hardy, Cabinet Secretary – Dept. of Revenue
John Perdue, Treasurer
J. B. McCuskey, Auditor
Members of the West Virginia Lottery Commission

MEMORANDUM

TO: Joint Committee on Government and Finance
FROM: Alan H. Larrick, Director

RE: Monthly Report on Lottery Operations
Month Ending December 31, 2016

DATE: January 18, 2016

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Transfers of lottery revenue totaling \$34,234,536 made for the month of December 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 December 31, 2016 was 1,503 and 1,326 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.

AHL
Attachment

pc: Honorable Jim Justice, Governor
Dave Hardy, Cabinet Secretary – Dept. of Revenue
John Perdue, Treasurer
J. B. McCuskey, Auditor
Members of the West Virginia Lottery Commission



WEST VIRGINIA LOTTERY

STATE OF WEST VIRGINIA

**FINANCIAL STATEMENTS
-UNAUDITED-**

December 31, 2016

WEST VIRGINIA LOTTERY

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

ASSETS	December 31, 2016	June 30, 2016
Current Assets:		
Cash and cash equivalents	\$ 95,448	\$ 166,621
Accounts receivable	32,381	26,643
Inventory	666	380
Other assets	1,421	1,788
Total Current Assets	<u>129,916</u>	<u>195,432</u>
Noncurrent Assets:		
Restricted cash and cash equivalents	-	-
Capital assets	55,692	55,960
Less accumulated depreciation and amortization	<u>(11,321)</u>	<u>(11,086)</u>
Net Capital Assets	<u>44,371</u>	<u>44,874</u>
Total Noncurrent Assets	<u>44,371</u>	<u>44,874</u>
Total Assets	<u>\$ 174,287</u>	<u>\$ 240,306</u>
Deferred outflows of resources	<u>\$ 2,573</u>	<u>\$ 2,573</u>
Total assets and deferred outflows	<u>\$ 176,860</u>	<u>\$ 242,879</u>
Current Liabilities:		
Accrued nonoperating distributions to the State of West Virginia	\$ 76,756	\$ 135,265
Estimated prize claims	14,348	15,981
Accounts payable	1,763	1,961
Other accrued liabilities	29,623	35,302
Total Current Liabilities	<u>122,490</u>	<u>188,509</u>
Deferred inflows	<u>\$ 1,998</u>	<u>1,998</u>
Net Position:		
Restricted by enabling legislation	-	-
Net Investment in capital assets	44,371	44,874
Unrestricted	<u>8,001</u>	<u>7,498</u>
Total Net Position	<u>52,372</u>	<u>52,372</u>
Total net position, liabilities, and deferred inflows	<u>\$ 176,860</u>	<u>\$ 242,879</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 SIX MONTH PERIOD ENDED DECEMBER 31, 2016

(In Thousands)
-Unaudited-

	CURRENT MONTH		YEAR TO DATE	
	FY 2017	FY 2016	FY 2017	FY 2016
Lottery revenues				
On-line games	\$ 5,311	\$ 6,905	\$ 36,977	\$ 35,207
Instant games	7,063	10,471	44,922	51,161
Racetrack video lottery	39,890	43,433	261,819	273,311
Limited video lottery	28,900	31,005	169,493	179,757
Table games	3,073	3,669	20,502	21,866
Historic Resort	688	391	2,605	3,486
	<u>84,925</u>	<u>95,874</u>	<u>536,318</u>	<u>564,788</u>
Less commissions				
On-line games	370	495	2,574	2,474
Instant games	495	733	3,144	3,581
Racetrack video lottery	20,840	22,034	142,599	148,155
Limited video lottery	14,161	15,193	83,052	88,081
Table games	1,303	1,554	8,689	9,266
Historic resort	367	259	1,347	1,729
	<u>37,536</u>	<u>40,268</u>	<u>241,405</u>	<u>253,286</u>
Less on-line prizes	2,740	3,493	18,990	17,466
Less instant prizes	4,632	6,901	29,464	33,839
Less ticket costs	95	141	680	744
Less vendor fees and costs	487	827	3,451	3,764
	<u>7,954</u>	<u>11,362</u>	<u>52,585</u>	<u>55,813</u>
Gross profit	<u>39,435</u>	<u>44,244</u>	<u>242,328</u>	<u>255,689</u>
Administrative expenses				
Advertising and promotions	227	274	2,818	2,162
Wages and related benefits	800	868	4,933	5,034
Telecommunications	102	36	616	463
Contractual and professional	419	304	2,294	1,942
Rental	42	58	191	212
Depreciation and amortization	108	89	649	534
Other administrative expenses	122	76	876	588
	<u>1,820</u>	<u>1,705</u>	<u>12,377</u>	<u>10,935</u>
Other Operating Income	<u>139</u>	<u>116</u>	<u>1,930</u>	<u>1,686</u>
Operating Income	<u>37,754</u>	<u>42,655</u>	<u>231,881</u>	<u>246,440</u>
Nonoperating income (expense)				
Investment income	63	(29)	266	97
Distributions to municipalities and counties	(566)	(608)	(3,322)	(3,523)
Distributions -capital reinvestment	(336)	(557)	(398)	(643)
Distributions to the State of West Virginia	(36,915)	(41,461)	(228,427)	(242,371)
	<u>(37,754)</u>	<u>(42,655)</u>	<u>(231,881)</u>	<u>(246,440)</u>
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net position, beginning of period	<u>52,372</u>	<u>54,156</u>	<u>52,372</u>	<u>54,156</u>
Net position, end of period	<u>\$ 52,372</u>	<u>\$ 54,156</u>	<u>\$ 52,372</u>	<u>\$ 54,156</u>

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

WEST VIRGINIA LOTTERY
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2016

(In Thousands)

-Unaudited-

	2017	2016
Cash flows from operating activities:		
Cash received from customers and other sources	\$ 532,510	\$ 567,267
Cash payments for:		
Personnel costs	(4,858)	(4,852)
Suppliers	(6,986)	(4,487)
Other operating costs	(293,462)	(306,033)
Cash provided by operating activities	<u>227,204</u>	<u>251,895</u>
Cash flows from noncapital financing activities:		
Nonoperating distributions to the State of West Virginia	(286,936)	(265,611)
Distributions to municipalities and counties	(3,299)	(3,496)
Distributions from racetrack cap. reinv. fund	(8,419)	(8,427)
Cash used in noncapital financing activities	<u>(298,654)</u>	<u>(277,534)</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	<u>(146)</u>	<u>(7,347)</u>
Cash flows from investing activities:		
Investment earnings received	<u>423</u>	<u>306</u>
Cash provided by investing activities	<u>423</u>	<u>306</u>
Increase (decrease) in cash and cash equivalents	(71,173)	(32,680)
Cash and cash equivalents - beginning of period	<u>166,621</u>	<u>164,722</u>
Cash and cash equivalents - end of period	<u>\$ 95,448</u>	<u>\$ 132,042</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 231,881	\$ 246,440
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation and amortization	649	534
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(5,738)	793
(Increase) decrease in inventory	(286)	(125)
(Increase) decrease in other assets	210	100
Increase (decrease) in estimated prize claims	(1,633)	973
Increase (decrease) in accounts payable	(198)	626
Increase (decrease) in other accrued liabilities	2,319	2,554
Cash provided by operating activities	<u>\$ 227,204</u>	<u>\$ 251,895</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 December 31, 2016 the carrying amounts of deposits (overdraft) with financial institutions were \$491 thousand with a bank balance (overdraft) of \$526 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):

	December 31, 2016	June 30, 2016
Deposits with financial institutions	\$ 491	\$ 1,430
Cash on hand at the Treasurer's Office	19,006	7,386
Investments with BTI reported as cash equivalents	75,951	157,805
	\$ 95,448	\$ 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 December 31, 2016 is as follows (in thousands):

Capital Assets:

	Historical Cost At June 30, 2016	Additions	Deletions	Historical Cost At December 31, 2016
Construction in Progress	\$ 1,164	\$ 146	\$ -	\$ 1,310
Buildings	46,207	-	-	46,207
Land	1,434	-	-	1,434
Improvements	260	-	(260)	-
Equipment	6,895	-	(154)	6,741
	<u>\$ 55,960</u>	<u>\$ 146</u>	<u>\$ (414)</u>	<u>\$ 55,692</u>

Accumulated Depreciation:

	Historical Cost At June 30, 2016	Additions	Deletions	Historical Cost At December 31, 2016
Buildings	\$ 4,064	\$ 592	\$ -	\$ 4,656
Improvements	260	-	(260)	-
Equipment	6,762	57	(154)	6,665
	<u>\$ 11,086</u>	<u>\$ 649</u>	<u>\$ (414)</u>	<u>\$ 11,321</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 December 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	\$ 2,265,546	\$ 17,716,734
Hot Lotto	389,408	2,266,371
Mega Millions	761,067	6,013,765
Total	\$ 3,416,021	\$ 25,996,870
<u>Expenses (Prizes)</u>	<u>Month</u>	<u>Y-T-D</u>
Powerball	\$ 1,132,914	\$ 8,859,436
Hot Lotto	194,781	1,133,412
Mega Millions	387,201	3,045,697
Total	\$ 1,714,896	\$ 13,038,545

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 December 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	\$ 114,319,669	\$ 1,625,725
Hot Lotto	6,070,116	440,010
Mega Millions	34,769,848	517,543
Total	<u>\$ 155,159,633</u>	<u>\$ 2,583,278</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 \$15,122,063 at December 31, 2016, of which the Lottery's share was \$1,399,571.

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 December 31, 2016 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2017	2016	2017	2016
Total credits played	\$ 454,383	\$ 476,256	\$ 2,928,388	\$ 3,023,119
Credits (prizes) won	(408,812)	(427,031)	(2,628,819)	(2,711,690)
Promotional credits played	(5,674)	(5,772)	(37,705)	(37,987)
MWAP Contributions	(7)	(20)	(45)	(131)
Gross terminal income	39,890	43,433	261,819	273,311
Administrative costs	(1,084)	(979)	(9,961)	(10,174)
Net Terminal Income	38,806	42,454	251,858	263,137
Less distribution to agents	(20,840)	(22,034)	(142,599)	(148,155)
Racetrack video lottery revenues	<u>\$ 17,966</u>	<u>\$ 20,420</u>	<u>\$ 109,259</u>	<u>\$ 114,982</u>

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

	December 31, 2016	Year-to-Date
State Lottery Fund	\$ 9,008	\$ 72,924
State Excess Lottery Revenue Fund	8,645	36,022
Capital Reinvestment Fund	313	313
Total nonoperating distributions	<u>\$ 17,966</u>	<u>\$ 109,259</u>

NOTE 7 - LIMITED VIDEO LOTTERY

Limited video lottery legislation passed in 2001 has established specific requirements imposing certain restrictions limiting the licensing for the operation of limited video lottery games to 9,000 terminals placed in licensed retailers. These licensed retailers must hold a qualifying permit for the sale and consumption on premises of alcohol or non-intoxicating beer. The Lottery has been charged with the administration, monitoring and regulation of these machines. The legislation further stipulates the distribution of revenues from the limited video lottery games, and requires any licensees to comply with all related rules and regulations of the Lottery in order to continue its retailer status. The Limited Video Lottery legislation

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

NOTE 7 - LIMITED VIDEO LOTTERY (continued)

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

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

	Current Month		Year-to-Date	
	2017	2016	2017	2016
Total credits played	\$ 356,743	\$ 371,477	\$ 2,070,157	\$ 2,152,288
Credits (prizes) won	(327,843)	(340,472)	(1,900,664)	(1,972,531)
Gross terminal income	\$ 28,900	\$ 31,005	\$ 169,493	\$ 179,757
Administrative costs	(578)	(620)	(3,390)	(3,595)
Gross Profit	28,322	30,385	166,103	176,162
Commissions	(14,161)	(15,193)	(83,052)	(88,081)
Municipalities and Counties	(566)	(608)	(3,322)	(3,523)
Limited video lottery revenues	<u>\$ 13,595</u>	<u>\$ 14,584</u>	<u>\$ 79,729</u>	<u>\$ 84,558</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 December 31, 2016 were \$8,780,941 and \$58,576,873, 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	\$ 3,073	\$ 3,669	\$ 20,502	\$ 21,866
Interest on Table Games Fund	2	-	10	3
Administrative costs	(263)	(315)	(1,757)	(1,874)
Total Available for Distribution	<u>2,812</u>	<u>3,354</u>	<u>18,755</u>	<u>19,995</u>
<u>Less Distributions:</u>				
Racetrack Purse Funds	198	236	1,318	1,406
Thoroughbred & Greyhound Development Funds	158	189	1,054	1,125
Racing Association Pension Plan	77	92	516	550
Municipalities/ Counties	870	1,037	5,801	6,185
Total Distributions	<u>1,303</u>	<u>1,554</u>	<u>8,689</u>	<u>9,266</u>
Excess Lottery Fund	<u>\$ 1,509</u>	<u>\$ 1,800</u>	<u>\$ 10,066</u>	<u>\$ 10,729</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 December 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	\$ 7,408	\$ 5,476	\$ 32,995	\$ 30,512
Credits (prizes) won	(6,829)	(5,003)	(30,794)	(27,905)
Promotional credits played	(68)	(55)	(382)	(360)
MWAP Contributions	-	-	-	-
Gross terminal income	<u>511</u>	<u>418</u>	<u>1,819</u>	<u>2,247</u>
Capital reinvestment	(24)	(20)	(86)	(106)
Excess Lottery Fund	(5)	(4)	(16)	(20)
Administrative costs	(28)	(22)	(98)	(121)
Hotel commissions	<u>(216)</u>	<u>(177)</u>	<u>(769)</u>	<u>(951)</u>
Net terminal income	238	195	850	1,049
Historic Resort Hotel Fund	151	124	540	668
Human Resource Benefit Fund	87	71	310	381

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 December 31, 2016 were \$504,662) and \$2,245,648, 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	\$ 177	\$ (27)	\$ 786	\$ 1,239
Administrative Costs	<u>(23)</u>	<u>4</u>	<u>(101)</u>	<u>(159)</u>
Total Available for Distribution	154	(23)	685	1,080
Historic Resort Hotel Fund	129	(19)	573	903
Human Resource Benefit Fund	25	(4)	112	177

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	\$ 151	\$ 540
Historic Resort Table Games	129	573
Interest on Historic Resort Hotel Fund	-	1
Historic Resort Hotel Fund Net Income	<u>280</u>	<u>1,114</u>
Municipalities/ Counties	39	156
Excess Lottery Fund	241	958
Total Distributions	<u>\$ 280</u>	<u>\$ 1,114</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 December 31, 2016 the Lottery has accrued additional distributions of \$76,755,554. The Lottery is a non-appropriated state agency and therefore does not 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>December 31, 2016</u>	<u>Year-to-Date</u>
<u>State Lottery Fund:</u>		
Community and Technical College	\$ 500	\$ 2,999
Bureau of Senior Services	5,639	56,809
Department of Education	1,985	17,186
Library Commission	1,260	10,908
Higher Education-Policy Commission	789	6,831
Tourism	685	5,933
Natural Resources	341	2,955
Division of Culture & History	478	4,134
Department of Education & Arts	131	1,132
General Revenue Fund	-	13,700
Economic Development Authority	1,000	5,999
School Building Authority	1,800	10,800
Total State Lottery Fund	\$ 14,608	\$ 139,386

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

State Excess Lottery Revenue Fund:

Economic Development Fund	\$ 1,899	\$ 11,392
Higher Education Improvement Fund	1,500	9,000
General Purpose Account	4,840	26,142
Higher Education Improvement Fund	2,159	11,663
State Park Improvement Fund	372	2,011
School Building Authority	1,899	11,395
Refundable Credit	-	553
WV Racing Commission	149	804
WV Department of Health and Human Resources	-	
Teacher's Retirement Savings	-	
Division of Human Services	-	30,000
WV Lottery Statutory Transfers	3,878	24,557
General Revenue	819	8,119
Excess Lottery Surplus	-	
West Va. Infrastructure Council	2,089	11,643
Total State Excess Lottery Revenue Fund	\$ 19,604	\$ 147,279
Total Budgetary distributions:	\$ 34,212	\$ 286,665
Veterans Instant Ticket Fund	\$ 22	\$ 271
Total nonoperating distributions to the State of West Virginia (cash basis)	\$ 34,234	\$ 286,936
Accrued nonoperating distributions, beginning	(74,075)	(135,265)
Accrued nonoperating distributions, end	76,756	76,756
	\$ 36,915	\$ 228,427

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 December 31, 2016 and December 31, 2015 approximated \$190,936 and \$211,930 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 December 31, 2016 and December 31, 2015 approximated \$483,422 and \$241,641 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:

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

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 December 31, 2016 and fiscal year-to-date are as follows (in thousands):

	December 31, 2016	Year-to-Date
Employee contributions	\$ 25	\$ 170
Lottery contributions	67	450
Total contributions	\$ 92	\$ 620

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

WEST VIRGINIA LOTTERY
NOTES TO FINANCIAL STATEMENTS
-Unaudited-

employees and level of compensation. Coverage under these programs is limited to \$1 million lifetime for health and \$10,000 of life insurance coverage.

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 SIX MONTH PERIOD ENDED DECEMBER 31, 2016
 (In Thousands)**

	Current Month		FISCAL YEAR	
	<u>Actual</u>	<u>Projected</u>	<u>Actual</u>	<u>Projected</u>
Gross Revenues				
Instant games	7,063	7,916	44,921	47,499
On-line games	5,311	5,416	36,977	32,499
Racetrack video lottery	39,890	34,869	261,819	229,162
Limited video lottery	28,900	28,505	169,493	172,882
Racetrack table games	3,074	3,272	20,504	19,543
Historic resort	688	423	2,606	3,078
Total gross revenues	84,926	80,401	536,320	504,663
Net Revenues - Lottery Fund and Excess Lottery Fund				
Lottery Fund				
Instant games	935	1,000	5,847	6,000
On-line games	1,462	1,544	10,269	9,264
Racetrack Video Lottery	9,014	10,042	72,981	66,000
Total Lottery Fund net revenues	<u>11,411</u>	<u>12,586</u>	<u>89,097</u>	<u>81,264</u>
Excess Lottery Fund				
Racetrack Video Lottery	8,650	4,300	36,048	28,271
Limited Video Lottery	13,640	13,409	79,871	81,324
Limited Video Lottery Fees	12	-	1,183	-
Racetrack table games	1,509	1,603	10,064	9,588
Historic resort	246	120	974	1,165
Total Excess Lottery Fund Net Revenues	<u>24,057</u>	<u>19,432</u>	<u>128,140</u>	<u>120,348</u>
Total Net Revenues	<u>35,468</u>	<u>32,018</u>	<u>217,237</u>	<u>201,612</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: February 02, 2017

Re: Status of General Revenue Fund and State Road Fund as of
January 31, 2017 (FY 17)

We have reviewed the cash flow of the West Virginia general revenue fund as of January 31, 2017 which is the end of the seventh month of the fiscal year. The status of the fund collections for the month is as follows:

The net collections were 95.1% of the estimate for the fiscal year. Total collections were \$116.2 million below the estimate for the fiscal year.

Personal Income Tax collections were \$49.5 million below the estimate for the fiscal year.

Consumer sales and use tax collections were \$61.4 million below the estimate for the year.

Severance Tax was \$2.4 million below the estimate for the fiscal year.

Corporate Income and Business Franchise Tax collections were \$15.8 million below the estimate for the fiscal year.

State Road Fund

The state road fund collections were 111.8% of the estimate for the fiscal year. Total collections were \$45.6 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 \$235,737,644.59 as of January 31, 2017.

Balance July 1, 2016	391,572,994.64
Earnings	-155,835,350.05
Balance January 31, 2017	235,737,644.59

Revenue Shortfall Reserve Fund B (Tobacco Settlement Monies) had a cash balance of \$400,516,904.32 as of January 31, 2017.

Balance July 1, 2016	387,130,049.09
Earnings	13,386,855.23
Balance January 31, 2017	400,516,904.32

The Personal Income Tax Reserve Fund had a \$0 cash balance as of January 31, 2017.

Balance July 1, 2016	8,000,000.00
One-time draw for budget resolution	-8,000,000.00
Balance January 31, 2017	0.00

GENERAL REVENUE FUND FY 2016-2017

By Source and by Month

Monthly Revenue Estimates
as of January 31, 2017 OASIS

	MONTH ESTIMATES	NET MONTH COLLECTIONS	FINAL MONTHLY COLLECTIONS OVER ESTIMATES	YTD ESTIMATES	NET YTD COLLECTIONS	YEARLY COLLECTIONS OVER ESTIMATES
Personal Income Tax	202,634,000	205,058,399	2,424,399	1,090,989,000	1,041,502,641	-49,486,359
Consumer Sales Tax & Use Tax	141,327,000	114,907,060	-26,419,940	767,265,000	705,877,046	-61,387,954
Severance Tax	30,039,000	37,279,832	7,240,832	134,149,000	131,763,944	-2,385,056
Corp Income /Business Franchise	3,000,000	5,249,146	2,249,146	74,800,000	59,014,740	-15,785,260
Insurance Tax	270,000	-45,837	-315,837	57,240,000	58,358,676	1,118,676
Tobacco Products Tax	16,000,000	13,227,975	-2,772,025	114,900,000	117,701,426	2,801,426
Business and Occupation	10,700,000	9,062,326	-1,637,674	63,100,000	57,576,834	-5,523,166
Liquor Profit Transfers	1,300,000	1,315,250	15,250	9,370,000	9,867,706	497,706
Departmental Collections	6,600,000	6,839,824	239,824	13,400,000	13,313,945	-86,055
Property Transfer Tax	930,000	1,051,773	121,773	6,370,000	7,615,282	1,245,282
Property Tax	200,000	130,369	-69,631	4,700,000	4,643,538	-56,462
Beer Tax and Licenses	536,000	503,688	-32,312	4,319,000	4,244,604	-74,396
Miscellaneous Transfers	40,000	80,950	40,950	860,000	543,821	-316,179
Interest Income	700,000	244,940	-455,060	4,350,000	2,183,114	-2,166,886
Senior Tax Credit Reimbur Lot	0	0	0	1,075,000	553,281	-521,719
HB 102 - Lottery Transfers	4,475,000	6,411,989	1,936,989	27,729,000	32,553,991	4,824,991
Miscellaneous Receipts	600,000	257,691	-342,309	5,020,000	5,207,168	187,168
Business Fran Registration Fees	40,000	71,177	31,177	420,000	373,704	-46,296
Liquor License Renewal	0	0	0	0	0	0
Special Revenue Transfer	0	-257,999	-257,999	0	10,723,240	10,723,240
Charter Tax	0	722	722	0	4,926	4,926
Video Lottery Transfers	0	12,069	12,069	0	239,321	239,321
July-Dec Retro Rev Adj	0	0	0	0	0	0
Cash Flow Transfer	0	0	0	0	0	0
SUBTOTALS	419,391,000	401,401,345	-17,989,655	2,380,056,000	2,263,862,947	-116,193,053
Less: Cash Flow Transfer		0	0		0	0
TOTALS	419,391,000	401,401,345	-17,989,655	2,380,056,000	2,263,862,947	-116,193,053

Percent of Estimates

95.71%

95.12%

Collections this day

21,323,165

**STATE ROAD FUND FY 2016-2017
By Source and by Month
Monthly Revenue Estimates
as of January 31, 2017 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	50,660,801	12,760,801	230,200,000	242,266,160	12,066,160
Privilege Tax	14,251,000	15,954,336	1,703,336	109,363,000	122,233,219	12,870,219
Licenses & Registration	6,758,000	6,101,279	-656,721	47,686,000	46,064,823	-1,621,177
Miscellaneous	0	2,207,067	2,207,067	0	22,333,977	22,333,977
Highway Litter Control	127,000	121,622	-5,379	894,000	845,064	-48,936
TOTALS	59,036,000	75,045,105	16,009,105	388,143,000	433,743,242	45,600,242

Percent of Estimates

127.12%

111.75%

Collections this day

20,767,764

REVENUE SHORTFALL RESERVE FUND 7005, Part A as of December 31, 2016 : \$235,324,359.40

Note: \$50 million is temporarily on loan to the unemployment funds

REVENUE SHORTFALL RESERVE FUND 7006, Part B as of December 31, 2016: \$396,929,190.62

PERSONAL INCOME TAX REFUND RESERVE FUND as of December 31, 2016: \$0.00

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: February 2, 2017

Re: West Virginia Unemployment Compensation Trust Fund

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

As of December 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	\$ 129,950,909.97
Disbursements July 1, 2016 thru June 30, 2017	\$ 101,503,940.74
Balance December 31, 2016	\$ 81,555,110.40

ITEMS OF NOTE:

Regular benefits paid for December 2016 were \$ 6 million less than December 2015.

Federal emergency benefits totaled \$ -10 thousand for December 2015. For December 2016, federal emergency benefits totaled \$ -6 thousand.

Total disbursements were \$ 17 million less in July 2016 - December 2016 than the preceding July 2015 - December 2015.

Receipts as of December 2016 were \$ 43.6 million more than in July - December 2015. Overall ending trust fund balance was \$ 1.3 million lower on December 31, 2016 than on December 31, 2015.

Seasonally adjusted unemployment rates for December 2016 were 5.9 percent for West Virginia and 4.7 percent nationally.

Since December 2015, employment has increased by 2,200. Employment gains included 5,500 in educational and health services, 2,000 in leisure and hospitality, 1,600 in construction, and 200 in trade, transportation, and utilities. Employment declines included 2,300 in mining and logging, 1,900 in financial activities, 1,100 in government, 300 in information, 300 in professional and business services, 500 in manufacturing, and 700 in other services.

January 5, 2017

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 December 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 OCTOBER 2015 AND OCTOBER 2016**

	OCTOBER 2015	NOVEMBER 2015	DECEMBER 2015	OCTOBER 2016	NOVEMBER 2016	DECEMBER 2016	THREE MONTH TOTAL VARIANCE *
Balance Forward	<u>\$109,775,130.60</u>	<u>\$106,081,110.07</u>	<u>\$102,347,987.86</u>	<u>\$46,674,555.45</u>	<u>\$47,367,509.94</u>	<u>\$45,144,112.86</u>	<u>(\$179,018,050.28)</u>
Add Receipts:							
1. Bond Assessment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
2. Regular Contributions:	\$12,383,226.70	\$17,812,262.08	\$846,804.46	\$16,974,369.67	\$11,942,706.73	\$990,615.96	(\$1,134,600.88)
3. Federal Emergency Benefits (EUC08)	\$608.99	\$340.99	\$0.00	\$0.00	\$0.00	\$31.00	(\$918.98)
4. Federal Share Extended Benefits (EB)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
5. Temp Federal Additional Comp (FAC)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
6. UCFE (Federal Agencies)	\$88,448.27	\$120,889.64	\$118,505.53	\$65,644.10	\$63,438.03	\$80,640.79	(\$118,120.52)
7. Special Administrative Transfer	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
8. Reed Act Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
9. UC Modernization Incentive	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
10. Treasury Interest Credits	\$0.00	\$0.00	\$576,456.05	\$0.00	\$0.00	\$334,476.44	(\$241,979.61)
11. UCX (Military Agencies)	\$140,206.99	\$148,840.00	\$145,089.39	\$89,978.02	\$89,472.31	\$79,484.07	(\$175,201.98)
12. WV Senate Bill 558	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$50,000,000.00	\$50,000,000.00
13. CMA Receipts	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Monthly Receipts	<u>\$12,612,490.95</u>	<u>\$18,082,332.71</u>	<u>\$1,686,855.43</u>	<u>\$17,129,991.79</u>	<u>\$12,095,617.07</u>	<u>\$51,485,248.26</u>	<u>\$48,329,178.03</u>
Less Disbursements:							
Debt Bond Repayment	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)	(Retired)
Regular Benefits:	\$16,099,050.67	\$21,532,789.57	\$20,936,988.10	\$16,275,619.47	\$14,185,301.13	\$14,919,601.25	(\$13,188,306.49)
Federal Emergency Benefits (EUC08)	(\$14,011.78)	(\$11,426.02)	(\$9,924.78)	(\$7,238.10)	(\$7,950.36)	(\$6,116.38)	\$14,057.74
Federal Share Extended Benefits (EB)	(\$20.00)	(\$50.00)	(\$130.00)	\$0.00	\$0.00	(\$40.00)	\$160.00
Emergency Benefits (TEUC)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Temp Federal Additional Comp (FAC)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
UCFE (Federal Workers) Benefits	\$87,370.65	\$128,263.19	\$111,772.98	\$68,916.04	\$60,782.80	\$81,321.78	(\$116,386.20)
UCX (Military Workers) Benefits	\$134,121.94	\$165,878.18	\$135,449.38	\$99,739.89	\$80,880.58	\$79,484.07	(\$175,344.96)
Reed Act Funds	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Special Administrative Transfer**	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total Monthly Disbursements	<u>\$16,306,511.48</u>	<u>\$21,815,454.92</u>	<u>\$21,174,155.68</u>	<u>\$16,437,037.30</u>	<u>\$14,319,014.15</u>	<u>\$15,074,250.72</u>	<u>(\$13,465,819.91)</u>
Trust Fund Balance	<u>\$106,081,110.07</u>	<u>\$102,347,987.86</u>	<u>\$82,860,687.61</u>	<u>\$47,367,509.94</u>	<u>\$45,144,112.86</u>	<u>\$81,555,110.40</u>	<u>(\$117,223,052.34)</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 FOR 2017

February 1, 2017

Month	Receipts	Disbursements	Trust Fund Balance
2016			
Balance - 1/1/2016			\$ 82,860,688
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	\$ 1,710,825	\$ 13,733,295	\$ 46,674,555
October	\$ 16,974,370	\$ 16,281,415	\$ 47,367,510
November	\$ 11,942,707	\$ 14,166,104	\$ 45,144,113
December	\$ 1,325,093	\$ 14,914,096	\$ 31,555,110
Totals - 2016	\$ 206,095,777	\$ 257,401,355	\$ 31,555,110

2017			
January	\$ 11,858,498	\$ 20,992,615	\$ 22,420,993
February	\$ 15,389,949	\$ 24,017,525	\$ 13,793,417
March	\$ 1,695,009	\$ 18,690,455	\$ (3,202,029)
April	\$ 27,181,395	\$ 18,383,131	\$ 5,596,235
May	\$ 68,467,964	\$ 21,640,585	\$ 52,423,614
June	\$ 1,792,088	\$ 15,390,781	\$ 38,824,921
July	\$ 15,755,127	\$ 17,184,927	\$ 37,395,121
August	\$ 29,571,418	\$ 14,931,895	\$ 52,034,644
September	\$ 1,648,209	\$ 10,640,557	\$ 43,042,296
October	\$ 16,353,108	\$ 12,614,840	\$ 46,780,564
November	\$ 11,505,604	\$ 10,975,897	\$ 47,310,271
December	\$ 1,276,595	\$ 11,555,442	\$ 37,031,424
Totals - 2017	\$ 202,494,964	\$ 197,018,650	\$ 37,031,424

The Trust Fund balances shown here do not include the loan proceeds of \$ 50,000,000 received on November 29, 2016.

PEIA

February Interim Talking Points

- **PEIA and RHBT preliminary financial results for December 2016 are available for your review.**
- **PEIA is currently behind plan by \$5 million. This is primarily due to lower than forecast premium revenue and higher than forecast Rx expenses.**
- **RHBT is currently ahead of plan by \$10 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 \$95 and \$30 million respectively.**
- **These reserve levels represent 12% and 20% of the respective funds' expenses. The required reserve for the State Fund is 14% of expenses.**



Financial Statements

December 2016

West Virginia Legislative Interims
February 2017

West Virginia Public Employees Insurance Agency
Statement of Changes in Plan Net Assets
For the Six Months Ending Saturday, December 31, 2016
(Dollars in Thousands)
(Unaudited-For Internal Use Only)

	ACTUAL	BUDGET	PRIOR YR	BUDGET VARIANCE		PRIOR YR VARIANCE	
				\$	%	\$	%
PREMIUM REVENUE							
Health Insurance - State Gov. - Employers	\$261,436	\$266,192	\$232,693	(\$4,756)	(2%)	\$28,743	12%
Health Insurance - State Gov. - Employees	64,889	66,326	59,038	(1,437)	(2%)	5,851	10%
Health Insurance - Local Gov. - All	56,984	56,712	54,588	272	0%	2,396	4%
Life Insurance	769	1,108	1,054	(339)	(31%)	(285)	(27%)
Direct Transfer	5,000	5,000			0%	5,000	
Interest and Investment Income	4,724	3,924	(5,472)	800	20%	10,196	(186%)
Litigation Settlement							
Other Premium Revenue	817	1,244	1,062	(427)	(34%)	(245)	(23%)
Administrative Fees, Net of Refunds	1,592	2,367	2,352	(775)	(33%)	(760)	(32%)
TOTAL REVENUE	396,211	402,873	345,315	(6,662)	(2%)	50,896	15%
OPERATING EXPENSES							
Claims Expense - Medical	191,869	199,141	183,534	7,272	4%	(8,335)	(5%)
Claims Expense - Drugs	66,136	58,940	62,461	(7,196)	(12%)	(3,675)	(6%)
Payments to Managed Care Org.	20,880	19,423	18,373	(1,457)	(8%)	(2,507)	(14%)
Administrative Service Fees	5,234	5,676	6,268	442	8%	1,034	16%
Life Insurance Expense	770	1,110	1,056	340	31%	286	27%
Wellness and Disease Management	755	846	792	91	11%	37	5%
ACA Comparative Effectiveness Fee	158	158	172		0%	14	8%
ACA Reinsurance Contribution	900	900	2,700		0%	1,800	67%
Computer Software Reserve	883	859		(24)	(3%)	(883)	0%
Other Operating Expenses	1,848	2,102	2,247	254	12%	399	18%
WV RHBT Pay Go Premiums	88,198	90,000	74,212	1,802	2%	(13,986)	(19%)
TOTAL EXPENSES	377,631	379,155	351,815	1,524	0%	(25,816)	(7%)
YTD SURPLUS (DEFICIT)	18,580	23,718	(6,500)	(5,138)	25%	25,080	373%
Total Net Position, Beginning of Period							
TOTAL NET POSITION, END OF PERIOD	\$116,711	\$121,848	129,106	(\$5,138)	389%	(30,975)	(24%)
						(\$5,895)	(5%)

West Virginia Retiree Health Benefit Trust Fund
STATEMENT OF CHANGES IN PLAN NET POSITION
For the Six Months Ending Saturday, December 31, 2016
(In Thousands)

	BUDGET		PRIOR YR		BUDGET VARIANCE		PRIOR YR VARIANCE	
	ACTUAL	BUDGET	ACTUAL	PRIOR YR	\$	%	\$	%
ADDITIONS								
Employer Premiums:								
Health premiums	\$1,610	\$1,653	\$1,599	\$1,599	(\$43)	(3%)	\$12	1%
Pay Go Premiums	73,526	75,240	61,817	61,817	(1,714)	(2%)	11,709	19%
Annual required contributions	27	0	71	71	27	0%	(44)	(62%)
Total Employer Premiums	75,163	76,893	63,486	63,486	(1,730)	(2%)	11,677	18%
Member Premiums:								
Health premiums	40,441	41,889	39,532	39,532	(1,448)	(3%)	909	2%
Pay Go Premiums	14,673	14,760	12,397	12,397	(87)	(1%)	2,276	18%
Life Insurance Premiums	11,406	12,412	11,813	11,813	(1,006)	(8%)	(407)	(3%)
Total Member Premiums	66,520	69,061	63,742	63,742	(2,541)	(4%)	2,778	4%
Total Premium Additions	141,683	145,954	127,228	127,228	(4,271)	(3%)	14,455	11%
Other Additions:								
Retiree Drug Subsidy	600	600	600	600	0	0%	0	0%
Investment Income	34,617	21,244	(17,942)	(17,942)	13,373	63%	52,559	(293%)
General Revenue Transfer Premium	2,500	2,500	0	0	0	0%	2,500	100%
General Revenue Transfer OPEB	15,000	15,000	0	0	0	0%	15,000	100%
TOTAL ADDITIONS	194,400	185,298	109,886	109,886	9,102	5%	84,514	77%
DEDUCTIONS								
Payments to Managed Care Org.	78,617	82,375	70,768	70,768	3,759	5%	(7,848)	(11%)
Life Insurance Expense	11,265	12,282	11,687	11,687	1,016	8%	422	4%
Medical Claims Expense	34,290	32,938	33,894	33,894	(1,352)	(4%)	(395)	(1%)
Pharmacy Claims Expense	17,248	14,310	15,697	15,697	(2,937)	(21%)	(1,553)	(10%)
Comparative Effectiveness Research Fee	16	16	15	15	0	(0%)	(1)	(5%)
ACA Reinsurance Contribution	100	100	275	275	0	0%	175	64%
Administrative Service Fees (External)	694	950	875	875	255	27%	181	21%
Computer Software Reserve Expense	618	564	0	0	(54)	(10%)	(618)	100%
Other Operating Expenses	1,116	1,007	1,356	1,356	(109)	(11%)	240	18%
Bad Debt Expense	0	0	48	48	0	0%	48	100%
TOTAL DEDUCTIONS	143,964	144,542	134,615	134,615	578	0%	(9,349)	(7%)
NET POSITION INCREASE (DECREASE)	50,436	40,756	(24,729)	(24,729)	9,680	24%	75,165	(796%)
Net Position Restricted for Post Employment Benefits								
Beginning of Period Total Net Position	685,668	685,668	704,592	704,592	0	0%	(18,924)	(3%)
End of Period Total Net Position	\$736,104	\$726,424	\$679,863	\$679,863	\$9,680	1%	\$56,241	8%

Accrual Basis / Unaudited / Internal Use Only
1/27/2017 10:02 AM

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

February 2, 2017

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

1. The December 2016 Financial Plan (Quarterly Report) page A-1 indicates the June 30, 2017 fund balances will be as follows:

	PEIA		RHBT
	State Fund	Non State Fund	OPEB Fund
June 30, 2017	\$94,504,498	\$29,872,715	\$740,788,690

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 the 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	\$94,504,498	\$29,872,715	\$127,284,278
Percentage	12%	20%	14%
	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 reserve balance represents 21% of the actuarially required balance:

	RHBT
June 30, 2017	OPEB Reserve
Reserve Balance	\$740,788,690
Percentage	21%
	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 \$295 million over the next four years, requiring an average of \$74 million a year in either increased premiums or benefit reductions.

	FY 2018	FY 2019	FY 2020	FY 2021
Medical Trend	7.5%	8.0%	8.5%	9.0%
Rx Trend	11.5%	12.0%	12.5%	13.0%

5. Total amount of benefit payments paid for the month:

	PEIA	RHBT	Total
December 2016	\$45,253,000	\$20,085,000	\$65,338,000

Sincerely,



Jason A. Haight, CPA
Chief Financial

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

Talking Points

1. **Premium Revenue** thru December reflects the premiums earned for the first half of both fiscal years.
2. **Claims Expense** reflects all claims payments made thru December plus the estimated reserve changes for the first six months. Both actual claims payments and reserves are higher for the current fiscal year. The combined effect of these two items results in an overall increase in claims expense of \$10.8 million vs. last year.
3. **Investment Income (loss)** for fiscal year 2017 reflects a net loss of \$0.4 million for the first six months compared to a loss of \$3.0 million for the same period last year. Although the equity markets have improved in the current fiscal year, bonds performed poorly for both fiscal years resulting in the overall investment losses.
4. In July, the transfer of \$2.8 million to the Patient Injury Compensation Fund (PICF), as mandated by enactment of HB4261, resulted in a decrease of the same amount to BRIM's net position through December 31.
5. 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 Six Months Ended December 31st

	2016	2015
	<i>(In Thousands)</i>	
Assets		
Current assets:		
Cash and cash equivalents	17,322	10,882
Advance deposits with insurance company and trustee	198,969	213,122
Receivables	646	10,716
Prepaid insurance	3,339	3,422
Restricted cash and cash equivalents	8,573	9,307
Restricted receivables:	0	0
Premiums due from other entities	620	597
Total current assets	229,469	248,046
Noncurrent assets:		
Equity position in internal investments pools	86,692	81,934
Restricted investments	50,065	47,380
Total noncurrent assets	136,757	129,314
Total assets	366,226	377,360
Deferred Outflows of Resources	387	127
Liabilities		
Current liabilities:		
Estimated unpaid claims and claims adjustment expense	50,819	47,890
Unearned premiums	8,290	17,504
Agent commissions payable	530	429
Claims Payable	30	26
Accrued expenses and other liabilities	2,444	7,312
Total current liabilities	62,113	73,161
Estimated unpaid claims and claims adjustment expense net of current portion	122,968	113,239
Compensated absences	91	76
Net pension liability	467	253
Total noncurrent liabilities	123,526	113,568
Total liabilities	185,639	186,729
Deferred Inflows of Resources	304	270
Net position:		
Restricted by State code for House Bill 601 Program and mine subsidence coverage	58,834	55,427
Unrestricted	132,125	137,393
Net Assets (Deficiency)	(10,289)	(2,333)
Net position	\$ 180,670	\$ 190,487

West Virginia Board of Risk and Insurance Management

Statements of Revenues, Expenses, and Changes in Net Position

For the Six Months Ended December 31st

	<u>2016</u>	<u>2015</u>
	<i>(In Thousands)</i>	
Operating revenues		
Premiums	\$ 35,542	\$ 32,630
Less coverage/reinsurance programs	<u>(3,342)</u>	<u>(3,392)</u>
Net operating revenues	32,200	29,238
Operating expenses		
Claims and claims adjustment expense	37,415	26,636
General and administrative	<u>1,890</u>	<u>1,949</u>
Total operating expenses	<u>39,305</u>	<u>28,585</u>
Operating income (loss)	(7,105)	653
Nonoperating revenues		
Investment income (loss)	(374)	(2,986)
Appropriation Transfer HB4261	(2,810)	0
Payment to transfer HB601 estimated future IBNR	—	0
Net nonoperating revenues	<u>(3,184)</u>	<u>(2,986)</u>
Changes in net position	(10,289)	(2,333)
Total net position, beginning of year	190,959	192,820
Total net position, end of period	<u>\$ 180,670</u>	<u>\$ 190,487</u>

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

There were a total of 3 leasing changes for this period and they are as follows:

- 1 – New Contract of Lease – DOA Owned
- 2 – New Contract of Lease

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

NEW CONTRACT OF LEASE – DOA OWNED

WORKFORCE WEST VIRGINIA

WWV-040-SUB New Contract of Lease for 1 year consisting of 471 square feet of conference room space at the annual per square foot rate of \$13.00, annual cost \$6,123.00, full service, 100 Municipal Plaza, in the City of Weirton, Hancock County, West Virginia.

NEW CONTRACT OF LEASE

DEPARTMENT OF AGRICULTURE

AGR-054 New Contract of Lease for 1 year consisting of 1,200 square feet of office space at the annual per square foot rate of \$6.00, annual cost \$7,200.00, full service, 408 Jones Avenue, in the City of Oak Hill, Fayette County, West Virginia.

DEPARTMENT OF ENVIRONMENTAL PROTECTION

DEP-190 New Contract of Lease for 20 years consisting of 28,000 square feet of office space at the annual per square foot rate of \$18.00 for the years 1-5, annual cost \$504,000.00; \$19.00 for the years 6-10, annual cost \$532,000.00; \$20.00 for the years 11-15, annual cost \$560,000.00; and \$21.00 for the years 16-20, annual cost \$588,000.00, 1159 Nick Rahall Greenway, Fayette County, West Virginia.

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

# of Transactions	Agency	Lease #	County	Square Feet	Rental Rate	Annual Rent	Term in years	Total Aggregate
1	Workforce West Virginia	WWV-040	Hancock	471	13.00	6,123	1	6,123
2	Department of Agriculture	AGR-054	Fayette	1,200	6.00	7,200	1	7,200
3	Department of Environmental Protection	DEP-190	Fayette	28,000	18.00	504,000	5	2,520,000 *
	Department of Environmental Protection	DEP-190	Fayette	28,000	19.00	532,000	5	2,660,000 *
	Department of Environmental Protection	DEP-190	Fayette	28,000	20.00	560,000	5	2,800,000 *
	Department of Environmental Protection	DEP-190	Fayette	28,000	21.00	588,000	5	2,940,000 *
						97.00		
Total Rentable Square Feet				<u>113,671</u>				
Average Annual Rental Rate					16.17			
Total Annual Rent						<u>2,197,323</u>		

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

Department of Administration Real Estate Division Leasing Report
For the period of January 1 – 31, 2017

There were a total of 9 leasing changes for this period and they are as follows:

- 3 – New Contract of Lease
- 1 – Straight Renewal
- 2 – Renewal with Increase in Rent
- 3 – Cancellations

Department of Administration Real Estate Division Leasing Report
For the period of January 1, 2017 through January 31, 2017

NEW CONTRACT OF LEASE

DEPARTMENT OF HEALTH AND HUMAN RESOURCES

HHR-250 New Contract of Lease for 3 years consisting of 300 square feet of office space at the monthly rate of \$400.00, annual cost \$4,800.00, full service, 312 West King Street, in the City of Martinsburg, Berkeley County, West Virginia.

WEST VIRGINIA BOARD OF EXAMINERS FOR REGISTERED PROFESSIONAL NURSES

RNB-003 New Contract of Lease for 5 years consisting of 7,400 square feet of office space at the annual per square foot rate of \$13.44, annual cost \$99,456.00, full service, 90 MacCorkle Avenue, in the City of South Charleston, Kanawha County, West Virginia.

DIVISION OF REHABILITATION SERVICES

DRS-130 New Contract of Lease for 5 years consisting of 524 square feet of office space at the annual per square foot rate of \$12.60, annual cost \$6,602.40, (full service), 3554 Teays Valley Road, in the City of Hurricane, Putnam County, West Virginia.

STRAIGHT RENEWAL

DEPARTMENT OF HEALTH AND HUMAN RESOURCES

HHR-156 Renewal for 3 years consisting of 400 square feet of storage space at the current monthly rate of \$170.00, annual cost \$2,040.00, 4264 Woodrum Lane, in the City of Charleston, Kanawha County, West Virginia.

RENEWAL WITH INCREASE IN RENT

CENTER FOR PROFESSIONAL DEVELOPMENT

CPD-003 Renewal for 2 years consisting of 6,000 square feet of office space with an increase in the annual per square foot rate from \$9.50 to \$9.70, annual cost \$58,200, full service, 208 Hale Street, in the City of Charleston, Kanawha County, West Virginia.

CPD-004 Renewal for 2 years consisting of 5,728 square feet of office space with an increase in the annual per square foot rate from \$12.00 to \$12.24, annual cost \$70,110.72, full service, 209 Hale Street, in the City of Charleston, Kanawha County, West Virginia.

CANCELLATION

DEPARTMENT OF HEALTH AND HUMAN RESOURCES

HHR-158 Cancellation consisting of 310 square feet of office space, at the monthly rate of \$379.75, annual cost \$4,557.00, full service, in the City of Martinsburg, Berkeley County, West Virginia.

DEPARTMENT OF ENVIRONMENTAL PROTECTION

DEP-175 Lease cancellation consisting of 300 square feet of storage space, at the monthly rate of \$115.00, annual cost \$1,380.00, located at 800 North Side Drive, in the City of Summersville, Nicholas County, West Virginia.

DIVISION OF REHABILITATION SERVICES

DRS-068 Lease cancellation consisting of 1,422 square feet of office space, at the annual per square foot rate of \$8.00, annual cost \$11,376.00, 207 5th Street, in Pt. Pleasant, Mason County, West Virginia.

Real Estate Division
 Monthly Summary of Lease Activity
 January 1 - 31, 2017

# of Transactions	Agency	Lease #	County	Square Feet	Rental Rate	Annual Rent	Term in years	Total Aggregate
1	Department of Health and Human Resources	HHR-250	Berkeley	300	0.00	4,800	3	14,400
2	WV Board Of Examiners for Registered Nurses	RNB-003	Kanawha	7,400	13.44	99,456	5	497,280
3	Division of Rehabilitation Services	DRS-130	Putnam	524	12.60	6,602	5	33,012
4	Department of Health and Human Resources	HHR-156	Kanawha	400	0.00	2,040	3	6,120
5	Center for Professional Development	CPD-003	Kanawha	6,000	9.70	58,200	2	116,400
6	Center for Professional Development	CPD-004	Kanawha	5,728	12.24	70,111	2	140,221

47.98
Total Rentable Square Feet 20,352
Average Annual Rental Rate 12.00
Total Annual Rent 241,209

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

CANCELLATIONS

# of Transactions	Agency	Lease #	County	Square Feet	Rental Rate	Annual Rent
1	Department of Health and Human Resources	HHR-158	Berkeley	310	0.00	4,557
2	Department of Environmental Protection	DEP-175	Nicholas	300	0.00	1,380
3	Division of Rehabilitation Services	DRS-068	Mason	1,422	8.00	11,376

Total Rentable Square Feet 2,032
Total Annual Rent 17,313

Joint Committee on Government and Finance

February 2017

Department of Health and Human Resources

**MEDICAID REPORT
December 2016 Data**

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

	MONTH OF DECEMBER 2016		ACTUALS	TOTAL	ACTUALS	ESTIMATE	ACTUALS	PROJECTED
	SFY2016	SFY2017	Current Month Ended 12/31/16	SFY2017	Current Month Ended 12/31/16	Current Month Ended 12/31/16	Year To-Date Thru 12/31/16	1/1/17 Thru 6/30/17
EXPENDITURES:								
Inpatient Hospital - Reg. Payments	186,720,433	191,663,554	9,405,582	191,663,554	9,405,582	14,745,169	75,098,806	116,564,748
Inpatient Hospital - DSH	54,542,207	53,803,200	-	53,803,200	-	-	27,049,755	26,753,445
Inpatient Hospital - Supplemental Payments	88,772,449	126,027,542	13,917,656	126,027,542	13,917,656	13,917,653	42,884,979	83,142,563
Inpatient Hospital - GME Payments	9,200,784	8,027,882	-	8,027,882	-	-	4,075,082	3,952,800
Mental Health Facilities	60,774,362	76,856,261	5,095,529	76,856,261	5,095,529	5,914,798	26,888,727	49,967,535
Mental Health Facilities - DSH Adjustment Payments	18,887,044	18,886,800	-	18,886,800	-	-	9,443,518	9,443,282
Nursing Facility Services - Regular Payments ⁽²⁾	630,230,973	644,177,879	55,665,866	644,177,879	55,665,866	53,701,443	323,350,657	320,827,222
Nursing Facility Services - Supplemental Payments	-	-	-	-	-	-	-	-
Intermediate Care Facilities - Public Providers	-	-	-	-	-	-	-	-
Intermediate Care Facilities - Private Providers	68,590,373	69,718,700	5,647,277	69,718,700	5,647,277	5,809,892	35,177,170	34,541,530
Intermediate Care Facilities - Supplemental Payments	-	-	-	-	-	-	-	-
Physicians Services - Regular Payments	117,140,779	107,471,018	6,091,838	107,471,018	6,091,838	8,269,557	41,333,718	66,137,300
Physicians Services - Supplemental Payments	33,313,589	21,769,930	-	21,769,930	-	-	10,662,228	11,107,702
Physician and Surgical Services - Evaluation and Management	129,275	-	(368)	-	(368)	-	2,044	(2,044)
Physician and Surgical Services - Vaccine Codes	288	-	-	-	-	-	-	-
Outpatient Hospital Services - Regular Payments	107,370,522	97,980,515	6,726,006	97,980,515	6,726,006	7,539,840	43,628,900	54,351,615
Outpatient Hospital Services - Supplemental Payments	85,182,603	208,258,173	-	208,258,173	-	-	43,157,608	165,100,565
Prescribed Drugs	310,642,861	299,765,411	21,532,154	299,765,411	21,532,154	23,334,267	132,727,053	167,038,358
Drug Rebate Offset - National Agreement	(247,362,655)	(238,221,600)	(16,117,349)	(238,221,600)	(16,117,349)	(28,515,125)	(96,767,553)	(141,454,047)
Drug Rebate Offset - State Sidebar Agreement	(9,422,134)	(13,890,000)	(87)	(13,890,000)	(87)	(1,662,633)	(3,929,268)	(9,960,732)
Drug Rebate Offset - MCO National	(89,719,160)	(46,188,000)	(16,730,070)	(46,188,000)	(16,730,070)	(5,528,704)	(116,755,846)	70,567,846
Drug Rebate Offset - MCO State Sidebar Agreement	(7,465,402)	(4,285,200)	(667)	(4,285,200)	(667)	(512,938)	(3,500,613)	(784,587)
Dental Services	17,904,695	18,576,878	1,233,341	18,576,878	1,233,341	1,431,563	7,948,619	10,628,259
Other Practitioners Services - Regular Payments	10,762,231	12,001,150	611,502	12,001,150	611,502	928,566	3,940,780	8,060,371
Other Practitioners Services - Supplemental Payments	-	-	-	-	-	-	-	-
Clinic Services	3,328,805	4,401,083	211,260	4,401,083	211,260	341,029	1,167,040	3,234,043
Lab & Radiological Services	26,879,927	22,300,416	1,309,909	22,300,416	1,309,909	1,716,188	8,715,271	13,585,144
Home Health Services	42,832,510	46,917,519	3,543,970	46,917,519	3,543,970	3,663,124	20,228,366	26,689,153
Hysterectomies/Sterilizations	234,860	215,096	5,601	215,096	5,601	16,546	29,214	185,882
Pregnancy Terminations ⁽⁴⁾	-	274,326	44,217	274,326	44,217	21,102	85,633	188,693
EPSDT Services	1,557,174	1,920,918	114,878	1,920,918	114,878	147,886	854,987	1,065,931
Rural Health Clinic Services	9,206,515	12,285,791	557,424	12,285,791	557,424	945,175	3,310,325	8,975,465
Medicare Health Insurance Payments - Part A Premiums	18,084,672	18,042,000	1,547,478	18,042,000	1,547,478	1,503,500	9,114,789	8,927,211
Medicare Health Insurance Payments - Part B Premiums	96,216,407	111,651,355	8,638,372	111,651,355	8,638,372	9,304,280	52,455,634	59,195,721
120% - 134% Of Poverty	7,659,976	6,920,700	722,883	6,920,700	722,883	532,362	4,294,059	2,626,641
135% - 175% Of Poverty	-	-	-	-	-	-	-	-
Coinsurance And Deductibles	9,743,197	10,599,800	857,853	10,599,800	857,853	815,369	4,728,264	5,871,536

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

	MONTH OF DECEMBER 2016		ACTUALS	TOTAL	ACTUALS	ESTIMATE	ACTUALS	PROJECTED
	SFY2016	SFY2017	Current Month Ended 12/31/16	SFY2017	Current Month Ended 12/31/16	Current Month Ended 12/31/16	Year To-Date Thru 12/31/16	1/1/17 Thru 6/30/17
Medicaid Health Insurance Payments: Managed Care Organizations (MCO)	1,286,596,440	1,501,169,123	110,455,607		125,097,427	686,506,270	814,662,853	
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	102,258		49,677	262,034	383,766	
Medicaid Health Insurance Payments: Coinsurance	-	-	-		-	-	-	
Medicaid Health Insurance Payments: Other	-	-	-		-	-	-	
Home & Community-Based Services (MR/DD)	331,969,032	370,267,300	25,612,066		28,482,100	157,985,145	212,282,155	
Home & Community-Based Services (Aged/Disabled)	103,740,104	109,486,361	8,235,811		8,471,418	52,404,654	57,081,707	
Home & Community-Based Services (Traumatic Brain Injury)	1,288,545	1,338,311	113,567		102,924	725,568	612,743	
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	6,046,652		6,245,366	37,347,049	43,722,465	
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	166,809		241,151	1,172,856	1,961,691	
Primary Care Case Management Services	118,509	-	-		-	24	(24)	
Hospice Benefits ⁽³⁾	24,326,119	28,764,002	2,389,152		2,212,616	13,705,199	15,058,803	
Emergency Services Undocumented Aliens	726,066	567,619	50,631		43,663	254,486	313,133	
Federally Qualified Health Center	26,234,192	36,013,699	1,473,773		2,770,737	12,308,705	23,704,994	
Non-Emergency Medical Transportation	33,057,538	31,937,126	2,960,751		2,459,718	17,869,309	14,067,817	
Physical Therapy	2,760,390	2,429,083	147,623		186,949	1,216,477	1,212,606	
Occupational Therapy	636,335	754,433	45,210		58,033	315,028	439,405	
Services for Speech, Hearing & Language	572,905	585,848	48,415		45,070	287,207	298,641	
Prosthetic Devices, Dentures, Eyeglasses	1,889,277	1,840,232	119,010		141,752	911,602	928,630	
Diagnostic Screening & Preventive Services	896,178	699,236	42,663		53,787	276,371	422,865	
Nurse Mid-Wife	292,426	418,463	13,103		32,189	72,346	346,117	
Emergency Hospital Services	192	-	-		-	-	-	
Critical Access Hospitals	45,094,773	41,345,935	3,095,780		3,181,609	19,512,458	21,833,477	
Nurse Practitioner Services	3,879,118	4,269,983	270,987		328,525	1,718,856	2,551,127	
School Based Services	10,725,290	27,116,380	413,837		2,085,882	3,714,330	23,402,051	
Rehabilitative Services (Non-School Based)	72,279,284	81,100,199	5,472,528		6,243,932	35,062,357	46,037,842	
Private Duty Nursing	7,572,074	8,116,442	720,128		625,262	4,488,812	3,627,630	
Freestanding Birth Centers	-	52,723	-		4,056	-	52,723	
Health Home for Enrollees w Chronic Conditions	283,848	310,938	29,411		23,918	122,751	188,187	
Other Care Services	23,840,734	24,979,301	1,761,303		1,938,929	10,936,038	14,043,263	
Less: Recoupments	-	-	(1,037,686)		-	(3,832,412)	3,832,412	
NET EXPENDITURES:	3,719,444,105	4,246,341,693	279,381,444		309,506,599	1,766,743,467	2,479,598,227	

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

MONTH OF DECEMBER 2016	ACTUALS	TOTAL	ACTUALS	ESTIMATE	ACTUALS	PROJECTED
	SFY2016	SFY2017	Current Month Ended 12/31/16	Current Month Ended 12/31/16	Year To-Date Thru 12/31/16	1/1/17 Thru 6/30/17
Collections: Third Party Liability (line 9A on CMS-64)	(16,895,131)	-	-	-	(1,468,789)	1,468,789
Collections: Probate (line 9B on CMS-64)	(528,556)	-	-	-	(29,067)	29,067
Collections: Identified through Fraud & Abuse Effort (line 9C on CMS-64)	(136,975)	-	-	-	(90,651)	90,651
Collections: Other (line 9D on CMS-64)	(22,712,394)	-	-	-	(6,361,484)	6,361,484
NET EXPENDITURES and CMS-64 ADJUSTMENTS:	3,679,171,049	4,246,341,693	279,381,444	309,506,599	1,758,793,476	2,487,548,217
Plus: Medicaid Part D Expenditures	38,334,392	43,492,293	3,340,656	3,624,358	20,643,670	22,848,623
Plus: State Only Medicaid Expenditures	643,193	677,984	44,429	52,153	248,395	429,589
Plus: Money Follow the Person Expenditures	1,225,231	2,372,514	143,057	182,501	799,805	1,572,708
TOTAL MEDICAID EXPENDITURES	\$ 3,719,373,866	\$ 4,292,884,484	\$ 282,909,586	\$ 313,365,611	\$ 1,780,485,346	\$ 2,512,399,138
Plus: Reimbursables ⁽¹⁾	3,982,371	4,980,394	289,526	383,107	1,763,853	3,216,540
Plus: NATCEP/PASARR/Eligibility Exams	271,038	280,566	47,397	21,582	140,891	139,676
Plus: HIT Incentive Payments	6,343,904	20,000,000	165,750	1,538,462	1,029,862	18,970,138
TOTAL EXPENDITURES	\$ 3,729,971,178	\$ 4,318,145,444	\$ 283,412,259	\$ 315,308,762	\$ 1,783,419,952	\$ 2,534,725,492

- (1) This amount will revert to State Only if not reimbursed.
 (2) Of the amount in the "Nursing Facility Services-Regular Payments" line, \$10,818,676 is the amount paid to State Facilities year to date.
 (3) Of the amount in the "Hospice Benefits" line, \$11,060,971 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

6 Months Actuals 6 Months Remaining

MONTH OF DECEMBER 2016	ACTUALS	ACTUALS	ACTUALS	PROJECTED	TOTAL
	SFY2016	Current Month Ended 12/31/16	Year-To-Date Thru 12/31/16	1/1/17 Thru 6/30/17	SFY2017
REVENUE SOURCES					
Beg. Bal. (5084/1020 prior mth)	\$ 19,797,518	\$ 9,400,089	\$ 22,715,798		\$ 22,715,798
MATCHING FUNDS					
General Revenue (0403/189)	367,629,797	29,120,496	149,342,006	270,655,669	419,997,674
MRDD Waiver (0403/466)	88,753,483	6,508,588	29,732,417	59,021,066	88,753,483
Rural Hospitals Under 150 Beds (0403/940)	2,596,000	216,334	1,298,000	1,298,000	2,596,000
Tertiary Funding (0403/547)	6,356,000	529,666	3,178,000	3,178,000	6,356,000
Traumatic Brain Injury (0403/835)	800,000	58,666	336,000	464,000	800,000
Title XIX Waiver for Seniors (0403-533)	11,377,874	996,865	4,553,862	9,039,759	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)	29,713,026	-	10,912,138	10,912,136	21,824,274
Lottery Waiver (0420/539)	5,906,641	-	6,071,092	6,071,092	12,142,184
Lottery Transfer (5405/871)	8,670,000	-	4,400,000	4,270,000	8,670,000
Excess Lottery (5365/189)	24,512,140	-	16,000,000	15,377,985	31,377,985
Lottery Surplus (5405/68199)	10,000,000	-	-	8,000,000	8,000,000
Lottery Surplus (5365/68100)	20,000,000	-	-	30,000,000	30,000,000
Trust Fund Appropriation (5185/189)	66,292,331	22,000,000	89,000,000	60,654,988	149,654,988
Provider Tax (5090/189)	209,832,017	13,654,068	102,100,000	101,181,007	203,281,007
NSGO UPL (5084/6717)	4,378,592	-	647,748	593,655	1,241,403
Certified Match	11,857,611	1,094,271	5,454,066	9,394,924	14,848,990
Reimbursables - Amount Reimbursed	4,138,564	-	926,076	4,054,318	4,980,394
Other Revenue (MWIN, Escheated Warrants, etc.) 5084/4010 & 4015	602,343	52,404	309,558	590,442	900,000
CHIP State Share	3,567,160	-	-	-	-
CMS - 64 Adjustments	647,987	-	554,094	(554,094)	-
TOTAL MATCHING FUNDS	\$ 897,429,083	\$ 83,631,447	\$ 453,030,854	\$ 594,202,947	\$ 1,047,233,800
FEDERAL FUNDS	\$ 2,887,088,843	\$ 227,014,102	\$ 1,358,541,136	\$ 1,959,783,530	\$ 3,318,324,666
TOTAL REVENUE SOURCES	\$ 3,784,517,927	\$ 310,645,549	\$ 1,811,571,989	\$ 2,553,986,477	\$ 4,365,558,466
TOTAL EXPENDITURES:					
Provider Payments	\$ 3,729,971,178	\$ 283,412,259	\$ 1,783,419,952	\$ 2,534,725,492	\$ 4,318,145,444
TOTAL	\$ 54,546,748	\$ 27,233,290	\$ 28,152,037		\$ 47,413,022

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

Joint Committee on Government and Finance

February 2017

Department of Health and Human Resources

**MEDICAID WAIVER REPORT
December 2016 Data**

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

Aged & Disabled Waiver Reported Dec 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	6,071	6,071	6,071	6,071							6,071
-Slots reserved for Take Me Home-WV (TMH-WV) enrollees		80	80	80	80	80	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	5,801	5,873	5,920	5,952	5,975							5,975
Applicants determined eligible this month and added to MEL (3)		1,897	78	77	84	90	116	142							587
Applicants determined ineligible		195	3	7	7	5	6	9							37
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	5,718	5,732	5,708	5,677	5,647							5,647
Active members enrolled during the calendar month		825	234	134	112	71	48	43							642
-Total Active Traditional members enrolled during the calendar month		N/A	230	128	111	65	44	29							607
-Total Active TMH-WV members enrolled during the calendar month		N/A	4	6	1	6	4	14							35
Members discharged during the calendar month		1,045	79	142	98	95	79	73							566
ADW Members whose case was closed by reason	Member is deceased	573	46	87	40	53	52	35							313
	Other (4)	472	33	55	58	42	27	38							253
MANAGED ENROLLMENT LIST (MEL)															
# Eligible applicants closed during the calendar month (removed from MEL)		1,903	165	137	79	50	62	62							555
ADW Applicants removed from the MEL	Applicant offered a slot	919	113	111	58	29	33	38							382
	Applicant became deceased	169	33	2	7	11	5	9							67
	Other (5)	815	19	24	14	10	24	15							106
Applicants on the MEL who are in a nursing facility YTD Column reflects average # members in setting		34	5	13	6	5	9	12							8
Applicants on the MEL receiving Personal Care YTD Column reflects average # members in setting		86	26	26	17	13	11	23							19
Applicants on the MEL at the end of the month		274	187	127	132	172	226	306							306
Days -Longest time spent on the MEL to date (6) YTD Column reflects average # of days		190	195	188	186	152	146	177							174

(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 initial application date.

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

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

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

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

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

Intellectual/Developmental Disabilities Waiver Reported December 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	4,634	4,634	4,634	4,634							4,634
Total number of members served YTD (unduplicated slots used) (1)		4,634	4,587	4,588	4,588	4,588	4,619	4,621							4,621
Applicants determined eligible (2)		293	16	14	24	18	21	16							109
Applicants determined ineligible (3)		287	11	20	21	17	25	15							109
ACTIVE MEMBERS															
# of active members at the end of the month (unduplicated slots active) (1)		4,534	4,577	4,564	4,556	4,541	4,557	4,549							4,549
Discharged members at the end of the calendar month		104	11	15	10	16	16	14							82
Discharged members who were discharged by reason	Deceased	53	6	9	6	7	9	9							46
	Left program to enter a facility	9	2	2	0	0	0	0							4
	Other (6)	40	3	3	4	9	7	5							31
MANAGED ENROLLMENT LIST (MEL)															
Total number of applicants on the MEL at the end of the month		1,260	1,220	1,228	1,250	1,264	1,252	1,260							1,260
Number of applicants added to the MEL (4)		293	16	14	24	18	21	16							109
Applicants enrolled (removed from the MEL)		115	54	2	2	1	32	6							97
Applicants removed from the MEL due to Death (5)		9	0	0	0	1	0	0							1
Applicants removed from the MEL due to Other (6)		7	2	4	0	2	1	2							11
Applicants on the MEL who are in a Nursing Facility		2	1	2	2	1	4	1							1
Applicants on the MEL who are in an ICF/IID Group Home		85	93	96	93	84	93	91							91
Applicants on the MEL receiving Personal Care Services each month		76	82	88	88	96	61	79							79
Longest on the MEL to date (7)		1303 Days	1,334	1,315	1,341	1,372	1,395	1,426							1,426

(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 December 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)		74	70	70	70	70	70	70							70
-Slots Available for Traditional (non TMH-WV) enrollees		64	60	60	60	60	60	60							60
-Slots reserved for Take Me Home-WV (TMH-WV) enrollees		10	10	10	10	10	10	10							10
Total number of members served YTD (unduplicated slots used) (2) YTD Column reflects most recent month's count		73	63	63	62	62	62	62							62
Applicants determined eligible this month and added to MEL (3)		NA	1	4	3	3	2	3							16
Applicants determined ineligible		5	0	0	1	1	0	0							2
ACTIVE MEMBERS															
Active members at the end of the month (unduplicated slots active) YTD Column reflects most recent month's count		63	63	63	62	62	60	60							60
Active members enrolled during the calendar month		63	0	0	0	0	0	1							1
-Total Active Traditional members enrolled during the calendar month		62	0	0	0	0	0	0							0
-Total Active TMH-WV members enrolled during the calendar month		1	0	0	0	0	0	1							1
Members discharged during the calendar month		17	0	0	1	0	2	1							4
TBIW Members whose case was closed by reason	Member is deceased	4	0	0	0	0	0	0							0
	Other (4)	13	0	0	1	0	2	1							4
MANAGED ENROLLMENT LIST (MEL)															
# Eligible applicants closed during the calendar month (removed from MEL)		0	0	0	0	0	0	1							1
TBIW Applicants removed from the MEL	Applicant offered a slot	6	0	0	0	0	0	1							1
	Applicant became deceased	0	0	0	0	0	0	0							0
	Other (5)	0	0	0	0	0	0	0							0
Applicants on the MEL who are in a nursing facility YTD Column reflects average # members in setting		1	1	1	0	0	1	0							1
Applicants on the MEL receiving Personal Care YTD Column reflects average # members in setting		0	0	1	1	1	0	1							1
Applicants on the MEL at the end of the month		0	1	5	8	11	13	15							15
Days -Longest time spent on the MEL to date (6) YTD Column reflects average # of days		39	3	34	64	95	125	156							80

(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 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

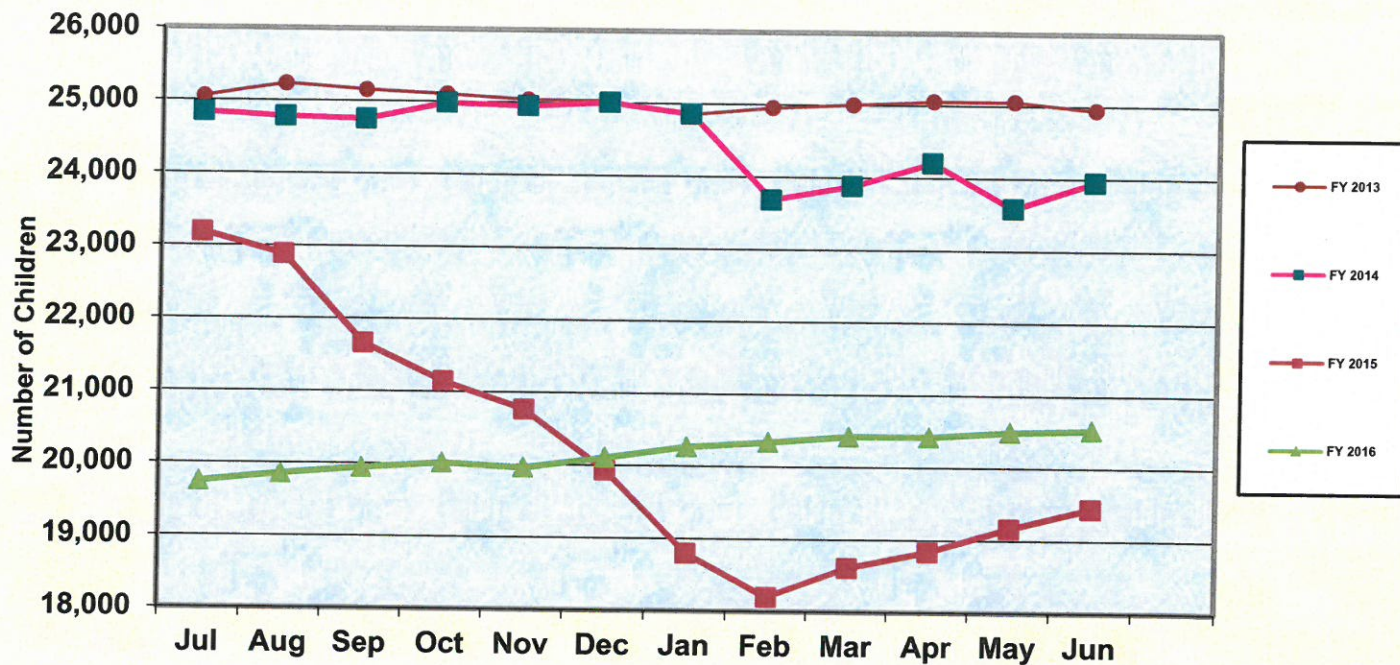
FEBRUARY 2017

Department of Health and Human Resources

State Children's Health Insurance Program
UPDATE

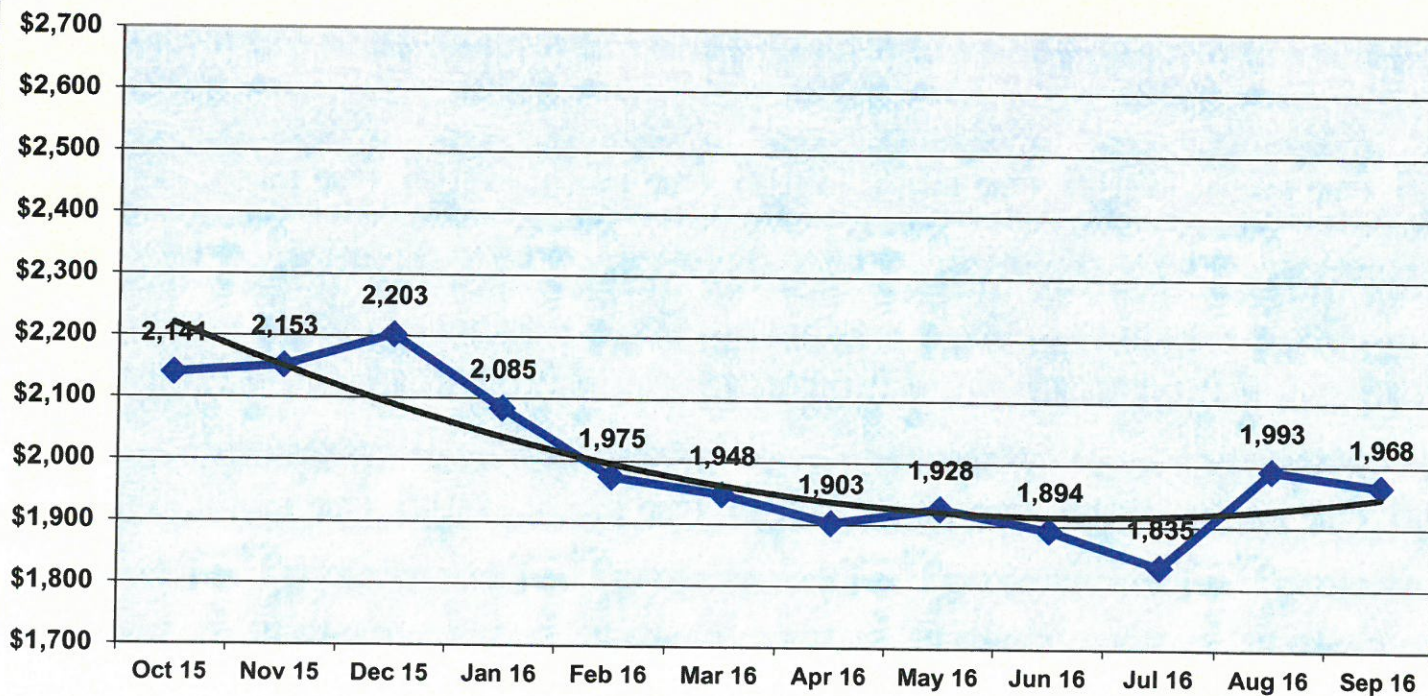


WV CHIP Enrollment



September 30th Enrollment 20,722

Annualized Health Care Expenditures (Cost per Child)



**West Virginia Children's Health Insurance Program
Comparative Balance Sheet
September 2016 and 2015
(Accrual Basis)**

	September 30, 2016	September 30, 2015	Variance	
Assets:				
Cash & Cash Equivalents	\$6,764,454	\$8,302,108	(\$1,537,654)	-19%
Due From Federal Government	\$11,621,866	\$3,255,492	\$8,366,374	257%
Due From Other Funds	\$1,144,540	\$816,418	\$328,122	40%
Accrued Interest Receivable	\$6,625	\$5,070	\$1,555	31%
Fixed Assets, at Historical Cost	<u>\$82,046</u>	<u>\$82,046</u>	<u>\$0</u>	<u>0%</u>
Total Assets	<u>\$19,619,531</u>	<u>\$12,461,134</u>	<u>\$7,158,397</u>	<u>57%</u>
Liabilities:				
Accounts Payable	\$1,111,500	\$421,910	\$689,590	163%
Unpaid Insurance Claims Liability	<u>\$10,240,000</u>	<u>\$3,650,000</u>	<u>\$6,590,000</u>	<u>181%</u>
Total Liabilities	<u>\$11,351,500</u>	<u>\$4,071,910</u>	<u>\$7,279,590</u>	<u>179%</u>
Fund Equity	<u>\$8,268,031</u>	<u>\$8,389,224</u>	<u>(\$121,193)</u>	<u>-1%</u>
Total Liabilities and Fund Equity	<u>\$19,619,531</u>	<u>\$12,461,134</u>	<u>\$7,158,397</u>	<u>57%</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 three months ending September 30, 2016 and September 30, 2015
(Modified Accrual Basis)

	September 30, 2016	September 30, 2015	Variance	
Revenues				
Federal Grants	20,470,748	8,569,349	11,901,399	139%
State Appropriations	0	0	0	0%
Premium Revenues	329,448	341,385	(11,937)	-3%
Investment Income:				
Investment Earnings	<u>19,782</u>	<u>15,551</u>	<u>4,231</u>	<u>27%</u>
Total Revenues	<u>20,819,978</u>	<u>8,926,285</u>	<u>11,893,693</u>	<u>133%</u>
Expenditures:				
Claims:				
Outpatient Services	1,267,301	2,521,178	(1,253,877)	-50%
Physicians & Surgical	3,242,117	2,055,653	1,186,464	58%
Prescribed Drugs	1,921,100	2,031,932	(110,832)	-5%
Dental	1,751,623	1,348,166	403,457	30%
Inpatient Hospital Services	623,610	978,733	(355,123)	-36%
Outpatient Mental Health	4,526	230,855	(226,329)	-98%
Durable & Disposable Med. Equip.	142,409	208,324	(65,915)	-32%
Therapy	722,787	193,536	529,251	273%
Inpatient Mental Health	219,245	165,035	54,210	33%
Vision	196,803	161,686	35,117	22%
Medical Transportation	18,543	93,250	(74,707)	-80%
Other Services	570,816	9,857	560,959	5691%
Less: Collections**	<u>(269,655)</u>	<u>(192,972)</u>	<u>(76,683)</u>	<u>40%</u>
Total Claims	<u>10,411,225</u>	<u>9,805,233</u>	<u>605,992</u>	<u>6%</u>
General and Admin Expenses:				
Salaries and Benefits	141,877	159,779	(17,902)	-11%
Program Administration	747,198	659,095	88,103	13%
Eligibility	0	14,460	(14,460)	-100%
Outreach & Health Promotion	17,591	4,874	12,717	261%
Current	<u>25,702</u>	<u>58,081</u>	<u>(32,379)</u>	<u>-56%</u>
Total Administrative	<u>932,368</u>	<u>896,289</u>	<u>36,079</u>	<u>4%</u>
Total Expenditures	<u>11,343,593</u>	<u>10,701,522</u>	<u>642,071</u>	<u>6%</u>
Excess of Revenues				
Over (Under) Expenditures	9,476,384	(1,775,237)	11,251,621	-634%
Unrealized Gain(loss) On Investments*	(7,952)	(3,790)	(4,162)	110%
Fund Equity, Beginning	<u>8,268,031</u>	<u>10,690,817</u>	<u>(2,422,786)</u>	<u>-23%</u>
Fund Equity, Ending	<u>17,736,464</u>	<u>8,911,790</u>	<u>8,824,674</u>	<u>99%</u>

* Short Term Bond Fund Investment began in November 2009

** Collections are primarily drug rebates and subrogation

PRELIMINARY FINANCIAL STATEMENTS

Unaudited - For Management Purposes Only - Unaudited

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

Investment Account

Funds Invested	\$6,379,470
Interest Earned	<u>6,616</u>
Total	<u>\$6,386,086</u>

Unaudited - For Management Purposes Only - Unaudited

**West Virginia Children's Health Insurance Program
Budget to Actual Statement
State Fiscal Year 2017
For the Three Months Ended September 30, 2016**

	<u>Budgeted for Year</u>	<u>Year to Date Budgeted Amt</u>	<u>Year to Date Actual Amt</u>	<u>Year to Date Variance*</u>		<u>Monthly Budgeted Amt</u>	<u>Actual Amt Sep-16</u>	<u>Actual Amt Aug-16</u>	<u>Actual Amt Jul-16</u>
Projected Cost	\$46,142,615	\$11,535,654	\$10,813,022	\$722,632	6%	\$3,845,218	\$4,407,698	\$4,214,030	\$2,191,293
Premiums	2,196,180	\$549,045	\$329,448	(\$219,597)	-40%	183,015	112,572	122,003	\$94,873
Subrogation & Rebates	<u>1,282,512</u>	<u>\$320,628</u>	<u>\$111,701</u>	<u>(208,927)</u>	<u>-65%</u>	<u>106,876</u>	<u>0</u>	<u>111,701</u>	<u>0</u>
Net Benefit Cost	\$42,663,923	\$10,665,981	\$10,371,872	\$294,108	3%	3,653,297	4,295,126	3,980,326	\$2,096,420
Salaries & Benefits	\$702,625	\$175,656	\$141,877	\$33,779	19%	\$58,552	\$47,373	\$43,300	\$51,204
Program Administration	\$1,993,918	\$498,480	\$747,198	(248,719)	-50%	166,160	\$368,142	\$335,933	\$43,123
Eligibility	\$326,676	\$81,669	\$0	81,669	100%	27,223	\$0	\$0	\$0
Outreach & Health Prom.	\$392,012	\$98,003	\$17,591	80,412	82%	32,668	\$8,728	\$7,863	\$1,000
Current Expense	<u>\$326,676</u>	<u>\$81,669</u>	<u>\$25,702</u>	<u>55,967</u>	<u>69%</u>	<u>27,223</u>	<u>\$21,372</u>	<u>\$2,350</u>	<u>\$1,980</u>
Total Admin Cost	\$3,741,907	\$935,477	\$932,368	\$3,109	0%	\$311,826	\$445,615	\$389,446	\$97,308
Total Program Cost	<u>\$46,405,830</u>	<u>\$11,601,458</u>	<u>\$11,304,240</u>	<u>\$297,217</u>	<u>3%</u>	<u>\$3,965,122</u>	<u>\$4,740,740</u>	<u>\$4,369,772</u>	<u>\$2,193,728</u>
Federal Share 100%	46,405,830	11,601,458	\$11,304,240	297,217	3%	\$3,965,122	4,740,740	4,369,772	2,193,728
State Share 0%	<u>0</u>	<u>0</u>	<u>\$0</u>	<u>0</u>	<u>0%</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Program Cost **	<u>\$46,405,830</u>	<u>\$11,601,458</u>	<u>\$11,304,240</u>	<u>\$297,217</u>	<u>3%</u>	<u>\$3,965,122</u>	<u>\$4,740,740</u>	<u>\$4,369,772</u>	<u>\$2,193,728</u>

* Positive percentages indicate favorable variances

** Budgeted Year Based on CCRC Actuary 6/30/2016 Report.

Unaudited - Cash Basis For Management Purposes Only - Unaudited

Memo for Calculations Above:

Notes: 100%

1/. Total budgeted for Year Program costs are CCRC Actuary's Base Line Scenerio dated 6/30/16 Final worksheet
Net Paid Program Costs.

2/. Federal Share for FFY 2016 is 100.00%.

WVCHIP Enrollment Report

ATTACHMENT 1

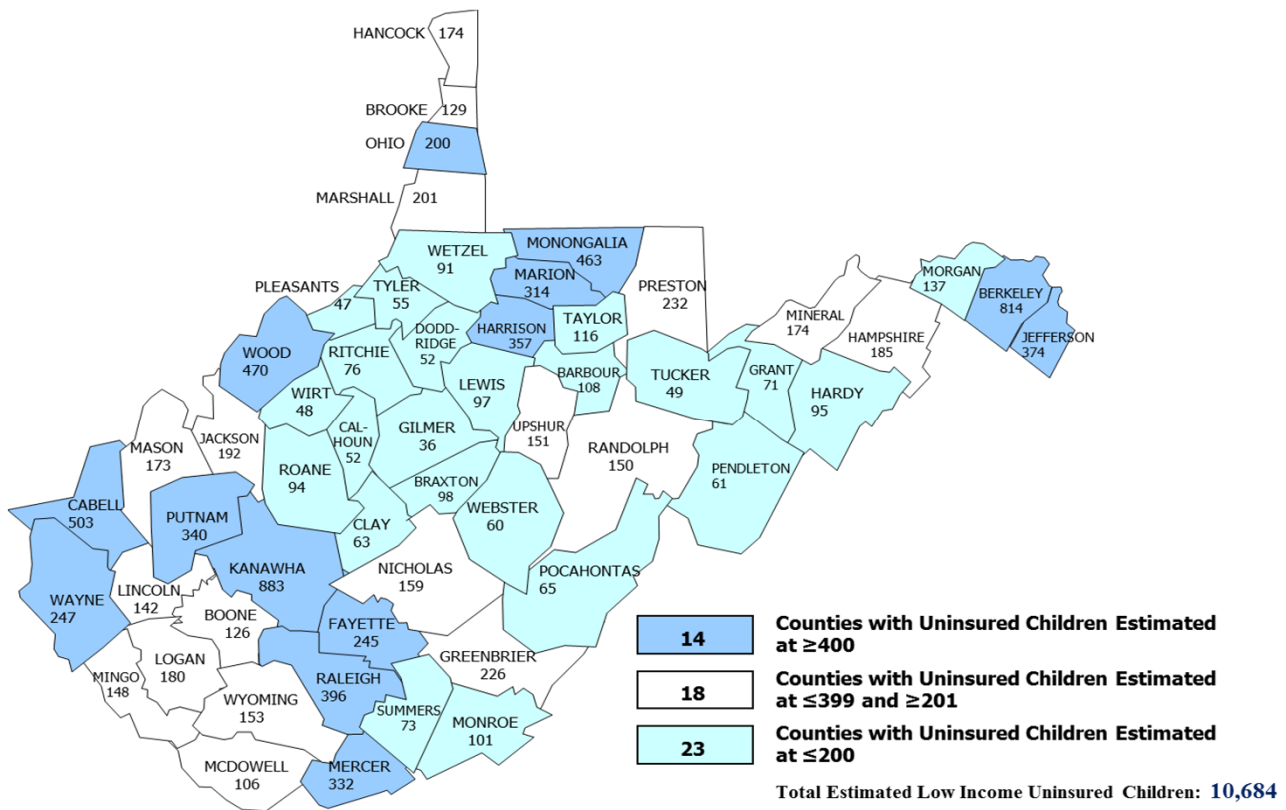
January 2017

County	County Pop.	Total CHIP	Total Medicaid	Total	CHIP/Medicaid	2010	2010
	2010 Est. (0-18 Yrs)	Enrollment Jan-17	Enrollment Jan-17	CHIP/Medicaid Enrollment	Enrollment % of Population	Est. Uninsured 3%	# Children Uninsured Ranking*
Barbour	3,600	226	1,748	1,974	54.8%	108	33
Berkeley	26,251	1,507	11,671	13,178	50.2%	788	2
Boone	5,615	258	3,373	3,631	64.7%	168	25
Braxton	3,006	156	1,748	1,904	63.3%	90	40
Brooke	4,573	92	1,458	1,550	33.9%	137	31
Cabell	18,879	985	9,453	10,438	55.3%	566	4
Calhoun	1,518	71	897	968	63.8%	46	51
Clay	2,215	146	1,412	1,558	70.3%	66	44
Doddridge	1,673	88	774	862	51.5%	50	48
Fayette	9,438	703	5,344	6,047	64.1%	283	13
Gilmer	1,260	51	634	685	54.3%	38	54
Grant	2,555	117	1,065	1,182	46.3%	77	42
Greenbrier	7,131	591	3,675	4,266	59.8%	214	16
Hampshire	5,392	244	2,412	2,656	49.3%	162	27
Hancock	6,166	453	3,024	3,477	56.4%	185	20
Hardy	3,015	183	1,598	1,781	59.1%	90	39
Harrison	15,202	786	6,767	7,553	49.7%	456	7
Jackson	6,602	349	3,137	3,486	52.8%	198	18
Jefferson	12,679	595	3,884	4,479	35.3%	380	10
Kanawha	39,771	2,045	19,775	21,820	54.9%	1,193	1
Lewis	3,389	226	1,980	2,206	65.1%	102	37
Lincoln	4,930	244	3,216	3,460	70.2%	148	30
Logan	7,496	395	4,648	5,043	67.3%	225	15
Marion	11,227	622	5,398	6,020	53.6%	337	11
Marshall	6,886	267	3,112	3,379	49.1%	207	17
Mason	5,929	252	2,925	3,177	53.6%	178	21
McDowell	4,423	213	3,328	3,541	80.1%	133	32
Mercer	12,764	797	8,027	8,824	69.1%	383	9
Mineral	5,868	256	2,465	2,721	46.4%	176	23
Mingo	5,905	242	4,038	4,280	72.5%	177	22
Monongalia	15,294	815	5,482	6,297	41.2%	459	6
Monroe	2,835	223	1,227	1,450	51.1%	85	41
Morgan	3,596	227	1,507	1,734	48.2%	108	34
Nicholas	5,561	311	3,148	3,459	62.2%	167	26
Ohio	8,444	417	3,613	4,030	47.7%	253	14
Pendleton	1,462	68	631	699	47.8%	44	52
Pleasants	1,551	74	628	702	45.2%	47	50
Pocahontas	1,561	143	856	999	64.0%	47	49
Preston	6,536	384	3,198	3,582	54.8%	196	19
Putnam	13,150	664	4,361	5,025	38.2%	395	8
Raleigh	16,403	979	9,579	10,558	64.4%	492	5
Randolph	5,705	485	2,930	3,415	59.9%	171	24
Ritchie	2,205	121	1,097	1,218	55.2%	66	45
Roane	3,239	249	1,854	2,103	64.9%	97	38
Summers	2,521	159	1,456	1,615	64.1%	76	43
Taylor	3,514	193	1,628	1,821	51.8%	105	35
Tucker	1,371	100	581	681	49.7%	41	53
Tyler	1,924	89	865	954	49.6%	58	47

WVCHIP Enrollment Report

January 2017

County	County Pop. 2010 Est. (0-18 Yrs)	Total CHIP Enrollment Jan-17	Total Medicaid Enrollment Jan-17	Total CHIP/Medicaid Enrollment	CHIP/Medicaid % of Population	2010 Est. Uninsured 3%	2010 # Children Uninsured Ranking*
Upshur	4,996	324	2,943	3,267	65.4%	150	29
Wayne	9,516	345	4,889	5,234	55.0%	285	12
Webster	1,977	103	1,359	1,462	73.9%	59	46
Wetzel	3,466	170	1,878	2,048	59.1%	104	36
Wirt	1,201	61	732	793	66.1%	36	55
Wood	18,956	957	9,408	10,365	54.7%	569	3
Wyoming	5,116	268	3,058	3,326	65.0%	153	28
Totals	387,459	21,089	191,894	212,983	55.0%	11,624	

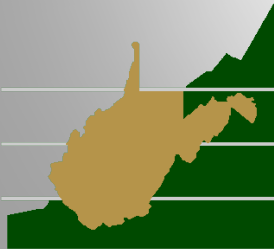


The above map shows the most recent 2013 county level data provided by the U.S. Census Bureau Small Area Health Insurance Estimates (SAHIE) for children under 19 years. While the statewide average for children under 19 is now about 3%, the SAHIE data reflects more accurately the variation from county 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

December 31, 2016



Participant Plans Allocation & Performance Net of Fees

Period Ending: December 31, 2016

	6/30/2016		12/31/2016		Performance %						
	Asset (\$000)	%	Asset (\$000)	%	1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
WVIMB Fund Assets	16,747,244	100.0	17,050,160	100.0							
Pension Assets	13,230,134	79.0	13,659,787	80.2							
Public Employees' Retirement System	5,597,558	33.4	5,831,874	34.2	1.4	1.8	5.6	8.8	5.5	9.0	5.7
Teachers' Retirement System	6,513,312	38.9	6,664,610	39.1	1.4	1.8	5.6	8.7	5.4	9.0	5.4
EMS Retirement System	58,844	0.4	62,932	0.4	1.4	1.8	5.6	8.8	5.5	9.0	
Public Safety Retirement System	578,762	3.5	589,728	3.5	1.4	1.8	5.6	8.7	5.4	9.0	5.7
Judges' Retirement System	167,178	1.0	174,936	1.0	1.4	1.8	5.7	8.8	5.5	9.0	5.7
State Police Retirement System	138,127	0.8	148,516	0.9	1.4	1.8	5.6	8.8	5.5	9.0	5.7
Deputy Sheriffs' Retirement System	171,949	1.0	181,832	1.1	1.4	1.8	5.6	8.8	5.5	9.0	5.7
Municipal Police & Firefighter Retirement System	3,080	0.0	3,976	0.0	1.3	1.8	5.5	8.4	5.3	8.4	
Municipal Model A	1,324	0.0	1,383	0.0	1.4	1.8	5.6	8.6	5.4		
Insurance Assets	2,545,860	15.2	2,547,048	14.9							
Workers' Compensation Old Fund	1,284,843	7.7	1,262,996	7.4	0.9	(0.3)	2.6	6.3	3.3	4.6	3.8
Workers' Comp. Self-Insured Guaranty Risk Pool	33,418	0.2	33,236	0.2	0.9	0.4	3.4	5.9	3.3	5.1	3.8
Workers' Comp. Self-Insured Security Risk Pool	53,881	0.3	53,586	0.3	0.9	0.3	3.4	5.9			
Workers' Comp. Uninsured Employers' Fund	10,841	0.1	11,201	0.1	0.9	0.5	3.3	5.5	3.1	4.9	3.6
Pneumoconiosis	246,635	1.5	246,902	1.4	0.9	0.4	3.4	5.8	3.2	5.0	4.3
Board of Risk & Insurance Management	132,322	0.8	136,757	0.8	0.9	0.4	3.4	5.8	3.2	5.0	4.8
Public Employees' Insurance Agency	176,829	1.0	145,969	0.9	0.9	0.4	3.2	5.8	3.3	4.9	4.5
WV Retiree Health Benefit Trust Fund	607,091	3.6	656,401	3.8	1.4	1.8	5.6	8.8	5.5	8.6	
Endowment Assets	971,250	5.8	843,325	4.9							
Berkeley County Development Authority	6,089	0.0	6,432	0.0	1.4	1.8	5.6	8.8			
Wildlife Fund	54,571	0.3	57,898	0.3	1.4	1.8	5.6	8.8	5.5	9.0	5.7
Prepaid Tuition Trust	54,948	0.3	46,388	0.3	1.2	0.4	3.9	7.2	4.7	7.3	5.3
Revenue Shortfall Reserve Fund	336,013	2.0	191,108	1.1	0.2	(1.6)	(0.3)	4.2	2.6	2.1	1.9
Revenue Shortfall Reserve Fund - Part B	390,670	2.4	400,517	2.4	0.9	(0.4)	2.5	6.5	3.3	4.7	3.1
WV DEP Trust	7,808	0.1	8,290	0.0	1.5	1.5	6.2	7.7	4.1	8.4	
WV DEP Agency	121,151	0.7	132,692	0.8	1.1	0.7	4.3	6.6	3.5		

Composite Asset Allocation & Performance Net of Fees

Period Ending: December 31, 2016

	Asset (\$000)	%	Performance %						
			1 Month	3 Month	FYTD	1 Year	3 Year	5 Year	10 Year
Investment Pools Composite	17,058,431	100.00							
Total Equity Composite	8,626,077	50.57	2.11	2.00	8.07	9.93	4.25	10.97	5.27
+/- Total Equity Policy Index (b)			(0.13)	0.64	0.86	1.08	0.57	0.79	1.23
US Equity Composite	4,180,220	24.51	1.98	3.65	7.52	10.27	7.85	14.36	7.06
+/- Russell 3000 Index			0.03	(0.56)	(1.27)	(2.46)	(0.58)	(0.31)	(0.01)
Large Cap Composite	3,412,632	20.01	1.82	2.99	6.05	9.79	8.63	14.45	6.94
+/- S&P 500 Index			(0.16)	(0.83)	(1.77)	(2.17)	(0.24)	(0.21)	(0.01)
Non-Large Cap Composite	767,588	4.50	2.71	6.78	14.08	12.18	4.92	13.59	7.60
+/- Russell 2500 Index			0.77	0.66	0.99	(5.41)	(2.01)	(0.95)	(0.09)
International Equity Composite	4,445,857	26.06	2.23	0.52	8.57	9.59	0.56	7.52	3.54
+/- MSCI AC World ex US IMI Index (c)			(0.30)	2.04	3.06	4.68	1.56	1.83	2.02
Fixed Income Composite	3,242,351	19.00	0.54	(1.04)	0.69	4.94	3.35	3.61	4.45
+/- Bloomberg Barclays Capital Universal (d)			0.24	1.57	2.37	1.03	0.07	0.83	(0.22)
Core Fixed Income	974,719	5.71	0.05	(2.83)	(2.35)	2.96	3.42	2.90	
+/- Bloomberg Barclays Capital Aggregate			(0.09)	0.15	0.18	0.31	0.39	0.67	
Total Return Fixed Income	2,267,632	13.29	0.76	(0.25)	2.06	5.81	3.30	3.98	4.71
+/- Bloomberg Barclays Capital Universal			0.46	2.36	3.74	1.90	0.02	1.20	0.14
TIPS Composite	332,733	1.95	(0.10)	(2.43)	(1.47)	4.67	2.23	0.87	
+/- Bloomberg Barclays Capital U.S. TIPS			0.00	(0.02)	0.00	(0.01)	(0.03)	(0.02)	
Cash Composite	127,618	0.75	0.04	0.09	0.17	0.33	0.18	0.17	0.90
+/- Citigroup 90 Day T-Bill (e)			0.00	(0.01)	0.00	0.03	0.06	0.01	0.01
Private Equity Composite	1,475,789	8.65	0.90	5.04	5.86	15.17	13.77	12.77	
+/- Russell 3000 + 3% (f, g)								(5.41)	
Real Estate Composite	1,555,223	9.12	0.27	1.44	1.42	8.62	10.54	10.25	
+/- NCREIF + 1% (f)								(1.93)	
Hedge Fund Composite	1,698,640	9.96	0.56	2.13	4.40	2.79	2.79	5.31	
+/- HFRI FOF + 1% (h)			(0.60)	0.82	0.52	1.08	0.53	2.23	

Participant Plans Allocation vs. Strategy

Period Ending: December 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	26.7	27.5	28.1	27.5	13.6	15.0	10.3	10.0	10.7	10.0	10.6	10.0	0.0	0.0
Teachers' Retirement System	26.2	27.5	28.1	27.5	13.5	15.0	10.3	10.0	11.0	10.0	10.7	10.0	0.2	0.0
EMS Retirement System	26.6	27.5	28.1	27.5	14.2	15.0	10.2	10.0	9.9	10.0	10.7	10.0	0.3	0.0
Public Safety Retirement System	26.4	27.5	28.2	27.5	13.4	15.0	10.3	10.0	11.0	10.0	10.7	10.0	0.0	0.0
Judges' Retirement System	26.2	27.5	28.2	27.5	13.8	15.0	10.2	10.0	10.1	10.0	11.3	10.0	0.2	0.0
State Police Retirement System	26.4	27.5	28.1	27.5	14.2	15.0	10.2	10.0	9.9	10.0	10.8	10.0	0.4	0.0
Deputy Sheriffs' Retirement System	26.5	27.5	28.1	27.5	13.8	15.0	10.2	10.0	10.2	10.0	11.1	10.0	0.1	0.0
Municipal Police & Firefighter Retirement System	26.1	27.5	27.1	27.5	14.9	15.0	10.1	10.0	9.8	10.0	9.8	10.0	2.2	0.0
Municipal Model A	26.9	27.5	28.1	27.5	13.7	15.0	10.3	10.0	9.9	10.0	10.0	10.0	1.1	0.0

Insurance Assets

Workers' Compensation Old Fund	15.1	15.0	16.0	15.0	64.1	70.0	0.0	0.0	0.0	0.0	0.0	0.0	4.8	0.0
Workers' Comp. Self-Insured Guaranty Risk Pool	14.7	15.0	14.8	15.0	43.0	45.0	0.0	0.0	0.0	0.0	23.3	20.0	4.2	5.0
Workers' Comp. Self-Insured Security Risk Pool	15.0	15.0	14.7	15.0	43.7	45.0	0.0	0.0	0.0	0.0	22.3	20.0	4.3	5.0
Workers' Comp. Uninsured Employers Fund	14.5	15.0	14.7	15.0	37.9	40.0	0.0	0.0	0.0	0.0	23.0	20.0	9.9	10.0
Pneumoconiosis	14.8	15.0	15.2	15.0	43.8	45.0	0.0	0.0	0.0	0.0	22.0	20.0	4.2	5.0
Board of Risk & Insurance Mgmt.	14.5	15.0	15.3	15.0	42.5	45.0	0.0	0.0	0.0	0.0	22.7	20.0	5.0	5.0
Public Employees' Insurance Agency	15.0	15.0	15.6	15.0	48.6	50.0	0.0	0.0	0.0	0.0	20.8	20.0	0.0	0.0
WV Retiree Health Benefit Trust Fund	25.9	27.5	27.7	27.5	14.3	15.0	10.1	10.0	10.0	10.0	10.5	10.0	1.5	0.0

Endowment Assets

Berkeley County Development Authority	26.9	27.5	28.3	27.5	14.0	15.0	10.2	10.0	10.4	10.0	10.2	10.0	0.0	0.0
Wildlife Fund	26.4	27.5	28.0	27.5	14.0	15.0	10.2	10.0	10.2	10.0	11.0	10.0	0.2	0.0
Prepaid Tuition Trust	28.3	27.5	22.5	22.5	46.9	50.0	0.0	0.0	0.0	0.0	0.0	0.0	2.3	0.0
Revenue Shortfall Reserve Fund	0.0	0.0	0.0	0.0	92.1	100.0	0.0	0.0	0.0	0.0	0.0	0.0	7.9	0.0
Revenue Shortfall Reserve Fund - Part B	15.0	15.0	15.7	15.0	69.3	70.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
WV DEP Trust	31.9	32.5	32.5	32.5	13.8	15.0	0.0	0.0	0.0	0.0	21.8	20.0	0.0	0.0
WV DEP Agency	19.3	20.0	20.0	20.0	38.4	40.0	0.0	0.0	0.0	0.0	20.7	20.0	1.6	0.0

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

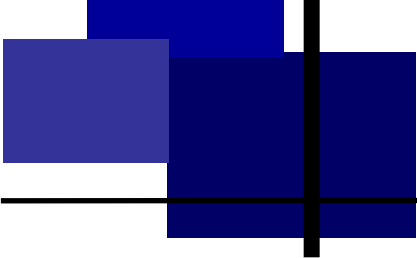
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Status Report:

Workers' Compensation

Joint Committee on Government & Finance

February 2017

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.

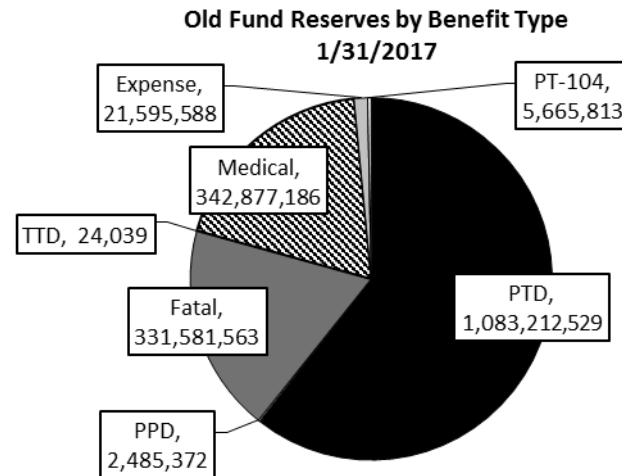
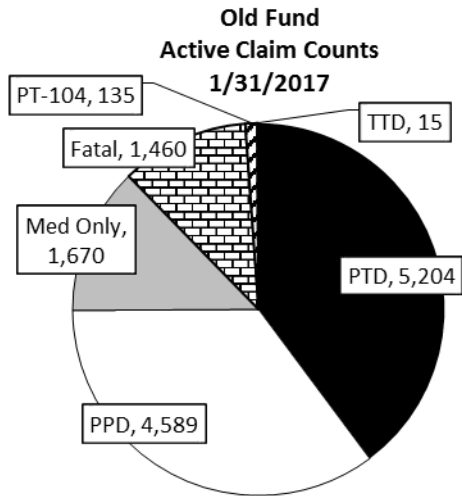
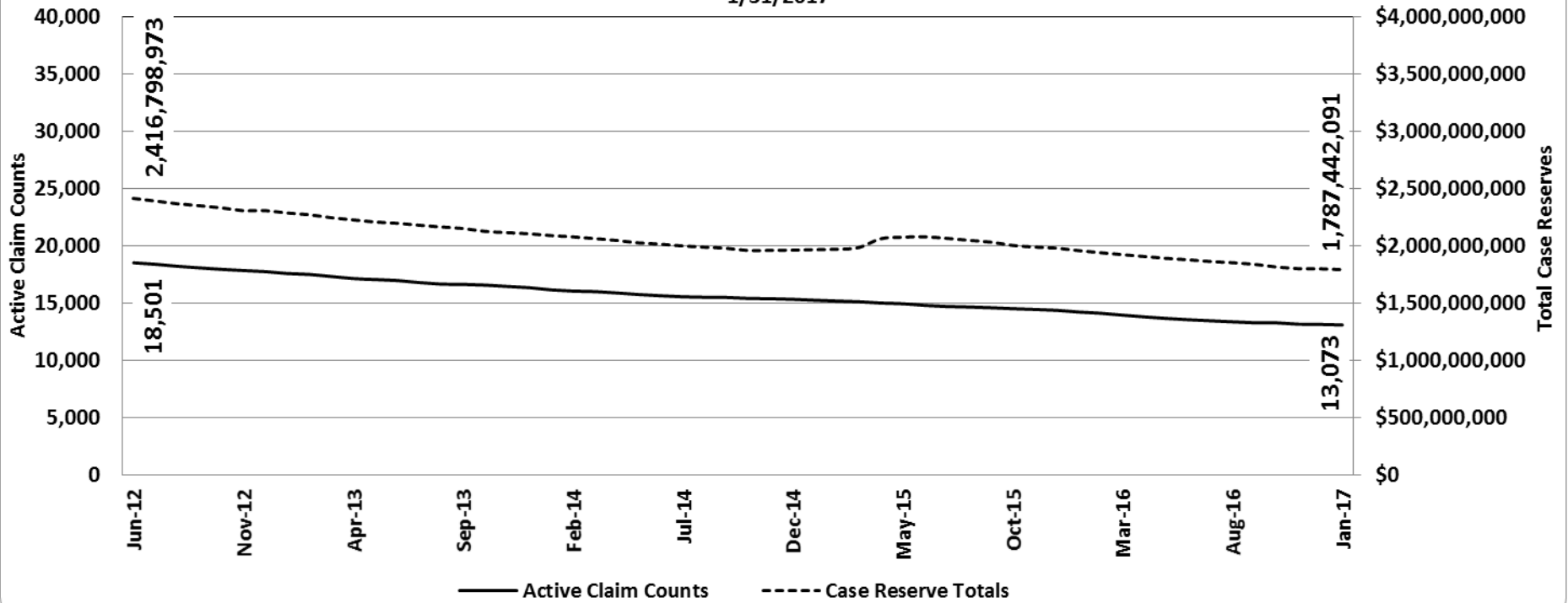
Self-Insured Security Fund: State managed fund consisting of those funds paid into it thru the WVOIC's administration of 85 CSR §19 (2004), and out of which workers' compensation benefits may be paid. Covers claims liabilities of bankrupt or defaulted self-insured employers with dates of injury or last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

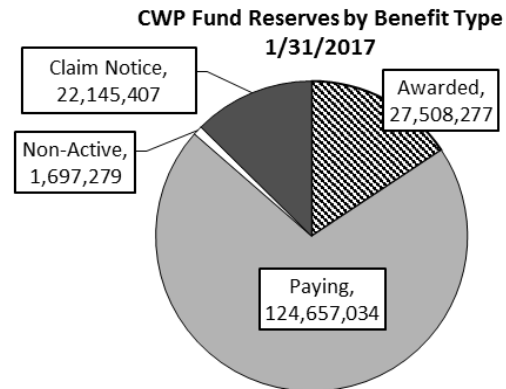
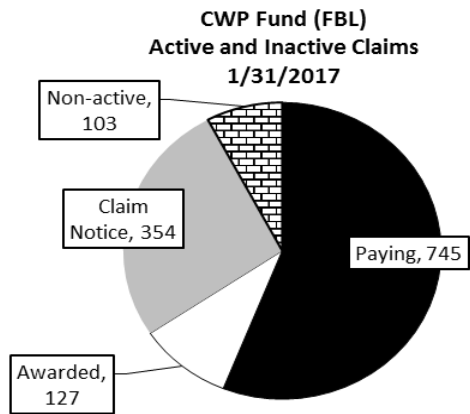
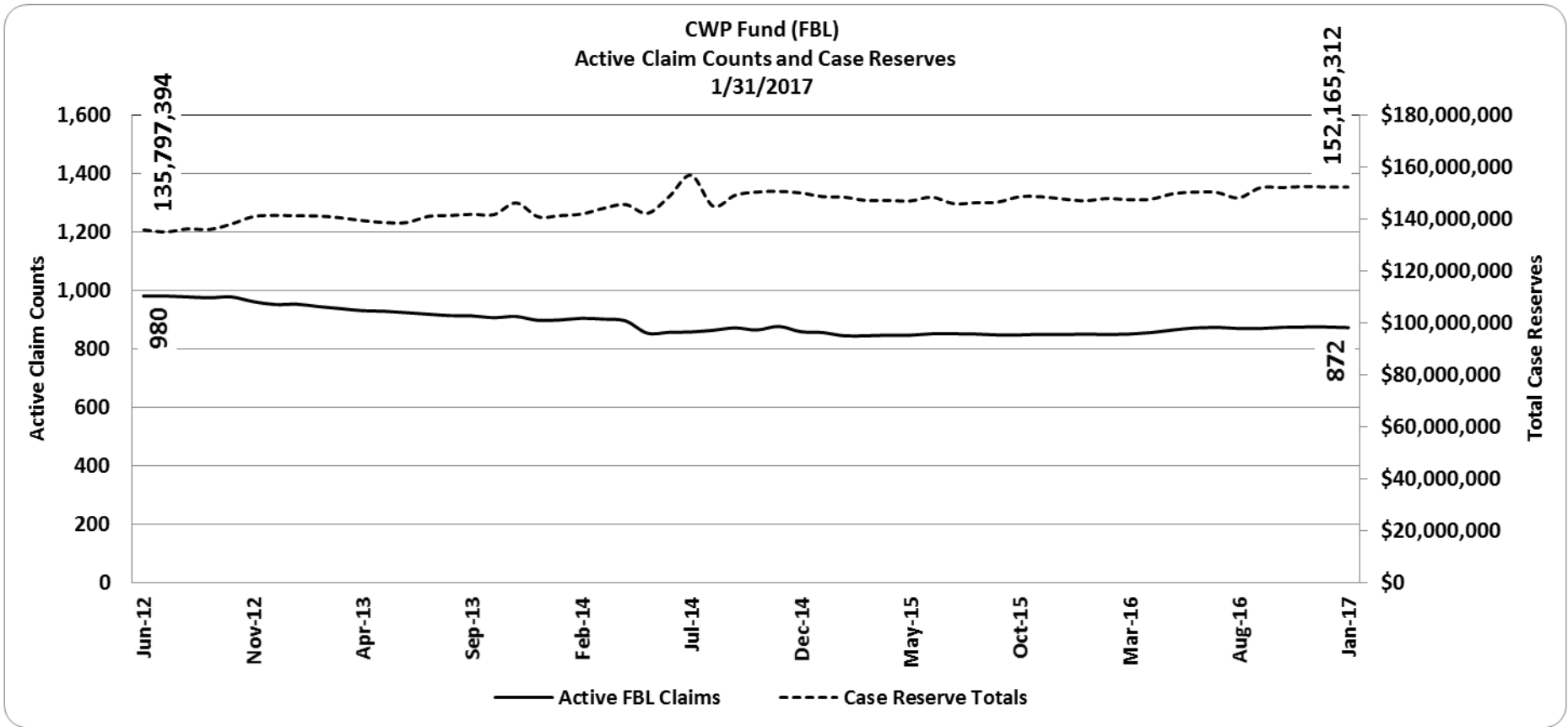
TPD: (Temporary Partial Disability) also referred to as TPR, is paid when an injured worker is released to return to work with restrictions or modifications that restrict he/she from obtaining their pre-injury wages. The TPD benefit is paid at seventy percent of the difference between the average weekly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

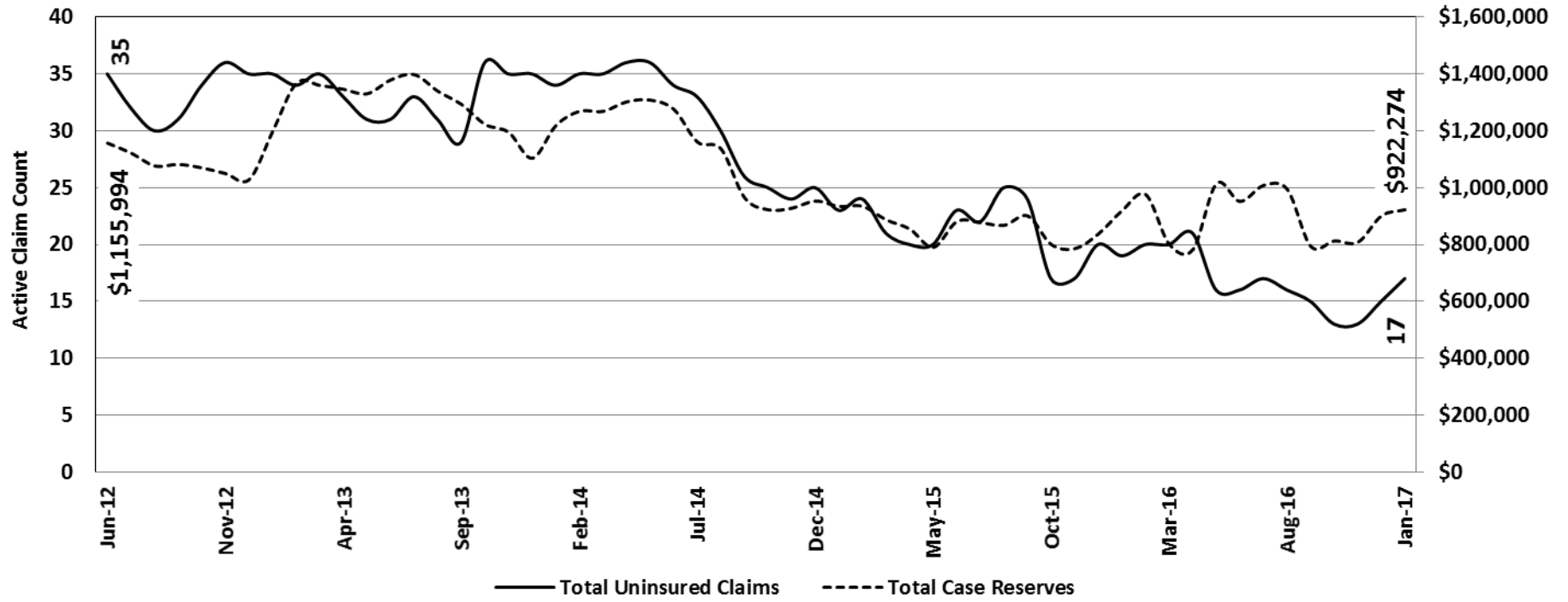
Uninsured Fund: State managed fund into which assessments to carriers or employers received are held, and out of which workers' compensation benefits may be paid to claimant employees of employers who were uninsured if the date of injury or date of last exposure is January 1, 2006 or later.

**Old Fund
Active Claim Counts and Case Reserves
1/31/2017**

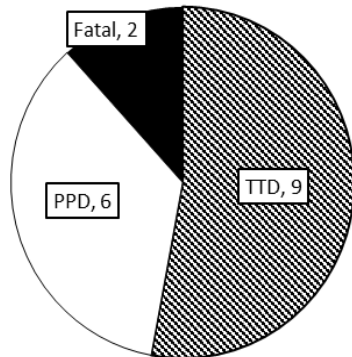




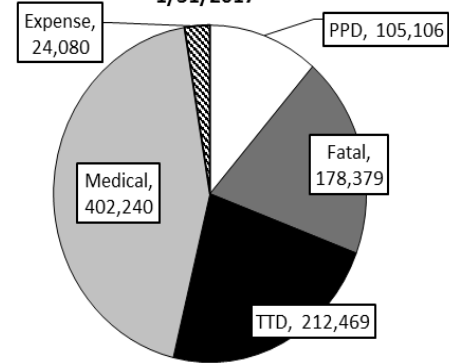
**Uninsured Fund
Active Claim Counts and Case Reserves
1/31/2017**



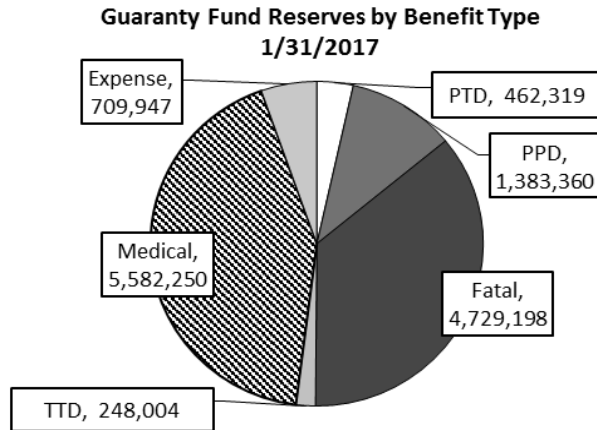
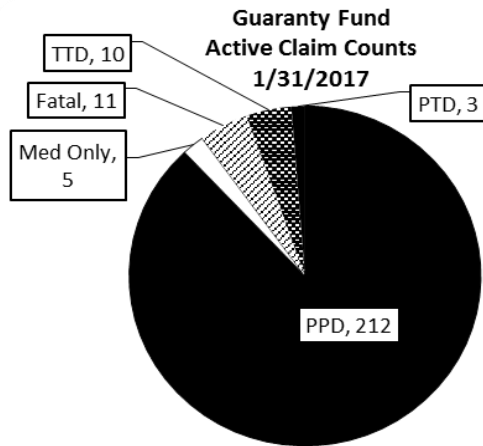
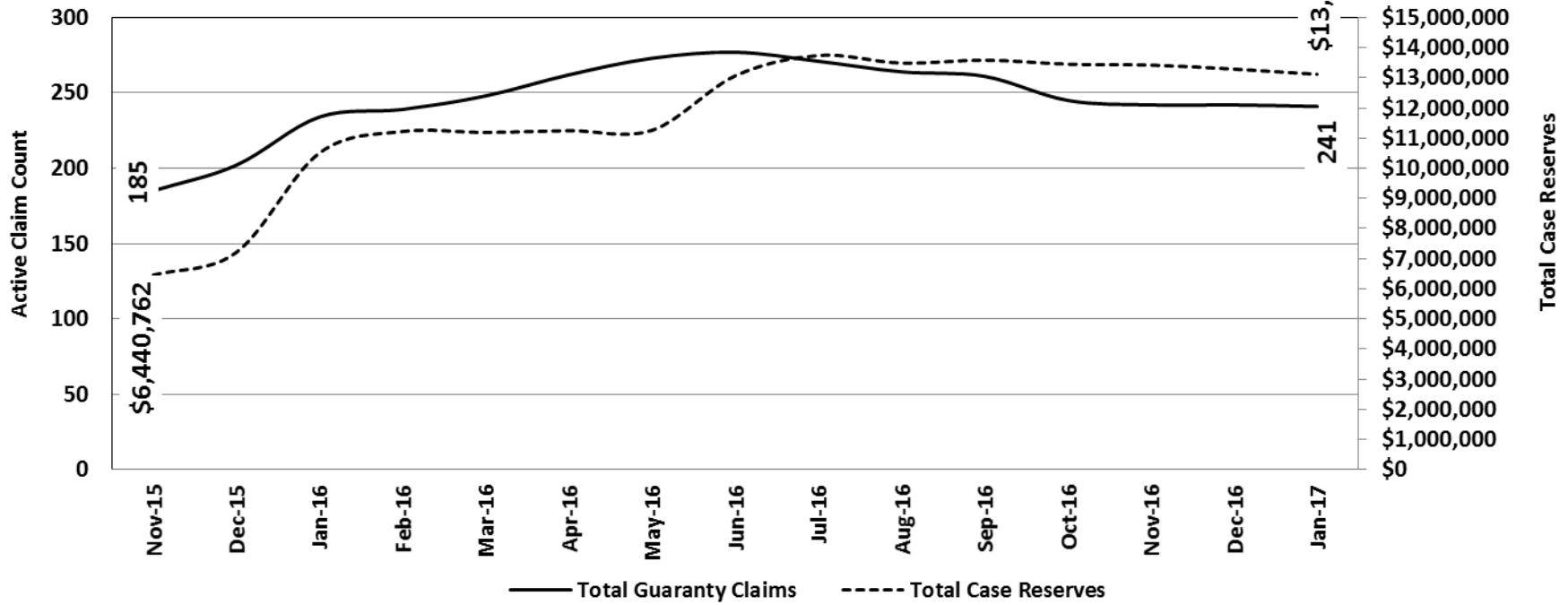
**Uninsured Fund
Active Claim Counts
1/31/2017**



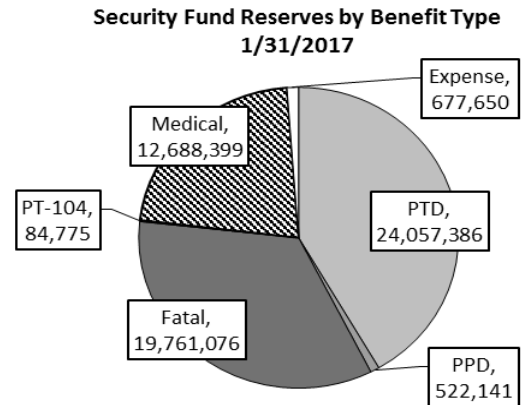
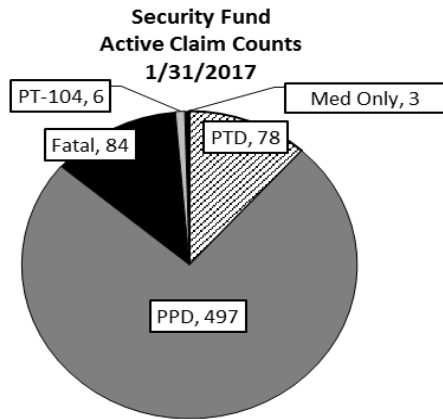
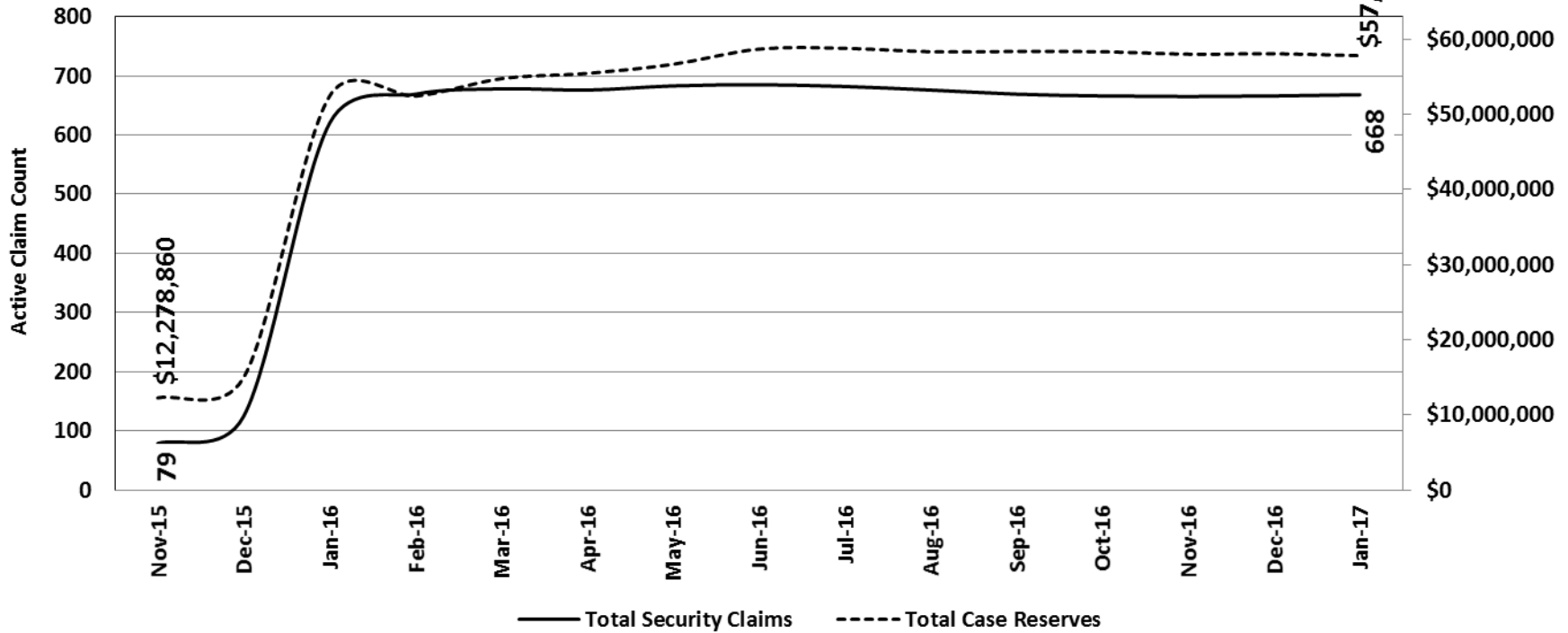
**Uninsured Fund Reserves by Benefit Type
1/31/2017**



**Guaranty Fund
Active Claim Counts and Case Reserves
1/31/2017**



**Security Fund
Active Claim Counts and Case Reserves
1/31/2017**



OLD FUND CASH STATEMENT

January 31, 2017

Three Year History for years ended:

	YTD FY2017	YTD FY2016	Change	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	(42,400,000)	42,400,000	95,400,000	95,400,000
Severance Tax	13,887,551	62,739,862	(48,852,311)	73,068,796	125,703,925	109,467,900
Debt Reduction Surcharge	5,440,798	17,987,637	(12,546,839)	25,211,458	34,106,221	34,138,820
Self-Insured Debt Reduction Surcharge	2,129,288	4,289,968	(2,160,680)	6,209,330	8,859,759	8,493,207
Video Lottery	3,604,987	5,715,713	(2,110,725)	6,734,934	11,000,000	11,000,000
Employer Premium	40,732	58,438	(17,707)	111,955	202,532	284,075
Other Income - Return of Unclaimed Property	259,506	8,672	250,834	184,888	153,763	92,953
Operating Revenues	25,362,862	133,200,290	(107,837,428)	153,921,361	275,426,199	258,876,955
Investment / Interest Earnings (Losses)	43,934,472	(41,709,451)	85,643,923	(5,981,504)	34,715,474	67,734,120
Total Revenues	69,297,334	91,490,838	(22,193,505)	147,939,857	310,141,673	326,611,075
Expenditures						
Claims Benefits Paid:						
Medical	16,206,813	15,337,533	869,280	26,890,541	29,881,043	31,791,671
Permanent Total Disability	54,497,388	58,180,429	(3,683,041)	98,784,921	104,948,107	111,490,282
Permanent Partial Disability	200,638	138,005	62,633	232,699	353,749	720,723
Temporary Disability	-	216	(216)	8,554	-	7,741
Fatals	13,579,330	14,224,737	(645,407)	24,098,586	25,497,598	26,407,057
104 weeks death benefit	3,418,173	3,954,072	(535,900)	6,990,581	5,883,387	6,200,020
Settlements	6,678,759	7,622,595	(943,837)	12,718,425	12,206,388	9,136,495
Loss Adjustment Expenses	796,451	1,314,803	(518,352)	1,970,779	2,029,136	1,467,221
Total	95,377,552	100,772,391	(5,394,839)	171,695,087	180,799,408	187,221,209
Less: Claims credits and overpayments	2,630,655	946,130	1,684,526	3,044,395	2,240,415	3,265,629
Total Benefits Paid	92,746,897	99,826,262	(7,079,365)	168,650,692	178,558,993	183,955,580
Administrative Expenses	4,637,390	5,145,338	(507,948)	10,294,801	10,060,064	14,108,365
Total Expenditures	97,384,286	104,971,600	(7,587,313)	178,945,493	188,619,057	198,063,945
Excess (Deficiency) of Revenues over Expenditures	(28,086,952)	(13,480,761)	(14,606,191)	(31,005,636)	121,522,616	128,547,130
Cash Ending Balances	1,252,560,680	1,298,184,666	(45,623,986)	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

January 31, 2017

	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)	9,133,580	(9,847,828)	18,981,408	(5,091,164)	10,347,881	17,915,475
Other Income - Return of Unclaimed Property	1,276	-	1,276	3,797	876	-
Total Revenues	9,134,856	(9,847,828)	18,982,684	(5,087,367)	10,348,758	17,915,475
Expenditures						
Payment of Claims	8,688,286	6,893,290	1,794,996	12,878,025	11,990,810	17,376,923
Contractual / Professional	510,181	475,003	35,178	746,381	873,390	85,747
Legal	-	-	-	-	-	-
General and Administrative	90	150	(60)	315	420	45
Total Expenditures	9,198,557	7,368,443	1,830,114	13,624,721	12,864,620	17,462,715
Excess (Deficiency) of Revenues over Expenditures	(63,701)	(17,216,271)	17,152,571	(18,712,088)	(2,515,863)	452,760
Cash Ending Balances	245,881,539	247,441,056	(1,559,516)	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
January 31, 2017

	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	-	17,966,595	(17,966,595)	19,422,025	-	-
Investment Earnings (Losses)	1,254,477	(783,874)	2,038,351	(155,883)	612,972	1,027,230
Total Revenues	1,254,477	17,182,721	(15,928,243)	19,284,826	702,542	1,151,751
Expenditures						
Payment of Claims	1,465,866	434,155	1,031,711	1,683,481	263,947	255,607
Contractual / Professional	106,235	60,224	46,011	153,231	27,575	107,348
Legal	-	-	-	-	-	815
General and Administrative	15	-	15	-	-	-
Total Expenditures	1,572,116	494,378	1,077,738	1,836,711	291,522	363,769
Excess (Deficiency) of Revenues over Expenditures	(317,639)	16,688,342	(17,005,981)	17,448,114	411,021	787,981
Cash Ending Balances	33,144,815	32,702,682	442,133	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
January 31, 2017

	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	(230,340)	230,340	1,114,180	1,072,311
Collateral Proceeds	-	47,503,193	(47,503,193)	47,503,193	1,425,061	-
Investment Earnings (Losses)	2,054,581	(857,142)	2,911,723	201,775	310,550	151,334
Total Revenues	2,054,581	46,876,391	(44,821,809)	47,935,308	2,849,791	1,223,645
Expenditures						
Payment of Claims	2,414,700	1,125,401	1,289,300	2,996,676	736,434	789,254
Contractual / Professional	185,419	46,959	138,460	288,097	41,774	48,446
Legal	-	-	-	-	96	3,230
Total Expenditures	2,600,119	1,172,360	1,427,759	3,284,773	778,304	840,930
Excess (Deficiency) of Revenues over Expenditures	(545,538)	45,704,031	(46,249,569)	44,650,535	2,071,487	382,715
Cash Ending Balances	53,313,800	54,912,834	(1,599,034)	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
January 31, 2017

	YTD FY2017	YTD FY2016	Change	Three Year History for years ended:		
				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	329,177	401,487	(72,311)	625,093	765,082	768,532
Investment Earnings (Losses)	387,754	(401,258)	789,012	(205,615)	408,442	682,644
Total Revenues	716,931	229	716,702	419,478	1,173,523	1,451,176
Expenditures						
Payment of Claims	279,051	86,020	193,031	450,719	589,781	286,421
Contractual/Professional	6,968	4,526	2,442	14,051	8,922	26,825
General and Administrative	105	60	45	105	60	105
Insurance	161,250	161,250	-	215,000	163,750	225,000
Total Expenditures	447,374	251,856	195,518	679,875	762,513	538,351
Excess (Deficiency) of Revenues over Expenditures	269,557	(251,627)	521,184	(260,397)	411,010	912,825
Cash Ending Balances	12,134,348	11,873,562	260,787	11,864,792	12,125,188	11,714,178

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
January 26, 2017

OPERATING REPORT

DECEMBER 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

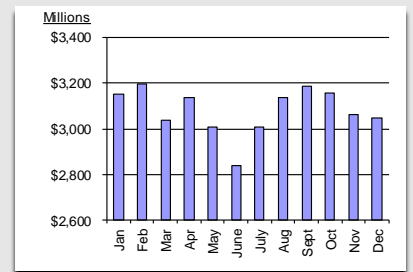
Executive
Director
Kara K. Hughes,
CPA, MBA, CFE
Chief Financial
Officer
Karl Shanholtzer,
CFA, CPA, CIA

Total Net Assets Under Management

\$3,045,816,000

Last Month
\$3,062,298,000

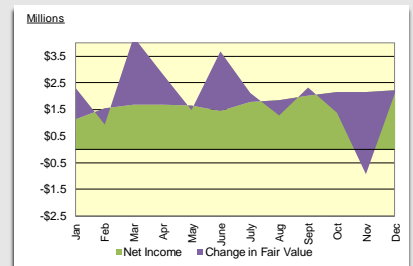
Beginning of Fiscal Year
\$2,839,161,000



Net Assets for the Past
12 Months

Total Net Income & Changes in Fair Value

Fiscal Year
\$8,296,000



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

Money Market Pools

As of December 31, 2016

<u>Pool</u>	<u>30-Day Avg. Yield *</u>	<u>W.A.M. **</u>	<u>Net Assets</u>
WV Money Market	0.8247%	47 Days	\$1.8 Billion
WV Gov't Money Market	0.3835%	48 Days	\$216.0 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

DECEMBER 2016

Remain Committed to Diversification

Market Results

US equities continued to march upward in December, shrugging off an appreciating dollar and a rate hike from the Federal Reserve. The S&P 500 gained 2.0% on the month, racking up returns of 12.0% in 2016; the Russell 2000 gained 2.8% in December and 19.9% for the year. International developed equities were also in the black last month with the MSCI EAFE Index posting returns of 3.4%, as strong manufacturing data fueled gains in Europe and expectations of higher inflations bolstered stocks in Japan. In emerging markets, the MSCI EM Index eked out a modest 0.2% in December, ending the year up 10.4%.

Despite the Federal Open Market Committee's decision to raise the target range for the Fed Funds rate to 0.50%-0.75%, domestic bond prices stabilized on the back of November's repricing. The 10-year Treasury yield closed the month up eight basis points at 2.45% but experienced a run-up to 2.60% mid-month as yields rose post-election. Spread compression in corporate issues was a tailwind for performance for the Barclays US Credit and Barclays US Corporate High Yield Indexes, which returned 0.6% and 1.9% on the month, respectively. Emerging market debt indexes were also in the black in December as the JP Morgan EMBI Index gained 1.4%. The local currency-denominated JP Morgan GBI-EM Index gained 1.9% as the Brazilian real, Russian ruble, and South African rand appreciated versus the US dollar.

Market Outlook

The last two months of 2016 have not only provided surprising results for many investors, but also have given context to our recommendations as we start the new year. We believe the post-election rally in domestic stocks provides an opportune rebalancing point to express a modest overweight to international developed and emerging market equities. In both areas, we see opportunities with small-cap equities and also believe a dedicated global equity allocation is an attractive way to garner international exposure. At home, we continue to observe above average valuations with investors pricing in expectations of robust earnings growth in 2017. We think macro hedge funds offer potentially attractive returns for many investors amid sustained volatility in currencies, above-average equity valuations, and prolonged divergence in central bank policies. As we enter into 2017, we urge investors to remain committed to their diversified policy targets while also embracing a dynamic approach to capture opportunities as they arise.

West Virginia Board of Treasury Investments

Financial Highlights as of December 31, 2016

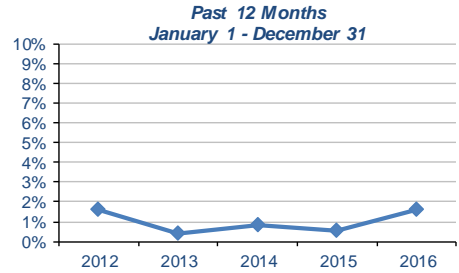
WV Short Term Bond Pool

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

<u>January 1 - December 31</u>	<u>Return</u>	<u>Net Assets At Dec 31 (In Millions)</u>
2016	1.6%	\$ 768.5
2015	0.6%	\$ 810.0
2014	0.8%	\$ 782.4
2013	0.4%	\$ 719.4
2012	1.6%	\$ 501.3

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

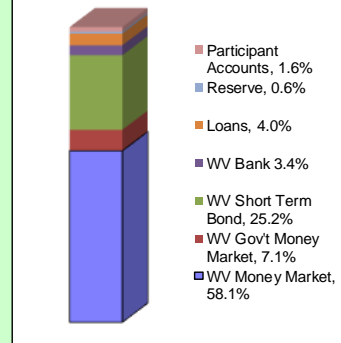
WV Short Term Bond Pool Rates of Return



Summary of Value and Earnings (In Thousands)

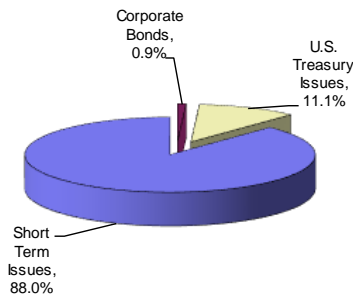
<u>Pool</u>	<u>Net Asset Value</u>	<u>Dec Net Income (Loss)</u>	<u>Fiscal YTD Net Income (Loss)</u>
WV Money Market	\$ 1,770,075	\$ 1,286	\$ 6,075
WV Gov't Money Market	216,026	71	326
WV Short Term Bond	768,496	856	1,540
WV Bank	103,264	61	340
Loans	121,505	(183)	(14)
Reserve	18,808	8	41
Participant Accounts	47,642	33	(12)
	<u>\$3,045,816</u>	<u>\$ 2,132</u>	<u>\$ 8,296</u>

Percent of Total Net Asset Value

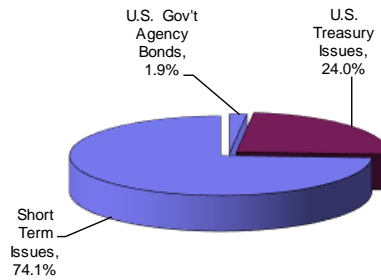


Securities by Type for Operating Pools (Percentage of Asset Value)

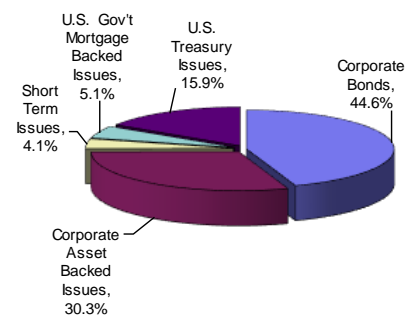
WV Money Market



WV Gov't Money Market



WV Short Term Bond



WEST VIRGINIA BOARD OF TREASURY INVESTMENTS
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION – UNAUDITED
DECEMBER 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	\$ 1,779,075	\$ 215,917	\$ -	\$ 103,066	\$ 140,272	\$ -	\$ 2,238,330
At fair value	-	-	767,887	-	-	47,518	815,405
Other assets	<u>1,423</u>	<u>171</u>	<u>1,950</u>	<u>203</u>	<u>46</u>	<u>124</u>	<u>3,917</u>
Total assets	<u>1,780,498</u>	<u>216,088</u>	<u>769,837</u>	<u>103,269</u>	<u>140,318</u>	<u>47,642</u>	<u>3,057,652</u>
Liabilities							
Accrued expenses, dividends payable & payables for investments purchased							
	<u>10,423</u>	<u>62</u>	<u>1,341</u>	<u>5</u>	<u>5</u>	<u>-</u>	<u>11,836</u>
Total liabilities	<u>10,423</u>	<u>62</u>	<u>1,341</u>	<u>5</u>	<u>5</u>	<u>-</u>	<u>11,836</u>
Net Position							
Held in trust for investment pool participant	1,770,075	216,026	768,496	103,264	140,313	-	2,998,174
Held in trust for individual investment account holders	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,642</u>	<u>47,642</u>
Total net position	<u>\$ 1,770,075</u>	<u>\$ 216,026</u>	<u>\$ 768,496</u>	<u>\$ 103,264</u>	<u>\$ 140,313</u>	<u>\$ 47,642</u>	<u>\$ 3,045,816</u>
Additions							
Investment income:							
Interest and dividends	\$ 797	\$ 57	\$ 1,041	\$ 65	\$ 46	\$ 51	\$ 2,057
Net (amortization) accretion	606	31	(3)	-	-	(17)	617
Provision for uncollectible loans	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(216)</u>	<u>-</u>	<u>(216)</u>
Total investment income	<u>1,403</u>	<u>88</u>	<u>1,038</u>	<u>65</u>	<u>(170)</u>	<u>34</u>	<u>2,458</u>
Investment expenses:							
Investment advisor, custodian bank & administrative fees	<u>122</u>	<u>17</u>	<u>90</u>	<u>4</u>	<u>5</u>	<u>-</u>	<u>238</u>
Total investment expenses	<u>122</u>	<u>17</u>	<u>90</u>	<u>4</u>	<u>5</u>	<u>-</u>	<u>238</u>
Net investment income	1,281	71	948	61	(175)	34	2,220
Net realized gain (loss) from investments	5	-	(6)	-	-	-	(1)
Net increase (decrease) in fair value of investments	<u>-</u>	<u>-</u>	<u>(86)</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(87)</u>
Net increase (decrease) in net position from operations	1,286	71	856	61	(175)	33	2,132
Participant transaction additions:							
Purchase of pool units by participants	882,508	24,615	-	56	2,107	-	909,286
Reinvestment of pool distributions	1,286	71	871	61	(175)	-	2,114
Contributions to individual investment accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15</u>	<u>15</u>
Total participant transaction additions	<u>883,794</u>	<u>24,686</u>	<u>871</u>	<u>117</u>	<u>1,932</u>	<u>15</u>	<u>911,415</u>
Total additions	885,080	24,757	1,727	178	1,757	48	913,547
Deductions							
Distributions to pool participants:							
Net investment income	1,281	71	948	61	(175)	-	2,186
Net realized gain (loss) from investments	<u>5</u>	<u>-</u>	<u>(6)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1)</u>
Total distributions to pool participants	<u>1,286</u>	<u>71</u>	<u>942</u>	<u>61</u>	<u>(175)</u>	<u>-</u>	<u>2,185</u>
Participant transaction deductions:							
Redemption of pool units by participants	912,941	7,083	7,663	56	39	-	927,782
Withdrawals from individual investment accounts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60</u>	<u>60</u>
Total participant transaction deductions	<u>912,941</u>	<u>7,083</u>	<u>7,663</u>	<u>56</u>	<u>39</u>	<u>60</u>	<u>927,842</u>
Total deductions	<u>914,227</u>	<u>7,154</u>	<u>8,605</u>	<u>117</u>	<u>(136)</u>	<u>60</u>	<u>930,027</u>
Net increase (decrease) in net position from operations	(29,147)	17,603	(6,878)	61	1,893	(12)	(16,480)
Inter-pool transfers in	10,050	-	-	-	-	-	10,050
Inter-pool transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,050)</u>	<u>-</u>	<u>-</u>	<u>(10,050)</u>
Net inter-pool transfers in (out)	<u>10,050</u>	<u>-</u>	<u>-</u>	<u>(10,050)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	(19,097)	17,603	(6,878)	(9,989)	1,893	(12)	(16,480)
Net position at beginning of period	<u>1,789,172</u>	<u>198,423</u>	<u>775,374</u>	<u>113,253</u>	<u>138,420</u>	<u>47,654</u>	<u>3,062,296</u>
Net position at end of period	<u>\$ 1,770,075</u>	<u>\$ 216,026</u>	<u>\$ 768,496</u>	<u>\$ 103,264</u>	<u>\$ 140,313</u>	<u>\$ 47,642</u>	<u>\$ 3,045,816</u>