

**Audited Financial Statements
With Other Financial Information**

West Virginia Municipal Pensions Oversight Board

**Year Ended June 30, 2013 and Inception
(April 1, 2012) through June 30, 2012**

Audited Financial Statements
With Other Financial Information

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

Year Ended June 30, 2013 and Inception (April 1, 2012) Through June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

To the Members of the
West Virginia Municipal Pensions Oversight Board
Charleston, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the West Virginia Municipal Pensions Oversight Board (the Board), a component unit of the State of West Virginia, as of and for the year ended June 30, 2013, and as of June 30, 2012, and for the period from inception (April 1, 2012) through June 30, 2012, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows for the year ended June 30, 2013, and the period from inception (April 1, 2012) through June 30, 2012, respectively, in accordance with accounting principles generally accepted in the United States of America.

**Other Matters*****Required Supplementary Information***

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Board's basic financial statements. The accompanying schedules as listed in the table of contents on pages 16 through 20 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying information on pages 16 through 20 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying information on pages 16 through 20 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2013, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Charleston, West Virginia
October 7, 2013

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

STATEMENTS OF NET POSITION

June 30, 2013 and 2012

<u>ASSETS</u>	<u>2013</u>	<u>2012</u>
Current assets:		
Cash and cash equivalents	\$ 28,757,317	\$ 28,671,798
Capital assets, net	<u>25,115</u>	<u>33,025</u>
	<u>\$ 28,782,432</u>	<u>\$ 28,704,823</u>
 <u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 69,872	\$ 46,923
Accrued payroll liabilities	<u>21,579</u>	<u>22,600</u>
Total current liabilities	<u>91,451</u>	<u>69,523</u>
 <u>NET POSITION</u>		
Net position:		
Net investment in capital assets	25,115	33,025
Restricted by enabling legislation	<u>28,665,866</u>	<u>28,602,275</u>
Total net position	<u>28,690,981</u>	<u>28,635,300</u>
	<u>\$ 28,782,432</u>	<u>\$ 28,704,823</u>

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

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

Year Ended June 30, 2013 and from Inception (April 1, 2012) through June 30, 2012

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Insurance premium tax	\$ 16,827,786	\$ 8,275,706
Operating expenses:		
Distributions to municipal pension plans	16,120,811	4,643,942
Administrative:		
Salaries and wages	198,937	69,520
Employee benefits	56,207	17,396
Professional fees	381,816	52,867
Depreciation	7,910	1,978
Miscellaneous	43,773	15,571
	<u>16,809,454</u>	<u>4,801,274</u>
Operating income	<u>18,332</u>	<u>3,474,432</u>
Non-operating revenues:		
Contribution of assets from State Treasurer's Office	-	25,155,070
Interest and other income	37,349	5,798
	<u>37,349</u>	<u>25,160,868</u>
Change in net position	55,681	28,635,300
Net position, beginning of period	<u>28,635,300</u>	<u>-</u>
Net position, end of period	<u>\$ 28,690,981</u>	<u>\$ 28,635,300</u>

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

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

STATEMENTS OF CASH FLOWS

Year Ended June 30, 2013 and from Inception (April 1, 2012) through June 30, 2012

	2013	2012
Cash flows from operating activities:		
Cash received from insurance premium taxes	\$ 16,827,786	\$ 8,275,706
Cash paid to municipal pension plans	(16,120,811)	(4,643,942)
Cash paid to employees	(256,165)	(64,316)
Cash paid to suppliers	(402,640)	(21,515)
Net cash provided by operating activities	<u>48,170</u>	<u>3,545,933</u>
Cash flows from non-capital financing activities:		
Contributions from State Treasurer's Office	<u>-</u>	<u>25,120,067</u>
Cash flows from investing activities:		
Investment earnings	<u>37,349</u>	<u>5,798</u>
 Net increase in cash and cash equivalents	 85,519	 28,671,798
Cash and cash equivalents, beginning of period	<u>28,671,798</u>	<u>-</u>
 Cash and cash equivalents, end of period	 <u>\$ 28,757,317</u>	 <u>\$ 28,671,798</u>
Schedule of non cash capital financing activities:		
Capital assets contributed from State Treasurer's Office	<u>\$ -</u>	<u>\$ 35,003</u>
 Reconciliation of operating loss to net cash used in operating activities:		
Operating income	\$ 18,332	\$ 3,474,432
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation	7,910	1,978
Changes in assets and liabilities:		
Increase in accounts payable	22,949	46,923
Increase (decrease) in accrued payroll liabilities	<u>(1,021)</u>	<u>22,600</u>
 Net cash used in operating activities	 <u>\$ 48,170</u>	 <u>\$ 3,545,933</u>

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

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

NOTES TO FINANCIAL STATEMENTS

1 - REPORTING ENTITY

The West Virginia Legislature passed Senate Bill 4007 on November 19, 2009, creating the West Virginia Municipal Pensions Oversight Board (the Board). The Board was created for the purpose of monitoring and improving the performance of municipal policemen's and firemen's pension and relief funds to assure prudent administration, investment and management of their funds. Duties of the oversight board include assisting municipal boards of trustees in performing their duties, assuring the funds' compliance with applicable laws, providing for actuarial studies, distributing tax revenues to the funds, initiating or joining legal actions on behalf of active or retired pension fund members or municipal boards of trustees to protect the interests of the members in the funds, and taking other actions as may be reasonably necessary to provide for the security and fiscal integrity of the pension funds. The oversight board also monitors the performance required of the various funds to qualify to receive distributions of insurance premium tax revenues pursuant to the West Virginia Code. Prior to the establishment of the Board, certain duties of the Board were performed by the West Virginia State Treasurer's Office (STO). The STO contributed all related assets to the Board on April 1, 2012. The Board 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 discretely presented component unit.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Board is accounted for as a proprietary fund engaged in business-type activities. In accordance with accounting principles generally accepted in the United States of America for governmental entities, the financial statements are prepared on the economic resources measurement focus and the accrual basis of accounting which requires recognition of revenue when earned and expenses when incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of demand deposits with the STO and short-term interest-earning investments in a State internal 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 the fair value of the underlying securities.

Capital Assets

The Board has adopted a policy of capitalizing assets for individual items exceeding \$1,000 in historical cost value and a useful life greater than one year. These assets include leasehold improvements and furnishings and equipment. Depreciation is computed using the straight-line method over the estimated economic useful lives of the assets, which are as follows:

Leasehold improvements	5 years
Furnishings & equipment	5 years

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Accrued Employee Benefits

In accordance with State policy, the Board permits employees to accumulate earned but unused vacation and sick pay benefits. A liability for vacation pay is accrued when earned. To the extent that accumulated sick leave is expected to be converted to benefits on retirement, the benefits are funded by the Board's participation in the West Virginia Retiree Health Benefit Trust.

Net Position

Net position is presented as restricted by enabling legislation, or as the net investment in capital assets, which represents the net book value of all capital assets of the Board. Net position restricted by enabling legislation is required to first be used for the administrative expenses of the Board, with all remaining net position available for disbursement to the municipal policemen's and firemen's pension and relief funds. All expenses are incurred for restricted purposes.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds such as the Board are revenues and expenses that result from providing services and producing goods and/or services. Operating revenues include premium tax revenues. Operating expenses of the Board include administrative expenses and pension distributions. All revenues not meeting this definition are reported as nonoperating revenues.

3 - CASH AND CASH EQUIVALENTS

At June 30, 2013 and 2012, the carrying amounts of deposits with the STO and the BTI are as follows:

	<u>2013</u>	<u>2012</u>
Cash on hand at STO	\$ 20,608	\$ 7,905
Investments with BTI reported as cash equivalents	<u>28,736,709</u>	<u>28,663,893</u>
	<u>\$ 28,757,317</u>	<u>\$ 28,671,798</u>

The State Treasurer has statutory responsibility for the daily cash management activities of the State's agencies, departments, boards and commissions and transfers funds to the BTI for investment in accordance with West Virginia statutes, policies set by the BTI and by provisions of bond indentures and trust agreements when applicable.

The Board's cash balances are invested by the BTI in the BTI's West Virginia Money Market Pool. Investment income is pro-rated to the Board at rates specified by the BTI based on the balance of the deposits maintained in relation to the total deposits of all participants in the pool. Such funds are available to the Board with overnight notice.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**3 - CASH AND CASH EQUIVALENTS (Continued)**

Credit risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The West Virginia Money Market Pool has been rated AAAm by Standard & Poor's. A fund rated "AAAm" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's. The BTI itself has not been rated for credit risk by any organization.

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

The following table provides information on the credit ratings of the West Virginia Money Market Pool's investments (in thousands):

Security Type	Credit Rating		Carrying Value	Percent of Assets
	Moody's	S&P		
Commercial paper	P-1	A-1+	\$ 243,538	9.76%
	P-1	A-1	726,857	29.12
Corporate bonds and notes	Aa3	AA-	10,000	0.40
U.S. agency bonds	Aaa	AA+	66,603	2.67
U.S. Treasury notes*	Aaa	AA+	279,755	11.21
U.S. Treasury bills *	P-1	A-1+	34,993	1.40
Negotiable certificates of deposit	Aa1	AA-	10,000	0.40
	Aa2	A+	9,000	0.36
	Aa3	AA-	15,000	0.60
	P-1	A-1+	50,000	2.00
	P-1	A-1	160,000	6.41
	P-2	A-1	15,000	0.60
U.S. agency discount notes	P-1	A-1+	445,784	17.86
Money market funds	Aaa	AAAm	200,012	8.02
Repurchase agreements (underlying securities):				
U.S. Treasury notes*	Aaa	AA+	188,826	7.57
U.S. agency notes	Aaa	AA+	40,500	1.62
			<u>\$ 2,495,868</u>	<u>100.00%</u>

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

Interest rate risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The weighted average maturity of the investments of the West Virginia Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides the weighted average maturities for the various asset types in the West Virginia Money Market Pool.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**3 - CASH AND CASH EQUIVALENTS (Continued)**

<u>Security Type</u>	<u>Carrying Value (In Thousands)</u>	<u>Weighted Average Maturity In Days</u>
Repurchase agreements	\$ 229,326	3
US Treasury notes	279,755	132
US Treasury bills	34,993	77
Commercial paper	970,395	43
Certificates of deposit	259,000	66
U.S. Agency discount notes	445,784	47
Corporate bonds and notes	10,000	60
U.S. agency bonds and notes	66,603	139
Money market funds	<u>200,012</u>	<u>1</u>
Total assets	<u>\$ 2,495,868</u>	

The weighted average maturity of the investments of the West Virginia Money Market Pool as of June 30, 2013, is 52 days.

Concentration of credit risk - West Virginia statutes prohibit the West Virginia Money Market Pool from investing more than 5% of its assets in securities issued by one corporate name or corporate issue. At June 30, 2013, the pool did not have investments in any one private corporation or association that represented more than 5% of assets.

Custodial credit risk - The risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At June 30, 2013, the West Virginia Money Market Pool held no securities that were subject to custodial credit risk. Repurchase agreements are collateralized at 102%, and the collateral is held in the name of the BTI.

Foreign currency risk - The West Virginia Money Market Pool has no securities that are subject to foreign currency risk, which is the risk that volatility in exchange rates will adversely affect the value of an asset.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**4 - CAPITAL ASSETS**

A summary of capital asset activity is as follows:

	Historical cost at inception (April 1, 2012)	Additions	Historical cost at June 30, 2012	Additions	Historical cost at June 30, 2013
Leasehold improvements	\$ -	\$ 16,405	\$ 16,405	\$ -	\$ 16,405
Furnishings & equipment	-	18,598	18,598	-	18,598
	<u>\$ -</u>	<u>\$ 35,003</u>	<u>\$ 35,003</u>	<u>\$ -</u>	<u>\$ 35,003</u>

	Accumulated depreciation at inception (April 1, 2012)	Additions	Accumulated depreciation at June 30, 2012	Additions	Accumulated depreciation at June 30, 2013
Leasehold improvements	\$ -	\$ 1,258	\$ 1,258	\$ 5,034	\$ 6,292
Furnishings & equipment	-	720	720	2,876	3,596
	<u>\$ -</u>	<u>\$ 1,978</u>	<u>\$ 1,978</u>	<u>\$ 7,910</u>	<u>\$ 9,888</u>

5 - RETIREMENT BENEFITSPlan Description

All full-time Board employees are eligible and required 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 Board (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 for each retirement system it administers, which can be obtained from Consolidated Public Retirement Board, 4101 MacCorkle Avenue S.E., Charleston, West Virginia 25304-1636 or by calling 1-800-654-4406.

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

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**5 - RETIREMENT BENEFITS (Continued)**Funding Policy

Covered employees are required to contribute 4.5% of their salary to the PERS. The Board is required to contribute 14% and 14.5% of covered employees' salaries to the PERS for the year ended June 30, 2013 and for the period from inception (April 1, 2012) through June 30, 2012. 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 Board and employee contributions, which equaled the required contributions for the year ended June 30, 2013, and for the period from inception (April 1, 2012) through June 30, 2012 were as follows:

	2013	2012
Board contributions	\$ 28,127	\$ 7,149
Employee contributions	<u>9,041</u>	<u>2,219</u>
Total contributions	<u>\$ 37,168</u>	<u>\$ 9,368</u>

6 - OTHER POSTEMPLOYMENT BENEFITSPlan Description

The Board participates in the West Virginia Other Postemployment Benefits Plan (OPEB Plan) of the West Virginia Retiree Health Benefit 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 St., S.E., Suite 2, Charleston, West Virginia, 25304, 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 Board's contributions to the trust fund for the year ended June 30, 2013 and for the period from inception (April 1, 2012) through June 30, 2012 were \$2,136 and \$501, respectively, and the billed ARC's were \$3,084, and 2,883. The contributions represent 69.3% and 17.4% of the ARC for the year ended June 30, 2013 and for the period from inception (April 1, 2012) through June 30, 2012, respectively. As of June 30, 2013 and 2012, the Board has recorded a liability of \$3,330 and \$2,382, respectively for post employment benefits other than pensions.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**7 - RISK MANAGEMENT**

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to and illnesses of employees; and natural disasters.

The Board has obtained coverage for job-related injuries of employees (workers compensation) and health coverage for its employees through a commercial insurer and WVPEIA. In exchange for the payment of premiums, the Board has transferred its risks related to health coverage for employees and job-related injuries of employees.

The Board participates in the West Virginia Board of Risk and Insurance Management to obtain coverage for general liability, personal injury liability, professional liability, stop gap liability, wrongful act liability, and comprehensive auto liability. Such coverage is offered in exchange for an annual premium.

8 - TRANSACTIONS WITH THE STATE OF WEST VIRGINIA

Pursuant to West Virginia Code, the West Virginia Insurance Commission (the Commission) collects a 1% premium tax on fire and casualty insurance policies. The Commission distributes 65% of the premium tax receipts to the Board. The distributions from the Commission are reported as insurance premium tax revenues on the Board's Statements of Revenues, Expenses, and Changes in Fund Net Position.

The STO contributed cash of \$25,120,067 and capital assets with a net book value of \$35,003 to the Board during the period from inception (April 1, 2012) through June 30, 2012.

9 - COMMITMENTS

The Board is required by its enabling legislation to allocate certain tax and other revenues, net of administrative expenses, to the municipal policemen's and firemen's pension and relief funds (the Funds) by September 1st of each year. The amount to be allocated to the Funds is calculated based upon the Board's prior calendar year insurance premium tax revenues, interest, and other income, less its administrative expenses for the same period. The amounts allocated to each Fund are paid after the allocation date as eligibility requirements to receive the payments are met by each of the Funds. Amounts allocated expire in 18 months if eligibility requirements are not met and the allocated amounts are not paid. Any expired allocation is re-allocated to all other eligible Funds at the next allocation date. The amount committed for payment to the Funds that remain on hand from the September 1, 2012 allocation, but have not been disbursed as of June 30, 2013 is \$4,448,593.

The amount available to the Board for allocation to the pension plans in September 2013 is \$16,013,858.

10 - NEW ACCOUNTING PRONOUNCEMENTS

Management has adopted GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and identifies net position as the residual of all elements presented on the statements of net position. GASB 63 also amends net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**10 - NEW ACCOUNTING PRONOUNCEMENTS Continued)**

Management has also adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses or expenditures) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities. The Board does not report any deferred outflows of resources or deferred inflows of resources.

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which will be effective for the Board's June 30, 2015 financial statements. Statement 68 will require the Board to recognize a liability equal to its proportionate share of the net pension liability of the PERS. The Board has not yet determined the effect this statement will have on its financial statements.

OTHER FINANCIAL INFORMATION

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

To the Members of the
West Virginia Municipal Pensions Oversight Board
Charleston, West Virginia

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the West Virginia Municipal Pensions Oversight Board (the Board), as of and for the year ended June 30, 2013, and the period from inception (April 1, 2012) through June 30, 2012, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 7, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

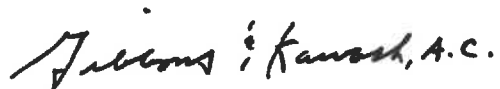
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charleston, West Virginia
October 7, 2013

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

SCHEDULE OF STATUTORY COMMITMENTS

June 30, 2013

Department	September 1, 2012 Allocation	Distributed	Balance of Allocation as of June 30, 2013
<u>Full-Time Police Departments</u>			
Beckley	\$ 438,924	\$ -	\$ 438,924
Belle	39,754	-	39,754
Bluefield	219,124	-	219,124
Charleston	1,654,567	1,654,567	-
Charles Town	13,682	10,427	3,255
Chester	45,899	29,183	16,716
Clarksburg	438,863	438,863	-
Dunbar	119,849	-	119,849
Elkins	88,576	-	88,576
Fairmont	342,568	342,568	-
Grafton	54,087	54,087	-
Huntington	1,026,327	807,412	218,915
Logan	66,947	-	66,947
Martinsburg	438,716	438,716	-
Morgantown	577,834	-	577,834
Moundsville	146,808	137,486	9,322
Nitro	136,634	136,634	-
Oak Hill	109,422	-	109,422
Parkersburg	618,740	618,740	-
Princeton	169,853	169,853	-
Point Pleasant	68,122	-	68,122
Saint Albans	180,588	180,588	-
South Charleston	350,364	-	350,364
Star City	41,205	41,205	-
Vienna	150,929	150,929	-
Weirton	363,021	363,021	-
Welch	42,753	42,753	-
Weston	39,054	-	39,054
Westover	71,884	-	71,884
Wheeling	857,488	857,488	-
Williamson	67,267	67,267	-
<u>Full-Time Fire Departments</u>			
Beckley	401,933	-	401,933
Bluefield	209,244	-	209,244
Charleston	1,732,720	1,732,720	-
Clarksburg	438,151	438,151	-
Fairmont	432,791	432,791	-
Huntington	1,108,964	825,513	283,451
Martinsburg	330,780	330,780	-

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

SCHEDULE OF STATUTORY COMMITMENTS
(Continued)

June 30, 2013

Department	September 1, 2012 Allocation	Distributed	Balance of Allocation as of June 30, 2013
<u>Full-Time Fire Departments (Continued)</u>			
Morgantown	\$ 460,168	\$ -	\$ 460,168
Moundsville	74,262	74,262	-
Parkersburg	622,008	622,008	-
South Charleston	376,239	-	376,239
Wheeling	936,589	936,589	-
<u>Part Paid/Part Volunteer Fire Departments</u>			
Dunbar	146,730	-	146,730
Elkins	33,026	-	33,026
Grafton	41,778	41,778	-
Logan	62,487	-	62,487
Nitro	114,829	114,829	-
Princeton	126,113	126,113	-
Saint Albans	191,580	191,580	-
Weirton	206,660	206,660	-
Weston	37,253	-	37,253
Williamson	91,766	91,766	-
Totals	<u>\$ 17,155,920</u>	<u>\$ 12,707,327</u>	<u>\$ 4,448,593</u>

Audited Agency **West Virginia Municipal Pensions Oversight Board**

Per GASB Statement 40 the Institution must disclose its deposit policy. The deposit policy must be formally adopted through legal or contractual provisions. Disclosure of any statutory policies are also required. Please provide in the space below the Institution's deposit policy.

See Footnote 3 to the financial statements.

	Carrying Amount	Restricted Carrying Amount	Total Carrying Amount	Bank Balance	FDIC Insured Amount	Collateralized Amount	2 Amount Collateralized with securities held by the pledging financial institution's trust department or agent in the government's name	3A Amount Uninsured and Uncollateralized	3B Collateralized with securities held by the pledging financial institution but not in the name of the depositor	3C Collateralized with securities held by the pledging financial institution's trust department or agency but not in the name of the depositor	Foreign Currency Risk	Fair Value
Cash with Treasurer												
Per WVFIMS Opening Balance Repoi	20,608	0	20,608									
Cash with Municipal Bond Commission												
Cash on Hand												
Cash in Transit to WVFIMS												
Cash with Board of Trustees												
Cash in Outside Bank Accounts												
Cash in Escrow												
Certificates of Deposits (Non-Negotiable)												
Other:												
Total	20,608	0	20,608	0	0	0	0	0	0	0		0

Balances as of June 30, 2013

PLEASE SEND COMPLETED FORMS TO:

State of West Virginia
Financial Accounting and Reporting Section
2101 Washington Street East
Building 17, 3rd Floor
Charleston, WV 25305
Telephone Number (304) 558-4083
Fax Number (304) 558-4084

Per GASB Statement 40 the Institution must disclose its investment policy. The investment policy must be formally adopted through legal or contractual provisions. Disclosure of any statutory policies are also required. Please provide in the spaces below the Institution's investment policy
See Footnote 3 to the financial statements.

	Reported Amount Unrealized	Reported Amount Realized	Custodial Credit Risk		Fair Value	Credit Ratings		Interest Rate Risk - Segmented Time Distribution				Foreign Currency Risk	
			Category 1 (Based on reported amounts)	Category 2 (Based on reported amounts)		Standard & Poor's	Moody's	Less than 1	1 - 5	6 - 10	More than 10	Currency Type	Fair Value
Investments with Investment Mgmt Board (IME) Per WVFRMS Operating Balance Report Investment Earnings not Pooled to WVFRMS Investments with Board of Treasury Investments (BTI) Per Operating Balance Report Investment Earnings not Pooled to WVFRMS As of 6/30/13 Investments Outside IME:	28,726,709				28,726,709								
U.S. Treasury Obligations					()								
U.S. Government Agencies					()								
Other Government Bonds					()								
Corporate Bonds					()								
Corporate Stocks					()								
Mutual Bond Funds					()								
Mutual Stock Funds					()								
Mutual Money Market Funds					()								
Commercial Paper					()								
Bank Investment Contract					()								
Guaranteed Investment Contract					()								
Repurchase Agreements ***					()								
State/Local Gov't Securities					()								
Certificate of Deposits (Negotiable)					()								
Other Investments (describe):					()								
Total	28,726,709	0	0	0	28,726,709			0	0	0	0		0

*** MUST COMPLETE THE BELOW INFORMATION IF REPURCHASE AGREEMENTS WERE IDENTIFIED ABOVE:

Collateral Description On The Repurchase Agreements	Fair Market Value of Collateral	Credit Rating Moody's	S&P

**NOTE: THE REPORTED AMOUNTS SHOULD BE IDENTIFIED AS EITHER AMORTIZED COST (A) OR FAIR VALUE (F).

PLEASE SEND COMPLETED FORMS TO:

State of West Virginia
Financial Accounting and Reporting Section
2101 Washington Street East
Building 17, 3rd Floor
Charleston, WV 25306
Telephone Number (304) 558-4083
Fax Number (304) 558-4084

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION - FINANCE DIVISION
FINANCIAL ACCOUNTING AND REPORTING SECTION

FORM 8A 20

GAAP REPORTING FORM - DEPOSITS AND INVESTMENTS RECONCILIATION - June 30, 2013

Audited Agency West Virginia Municipal Pensions Oversight Board

Reconciliation of cash, cash equivalents and investments as reported in the financial statements
to the amounts disclosed in the footnote:

Deposits:

Cash and cash equivalents as reported on balance sheet	\$ 28,757,317
Less: cash equivalents disclosed as investments	(28,736,709)
Add: restricted assets disclosed as deposits	-
Other (describe) Sweep recognition difference	-

Carrying amount of deposits as disclosed on Form 7 \$ 20,608

Investments:

Investments as reported on balance sheet	\$ -
Add: restricted assets disclosed as investments	-
Add: cash equivalents disclosed as investments	28,736,709
Other (describe)	

Reported amount of investments as disclosed on Form 8 \$ 28,736,709

PLEASE SEND COMPLETED FORMS TO:

State of West Virginia
Financial Accounting and Reporting Section
2101 Washington Street East
Building 17, 3rd Floor
Charleston, WV 25305

Telephone Number (304) 558-4083
Fax Number (304) 558-4084

See Independent Auditor's Report.

Audited Financial Statements
With Other Financial Information

West Virginia Municipal Pensions Oversight Board

Years Ended June 30, 2014 and 2013

Audited Financial Statements
With Other Financial Information

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

Years Ended June 30, 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

To the Members of the
West Virginia Municipal Pensions Oversight Board
Charleston, West Virginia

We have audited the accompanying financial statements of the West Virginia Municipal Pensions Oversight Board (the Board), a component unit of the State of West Virginia, as of and for the years ended June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters*****Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Board's basic financial statements. The accompanying schedules as listed in the table of contents on pages 18 through 22 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying information on pages 18 through 22 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2014, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Charleston, West Virginia
October 9, 2014

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS-(Unaudited)

Our discussion and analysis of the Municipal Pensions Oversight Board (the Board) financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the Board's financial statements, which begin on page 6.

Financial Highlights

- The Insurance Premium Tax increased by \$357,741 or about 2.1% during fiscal year 2014.
- Distributions to municipal pension plans increased \$1,943,311 or about 12% during fiscal year 2014.
- The Board's net position decreased during fiscal year 2014 in the amount of \$1,372,539.

Using This Report

This report consists of a series of financial statements. The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Fund Net Position display and report the Board's net position and changes in their position. The Board's net position, which is the difference between assets and liabilities, is normally how one would measure the Board's financial health or financial position. As discussed later in this management discussion and analysis, a decrease in net position may be a positive sign indicating that the Board is, in fact, meeting its legal goals and objectives.

The Board as a Whole

The Municipal Pensions Oversight Board is accounted for as a proprietary fund engaged in business-type activities. The Board 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 discretely presented component unit.

During the third month of each quarter the Board receives from the West Virginia Insurance Commission a portion of the Casualty & Fire insurance premiums to distribute, net of operating expenses, to the municipal police and fire pension plans. In order to receive the premium distribution there must be an actuarial study of the pension plan, the employer must make the required contributions and an annual report must be provided to the Board.

Duties of the Board include assisting municipal boards of trustees in performing their duties, assuring the funds' compliance with applicable laws, providing for actuarial studies, distributing tax revenues to the funds, initiating or joining legal actions on behalf of active or retired pension fund members or municipal boards of trustees to protect the interests of the members in the funds, and taking other actions as may be reasonably necessary to provide for the security and fiscal integrity of the pension funds.

Our analysis below focuses on the Board's net position as of June 30, 2014 and 2013 (Table 1) and changes in the Board's net position for the years then ended (Table 2).

**Table 1
Net Position**

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents	\$ 27,426,882	\$ 28,757,317
Capital assets, net	<u>20,029</u>	<u>25,115</u>
	<u>\$ 27,446,911</u>	<u>\$ 28,782,432</u>

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
(Continued)

<u>LIABILITIES</u>	<u>2014</u>	<u>2013</u>
Current liabilities	<u>\$ 128,469</u>	<u>\$ 91,451</u>
<u>NET POSITION</u>		
Net Investment in capital assets	\$ 20,029	\$ 25,115
Restricted by enabling legislation	<u>27,298,413</u>	<u>28,665,866</u>
Total net position	<u>\$ 27,318,442</u>	<u>\$ 28,690,981</u>

Table 2
Changes in Net Position

Operating revenues:		
Insurance premium tax	\$ 17,185,527	\$ 16,827,786
Operating expenses:		
Distributions to municipal pension plans	18,064,122	16,120,811
Administrative expense	<u>526,887</u>	<u>688,643</u>
	<u>18,591,009</u>	<u>16,809,454</u>
Operating income (loss)	(1,405,482)	18,332
Non-operating revenues:		
Interest and other income	<u>32,943</u>	<u>37,349</u>
Change in net position	(1,372,539)	55,681
Net position, beginning of period	<u>28,690,981</u>	<u>28,635,300</u>
Net position, end of period	<u>\$ 27,318,442</u>	<u>\$ 28,690,981</u>

Changes in Net Position

As is noted in table 2 the Board had a change in net position in the amount of (\$1,372,539). Although for most going concerns a negative change in net position might be cause for alarm, however, in the case of the Municipal Pensions Oversight Board this is actually a positive sign. Each September 1 the Board makes its annual allocation of net revenues from the prior calendar year to each of the 53 municipal policemen and firefighters pension plans. The pension plans have up to eighteen months to drawdown their allocation. Since the major contributing factor to the negative change in net position is the increase in distributions to the municipal pension plans in the amount of over \$1.9 million this indicates that the pension plans made the required contributions to their plans and were able to draw down their allocation much earlier than the eighteen month draw down period. In fact, by June 30, 2014 the pension plans had drawn down approximately 86% of their September 1, 2013 allocation. Drawing down the allocation as soon as possible enables the plans to invest their funds in more efficient manner. This contributes to the overall financial health of the local policemen and firefighters pension plans and enables the Board to meet its goals with regard to the distribution of the allocation and strengthening the local plans.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD**MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)
(Continued)**

Other changes in net position which benefit the local policemen and firefighters pension plans is the increase of the insurance premium tax in the amount of \$357,741 and the decrease in operating expenses in the amount of \$161,756. The Board has very little control over the amount of the insurance premium tax received as it is subject to economic and market conditions. However, the Board did change the timing of the actuarial reports which was the major contributing factor to the decrease in professional fees expense in the amount of \$186,302 for the year ended June 30, 2014.

Currently Known Facts and Conditions

The Board's financial position remains stable and does not foresee or plan to engage in any activities that will have a negative impact on its financial stability.

Requests for Information

This financial report is designed to provide a general overview of the Board's operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Blair Taylor, Executive Director, Municipal Pensions Oversight Board, and 1700 MacCorkle Avenue, SE, Charleston, WV 25314.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

STATEMENTS OF NET POSITION

June 30, 2014 and 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
Current assets:		
Cash and cash equivalents	\$ 27,426,882	\$ 28,757,317
Capital assets, net	<u>20,029</u>	<u>25,115</u>
Total assets	<u>\$ 27,446,911</u>	<u>\$ 28,782,432</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 104,206	\$ 69,872
Accrued payroll liabilities	<u>24,263</u>	<u>21,579</u>
Total current liabilities	<u>128,469</u>	<u>91,451</u>
<u>NET POSITION</u>		
Net position:		
Investment in capital assets	20,029	25,115
Restricted by enabling legislation	<u>27,298,413</u>	<u>28,665,866</u>
Total net position	<u>27,318,442</u>	<u>28,690,981</u>

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

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Insurance premium tax	\$ 17,185,527	\$ 16,827,786
Operating expenses:		
Distributions to municipal pension plans	18,064,122	16,120,811
Administrative:		
Salaries and wages	204,968	198,937
Employee benefits	57,563	56,207
Professional fees	195,514	381,816
Depreciation	8,524	7,910
Miscellaneous	60,318	43,773
	<u>18,591,009</u>	<u>16,809,454</u>
Operating income (loss)	<u>(1,405,482)</u>	<u>18,332</u>
Non-operating revenues:		
Interest and other income	<u>32,943</u>	<u>37,349</u>
Change in net position	(1,372,539)	55,681
Net position, beginning of year	<u>28,690,981</u>	<u>28,635,300</u>
Net position, end of year	<u>\$ 27,318,442</u>	<u>\$ 28,690,981</u>

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

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Cash received from insurance premium taxes	\$ 17,185,527	\$ 16,827,786
Cash paid to municipal pension plans	(17,960,289)	(16,120,811)
Cash paid to employees	(259,847)	(256,165)
Cash paid to suppliers	<u>(325,331)</u>	<u>(402,640)</u>
Net cash (used in) provided by operating activities	<u>(1,359,940)</u>	<u>48,170</u>
Cash flows from capital and related financing activities:		
Purchase of property and equipment	<u>(3,438)</u>	<u>-</u>
Cash flows from investing activities:		
Investment earnings	<u>32,943</u>	<u>37,349</u>
Net increase (decrease) in cash and cash equivalents	(1,330,435)	85,519
Cash and cash equivalents, beginning of year	<u>28,757,317</u>	<u>28,671,798</u>
Cash and cash equivalents, end of year	<u>\$ 27,426,882</u>	<u>\$ 28,757,317</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating income (loss)	\$ (1,405,482)	\$ 18,332
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities:		
Depreciation	8,524	7,910
Changes in assets and liabilities:		
Increase in accounts payable	34,334	22,949
Increase (decrease) in accrued payroll liabilities	<u>2,684</u>	<u>(1,021)</u>
Net cash (used in) provided by operating activities	<u>\$ (1,359,940)</u>	<u>\$ 48,170</u>

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

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

NOTES TO FINANCIAL STATEMENTS

1 - REPORTING ENTITY

The West Virginia Legislature passed Senate Bill 4007 on November 19, 2009, creating the West Virginia Municipal Pensions Oversight Board (the Board). The Board was created for the purpose of monitoring and improving the performance of municipal policemen's and firemen's pension and relief funds to assure prudent administration, investment and management of their funds. Duties of the oversight board include assisting municipal boards of trustees in performing their duties, assuring the funds' compliance with applicable laws, providing for actuarial studies, distributing tax revenues to the funds, initiating or joining legal actions on behalf of active or retired pension fund members or municipal boards of trustees to protect the interests of the members in the funds, and taking other actions as may be reasonably necessary to provide for the security and fiscal integrity of the pension funds. The oversight board also monitors the performance required of the various funds to qualify to receive distributions of insurance premium tax revenues pursuant to the West Virginia Code. The Board 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 discretely presented component unit.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Board is accounted for as a proprietary fund engaged in business-type activities. In accordance with accounting principles generally accepted in the United States of America for governmental entities, the financial statements are prepared on the economic resources measurement focus and the accrual basis of accounting which requires recognition of revenue when earned and expenses when incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of demand deposits with the West Virginia State Treasurer's Office (STO) and short-term interest-earning investments in a State internal 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 the fair value of the underlying securities.

Capital Assets

The Board has adopted a policy of capitalizing assets for individual items exceeding \$1,000 in historical cost value and a useful life greater than one year. These assets include leasehold improvements and furnishings and equipment. Depreciation is computed using the straight-line method over the estimated economic useful lives of the assets, which are as follows:

Leasehold improvements	5 years
Furnishings & equipment	5 years

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Accrued Employee Benefits

In accordance with State policy, the Board permits employees to accumulate earned but unused vacation and sick pay benefits. A liability for vacation pay is accrued when earned. To the extent that accumulated sick leave is expected to be converted to benefits on retirement, the benefits are funded by the Board's participation in the West Virginia Retiree Health Benefit Trust.

Net Position

Net position is presented as restricted by enabling legislation, or as the investment in capital assets, which represents the net book value of all capital assets of the Board. Net position restricted by enabling legislation is required to first be used for the administrative expenses of the Board, with all remaining net position available for disbursement to the municipal policemen's and firemen's pension and relief funds. All expenses are incurred for restricted purposes.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds such as the Board are revenues and expenses that result from providing services and producing goods and/or services. Operating revenues include premium tax revenues. Operating expenses of the Board include administrative expenses and pension distributions. All revenues not meeting this definition are reported as nonoperating revenues.

3 - CASH AND CASH EQUIVALENTS

At June 30, 2014 and 2013, the carrying amounts of deposits with the STO and the BTI are as follows:

	<u>2014</u>	<u>2013</u>
Cash on hand at STO	\$ 28,268	\$ 20,608
Investments with BTI reported as cash equivalents	<u>27,398,614</u>	<u>28,736,709</u>
	<u>\$ 27,426,882</u>	<u>\$ 28,757,317</u>

The State Treasurer has statutory responsibility for the daily cash management activities of the State's agencies, departments, boards and commissions and transfers funds to the BTI for investment in accordance with West Virginia statutes, policies set by the BTI and by provisions of bond indentures and trust agreements when applicable.

The Board's cash balances are invested by the BTI in the BTI's West Virginia Money Market Pool. Investment income is pro-rated to the Board at rates specified by the BTI based on the balance of the deposits maintained by the Board in relation to the total deposits of all participants in the pool. Such funds are available to the Board with overnight notice.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**3 - CASH AND CASH EQUIVALENTS (Continued)**

Credit risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The WV Money Market has been rated AAAm by Standard & Poor's. A fund rated "AAAm" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's. The BTI itself has not been rated for credit risk by any organization.

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

The following table provides information on the credit ratings of the West Virginia Money Market Pool's investments (in thousands):

Security Type	Credit Rating		Carrying Value	Percent of Assets
	Moody's	S&P		
Commercial paper	P-1	A-1+	\$ 234,951	11.99%
	P-1	A-1	772,107	39.40
Corporate bonds and notes	Aa3	AA-	20,000	1.02
U.S. agency bonds	Aaa	AA+	82,765	4.22
U.S. Treasury notes*	Aaa	AA+	185,065	9.45
U.S. Treasury bills *	P-1	A-1+	104,995	5.36
Negotiable certificates of deposit	NR	AA-	10,000	0.51
	P-1	A-1+	28,000	1.43
	P-1	A-1	144,000	7.35
U.S. agency discount notes	P-1	A-1+	207,484	10.59
Money market funds	Aaa	AAAm	39	0.00
Repurchase agreements				
(underlying securities):				
U.S. Treasury notes*	Aaa	AA+	93,284	4.76
U.S. agency notes	Aaa	AA+	76,900	3.92
			<u>\$ 1,959,590</u>	<u>100.00%</u>

NR = Not Rated

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

Interest rate risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The weighted average maturity of the investments of the West Virginia Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides the weighted average maturities for the various asset types in the West Virginia Money Market Pool.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**3 - CASH AND CASH EQUIVALENTS (Continued)**

<u>Security Type</u>	<u>Carrying Value (In Thousands)</u>	<u>Weighted Average Maturity In Days</u>
Repurchase agreements	\$ 170,184	1
US Treasury notes	185,065	47
US Treasury bills	104,995	44
Commercial paper	1,007,058	33
Certificates of deposit	182,000	51
U.S. Agency discount notes	207,484	38
Corporate bonds and notes	20,000	17
U.S. agency bonds	82,765	74
Money market funds	39	1
	<u> </u>	
Total assets	<u>\$ 1,959,590</u>	

The weighted average maturity of the investments of the West Virginia Money Market Pool as of June 30, 2014, is 36 days.

Concentration of credit risk - West Virginia statutes prohibit the West Virginia Money Market Pool from investing more than 5% of its assets in securities issued by one corporate name or corporate issue. At June 30, 2014, the pool did not have investments in any one private corporation or association that represented more than 5% of assets.

Custodial credit risk - The risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At June 30, 2014, the West Virginia Money Market Pool held no securities that were subject to custodial credit risk. Repurchase agreements are collateralized at 102%, and the collateral is held in the name of the BTI.

Foreign currency risk - The West Virginia Money Market Pool has no securities that are subject to foreign currency risk, which is the risk that volatility in exchange rates will adversely affect the value of an asset.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**4 - CAPITAL ASSETS**

A summary of capital asset activity is as follows:

	Historical cost at June 30, 2012	Additions	Historical cost at June 30, 2013	Additions	Historical cost at June 30, 2014
Leasehold improvements	\$ 16,405	\$ -	\$ 16,405	\$ 2,188	\$ 18,593
Furnishings and equipment	18,598	-	18,598	1,250	19,848
	<u>\$ 35,003</u>	<u>\$ -</u>	<u>\$ 35,003</u>	<u>\$ 3,438</u>	<u>\$ 38,441</u>
	Accumulated Depreciation June 30, 2012	Additions	Accumulated Depreciation June 30, 2013	Additions	Accumulated Depreciation June 30, 2014
Leasehold improvements	\$ 1,258	\$ 5,034	\$ 6,292	\$ 4,157	\$ 10,449
Furnishings and equipment	720	2,876	3,596	4,367	7,963
	<u>\$ 1,978</u>	<u>\$ 7,910</u>	<u>\$ 9,888</u>	<u>\$ 8,524</u>	<u>\$ 18,412</u>
Total	<u>\$ 33,025</u>	<u>\$ (7,910)</u>	<u>\$ 25,115</u>	<u>\$ (5,086)</u>	<u>\$ 20,029</u>

5 - RETIREMENT BENEFITSPlan Description

All full-time Board employees are eligible and required 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 Board (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 for each retirement system it administers, which can be obtained from Consolidated Public Retirement Board, 4101 MacCorkle Avenue S.E., Charleston, West Virginia 25304-1636 or by calling 1-800-654-4406.

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

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**5 - RETIREMENT BENEFITS (Continued)**Funding Policy

Covered employees are required to contribute 4.5% of their salary to the PERS. The Board is required to contribute 14.5%, 14%, and 14.5% of covered employees' salaries to the PERS for the years and period ended June 30, 2014, 2013, and 2012, respectively. 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 Board and employee contributions, which equaled the required contributions for the years and period ended June 30, 2014, 2013, and 2012 were as follows:

	2014	2013	2012
Board contributions	\$ 29,495	\$ 28,127	\$ 7,149
Employee contributions	9,153	9,041	2,219
Total contributions	<u>\$ 38,648</u>	<u>\$ 37,168</u>	<u>\$ 9,368</u>

6 - OTHER POSTEMPLOYMENT BENEFITSPlan Description

The Board participates in the West Virginia Other Postemployment Benefits Plan (OPEB Plan) of the West Virginia Retiree Health Benefit 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 St., S.E., Suite 2, Charleston, West Virginia, 25304, 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 Board's contributions to the trust fund for the years ended June 30, 2014 and 2013 and the period from inception (April 1, 2012) through June 30, 2012 were \$2,112, \$2,136, and \$501, respectively, and the billed ARC's were \$3,240, 3,084, and \$2,883. The contributions represent 65.2%, 69.3%, and 17.4% of the ARC for the years and period ended June 30, 2014, 2013, and 2012, respectively. As of June 30, 2014, 2013, and 2012, the Board has recorded a liability of \$4,458, \$3,330, and \$2,382, respectively for post employment benefits other than pensions.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**7 - RISK MANAGEMENT**

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to and illnesses of employees; and natural disasters.

The Board has obtained coverage for job-related injuries of employees (workers compensation) and health coverage for its employees through a commercial insurer and WVPEIA. In exchange for the payment of premiums, the Board has transferred its risks related to health coverage for employees and job-related injuries of employees.

The Board participates in the West Virginia Board of Risk and Insurance Management to obtain coverage for general liability, personal injury liability, professional liability, stop gap liability, wrongful act liability, and comprehensive auto liability. Such coverage is offered in exchange for an annual premium.

8 - TRANSACTIONS WITH THE STATE OF WEST VIRGINIA

Pursuant to West Virginia Code, the West Virginia Insurance Commission (the Commission) collects a 1% premium tax on fire and casualty insurance policies. The Commission distributes 65% of the premium tax receipts to the Board. The distributions from the Commission are reported as insurance premium tax revenues on the Board's Statements of Revenues, Expenses, and Changes in Fund Net Position.

9 - COMMITMENTS

The Board is required by its enabling legislation to allocate certain tax and other revenues, net of administrative expenses, to the municipal policemen's and firemen's pension and relief funds (the Funds) by September 1st of each year. The amount to be allocated to the Funds is calculated based upon the Board's prior calendar year insurance premium tax revenues, interest, and other income, less its administrative expenses for the same period. The amounts allocated to each Fund are paid after the allocation date as eligibility requirements to receive the payments are met by each of the Funds. Amounts allocated expire in 18 months if eligibility requirements are not met and the allocated amounts are not paid. Any expired allocation is re-allocated to all other eligible Funds at the next allocation date. The amount committed for payment to the Funds that remain on hand from the September 1, 2013 allocation, but have not been disbursed as of June 30, 2014 is \$2,167,877.

The amount available to the Board for allocation to the pension plans in September 2014 is \$16,613,007.

10 - NEW ACCOUNTING PRONOUNCEMENTS

GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which will be effective for the Board's June 30, 2015 financial statements. Statement 68 will require the Board to recognize a liability equal to its proportionate share of the net pension liability of the PERS. The Board has not yet determined the effect this statement will have on its financial statements.

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

To the Members of the
West Virginia Municipal Pensions Oversight Board
Charleston, West Virginia

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the West Virginia Municipal Pensions Oversight Board (the Board), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 9, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Gibbons & Kawash, A.C.".

Charleston, West Virginia
October 9, 2014

OTHER FINANCIAL INFORMATION

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

SCHEDULE OF STATUTORY COMMITMENTS

June 30, 2014

Department	September 1, 2013 Allocation	Distributed	Balance of Allocation as of June 30, 2014
<u>Full-Time Police Departments</u>			
Beckley	\$ 442,695	\$ 442,695	\$ -
Belle	30,564	30,564	-
Bluefield	190,232	-	190,232
Charleston	1,528,828	1,528,828	-
Charles Town	11,464	9,562	1,902
Chester	43,531	-	43,531
Clarksburg	392,380	392,380	-
Dunbar	111,676	-	111,676
Elkins	86,671	-	86,671
Fairmont	323,707	323,707	-
Grafton	51,575	51,575	-
Huntington	960,453	718,707	241,746
Logan	51,832	-	51,832
Martinsburg	417,919	417,919	-
Morgantown	563,104	563,104	-
Moundsville	140,958	140,958	-
Nitro	131,573	131,573	-
Oak Hill	105,292	-	105,292
Parkersburg	560,890	560,890	-
Princeton	164,761	164,761	-
Point Pleasant	65,247	-	65,247
Saint Albans	193,802	193,802	-
South Charleston	314,227	-	314,227
Star City	41,350	41,350	-
Vienna	143,899	143,899	-
Weirton	340,726	340,726	-
Welch	51,255	51,255	-
Weston	41,470	-	41,470
Westover	55,317	-	55,317
Wheeling	783,864	783,864	-
Williamson	60,254	60,254	-
<u>Full-Time Fire Departments</u>			
Beckley	374,006	374,006	-
Bluefield	194,123	-	194,123
Charleston	1,544,507	1,544,507	-
Clarksburg	407,276	407,276	-
Fairmont	403,859	403,859	-
Huntington	1,036,722	778,578	258,144
Martinsburg	315,188	315,188	-

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

SCHEDULE OF STATUTORY COMMITMENTS
(Continued)

June 30, 2014

Department	September 1, 2013 Allocation	Distributed	Balance of Allocation as of June 30, 2014
<u>Full-Time Fire Departments (Continued)</u>			
Morgantown	\$ 435,044	\$ 435,044	\$ -
Moundsville	65,589	65,589	-
Parkersburg	598,317	598,317	-
South Charleston	358,008	208,826	149,182
Wheeling	876,650	876,650	-
<u>Part Paid/Part Volunteer Fire Departments</u>			
Dunbar	135,386	-	135,386
Elkins	30,087	-	30,087
Grafton	35,657	35,657	-
Logan	58,932	-	58,932
Nitro	112,299	112,299	-
Princeton	117,236	117,236	-
Saint Albans	199,935	199,935	-
Weirton	198,015	198,015	-
Weston	32,880	-	32,880
Williamson	82,626	82,626	-
Totals	<u>\$ 16,013,858</u>	<u>\$ 13,845,981</u>	<u>\$ 2,167,877</u>

Audited Agency West Virginia Municipal Pensions Oversight Board - June 30, 2014

Per GASB Statement 40 the Agency must disclose its deposit policy. The deposit policy must be formally adopted through legal or contractual provisions. Disclosure of any statutory policies are also required. Please provide in the space below the Agency's deposit policy.

See Footnote 3 to the financial statements

	Carrying Amount	Restricted Carrying Amount	Total Carrying Amount	Bank Balance	FDIC Insured Amount	Collateralized Amount	2 Amount Collateralized with securities held by the pledging financial institution's trust department or agent in the government's name	3A Amount Uninsured and Uncollateralized	3B Collateralized with securities held by the pledging financial institution but not in the name of the depositor	3C Collateralized with securities held by the pledging financial institution trust department or agency but not in the name of the depositor	Foreign Currency Risk	
											Currency Type	Maturity
Balances as of June 30, 2014												
Cash with Treasurer	\$ 28,268	\$ -	\$ 28,268									
Per WVFIMS Opening Balance Report	-	-	-									
Cash with Municipal Bond Commission	-	-	-									
Cash on Hand	-	-	-									
Cash in Transit to WVFIMS	-	-	-									
Cash with Board of Trustees	-	-	-									
Cash in Outside Bank Accounts	-	-	-									
Cash in Escrow	-	-	-									
Certificates of Deposits (Non-Negotiable)	-	-	-									
Other:	-	-	-									
Total	\$ 28,268	\$ -	\$ 28,268	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	n/a	n/a
											n/a	n/a
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PLEASE SEND COMPLETED FORMS TO:

State of West Virginia
Financial Accounting and Reporting Section
2101 Washington Street East
Building 17, 3rd Floor
Charleston, WV 25305
Telephone Number (304) 558-4083
Fax Number (304) 558-4084

Audited Agency West Virginia Municipal Pension Oversight Board - June 30, 2014

Per GASB Statement 40 the Agency must disclose its investment policy. The investment policy must be formally adopted through legal or contractual provisions. Disclosure of any statutory policies are also required. Please provide in the space below the Agency's investment policy.
See Footnote 3 to the financial statements.

	Reported Amount Unrestricted	Reported Amount Restricted	Category 1 (Based on reported amounts)	Category 2 (Based on reported amounts)	Category 3 (Based on reported amounts)	Reported Amount**	Fair Value	Credit Ratings			Interest Rate Risk - Segmented Time Distribution Investment Maturities (in years)				Foreign Currency Risk	
								Standard & Poor's	Moody's	Fitch	Less than 1	1 - 5	6 - 10	More than 10	Currency Type	Maturity
Investments with Investment Mgmt Board (IME) Per WVFRMS Opening Balance Report Investment Earnings not Posted to WVFRMS As of 6/30/14	\$ -	\$ -	-	-	-	\$ -	-	-	-	-	-	-	-	-	-	-
Investments with Board of Treasury Investments (BTI) Per Opening Balance Report Investment Earnings not Posted to WVFRMS As of 6/30/14	27,398,614	-	-	-	-	27,398,614	27,398,614	-	-	-	-	-	-	-	-	-
Investments Outside IMB:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
U.S. Treasury Obligations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
U.S. Government Agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Government Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate Stocks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mutual Bond Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mutual Stock Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mutual Money Market Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commercial Paper	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank Investment Contract	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Guaranteed Investment Contract	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repurchase Agreements ****	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State/Local Gov't Securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Certificate of Deposits (Negotiable)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Investments (describe):	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	\$ 27,398,614	\$ -	-	-	-	\$ 27,398,614	\$ 27,398,614	-	-	-	-	-	-	-	-	-

**** MUST COMPLETE THE BELOW INFORMATION IF REPURCHASE AGREEMENTS WERE IDENTIFIED ABOVE:

Collateral Description on the Repurchase Agreements

Fair Market Value of Collateral

Not applicable

PLEASE SEND COMPLETED FORMS TO:

State of West Virginia
Financial Accounting and Reporting Section
2101 Washington Street East
Building 17, 3rd Floor
Charleston, WV 25305
Telephone Number (304) 558-4083
Fax Number (304) 558-4084

***NOTE: THE REPORTED AMOUNTS SHOULD BE IDENTIFIED AS EITHER AMORTIZED COST (A) OR FAIR VALUE (F).

See Independent Auditor's Report.

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION - FINANCE DIVISION
FINANCIAL ACCOUNTING AND REPORTING SECTION

FORM 8A

GAAP REPORTING FORM - DEPOSITS AND INVESTMENTS RECONCILIATION

Audited Agency West Virginia Municipal Pensions Oversight Board - June 30, 2014

Reconciliation of cash, cash equivalents and investments as reported in the financial statements
to the amounts disclosed in the footnote:

Deposits:

Cash and cash equivalents as reported on balance sheet	\$ 27,426,882
Less: cash equivalents disclosed as investments	(27,398,614)
Add: restricted assets disclosed as deposits	-
Other (describe)	

Carrying amount of deposits as disclosed on Form 7

\$ 28,268

Investments:

Investments as reported on balance sheet	\$ -
Add: restricted assets disclosed as investments	-
Add: cash equivalents disclosed as investments	27,398,614
Other (describe)	

Reported amount of investments as disclosed on Form 8

\$ 27,398,614

PLEASE SEND COMPLETED FORMS TO:

State of West Virginia
Financial Accounting and Reporting Section
2101 Washington Street East
Building 17, 3rd Floor
Charleston, WV 25305

Telephone Number (304) 558-4083
Fax Number (304) 558-4084

See Independent Auditor's Report.

**Audited Financial Statements
With Other Financial Information**

West Virginia Municipal Pensions Oversight Board

Years Ended June 30, 2015 and 2014

Audited Financial Statements
With Other Financial Information

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

Years Ended June 30, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

To the Members of the
West Virginia Municipal Pensions Oversight Board
Charleston, West Virginia

We have audited the accompanying financial statements of the West Virginia Municipal Pensions Oversight Board (the Board), a component unit of the State of West Virginia, as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board as of June 30, 2015 and 2014, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters*****Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 and the schedule of the proportionate share of the net pension liability and the schedule of contributions to the PERS on pages 20 through 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Board's basic financial statements. The accompanying schedules as listed in the table of contents on pages 23 through 27 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying information on pages 23 through 27 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2015, on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Charleston, West Virginia
November 6, 2015

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS-(Unaudited)

Our discussion and analysis of the Municipal Pensions Oversight Board's (the Board) financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the Board's financial statements, which begin on page 6.

Financial Highlights

- The Insurance Premium Tax increased by \$590,260 or about 3% during fiscal year 2015.
- Distributions to municipal pension plans through June 30, 2015 from the September 2014 allocations remained at 86% as compared to last year.
- The Board's net position increased during fiscal year 2015 in the amount of \$752,671.
- Implemented Governmental Accounting Standards Board (GASB) Statement No. 68 *Accounting and Financial Reporting for Pensions*.

Using This Report

This report consists of a series of financial statements. The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Fund Net Position display and report the Board's net position and changes in their position. The Board's net position, which is the difference between assets and liabilities, is normally how one would measure the Board's financial health or financial position.

The Board as a Whole

The Municipal Pensions Oversight Board is accounted for as a proprietary fund engaged in business-type activities. The Board 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 discretely presented component unit.

During the third month of each quarter the Board receives from the West Virginia Insurance Commission a portion of the Casualty & Fire insurance premiums to distribute, net of operating expenses, to the municipal police and fire pension plans. In order to receive the premium distribution there must be an actuarial study of the pension plan, the employer must make the required contributions and an annual report must be provided to the Board.

Duties of the Board include assisting municipal pension funds' boards of trustees in performing their duties, assuring the funds' compliance with applicable laws, providing for actuarial studies, distributing tax revenues to the funds, initiating or joining legal actions on behalf of active or retired pension fund members or municipal pension funds' boards of trustees to protect the interests of the members in the funds, and taking other actions as may be reasonably necessary to provide for the security and fiscal integrity of the pension funds.

Our analysis below focuses on the Board's net position as of June 30, 2015 and 2014 (Table 1) and changes in the Board's net position for the years then ended (Table 2).

**Table 1
Net Position**

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Current assets:		
Cash and cash equivalents	\$ 28,204,958	\$ 27,426,882
Capital assets, net	13,446	20,029
	<u>\$ 28,218,404</u>	<u>\$ 27,446,911</u>
<u>Deferred outflows of resources related to pensions</u>	<u>\$ 30,342</u>	<u>\$ -</u>

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS-(Unaudited)

<u>LIABILITIES</u>	<u>2015</u>	<u>2014</u>
Current liabilities	\$ 62,265	\$ 128,469
Non-current liabilities:		
Net pension liability	<u>56,062</u>	<u>-</u>
Total liabilities	<u>\$ 118,327</u>	<u>\$ 128,469</u>
<u>Deferred inflows of resources related to pension</u>	<u>\$ 59,306</u>	<u>\$ -</u>
<u>NET POSITION</u>		
Net investment in capital assets	\$ 13,446	\$ 20,029
Restricted by enabling legislation	<u>28,057,667</u>	<u>27,298,413</u>
Total net position	<u>\$ 28,071,113</u>	<u>\$ 27,318,442</u>

Table 2
Changes in Net Position

Operating revenues:		
Insurance premium tax	\$ 17,775,787	\$ 17,185,527
Operating expenses:		
Distributions to municipal pension plans	16,243,374	18,064,122
Administrative expense	<u>704,917</u>	<u>526,887</u>
	<u>16,948,291</u>	<u>18,591,009</u>
Operating income (loss)	827,496	(1,405,482)
Non-operating revenues:		
Interest and other income	<u>32,522</u>	<u>32,943</u>
Change in net position	860,018	(1,372,539)
Net position, beginning of period	27,318,442	28,690,981
Cumulative effect of adoption of accounting principle	<u>(107,347)</u>	<u>-</u>
Net pension, beginning of year, as restated	<u>27,211,095</u>	<u>28,690,981</u>
Net position, end of period	<u>\$ 28,071,113</u>	<u>\$ 27,318,442</u>

Changes in Net Position

As is noted in Table 2 the Board had an increase in net position in the amount of \$752,671, after adjusting the beginning net position to reflect the cumulative effect of the adoption of GASB 68. Several other factors contributed to both a negative and positive effect on net position. First, the Board experienced an increase in the insurance premium tax revenue in the amount of \$590,260 for fiscal year 2015. While the Board has no control over the premium tax revenue as it is subject to economic and market conditions, an increase in revenue to the Board directly benefits the local police and fire pension plans. Second, operating expenses

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS-(Unaudited)

decreased in the amount of \$1,642,718 for fiscal year 2015. Ideally, the Board would prefer to distribute the current fiscal year allocations to all pension plans by June 30, however, it is the responsibility of the municipalities of the plans to make the required contributions and request the allocations from the Board. Despite the decrease in distributions to municipal pension plans, the Board distributed 86% of the September 2014 allocation to the plans as of June 30, 2015, which was the same as the distributions for the September 2013 allocation last year. Moreover, part of the increased distributions to pension plans for fiscal year 2014 was because 26% of the September 2012 allocation was not drawn down until after June 30, 2013. Distributions to pension plans decreased for fiscal year 2015, while administrative expenses increased. This was due to the Board expanding the existing actuarial contract to allow special reports to be prepared to bring the municipal police and fire pension plans and their respective municipalities into compliance with GASB 67, *Financial Reporting for Pension Plans*, and GASB 68. Other factors which contributed to the increase were the timing of actuarial payments along with an increase in disability exams. Finally, as was noted earlier, because of the implementation of GASB 68, a July 1, 2014 adjustment in the amount of (\$107,347) was made to net position. This entry reflects the cumulative effect of the net pension liability for the Municipal Pensions Oversight Board to implement GASB 68.

Currently Known Facts and Conditions

The Board's financial position remains stable and does not foresee or plan to engage in any activities that will have a negative impact on its financial stability.

Requests for Information

This financial report is designed to provide a general overview of the Board's operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Blair Taylor, Executive Director, Municipal Pensions Oversight Board, and 1700 MacCorkle Avenue, SE, Charleston, WV 25314.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

STATEMENTS OF NET POSITION

June 30, 2015 and 2014

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Current assets:		
Cash and cash equivalents	\$ 28,204,958	\$ 27,426,882
Capital assets, net	<u>13,446</u>	<u>20,029</u>
Total assets	<u>\$ 28,218,404</u>	<u>\$ 27,446,911</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows of resources related to pensions	<u>\$ 30,342</u>	<u>\$ -</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 35,245	\$ 104,206
Accrued payroll liabilities	<u>27,020</u>	<u>24,263</u>
Total current liabilities	62,265	128,469
Noncurrent Liabilities:		
Net pension liability	<u>56,062</u>	<u>-</u>
Total liabilities	<u>\$ 118,327</u>	<u>\$ 128,469</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of resources related to pensions	<u>\$ 59,306</u>	<u>\$ -</u>
<u>NET POSITION</u>		
Net position:		
Net investment in capital assets	\$ 13,446	\$ 20,029
Restricted by enabling legislation	<u>28,057,667</u>	<u>27,298,413</u>
Total net position	<u>\$ 28,071,113</u>	<u>\$ 27,318,442</u>

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

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

Years Ended June 30, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating revenues:		
Insurance premium tax	\$ 17,775,787	\$ 17,185,527
Operating expenses:		
Distributions to municipal pension plans	16,243,374	18,064,122
Administrative:		
Salaries and wages	207,833	204,968
Employee benefits	36,939	57,563
Professional fees	378,859	195,514
Depreciation	9,709	8,524
Miscellaneous	<u>71,577</u>	<u>60,318</u>
	<u>16,948,291</u>	<u>18,591,009</u>
Operating income (loss)	<u>827,496</u>	<u>(1,405,482)</u>
Non-operating revenues:		
Interest and other income	<u>32,522</u>	<u>32,943</u>
Change in net position	860,018	(1,372,539)
Net position, beginning of year	27,318,442	28,690,981
Cumulative effect of adoption of accounting principle	<u>(107,347)</u>	<u>-</u>
Net position, beginning of year, as restated	<u>27,211,095</u>	<u>28,690,981</u>
Net position, end of year	<u>\$ 28,071,113</u>	<u>\$ 27,318,442</u>

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

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities:		
Cash received from insurance premium taxes	\$ 17,775,787	\$ 17,185,527
Cash paid to municipal pension plans	(16,347,207)	(17,960,289)
Cash paid to employees	(264,336)	(259,847)
Cash paid to suppliers	(415,564)	(325,331)
Net cash provided by (used in) operating activities	<u>748,680</u>	<u>(1,359,940)</u>
Cash flows from capital and related financing activities:		
Purchase of property and equipment	<u>(3,126)</u>	<u>(3,438)</u>
Cash flows from investing activities:		
Investment earnings	<u>32,522</u>	<u>32,943</u>
Net increase (decrease) in cash and cash equivalents	778,076	(1,330,435)
Cash and cash equivalents, beginning of year	<u>27,426,882</u>	<u>28,757,317</u>
Cash and cash equivalents, end of year	<u>\$ 28,204,958</u>	<u>\$ 27,426,882</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating income (loss)	\$ 827,496	\$ (1,405,482)
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities:		
Depreciation	9,709	8,524
Pension expense	6,768	-
Changes in operating accounts:		
Increase (decrease) in accounts payable	(68,961)	34,334
Increase (decrease) in accrued payroll liabilities	2,757	2,684
Increase in deferred outflows of resources - pension contributions	<u>(29,089)</u>	<u>-</u>
Net cash provided by (used in) operating activities	<u>\$ 748,680</u>	<u>\$ (1,359,940)</u>

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

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

NOTES TO FINANCIAL STATEMENTS

1 - REPORTING ENTITY

The West Virginia Legislature passed Senate Bill 4007 on November 19, 2009, creating the West Virginia Municipal Pensions Oversight Board (the Board). The Board was created for the purpose of monitoring and improving the performance of municipal policemen's and firemen's pension and relief funds to assure prudent administration, investment and management of their funds. Duties of the oversight board include assisting municipal boards of trustees in performing their duties, assuring the funds' compliance with applicable laws, providing for actuarial studies, distributing tax revenues to the funds, initiating or joining legal actions on behalf of active or retired pension fund members or municipal boards of trustees to protect the interests of the members in the funds, and taking other actions as may be reasonably necessary to provide for the security and fiscal integrity of the pension funds. The oversight board also monitors the performance required of the various funds to qualify to receive distributions of insurance premium tax revenues pursuant to the West Virginia Code. The Board 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 discretely presented component unit.

2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Board is accounted for as a proprietary fund engaged in business-type activities. In accordance with accounting principles generally accepted in the United States of America for governmental entities, the financial statements are prepared on the economic resources measurement focus and the accrual basis of accounting which requires recognition of revenue when earned and expenses when incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of demand deposits with the West Virginia State Treasurer's Office (STO) and short-term interest-earning investments in a State internal 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 the fair value of the underlying securities.

Capital Assets

The Board has adopted a policy of capitalizing assets for individual items exceeding \$1,000 in historical cost value and a useful life greater than one year. These assets include leasehold improvements and furnishings and equipment. Depreciation is computed using the straight-line method over the estimated economic useful lives of the assets, which are as follows:

Leasehold improvements	5 years
Furnishings & equipment	5 years

THE WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Accrued Employee Benefits

In accordance with State policy, the Board permits employees to accumulate earned but unused vacation and sick pay benefits. A liability for vacation pay is accrued when earned. To the extent that accumulated sick leave is expected to be converted to benefits on retirement, the benefits are funded by the Board's participation in the West Virginia Retiree Health Benefit Trust.

Deferred Outflows of Resources / Deferred Inflows of Resources

The statement of net position reports a separate financial statement element called *deferred outflows of resources*. This financial statement element represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense) until that time. The Board reports deferred outflows of resources related to pensions as deferred outflows of resources on the statement of net position.

The statement of net position reports a separate financial statement element called *deferred inflows of resources*. This financial statement element represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The Board reports deferred inflows of resources related to pensions as deferred inflows of resources on the statement of net position.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the West Virginia Public Employees Retirement System (PERS) and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position is presented as restricted by enabling legislation, or as the net investment in capital assets, which represents the net book value of all capital assets of the Board. Net position restricted by enabling legislation is required to first be used for the administrative expenses of the Board, with all remaining net position available for disbursement to the municipal policemen's and firemen's pension and relief funds. All expenses are incurred for restricted purposes.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds such as the Board are revenues and expenses that result from providing services and producing goods and/or services. Operating revenues include premium tax revenues. Operating expenses of the Board include administrative expenses and pension distributions. All revenues not meeting this definition are reported as nonoperating revenues.

THE WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**3 - CUMULATIVE EFFECT OF ADOPTION OF ACCOUNTING PRINCIPLE**

Effective July 1, 2014, the Board adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*-an amendment of GASB Statement No. 27, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*-an amendment of GASB Statement No. 68. The Board determined that it was not practical to restate all periods presented and has recorded the cumulative effect of the decrease to beginning net position of implementing this change of \$107,347 as of July 1, 2014, which is the net pension liability of \$136,842 less deferred outflows of resources related to pension plan contributions of \$29,495 as of that date. The Board further determined that it was not practical to determine the amounts of all deferred inflows of resources and deferred outflows of resources related to pensions as of July 1, 2014 and these amounts are not reported.

4 - CASH AND CASH EQUIVALENTS

At June 30, 2015 and 2014, the carrying amounts of deposits with the STO and the BTI are as follows:

	<u>2015</u>	<u>2014</u>
Cash on hand at STO	\$ 13,481	\$ 28,268
Investments with BTI reported as cash equivalents	<u>28,191,477</u>	<u>27,398,614</u>
	<u>\$ 28,204,958</u>	<u>\$ 27,426,882</u>

The State Treasurer has statutory responsibility for the daily cash management activities of the State's agencies, departments, boards and commissions and transfers funds to the BTI for investment in accordance with West Virginia statutes, policies set by the BTI and by provisions of bond indentures and trust agreements when applicable.

The Board's cash balances are invested by the BTI in the BTI's West Virginia Money Market Pool. Investment income is pro-rated to the Board at rates specified by the BTI based on the balance of the deposits maintained by the Board in relation to the total deposits of all participants in the pool. Such funds are available to the Board with overnight notice.

Credit risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The WV Money Market has been rated AAAm by Standard & Poor's. A fund rated "AAAm" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's. The BTI itself has not been rated for credit risk by any organization.

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

THE WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**4 - CASH AND CASH EQUIVALENTS (Continued)**

The following table provides information on the credit ratings of the West Virginia Money Market Pool's investments (in thousands):

Security Type	Credit Rating		Carrying Value	Percent of Assets
	Moody's	S&P		
Commercial paper	P-1	A-1+	\$ 186,737	9.88%
	P-1	A-1	660,027	34.91
Corporate bonds and notes	Aa3	A+	10,005	0.53
	Aa3	AA-	10,000	0.53
	Aa3	NR	10,000	0.53
U.S. agency bonds	Aaa	AA+	81,994	4.34
U.S. Treasury notes*	Aaa	AA+	229,760	12.15
U.S. Treasury bills *	P-1	A-1+	92,059	4.87
Negotiable certificates of deposit	Aa2	AA-	10,000	0.53
	P-1	A-1+	51,000	2.70
	P-1	A-1	142,000	7.51
U.S. agency discount notes	P-1	A-1+	304,342	16.10
Money market funds	Aaa	AAAm	90,017	4.76
Repurchase agreements (underlying securities):				
U.S. Treasury notes*	Aaa	AA+	1,323	0.07
U.S. agency notes	Aaa	AA+	11,200	0.59
			<u>\$ 1,890,464</u>	<u>100.00%</u>

NR = Not Rated

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

Interest rate risk - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The weighted average maturity of the investments of the West Virginia Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides the weighted average maturities for the various asset types in the West Virginia Money Market Pool.

THE WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**4 - CASH AND CASH EQUIVALENTS (Continued)**

<u>Security Type</u>	<u>Carrying Value (In Thousands)</u>	<u>Weighted Average Maturity In Days</u>
Repurchase agreements	\$ 12,523	1
US Treasury notes	229,760	75
US Treasury bills	92,059	123
Commercial paper	846,764	30
Certificates of deposit	203,005	51
U.S. Agency discount notes	304,342	60
Corporate bonds and notes	30,000	75
U.S. agency bonds	81,994	58
Money market funds	90,017	1
Total assets	<u>\$ 1,890,464</u>	

The weighted average maturity of the investments of the West Virginia Money Market Pool as of June 30, 2015, is 47 days.

Concentration of credit risk - West Virginia statutes prohibit the West Virginia Money Market Pool from investing more than 5% of its assets in securities issued by one corporate name or corporate issue. At June 30, 2015, the pool did not have investments in any one private corporation or association that represented more than 5% of assets.

Custodial credit risk - The risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At June 30, 2015, the West Virginia Money Market Pool held no securities that were subject to custodial credit risk. Repurchase agreements are collateralized at 102%, and the collateral is held in the name of the BTI.

Foreign currency risk - The West Virginia Money Market Pool has no securities that are subject to foreign currency risk, which is the risk that volatility in exchange rates will adversely affect the value of an asset.

THE WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**5 - CAPITAL ASSETS**

A summary of capital asset activity is as follows:

	Historical cost at June 30, 2013	Additions	Historical cost at June 30, 2014	Additions	Historical cost at June 30, 2015
Leasehold improvements	\$ 16,405	\$ 2,188	\$ 18,593	\$ -	\$ 18,593
Furnishings and equipment	18,598	1,250	19,848	3,126	22,974
	<u>\$ 35,003</u>	<u>\$ 3,438</u>	<u>\$ 38,441</u>	<u>\$ 3,126</u>	<u>\$ 41,567</u>
	Accumulated Depreciation June 30, 2013	Additions	Accumulated Depreciation June 30, 2014	Additions	Accumulated Depreciation June 30, 2015
Leasehold improvements	\$ 6,292	\$ 4,157	\$ 10,449	\$ 4,832	\$ 15,281
Furnishings and equipment	3,596	4,367	7,963	4,877	12,840
	<u>\$ 9,888</u>	<u>\$ 8,524</u>	<u>\$ 18,412</u>	<u>\$ 9,709</u>	<u>\$ 28,121</u>
Total	<u>\$ 25,115</u>	<u>\$ (5,086)</u>	<u>\$ 20,029</u>	<u>\$ (6,583)</u>	<u>\$ 13,446</u>

6 - EMPLOYEE BENEFITSPension Plan*Plan Description*

The Board contributes to the PERS, a cost-sharing multiple-employer defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board (CPRB). PERS covers substantially all employees of the State and its component units, as well as employees of participating non-state governmental entities who are not participants of another state or municipal system. Benefits under PERS include retirement, death and disability benefits, and have been established and may be amended by action of the State Legislature. The CPRB issues a publicly available financial report that includes financial statements for PERS that may be obtained at www.wvretirement.com.

Benefits Provided

PERS provides retirement benefits as well as death and disability benefits. Qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. The straight-life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. Average salary is the average of the highest annual compensation during any period of three consecutive years within the last fifteen years of earnings. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62.

THE WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**6 - EMPLOYEE BENEFITS (Continued)***Contributions*

Although contributions are not actuarially determined, actuarial valuations are performed to assist the Legislature in establishing appropriate contribution rates. Current funding policy requires contributions, consisting of member contributions of 4.5% of covered payroll and employer contributions of 14.0%, 14.5%, and 14.0% for the years ended June 30, 2015, 2014, and 2013, respectively.

During the years ended June 30, 2015, 2014, and 2013, the Board's contributions to PERS required and made were approximately \$29,089, \$29,495, and \$28,127, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Board reported a liability of \$56,062 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to the measurement date of June 30, 2014. The Board's proportion of the net pension liability was based on the Board's share of contributions to the pension plan relative to the contributions of all employers participating in PERS for the year ended June 30, 2014. At June 30, 2014, the Board's proportion was 0.015190 percent, which was an increase of 0.000179 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Board recognized pension expense of \$6,678. At June 30, 2015, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 59,306
Changes in proportion and differences between Board's contributions and proportionate share of contributions	1,253	-
Board's contributions made subsequent to the measurement date of June 30, 2014	<u>29,089</u>	<u>-</u>
Total	<u>\$ 30,342</u>	<u>\$ 59,306</u>

The Board reported \$29,089 as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

THE WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**6 - EMPLOYEE BENEFITS (Continued)**Year ended June 30,

2016	\$	(14,443)
2017		(14,443)
2018		(14,443)
2019		(14,724)

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.2 percent
Salary increases	4.25 - 6.0 percent, average, including inflation
Investment rate of return	7.5 percent, net of pension plan investment expense

Mortality rates were based on the 1983 GAM for healthy males, 1971 GAM for healthy females, 1971 GAM for disabled males, and Revenue Ruling 96-7 for disabled females.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 through June 30, 2009.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income	15.0%	2.9 - 4.8%
Domestic equity	27.5%	7.6%
International equity	27.5%	8.5%
Real estate	10.0%	6.8%
Private equity	10.0%	9.9%
Hedge funds	10.0%	5.0%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will continue to be made at statutorily required rates, which are determined annually based on actuarial valuations. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate

THE WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)

6 - EMPLOYEE BENEFITS (Continued)

Discount Rate (Continued)

of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. Although discount rates are subject to change between measurement dates, there were no changes in the discount rate in the current period.

Sensitivity of the Board's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
WVMPOB's proportionate share of the net pension liability (asset)	\$ 158,409	\$ 56,062	\$ (31,149)

7 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Board participates in the West Virginia Other Postemployment Benefits Plan (OPEB Plan) of the West Virginia Retiree Health Benefit 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 St., S.E., Suite 2, Charleston, West Virginia, 25304, 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 GAAP. 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 Board's contributions to the trust fund for the years ended June 30, 2015 and 2014 and 2013 were \$1,968, \$2,112, and \$2,136, respectively, and the billed ARC's were \$4,668, 3,240, and \$3,084. The contributions represent 57.8%, 65.2%, and 69.3% of the ARC for the years and period ended June 30, 2015, 2014, and 2013, respectively. As of June 30, 2015, 2014, and 2013, the Board has recorded a liability of \$7,158, \$4,458, and \$3,330, respectively for post employment benefits other than pensions.

THE WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**8 - RISK MANAGEMENT**

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to and illnesses of employees; and natural disasters.

The Board has obtained coverage for job-related injuries of employees (workers compensation) and health coverage for its employees through a commercial insurer and WVPEIA. In exchange for the payment of premiums, the Board has transferred its risks related to health coverage for employees and job-related injuries of employees.

The Board participates in the West Virginia Board of Risk and Insurance Management to obtain coverage for general liability, personal injury liability, professional liability, stop gap liability, wrongful act liability, and comprehensive auto liability. There have been no reductions in insurance coverage from the prior year and no settlements in the past three years.

9 - TRANSACTIONS WITH THE STATE OF WEST VIRGINIA

Pursuant to West Virginia Code, the West Virginia Insurance Commission (the Commission) collects a 1% premium tax on fire and casualty insurance policies. The Commission distributes 65% of the premium tax receipts to the Board. The distributions from the Commission are reported as insurance premium tax revenues on the Board's Statements of Revenues, Expenses, and Changes in Fund Net Position.

10 - COMMITMENTS

The Board is required by its enabling legislation to allocate certain tax and other revenues, net of administrative expenses, to the municipal policemen's and firemen's pension and relief funds (the Funds) by September 1st of each year. The amount to be allocated to the Funds is calculated based upon the Board's prior calendar year insurance premium tax revenues, interest, and other income, less its administrative expenses for the same period. The amounts allocated to each Fund are paid after the allocation date as eligibility requirements to receive the payments are met by each of the Funds. Amounts allocated expire in 18 months if eligibility requirements are not met and the allocated amounts are not paid. Any expired allocation is re-allocated to all other eligible Funds at the next allocation date. The amount committed for payment to the Funds that remain on hand from the September 1, 2014 allocation, but have not been disbursed as of June 30, 2015 is \$2,253,375.

The amount available to the Board for allocation to the pension plans in September 2015 is \$16,903,317.

11 - NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Management has not determined the effect, if any, this statement will have on its financial statements.

THE WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD

NOTES TO FINANCIAL STATEMENTS
(Continued)**11 - NEW ACCOUNTING PRONOUNCEMENTS (Continued)**

The GASB has issued three statements relating to accounting and financial reporting for pension and postemployment benefit plans: Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions of Statements No. 73 and 74 are effective for financial statements for periods beginning after June 15, 2016, and the provisions of Statement No. 75 are effective for periods beginning after June 15, 2017. Management has not determined the effect, if any, this statement will have on its financial statements.

The GASB has issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which identifies the hierarchy of generally accepted accounting principles used to prepare financial statements of state and local governments. This statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Management has not determined the effect, if any, this statement will have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

THE WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD
 SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 Public Employees Retirement System Plan

	<u>Year Ended June 30</u> <u>2015</u>
Board's proportion (percentage) of the net pension liability	0.015190%
Board's proportionate share of the net pension liability	\$ 56,062
Board's covered employee payroll	\$ 203,412
Board's proportionate share of the net pension liability as a percentage of its covered employee payroll	27.56%
Plan fiduciary net position as a percentage of the total pension liability	93.98%

Note: All amounts presented are as of the measurement date,
 which is one year prior to the fiscal year end date.

THE WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD

SCHEDULE OF CONTRIBUTIONS TO THE PERS

	Years Ended June 30		
	2015	2014	2013
Statutorily required contribution	\$ 29,089	\$ 29,495	\$ 28,127
Contributions in relation to the statutorily required contribution	<u>29,089</u>	<u>29,495</u>	<u>28,127</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The Board's covered employee payroll	\$ 207,776	\$ 203,412	\$ 200,906
Contributions as a percentage of covered- employee payroll	14.00%	14.50%	14.00%

See Independent Auditor's Report and the Note to Required Supplementary Information.

WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION****1 - TREND INFORMATION PRESENTED**

The accompanying schedules of the Board's proportionate share of the net pension liability and contributions to PERS are required supplementary information to be presented for 10 years. However, until a full 10 year trend is compiled, information is presented in the schedules for those years for which information is available.

OTHER FINANCIAL INFORMATION

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

SCHEDULE OF STATUTORY COMMITMENTS

June 30, 2015

Department	September 1, 2014 Allocation	Distributed	Balance of Allocation as of June 30, 2015
<u>Full-Time Police Departments</u>			
Beckley	\$ 450,841	\$ 450,841	\$ -
Belle	31,825	31,825	-
Bluefield	206,773	206,773	-
Charleston	1,580,088	1,580,088	-
Charles Town	12,362	12,362	-
Chester	43,847	-	43,847
Clarksburg	400,623	400,623	-
Dunbar	108,758	108,758	-
Elkins	91,260	-	91,260
Fairmont	326,196	326,196	-
Grafton	52,129	-	52,129
Huntington	1,034,332	601,567	432,765
Logan	51,795	-	51,795
Martinsburg	420,921	420,921	-
Morgantown	578,714	578,714	-
Moundsville	145,165	145,165	-
Nitro	139,517	139,517	-
Oak Hill	103,905	-	103,905
Parkersburg	597,021	597,021	-
Princeton	180,537	-	180,537
Point Pleasant	79,007	-	79,007
Saint Albans	195,694	195,694	-
South Charleston	360,124	300,128	59,996
Star City	46,175	46,175	-
Vienna	152,150	152,150	-
Weirton	339,332	339,332	-
Welch	49,228	-	49,228
Weston	55,183	-	55,183
Westover	69,532	-	69,532
Wheeling	789,613	789,613	-
Williamson	44,316	40,620	3,696
<u>Full-Time Fire Departments</u>			
Beckley	\$ 394,051	\$ 394,051	-
Bluefield	204,901	204,901	-
Charleston	1,586,890	1,586,890	-
Clarksburg	421,288	421,288	-
Fairmont	416,791	416,791	-
Huntington	1,101,445	641,702	459,743
Martinsburg	328,336	328,336	-

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

SCHEDULE OF STATUTORY COMMITMENTS
(Continued)

June 30, 2015

Department	September 1, 2014 Allocation	Distributed	Balance of Allocation as of June 30, 2015
<u>Full-Time Fire Departments (Continued)</u>			
Morgantown	\$ 451,492	\$ 451,492	\$ -
Moundsville	66,778	66,778	-
Parkersburg	610,944	610,944	-
South Charleston	375,730	313,133	62,597
Wheeling	895,690	715,029	180,661
<u>Part Paid/Part Volunteer Fire Departments</u>			
Dunbar	143,711	143,711	-
Elkins	29,765	-	29,765
Grafton	31,909	-	31,909
Logan	60,908	-	60,908
Nitro	121,208	121,208	-
Princeton	121,807	-	121,807
Saint Albans	206,423	206,423	-
Weirton	200,118	200,118	-
Weston	26,485	-	26,485
Williamson	79,374	72,754	6,620
Totals	<u>\$ 16,613,007</u>	<u>\$ 14,359,632</u>	<u>\$ 2,253,375</u>

Audited Agency West Virginia Municipal Pensions Oversight Board - June 30, 2015

Per GASB Statement 40 the Agency must disclose its deposit policy. The deposit policy must be formally adopted through legal or contractual provisions. Disclosure of any statutory policies are also required. Please provide in the space below the Agency's deposit policy.

See Footnote 4 to the financial statements

	Carrying Amount	Restricted Carrying Amount	Total Carrying Amount	Bank Balance	FDIC Insured Amount	Collateralized Amount	2 Amount Collateralized with securities held by the pledging financial institution's trust department or agent in the government's name	3A Amount Uninsured and Uncollateralized	3B Collateralized with securities held by the pledging financial institution but not in the name of the depositor	3C Collateralized with securities held by the pledging financial institution trust department or agency but not in the name of the depositor	Foreign Currency Risk	
											Currency Type	Maturity
Balances as of June 30, 2015												
Cash with Treasurer	-	\$	13,481	\$	13,481	-	-	-	-	-	-	-
Per WVOASIS Opening Balance Report	-	-	-	-	-	-	-	-	-	-	-	-
Cash with Municipal Bond Commission	-	-	-	-	-	-	-	-	-	-	-	-
Cash on Hand	-	-	-	-	-	-	-	-	-	-	n/a	n/a
Cash in Transit to WVOASIS	-	-	-	-	-	-	-	-	-	-	n/a	n/a
Cash with Board of Trustees	-	-	-	-	-	-	-	-	-	-	n/a	n/a
Cash in Outside Bank Accounts	-	-	-	-	-	-	-	-	-	-	n/a	n/a
Cash in Escrow	-	-	-	-	-	-	-	-	-	-	n/a	n/a
Certificates of Deposits (Non-Negotiable)	-	-	-	-	-	-	-	-	-	-	n/a	n/a
Other:	-	-	-	-	-	-	-	-	-	-	-	-
Total	\$	-	\$	13,481	\$	13,481	\$	-	\$	-	\$	\$

PLEASE SEND COMPLETED FORMS TO:

State of West Virginia
Financial Accounting and Reporting Section
2101 Washington Street East
Building 17, 3rd Floor
Charleston, WV 25305
Telephone Number (304) 558-4083
Fax Number (304) 558-4084

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION - FINANCE DIVISION
FINANCIAL ACCOUNTING AND REPORTING SECTION
GAAP REPORTING FORM - INVESTMENT DISCLOSURE

Audited Agency West Virginia Municipal Pensions Oversight Board - June 30, 2015

Per GASB Statement 40 the Agency must disclose its investment policy. The investment policy must be formally adopted through legal or contractual provisions. Disclosure of any statutory policies are also required. Please provide in the space below the Agency's investment policy
See Footnote 4 to the financial statements.

	Reported Amount Unrestricted	Reported Amount Restricted	Category 1 (Based on reported amounts)	Category 2	Category 3	Custodial Credit Risk Reported Amount**	Fair Value	Standard & Poor's	Moody's	Fitch	Interest Rate Risk - Segmented Time Distribution Investment Maturities (in years)				Foreign Currency Risk Maturity	Fair Value
											Less than 1	1 - 5	6-10	More than 10		
Investments with Investment Mgmt Board (IME) Per WWOASIS Opening Balance Report Investment Earnings not Pooled to WVFMS As of 6/30/14	\$ -	\$ -	-	-	-	\$ -	-	-	-	-	-	-	-	-	-	-
Investments with Board of Treasury Investments (BTI) As of 6/30/14	-	28,191,477	-	-	-	28,191,477	28,191,477	-	-	-	-	-	-	-	-	-
Investment Earnings not Pooled to WWOASIS As of 6/30/14	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments Outside IME:																
U.S. Treasury Obligations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
U.S. Government Agencies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Government Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporate Stocks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mutual Bond Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mutual Stock Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mutual Money Market Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commercial Paper	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank Investment Contract	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Guaranteed Investment Contract	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Repurchase Agreements ****	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
State/Local Govt Securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Certificate of Deposits (Negotiable)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Investments (describe):	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	\$ -	\$ 28,191,477	\$ -	\$ -	\$ -	\$ 28,191,477	\$ 28,191,477	-	-	-	\$ -	\$ -	\$ -	\$ -	-	\$ -

**** MUST COMPLETE THE BELOW INFORMATION IF REPURCHASE AGREEMENTS WERE IDENTIFIED ABOVE:

Collateral Description on the Repurchase Agreements	Fair Market Value of Collateral
Not applicable	

**NOTE: THE REPORTED AMOUNTS SHOULD BE IDENTIFIED AS EITHER AMORTIZED COST (A) OR FAIR VALUE (F).

See Independent Auditor's Report.

PLEASE SEND COMPLETED FORMS TO:

State of West Virginia
Financial Accounting and Reporting Section
2101 Washington Street East
Building 17, 3rd Floor
Charleston, WV 25305
Telephone Number (304) 558-4083
Fax Number (304) 558-4084

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION - FINANCE DIVISION
FINANCIAL ACCOUNTING AND REPORTING SECTION

GAAP REPORTING FORM - DEPOSITS AND INVESTMENTS RECONCILIATION

Audited Agency West Virginia Municipal Pensions Oversight Board - June 30, 2015

Reconciliation of cash, cash equivalents and investments as reported in the financial statements
to the amounts disclosed in the footnote:

Deposits:

Cash and cash equivalents as reported on balance sheet	\$ -
Less: cash equivalents disclosed as investments	-
Add: restricted assets disclosed as deposits	-
Other (describe)	
	-

Carrying amount of deposits as disclosed on Form 7

\$ -

Investments:

Investments as reported on balance sheet	\$ -
Add: restricted assets disclosed as investments	-
Add: cash equivalents disclosed as investments	-
Other (describe)	
	-

Reported amount of investments as disclosed on Form 8

\$ -

PLEASE SEND COMPLETED FORMS TO:

State of West Virginia
Financial Accounting and Reporting Section
2101 Washington Street East
Building 17, 3rd Floor
Charleston, WV 25305

Telephone Number (304) 558-4083
Fax Number (304) 558-4084

See Independent Auditor's Report.

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

To the Members of the
West Virginia Municipal Pensions Oversight Board
Charleston, West Virginia

We have audited in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the West Virginia Municipal Pensions Oversight Board (the Board), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated November 6, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Charleston, West Virginia
November 6, 2015

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

**AUDITED FINANCIAL STATEMENTS
WITH OTHER FINANCIAL INFORMATION**

YEARS ENDED JUNE 30, 2016 AND 2015

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INDEPENDENT AUDITOR'S REPORT

To The Members of the
West Virginia Municipal Pensions Oversight Board
Charleston, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the West Virginia Municipal Pensions Oversight Board (the Board), a component unit of the State of West Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Board as of June 30, 2015, were audited by other auditors whose report dated November 6, 2015, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 9, the schedule of proportionate share of the net pension liability, and schedule of pension contributions, and related footnote on pages 31 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Board's basic financial statements. The accompanying schedules as listed in the table of contents on pages 35 through 39 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying information on pages 35 through 39 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2016 on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.



Charleston, West Virginia
December 7, 2016

WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

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Our discussion and analysis of the Municipal Pensions Oversight Board's (the Board) financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2016. Please read it in conjunction with the Board's financial statements, which follow.

Financial Highlights

- The Insurance Premium Tax increased by \$236,352 or about 1% during fiscal year 2016.
- Distributions to municipal pension plans increased \$862,222 a little more than a 5% increase during the fiscal year.
- Interest income more than doubled from \$32,522 to \$79,257 during fiscal year 2016.
- The Board's net position increased during fiscal year 2016 in the amount of \$404,233.

Using This Report

This report consists of a series of financial statements. The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Fund Net Position display and report the Board's net position and changes in their position. The Board's net position, which is the difference between assets and liabilities, is normally how one would measure the Board's financial health or financial position.

The Board as a Whole

The Municipal Pensions Oversight Board is accounted for as a proprietary fund engaged in business-type activities. The Board 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 discretely presented component unit.

During the third month of each quarter the Board receives from the West Virginia Insurance Commission a portion of the Casualty & Fire insurance premiums to distribute, net of operating expenses, to the municipal police and fire pension plans. In order to receive the premium distribution there must be an actuarial study of the pension plan, the employer must make the required contributions and an annual report must be provided to the Board.

Duties of the Board include assisting municipal pension funds' boards of trustees in performing their duties, assuring the funds' compliance with applicable laws, providing for actuarial studies, distributing tax revenues to the funds, initiating or joining legal actions on behalf of active or retired pension fund members or municipal pension funds' boards of trustees to protect the interests of the members in the funds, and taking other actions as may be reasonably necessary to provide for the security and fiscal integrity of the pension funds.

Our analysis below focuses on the Board's net position as of June 30, 2016 and 2015 (Table 1) and changes in the Board's net position for the years then ended (Table 2).

WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

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Table 1
Net Position

	2016	2015	2014
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 28,581,361	\$ 28,204,958	\$ 27,426,882
Capital assets, net	3,635	13,446	20,029
	<u>28,584,996</u>	<u>28,218,404</u>	<u>27,446,911</u>
<u>Deferred outflows of resources related to pensions</u>	<u>47,424</u>	<u>30,342</u>	<u>-</u>
<u>LIABILITIES</u>			
Current liabilities	42,454	62,265	128,469
Non-current liabilities:			
Net pension liability	<u>85,568</u>	<u>56,062</u>	<u>-</u>
Total liabilities	<u>128,022</u>	<u>118,327</u>	<u>128,469</u>
<u>Deferred inflows of resources related to pensions</u>	<u>29,052</u>	<u>59,306</u>	<u>-</u>
<u>NET POSITION</u>			
Net investment in capital assets	3,635	13,446	20,029
Restricted by enabling legislation	<u>28,471,711</u>	<u>28,057,667</u>	<u>27,298,413</u>
Total net pension	<u>\$ 28,475,346</u>	<u>\$ 28,071,113</u>	<u>\$ 27,318,442</u>

WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

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Table 2
Changes in Net Position

	2016	2015	2014
Operating revenues:			
Insurance premium tax	\$18,012,139	\$17,775,787	\$17,185,527
Operating expenses:			
Distributions to municipal pension plans	17,105,596	16,243,374	18,064,122
Administrative expense	581,567	704,917	526,887
	<u>17,687,163</u>	<u>16,948,291</u>	<u>18,591,009</u>
Operating income (loss)	324,976	827,496	(1,405,482)
Non-operating revenues:			
Interest and other income	<u>79,257</u>	<u>32,522</u>	<u>32,943</u>
Change in net position	404,233	860,018	(1,372,539)
Net pension, beginning of year	<u>28,071,113</u>	<u>27,211,095</u>	<u>28,690,981</u>
Net position, end of period	<u>\$28,475,346</u>	<u>\$28,071,113</u>	<u>\$27,318,442</u>

Changes in Net Position

As is noted in Table 2 the Board had a change in net position in the amount of \$404,233. Several factors contribute to both a negative and positive effect on net position. First, the Board experienced an increase in the insurance premium tax revenue in the amount of \$236,352 for fiscal year 2016. While the Board has no control over the premium tax revenue as it is subject to economic and market conditions, an increase in revenue to the Board directly benefits the local police and fire pension plans. Secondly, distributions to pension plans increased for fiscal year 2016 in the amount of \$862,222. One of the primary objectives of the MPOB is to get the premium tax into the accounts of the pension plans as soon as the plans meet the criteria for state aid. While it is the responsibility of the pension plans to draw down these funds, the increased distributions is reflective of our continued educational efforts to the pension plan trustees and finance directors especially with respect to drawing down the state aid as soon as the municipality has made its required contributions. Almost 90% of the September 2015 allocation was distributed by June 30, 2016 as compared to 86% during to the same time period of the previous year. Third, as a result of short term rate increases in the WV Money Market Pool the MPOB return on investments managed by the Board of Treasury Investments have risen from .1427% as of June 2015 to .5046% as of June 2016. This rate hike caused our interest income to increase \$46,735. Finally, because of the timing of actuarial billing administrative expenses decreased this fiscal year.

WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2016

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Currently Known Facts and Conditions

The Board's financial position remains stable and does not foresee or plan to engage in any activities that will have a negative impact on its financial stability.

Requests for Information

This financial report is designed to provide a general overview of the Board's operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Blair Taylor, Executive Director, Municipal Pensions Oversight Board, 301 Eagle Mountain Road, Suite 251, Charleston, West Virginia 25311.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
STATEMENTS OF NET POSITION
JUNE 30, 2016 AND 2015

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	<u>2016</u>	<u>2015</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 28,581,361	\$ 28,204,958
Capital assets, net	<u>3,635</u>	<u>13,446</u>
Total assets	<u>28,584,996</u>	<u>28,218,404</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows of resources related to pensions	<u>47,424</u>	<u>30,342</u>
Total assets and deferred outflows of resources	<u><u>\$ 28,632,420</u></u>	<u><u>\$ 28,248,746</u></u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 8,537	\$ 35,245
Accrued payroll liabilities	<u>33,917</u>	<u>27,020</u>
Total current liabilities	<u>42,454</u>	<u>62,265</u>
Noncurrent liabilities:		
Net pension liability	<u>85,568</u>	<u>56,062</u>
Total liabilities	<u>128,022</u>	<u>118,327</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of resources related to pensions	<u>29,052</u>	<u>59,306</u>
Total liabilities and deferred inflows of resources	<u><u>\$ 157,074</u></u>	<u><u>\$ 177,633</u></u>
<u>NET POSITION</u>		
Net position:		
Net investment in capital assets	\$ 3,635	\$ 13,446
Restricted by enabling legislation	<u>28,471,711</u>	<u>28,057,667</u>
Total net position	<u><u>\$ 28,475,346</u></u>	<u><u>\$ 28,071,113</u></u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEARS ENDED JUNE 30, 2016 AND 2015

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	<u>2016</u>	<u>2015</u>
Operating revenues:		
Insurance premium tax	\$ 18,012,139	\$ 17,775,787
Operating expenses:		
Distributions to municipal pension plans	17,105,596	16,243,374
Administrative:		
Salaries and wages	209,706	207,833
Employee benefits	41,261	36,939
Professional fees	252,983	378,859
Depreciation	10,270	9,709
Miscellaneous	67,347	71,577
	<u>17,687,163</u>	<u>16,948,291</u>
Operating income	<u>324,976</u>	<u>827,496</u>
Non-operating revenues:		
Interest and other income	<u>79,257</u>	<u>32,522</u>
Change in net position	404,233	860,018
Net position, beginning of year	<u>28,071,113</u>	<u>27,211,095</u>
Net position, end of year	<u><u>\$ 28,475,346</u></u>	<u><u>\$ 28,071,113</u></u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
STATEMENTS OF CASH FLOW
YEARS ENDED JUNE 30, 2016 AND 2015

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	<u>2016</u>	<u>2015</u>
Cash flows from operating activities:		
Cash received from insurance premium taxes	\$ 18,012,139	\$ 17,775,787
Cash paid to municipal pension plans	(17,105,596)	(16,347,207)
Cash paid to employees	(261,901)	(264,336)
Cash paid to suppliers	(346,152)	(415,564)
Net cash provided by (used in) operating activities	<u>298,490</u>	<u>748,680</u>
Cash flows from capital and related financing activities:		
Purchase of property and equipment	<u>(1,344)</u>	<u>(3,126)</u>
Cash flows from investing activities:		
Investment earnings	<u>79,257</u>	<u>32,522</u>
Net increase in cash and cash equivalents	376,403	778,076
Cash and cash equivalents, beginning of year	<u>28,204,958</u>	<u>27,426,882</u>
Cash and cash equivalents, end of year	<u>\$ 28,581,361</u>	<u>\$ 28,204,958</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating income	\$ 324,976	\$ 827,496
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	10,270	9,709
Pension expense	10,479	6,768
Loss on asset disposal	886	-
Changes in operating accounts:		
Increase (decrease) in accounts payable	(26,708)	(68,961)
Increase (decrease) in accrued payroll liabilities	6,897	2,757
Increase in deferred outflows of resources - pension contributions	<u>(28,310)</u>	<u>(29,089)</u>
Net cash provided by (used in) operating activities	<u>\$ 298,490</u>	<u>\$ 748,680</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS**

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NOTE 1 - REPORTING ENTITY

The West Virginia Legislature passed Senate Bill 4007 on November 19, 2009, creating the West Virginia Municipal Pensions Oversight Board (the Board). The Board was created for the purpose of monitoring and improving the performance of municipal policemen's and firemen's pension and relief funds to assure prudent administration, investment, and management of their funds. Duties of the oversight board include assisting municipal boards of trustees in performing their duties, assuring the funds' compliance with applicable laws, providing for actuarial studies, distributing tax revenues to the funds, initiating or joining legal actions on behalf of active or retired pension fund members or municipal boards of trustees to protect the interests of the members in the funds, and taking other actions as may be reasonably necessary to provide for the security and fiscal integrity of the pension funds. The oversight board also monitors the performance required of the various funds to qualify to receive distributions of insurance premium tax revenues pursuant to the West Virginia Code. The Board 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 discretely presented component unit.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Board is accounted for as a proprietary fund engaged in business-type activities. The financial statements are prepared on the economic resources measurement focus and the accrual basis of accounting which requires recognition of revenue when earned and expenses when incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of demand deposits with the West Virginia State Treasurer's Office (STO) and short-term interest-earning investments in a State internal 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 the fair value of the underlying securities.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

The Board has adopted a policy of capitalizing assets for individual items exceeding \$1,000 in cost and a useful life greater than one year. These assets include leasehold improvements, furnishings, and equipment. Depreciation is computed using the straight-line method over the estimated economic useful lives of the assets, which are as follows:

<u>Assets</u>	<u>Years</u>
Leasehold improvements	5
Furnishings & equipment	5

Accrued Employee Benefits

In accordance with State policy, the Board permits employees to accumulate earned but unused vacation and sick pay benefits. A liability for vacation pay is accrued when earned. To the extent that accumulated sick leave is expected to be converted to benefits on retirement, the benefits are funded by the Board's participation in the West Virginia Retiree Health Benefit Trust.

Deferred Outflows of Resources / Deferred Inflows of Resources

The statement of net position reports a separate financial statement element called *deferred outflows of resources*. This financial statement element represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense) until that time. The Board reports deferred outflows of resources related to pensions as deferred outflows of resources on the statement of net position.

The statement of net position reports a separate financial statement element called *deferred inflows of resources*. This financial statement element represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The Board reports deferred inflows of resources related to pensions as deferred inflows of resources on the statement of net position.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employee Retirement System (PERS), and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position is presented as restricted by enabling legislation, or as the net investment in capital assets, which represents the net book value of all capital assets of the Board. Net position restricted by enabling legislation is required to first be used for the administrative expenses of the Board, with all remaining net position available for disbursement to the municipal policemen's and firemen's pension and relief funds. All expenses are incurred for restricted purposes.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds such as the Board are revenues and expenses that result from providing services and producing goods and/or services. Operating revenues include premium tax revenues. Operating expenses of the Board include administrative expenses and pension distributions. All revenues not meeting this definition are reported as nonoperating revenues.

NOTE 3 - CASH AND CASH EQUIVALENTS

At June 30, 2016 and 2015, the carrying amounts of deposits with the STO and the BTI are as follows:

	<u>2016</u>	<u>2015</u>
Cash on hand at STO	\$ 17,877	\$ 13,481
Investments with BTI reported as cash equivalents	<u>28,563,484</u>	<u>28,191,477</u>
	<u>\$ 28,581,361</u>	<u>\$ 28,204,958</u>

The State Treasurer has statutory responsibility for daily cash management activities of the State's agencies, departments, boards and commissions, and transfers funds to the West Virginia Board of Treasury Investments (BTI) for investment in accordance with West Virginia Code, policies set by the BTI and by provisions of bond indentures and trust agreements when applicable.

The Board's cash balances are invested by the BTI in the BTI's West Virginia Money Market Pool. Investment income is pro-rated to the Board at rates specified by the BTI based on the balance of the deposits maintained by the Board in relation to the total deposits of all participants in the pool. Such funds are available to the Board with overnight notice.

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The WV Money Market has been rated AAAm by Standard & Poor’s. A fund rated “AAAm” has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. “AAAm” is the highest principal stability fund rating assigned by Standard & Poor’s. Neither the BTI itself nor any of the other Consolidated Fund, except for the WV Government Money Market Pools, or accounts have been rated for credit risk by any organization. The WV Money Market Pool is subject to credit risk.

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all corporate bonds to be rated A+ by Standard & Poor’s (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor’s and P-1 by Moody’s. The pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America. The following table provides information on the credit ratings of the WV Money Market Pool’s investments (in thousands):

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS

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NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
Commercial paper	P-1	A-1+	\$ 290,118	18.65%
	P-1	A-1	632,773	40.68
Corporate bonds and notes	Aa1	AA-	23,014	1.48
	Aa3	AA-	15,000	0.96
	A2	A	11,268	0.72
U.S. agency bonds	Aaa	AA+	9,499	0.61
U.S. Treasury notes *	Aaa	AA+	231,398	14.88
U.S. Treasury bills *	P-1	A-1+	19,982	1.28
Negotiable certificates of deposit	Aa2	AA-	3,000	0.19
	Aa3	AA-	6,000	0.39
	P-1	A-1+	78,006	5.02
	P-1	A-1	121,001	7.78
Money market funds	Aaa	AAAm	72,370	4.65
Repurchase agreements (underlying securities):				
U.S. Treasury notes *	Aaa	AA+	42,100	2.71
			<u>\$ 1,555,529</u>	<u>100.00%</u>

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

Interest Rate Risk

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

The overall weighted average maturity of the investments of the WV Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool:

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS

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NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 42,100	1
U.S. Treasury notes	231,398	88
U.S. Treasury bills	19,982	91
Commercial paper	922,891	48
Certificates of deposit	208,007	40
Corporate bonds and notes	49,282	14
U.S. agency bonds and notes	9,499	24
Money market funds	72,370	1
	\$ 1,555,529	49

Other Risks of Investing

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

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

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. The BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

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

Deposits

Custodial credit risk of deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits include nonnegotiable certificates of deposit. The BTI does not have a deposit policy for custodial credit risk.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS

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NOTE 4 - CAPITAL ASSETS

A summary of capital asset activity is as follows:

	Historical Cost at June 30, 2014	Additions	Historical Cost at June 30, 2015	Additions	Disposals	Historical Cost at June 30, 2016
Leasehold improvements	\$ 18,593	\$ -	\$ 18,593	\$ -	\$ -	\$ 18,593
Furnishings and equipment	19,848	3,126	22,974	1,344	(10,774)	13,544
	<u>\$ 38,441</u>	<u>\$ 3,126</u>	<u>\$ 41,567</u>	<u>\$ 1,344</u>	<u>\$ (10,774)</u>	<u>\$ 32,137</u>
	Accumulated Depreciation June 30, 2014	Additions	Accumulated Depreciation June 30, 2015	Additions	Disposals	Accumulated Depreciation June 30, 2016
Leasehold improvements	\$ 8,983	\$ 4,832	\$ 13,815	\$ 4,778	\$ -	\$ 18,593
Furnishings and equipment	9,429	4,877	14,306	5,492	(9,889)	9,909
	<u>\$ 18,412</u>	<u>\$ 9,709</u>	<u>\$ 28,121</u>	<u>\$ 10,270</u>	<u>\$ (9,889)</u>	<u>\$ 28,502</u>
Total	<u>\$ 20,029</u>	<u>\$ (6,583)</u>	<u>\$ 13,446</u>	<u>\$ (8,926)</u>	<u>\$ (885)</u>	<u>\$ 3,635</u>

NOTE 5 - RETIREMENT PLAN

Plan Description

The Board contributes to the Public Employees Retirement System (PERS), a cost-sharing, multiple-employer, defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board (CPRB). PERS provides retirement benefits to plan members and beneficiaries. CPRB issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to CPRB, 4101 MacCorkle Avenue S.E., Charleston, West Virginia 25304-1636 or by calling (304) 558-3570.

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS**

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NOTE 5 - RETIREMENT PLAN (Continued)

Benefits Provided

Employees who retire at or after age 60 with five or more years of credited service, or at least age 55 with age and service equal to 80 or greater, are entitled to a retirement benefit established by State statute, payable monthly for life, in the form of a straight-life annuity equal to two percent of the employee's final average salary. Final average salary is the average of the highest annual compensation received by an employee during any period of three consecutive years of credited service included within fifteen years of credited service immediately preceding the termination date of employment with a participating public employer or, if the employee has less than three years of credited service, the average of the annual rate of compensation received by the employee during the total years of credited service. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62.

Contributions

While contribution rates are legislatively determined, actuarial valuations are performed to assist PERS and the State Legislature in determining contribution rates. Current funding policy requires employer contributions of 13.5%, 14.0%, and 14.5% for the years ended June 30, 2016, 2015, and 2014, respectively. For periods prior to July 1, 2015, the employee contribution rate was 4.5%. Effective July 1, 2015 the employee contribution increases to 6.0% for new hires. The Board's contribution to the Plan, excluding the employee's contribution paid by the Board, approximated \$28,310, \$29,089, and \$29,495 for the fiscal years ended June 30, 2016, 2015, and 2014, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016 and 2015, the Board reported a liability of \$85,568 and \$56,062, respectively for its proportionate share of the net pension liability. The 2016 net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, rolled forward to the measurement date of June 30, 2015. The 2015 net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to the measurement date of June 30, 2014. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the Board's proportionate share was 0.015321%, which was an increase of .000131% from its proportionate share measured as of June 30, 2014. At June 30, 2014, the Board's proportionate share was 0.015190%, which was an increase of 0.000179% from its proportionate share measured as of June 30, 2013.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS

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NOTE 5 - RETIREMENT PLAN (Continued)

For the years ended June 30, 2016 and 2015, the Board recognized pension expense of \$10,479 and \$6,678, respectively. At June 30, 2016 and 2015, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>June 30, 2016</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 18,760
Differences between expected and actual experience	17,498	-
Deferred difference in assumptions	-	10,292
Changes in proportion and differences between Board's contributions and proportionate share of contributions	1,616	-
Board's contributions subsequent to the measurement date	28,310	-
Total	<u>\$ 47,424</u>	<u>\$ 29,052</u>

<u>June 30, 2015</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 59,306
Changes in proportion and differences between Board's contributions and proportionate share of contributions	1,253	-
Board's contributions subsequent to the measurement date	29,089	-
Total	<u>\$ 30,342</u>	<u>\$ 59,306</u>

The Board reported \$28,310 and \$29,089 as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended June 30, 2016 and 2015, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2016	\$ (5,515)
2017	(5,515)
2018	(5,794)
2019	6,889

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS

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NOTE 5 - RETIREMENT PLAN (Continued)

Actuarial assumptions and methods

The total pension liability in the June 30, 2015 and 2014 actuarial valuations were determined using the following actuarial assumptions, applied to all periods in the measurement:

	2015	2014
Inflation	1.9%	2.2%
Salary increases	3.0 – 6.0%, average, including inflation	4.25 – 6.0%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense	7.5%, net of pension plan investment expense

Mortality rates used in the June 30, 2014 valuation were based on the 1983 Group Annuity Mortality (GAM) for healthy males, 1971 GAM for healthy females, 1971 GAM for disabled males, and Revenue Ruling 96-7 for disabled females. Mortality rates used in the June 30, 2015 valuation were based on 110% of RP-2000 Non-Annuitant, Scale AA for healthy males, 101% of RP-2000 Non-Annuitant, Scale AA for healthy females, 96% of RP-2000 Disabled Annuitant Scale AA for disabled males, and 107% of RP-2000 Disabled Annuitant, Scale AA for disabled females.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2014. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2004 through June 30, 2009.

Long-term expected rates of return

The long-term rates of return on pension plan investments were determined using a building-block method in which estimates of expected real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS

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NOTE 5 - RETIREMENT PLAN (Continued)

June 30, 2015

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Fixed Income	7.5%	2.7%
High Yield Fixed Income	7.5%	5.5%
Domestic Equity	27.5%	7.0%
International Equity	27.5%	7.7%
Real Estate	10.0%	5.6%
Private Equity	10.0%	9.4%
Hedge Funds	10.0%	4.7%
Total	100.0%	

June 30, 2014

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	15.0%	2.9 – 4.8%
Domestic Equity	27.5%	7.6%
International Equity	27.5%	8.5%
Real Estate	10.0%	6.8%
Private Equity	10.0%	9.9%
Hedge Funds	10.0%	5.0%
Total	100.0%	

Discount rate

The discount rate used to measure the total pension liability was 7.5%. The projections of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions from employers will continue to be made at statutorily required rates, which are determined annually based on actuarial valuations. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability. Although discount rates are subject to change between measurement dates, there were no changes in the discount rate in the current period.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS

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NOTE 5 - RETIREMENT PLAN (Continued)

Sensitivity of the Board's proportionate share of the net pension liability to changes in the discount rate

The following table presents the Board's proportionate share of the net pension liability calculated using the current discount rate of 7.5% as well as the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease <u>6.5%</u>	<u>Total Net Pension Liability</u> Discount Rate <u>7.5%</u>	1% Increase <u>8.5%</u>
June 30, 2015 PERS	\$ 197,308	\$ 85,568	\$ (8,863)
June 30, 2014 PERS	\$ 158,409	\$ 56,062	\$ (31,149)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Board participates in the West Virginia Other Postemployment Benefits Plan (OPEB Plan) of the West Virginia Retiree Health Benefit Trust, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the West Virginia Public Employees 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, E., Suite 2, Charleston, West Virginia 25304, 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 GAAP. 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.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The Board's contributions to the trust fund for the years ended June 30, 2016, 2015 and 2014 were \$1,992, \$1,968, and \$2,112, respectively, and the billed ARC's were \$5,184, \$4,668, and \$3,240. The contributions represent 38.4%, 42.2%, and 65.2% of the ARC for the years and period ended June 30, 2016, 2015, and 2014, respectively. As of June 30, 2016, 2015, and 2014, the Board has recorded a liability of \$10,350, \$7,158, and \$4,458, respectively for post employment benefits other than pensions.

NOTE 7 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to and illnesses of employees; and natural disasters.

The Board has obtained coverage for job-related injuries of employees (workers compensation) and health coverage for its employees through a commercial insurer and WVPEIA. In exchange for the payment of premiums, the Board has transferred its risks related to health coverage for employees and job-related injuries of employees.

The Board participates in the West Virginia State Board of Risk and Insurance Management (WVBRIM), a public entity risk pool, to obtain coverage for general liability, personal injury liability, professional liability, stop gap liability, wrongful act liability, and comprehensive auto liability. There have been no reductions in insurance coverage from the prior year and no settlements in the past three fiscal years.

NOTE 8 - TRANSACTIONS WITH THE STATE OF WEST VIRGINIA

Pursuant to West Virginia Code, the West Virginia Insurance Commission (the Commission) collects a 1% premium tax on fire and casualty insurance policies. The Commission distributes 65% of the premium tax receipts to the Board. The distributions from the Commission are reported as insurance premium tax revenues on the Board's Statements of Revenues, Expenses, and Changes in Fund Net Position.

NOTE 9 - COMMITMENTS

The Board is required by its enabling legislation to allocate certain tax and other revenues, net of administrative expenses, to the municipal policemen's and firemen's pension and relief funds (the Funds) by September 1st of each year. The amount to be allocated to the Funds is calculated based upon the Board's prior calendar year insurance premium tax revenues, interest, and other income, less its administrative expenses for the same period. The amounts allocated to each Fund are paid after the allocation date as eligibility requirements to receive the payments are met by each of the Funds. Amounts allocated expire in 18 months if eligibility requirements are not met and the allocated amounts are not paid. Any expired allocation is re-allocated to all other eligible Funds at the next allocation date. The amount committed for payment to the Funds that remain on hand from the September 1, 2015 allocation, but have not been disbursed as of June 30, 2016 is \$1,714,454.

The amount available to the Board for allocation to the pension plans in September 2016 is \$17,406,426.

NOTE 10 - NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued Statement No. 72, *Fair Value Measurement and Application*, effective for fiscal years beginning after June 15, 2015. This Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The adoption of GASB Statement No. 72 had no impact on the June 30, 2016 financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, effective for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. The adoption of GASB Statement No. 73 had no impact on the June 30, 2016 financial statements.

NOTE 10 - NEW ACCOUNTING PRONOUNCEMENTS (Continued)

The Governmental Accounting Standards Board has also issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, effective for fiscal years beginning after June 15, 2015. The requirements of this Statement will identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The adoption of GASB Statement No. 76 had no impact on the June 30, 2016 financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 79, *Certain External Investment Pools and Pool Participants*, effective for fiscal years beginning after June 15, 2015. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant. The adoption of GASB Statement No. 79 had no impact on the June 30, 2016 financial statements.

Recent Statements Issued By GASB

The Governmental Accounting Standards Board has also issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for fiscal years beginning after June 15, 2016. The requirements of this Statement will improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The Board has not yet determined the effect that the adoption of GASB Statement No. 74 may have on its financial statements.

NOTE 10 - NEW ACCOUNTING PRONOUNCEMENTS (Continued)

The Governmental Accounting Standards Board has also issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. The requirements of this Statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The Board has not yet determined the effect that the adoption of GASB Statement No. 75 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 77, *Tax Abatement Disclosures*, effective for fiscal years beginning after December 15, 2015. The requirements of this Statement will improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The Board has not yet determined the effect that the adoption of GASB Statement No. 77 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, effective for fiscal years beginning after December 15, 2015. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The Board has not yet determined the effect that the adoption of GASB Statement No. 78 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 80, *Blending Requirements for Certain Component Units an amendment of GASB Statement No. 14*, effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity*, as amended. The Board has not yet determined the effect that the adoption of GASB Statement No. 80 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 81, *Irrevocable Split-Interest Agreements*, effective for fiscal years beginning after December 15, 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The Board has not yet determined the effect that the adoption of GASB Statement No. 81 may have on its financial statements.

NOTE 10 - NEW ACCOUNTING PRONOUNCEMENTS (Continued)

The Governmental Accounting Standards Board has also issued Statement No. 82, *Pension Issues an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The Board has not yet determined the effect that the adoption of GASB Statement No. 82 may have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM PLAN

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	Years Ended June 30,	
	2016	2015
Board's proportion (percentage) of the net pension liability (asset)	0.015321%	0.015190%
Board's proportionate share of the net pension liability (asset)	\$ 85,568	\$ 56,062
Board's covered-employee payroll	\$ 207,776	\$ 203,412
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	41.182%	27.561%
Plan fiduciary net position as a percentage of the total pension liability	91.29%	93.98%

Note: All amounts presented are as of the measurement date, which is one year prior to the fiscal year end date.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE PERS

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	<u>2016</u>	<u>Years Ended June 30</u> <u>2015</u>	<u>2014</u>	<u>2013</u>
Statutorily required contribution	\$ 28,310	\$ 29,089	\$ 29,495	\$ 28,127
Contributions in relation to the statutorily required contribution	(28,310)	(29,089)	(29,495)	(28,127)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
The Board's covered-employee payroll	\$ 209,706	\$ 207,776	\$ 203,412	\$ 200,906
Contributions as a percentage of covered- employee payroll	13.500%	14.000%	14.500%	14.000%

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE I - TREND INFORMATION PRESENTED

The accompanying schedules of the Board's proportionate share of the net pension liability and contributions to PERS are required supplementary information to be presented for 10 years. However, until a full 10 year trend is compiled, information is presented in the schedules for those years for which information is available.

Amounts reported during the year ended June 30, 2016 reflect an adjustment of the expectation of life after disability to more closely reflect actual experience. For amounts reported in 2016, the expectation of retired life mortality was based on RP-2000 Mortality Tables rather than on the 1983 Group Annuity Mortality Table, which was used to determine amounts reported prior to 2016. Amounts reported in 2016 also reflect a change in salary increase assumptions to more closely reflect actual experience.

There were no other factors that affected trends in the amounts reported. If necessary, additional information can be obtained from the CPRB Comprehensive Annual Financial Report for the year ended June 30, 2015.

OTHER FINANCIAL INFORMATION

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
SCHEDULE OF STATUTORY COMMITMENTS
June 30, 2016

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Department	September 1, 2015 Allocation	Expended	Balance
<u>Full-Time Police Departments</u>			
Beckley	\$ 445,002	\$ 407,889	\$ 37,113
Belle	31,806	31,806	-
Bluefield	216,200	216,200	-
Charleston	1,604,867	1,604,867	-
Charles Town	12,785	12,785	-
Chester	39,932	39,932	-
Clarksburg	404,273	404,273	-
Dunbar	138,432	138,432	-
Elkins	88,599	88,599	-
Fairmont	336,647	336,647	-
Grafton	54,118	54,118	-
Huntington	1,047,042	523,521	523,521
Logan	52,237	-	52,237
Martinsburg	434,432	434,432	-
Morgantown	597,542	597,542	-
Moundsville	120,275	120,275	-
Nitro	132,099	132,099	-
Oak Hill	104,691	-	104,691
Parkersburg	634,723	634,723	-
Princeton	183,874	183,874	-
Point Pleasant	81,656	-	81,656
Saint Albans	209,287	209,287	-
South Charleston	364,876	364,876	-
Star City	51,076	-	51,076
Vienna	155,732	155,732	-
Weirton	345,588	345,588	-
Welch	45,655	-	45,655
Weston	49,857	-	49,857
Westover	70,434	-	70,434
Wheeling	818,745	818,745	-
Williamson	55,657	55,657	-
<u>Full-Time Fire Departments</u>			
Beckley	410,943	376,670	34,273
Bluefield	201,352	201,352	-
Charleston	1,577,553	1,577,553	-
Clarksburg	424,421	424,421	-
Fairmont	418,443	418,443	-
Huntington	1,122,171	561,086	561,085
Martinsburg	331,954	331,954	-
Morgantown	460,023	460,023	-
Moundsville	60,938	60,938	-
Parkersburg	624,982	624,982	-
South Charleston	380,422	380,422	-
Wheeling	924,399	924,399	-

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
SCHEDULE OF STATUTORY COMMITMENTS
June 30, 2016

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<u>Department</u>	<u>September 1, 2015 Allocation</u>	<u>Expended</u>	<u>Balance</u>
<u>Full-Time/Part-Time Fire Department</u>			
Dunbar	141,369	141,369	-
Elkins	30,255	30,255	-
Grafton	29,467	29,467	-
Logan	60,243	-	60,243
Nitro	125,558	125,558	-
Princeton	124,903	124,903	-
Saint Albans	209,613	209,613	-
Weirton	207,993	207,993	-
Weston	42,613	-	42,613
Williamson	65,561	65,561	-
Totals	\$ 16,903,315	\$ 15,188,861	\$ 1,714,454

Audited Agency Municipal Pension Oversight Board - June 30, 2016

Per GASB Statement 40 the Agency must disclose its deposit policy. The deposit policy must be formally adopted through legal or contractual provisions. Disclosure of any statutory policies are also required. Please provide in the space below the Agency's deposit policy.

See footnote to the financial statements in the Independent Auditor's Report

	Reconciled Carrying Amount	Total Carrying Amount	Bank Balance	FDIC Insured Amount	Collateralized Amount	Amount Collateralized with securities held by the pledging financial institution's trust in the government's name	Amount Uninsured and Uncollateralized	Collateralized with securities held by the pledging financial institution but not in the name of the depositor	Collateralized with securities held by the pledging financial institution but not in the name of the depositor	Foreign Currency Risk
Cash with Treasurer										
Per wOASIS Opening Balance Report	17,877	17,877								
Cash with Municipal Bond Commission										
Cash on Hand										
Cash in Transit to wOASIS										
Cash with State of West Virginia										
Cash with State of Maryland										
Cash in Escrow										
Certificates of Deposits (Non-Negotiable)										
Other:										
	0	17,877	0	0	0	0	0	0	0	0
Total										

PLEASE FILL IN THE FOLLOWING INFORMATION:
Name of Depositor:
Financial Accounting and Reporting Section
2021 Washington Street East
Martinsburg, WV 26155
Telephone Number: (304) 556-4083
Fax Number: (304) 556-4084

Audited Agency

30-Nov-16

Municipal Pensions Oversight Board

Per GASB Statement 40 the Agency must disclose its investment policy. The investment policy must be formally adopted through legal or contractual provisions. Disclosure of any statutory policies are also required. Please provide in the space below the Agency's investment policy.

See Footnote to the financial statements in the Independent Auditor's Report

	Reported Amount Unrestricted	Reported Amount Restricted	Level 1	Level 2	Fair Value Measurements Using			Cost Value	Total Reported Value	Credit Ratings			Interest Rate Risk - Staggered Time Distribution				Foreign Currency Risk	
					Level 3	Fair Value	Level 3 Value			Standard & Poor's	Moody's	Fitch	Less than 1	1 - 5	6 - 10	More than 10	Currency Type	Maturity
Investments with Investment Mgmt Board (IMB)																		
Investment Manager (IMB) - Per GASB Statement 40																		
Investments with Board of Treasury Investments (BTI)																		
Per Operating Balance Report		28,985,484				28,985,484												
Investments Outside IMB:																		
U.S. Treasury Obligations																		
U.S. Government Securities																		
Other Government Bonds																		
Corporate Bonds																		
Corporate Stocks																		
Mutual Bond Funds																		
Mutual Stock Funds																		
Mutual Money Market Funds																		
Commercial Paper																		
Bank Investment Contract																		
Guaranteed Investment Contract																		
Repurchase Agreements																		
State/Local Govt Securities																		
Other Investments (describe)																		
TOTAL DEBT INVESTMENTS	0	0	0	0	0	0	0	0	0			0	0	0	0	0	0	
Investments by Fair Value Level																		
Debt Securities																		
U.S. Treasury securities																		
Commercial mortgage-backed securities																		
Corporate Bonds																		
Residential mortgage-backed securities																		
Corporate Bonds		0	0	0	0	0	0	0	0			0	0	0	0	0	0	
Total Debt securities		0	0	0	0	0	0	0	0			0	0	0	0	0	0	
Equity Securities																		
Other																		
Total Equity Securities	0	0	0	0	0	0	0	0	0			0	0	0	0	0	0	
Venture Capital Investments																		
Direct venture capital																		
Total Venture Capital Investments	0	0	0	0	0	0	0	0	0			0	0	0	0	0	0	
Private Equity Funds - International																		
Total Venture Capital Investments	0	0	0	0	0	0	0	0	0			0	0	0	0	0	0	
Investments Measured at the Net Asset Value (NAV)																		
Equity long/short hedge funds																		
Event-driven hedge funds																		
Multi-strategy hedge funds																		
Real estate funds																		
Total Investments Measured at the NAV	0	0	0	0	0	0	0	0	0			0	0	0	0	0	0	
Total Investments Measured at Fair Value																		
Investments Derivative Instruments																		
Interest Rate Swaps		0	0	0	0	0	0	0	0			0	0	0	0	0	0	
Foreign exchange contracts (liabilities)																		
Total Investment Derivative Instruments		0	0	0	0	0	0	0	0			0	0	0	0	0	0	

*** MUST COMPLETE THE BELOW INFORMATION IF REPURCHASE AGREEMENTS WERE IDENTIFIED ABOVE:

Collateral Description On Repurchase Agreements	Ex-Marked Collateral	Credit Rating
	Moody's	S&P

PLEASE SEND COMPLETED FORM TO:

State of West Virginia
Financial Accounting and Reporting Section
2101 Washington Street East
Building 17, 3rd Floor
Charleston, WV 25305

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION - FINANCE DIVISION
FINANCIAL ACCOUNTING AND REPORTING SECTION

FORM 8A

GAAP REPORTING FORM - DEPOSITS AND INVESTMENTS RECONCILIATION

Audited Agency Municipal Pensions Oversight Board 6/30/16

Reconciliation of cash, cash equivalents, and investments as reported in the financial statements to the amounts disclosed in the footnote:

Deposits:

Cash and cash equivalents as reported on balance sheet	\$	-
Less: cash equivalents disclosed as investments		
Add: restricted cash and cash equivalents disclosed as deposits		
Other (describe) _____		

Carrying amount of deposits as disclosed on Form 7

\$ -

Investments:

Investments as reported on balance sheet	\$	-
Add: restricted investments disclosed as investments		
Add: cash equivalents disclosed as investments		
Other (describe) _____		

Reported amount of investments as disclosed on Form 8

\$ -

PLEASE SEND COMPLETED FORMS TO:

State of West Virginia
Financial Accounting and Reporting Section
2101 Washington Street East
Building 17, 3rd Floor
Charleston, WV 25305

Telephone Number: 304-558-4083
Fax Number: 304-558-4084

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

Honorable Members of the Board
West Virginia Municipal Pensions Oversight Board
Charleston, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the West Virginia Municipal Pensions Oversight Board (the Board) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated December 7, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charleston, West Virginia
December 7, 2016

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
(A Component Unit of the State of West Virginia)

**AUDITED FINANCIAL STATEMENTS
WITH OTHER FINANCIAL INFORMATION**

YEARS ENDED JUNE 30, 2017 AND 2016

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INDEPENDENT AUDITOR'S REPORT

To The Members of the
West Virginia Municipal Pensions Oversight Board
Charleston, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the West Virginia Municipal Pensions Oversight Board (the Board), a component unit of the State of West Virginia, as of and for the years ended June 30, 2017 and 2016, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

The Virginia Center • 1411 Virginia Street, East • Suite 100 • Charleston, WV 25301
Phone (304) 343-4126 or 1(800) 788-3844 • Fax (304) 343-8008

Wharf District • 68 Clay Street • Suite C • Morgantown, WV 26501
Phone (304) 554-3371 • Fax (304) 554-3410

Towne Square • 201 Third Street • PO Box 149 • Parkersburg, WV 26102
Phone (304) 485-6584 • Fax (304) 485-0971

www.suttlecpas.com • E-mail: cpa@suttlecpas.com
A Professional Limited Liability Company

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board as of June 30, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 9, the schedule of proportionate share of the net pension liability, and schedule of pension contributions, and related footnote on pages 30 through 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Board's basic financial statements. The accompanying schedules as listed in the table of contents on pages 34 through 38 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying information on pages 34 through 38 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2017 on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.



Charleston, West Virginia
October 10, 2017

WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2017 AND 2016

6

Our discussion and analysis of the Municipal Pensions Oversight Board's (the Board) financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the Board's financial statements, which follow.

Financial Highlights

- The Insurance Premium Tax increased by \$319,047 or about 2% during fiscal year 2017.
- Distributions to municipal pension plans increased \$246,591 just over 1% during the fiscal year.
- Interest income more than doubled from \$79,257 to \$219,049 during fiscal year 2017.
- The Board's net position increased during fiscal year 2017 in the amount of \$462,912.

Using This Report

This report consists of a series of financial statements. The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Fund Net Position display and report the Board's net position and changes in their position. The Board's net position, which is the difference between assets and liabilities, is normally how one would measure the Board's financial health or financial position.

The Board as a Whole

The Municipal Pensions Oversight Board is accounted for as a proprietary fund engaged in business-type activities. The Board 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 discretely presented component unit.

During the third month of each quarter the Board receives, from the West Virginia Insurance Commission, a portion of the Casualty & Fire insurance premiums to distribute, net of operating expenses, to the municipal police and fire pension plans. In order to receive the premium distribution there must be an actuarial study of the pension plan, the employer must make the required contributions and an annual report must be provided to the Board.

Duties of the Board include assisting municipal pension funds' boards of trustees in performing their duties, assuring the funds' compliance with applicable laws, providing for actuarial studies, distributing tax revenues to the funds, initiating or joining legal actions on behalf of active or retired pension fund members or municipal pension funds' boards of trustees to protect the interests of the members in the funds, and taking other actions as may be reasonably necessary to provide for the security and fiscal integrity of the pension funds.

Our analysis below shows the Board's net position as of June 30, 2017, 2016, and 2015 (Table 1) and changes in the Board's net position for the years then ended (Table 2), with emphasis on the most recent year.

WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2017 AND 2016

7

Table 1
Net Position

	2017	2016	2015
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 29,072,618	\$ 28,581,361	\$ 28,204,958
Capital assets, net	5,651	3,635	13,446
	<u>29,078,269</u>	<u>28,584,996</u>	<u>28,218,404</u>
<u>Deferred outflows of resources related to pensions</u>	<u>80,912</u>	<u>47,424</u>	<u>30,342</u>
<u>LIABILITIES</u>			
Current liabilities	74,840	42,454	62,265
Non-current liabilities:			
Net pension liability	<u>137,788</u>	<u>85,568</u>	<u>56,062</u>
Total liabilities	<u>212,628</u>	<u>128,022</u>	<u>118,327</u>
<u>Deferred inflows of resources related to pensions</u>	<u>8,295</u>	<u>29,052</u>	<u>59,306</u>
<u>NET POSITION</u>			
Net investment in capital assets	5,651	3,635	13,446
Restricted by enabling legislation	<u>28,932,607</u>	<u>28,471,711</u>	<u>28,057,667</u>
Total net position	<u>\$ 28,938,258</u>	<u>\$ 28,475,346</u>	<u>\$ 28,071,113</u>

WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2017 AND 2016

8

Table 2
Changes in Net Position

	2017	2016	2015
Operating revenues:			
Insurance premium tax	\$ 18,331,186	\$ 18,012,139	\$ 17,775,787
Operating expenses:			
Distributions to municipal pension plans	17,352,187	17,105,596	16,243,374
Administrative expense	735,136	581,567	704,917
	<u>18,087,323</u>	<u>17,687,163</u>	<u>16,948,291</u>
Operating income	243,863	324,976	827,496
Non-operating revenues:			
Interest and other income	<u>219,049</u>	<u>79,257</u>	<u>32,522</u>
Change in net position	462,912	404,233	860,018
Net position, beginning of year	<u>28,475,346</u>	<u>28,071,113</u>	<u>27,211,095</u>
Net position, end of period	<u>\$ 28,938,258</u>	<u>\$ 28,475,346</u>	<u>\$ 28,071,113</u>

Changes in Net Position

As is noted in Table 2 the Board had a change in net position in the amount of \$462,912. Several factors contribute to both a negative and positive effect on net position. First, the Board experienced an increase in the insurance premium tax revenue in the amount of \$319,047 for fiscal year 2017. While the Board has no control over the premium tax revenue as it is subject to economic and market conditions, an increase in revenue to the Board directly benefits the local police and fire pension plans. Secondly, distributions to pension plans increased for fiscal year 2017 in the amount of \$246,591. One of the primary objectives of the MPOB is to get the premium tax into the accounts of the pension plans as soon as the plans meet the criteria for state aid. While it is the responsibility of the pension plans to draw down these funds, the increased distributions is reflective of our continued educational efforts to the pension plan trustees and finance directors especially with respect to drawing down the state aid as soon as the municipality has made its required contributions. Almost 90% of the September 2016 allocation was distributed by June 30, 2017 which is nearly equal to the same time period of the previous year. Third, as a result of short term rate increases in the WV Money Market Pool the MPOB return on investments managed by the Board of Treasury Investments have risen from .5046% as of June 2016 to 1.1119 % as of June 2017. This rate hike caused our interest income to increase \$139,792.

WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2017 AND 2016

9

Currently Known Facts and Conditions

The Board's financial position remains stable and does not foresee or plan to engage in any activities that will have a negative impact on its financial stability.

Requests for Information

This financial report is designed to provide a general overview of the Board's operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Blair Taylor, Executive Director, Municipal Pensions Oversight Board, 301 Eagle Mountain Road, Suite 251, Charleston, West Virginia 25311.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
STATEMENTS OF NET POSITION
JUNE 30, 2017 AND 2016

10

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 29,072,618	\$ 28,581,361
Capital assets, net	<u>5,651</u>	<u>3,635</u>
Total assets	<u>29,078,269</u>	<u>28,584,996</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows of resources related to pensions	<u>80,912</u>	<u>47,424</u>
Total assets and deferred outflows of resources	<u>\$ 29,159,181</u>	<u>\$ 28,632,420</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 38,022	\$ 8,537
Accrued payroll liabilities	<u>36,818</u>	<u>33,917</u>
Total current liabilities	<u>74,840</u>	<u>42,454</u>
Noncurrent liabilities:		
Net pension liability	<u>137,788</u>	<u>85,568</u>
Total liabilities	<u>212,628</u>	<u>128,022</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of resources related to pensions	<u>8,295</u>	<u>29,052</u>
Total liabilities and deferred inflows of resources	<u>\$ 220,923</u>	<u>\$ 157,074</u>
<u>NET POSITION</u>		
Net position:		
Net investment in capital assets	\$ 5,651	\$ 3,635
Restricted by enabling legislation	<u>28,932,607</u>	<u>28,471,711</u>
Total net position	<u>\$ 28,938,258</u>	<u>\$ 28,475,346</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEARS ENDED JUNE 30, 2017 AND 2016

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	<u>2017</u>	<u>2016</u>
Operating revenues:		
Insurance premium tax	<u>\$ 18,331,186</u>	<u>\$ 18,012,139</u>
Operating expenses:		
Distributions to municipal pension plans	17,352,187	17,105,596
Administrative:		
Salaries and wages	208,930	209,706
Employee benefits	54,114	41,261
Professional fees	377,694	252,983
Depreciation	2,678	10,270
Miscellaneous	91,720	67,347
	<u>18,087,323</u>	<u>17,687,163</u>
Operating income	<u>243,863</u>	<u>324,976</u>
Non-operating revenues:		
Interest and other income	<u>219,049</u>	<u>79,257</u>
Change in net position	462,912	404,233
Net position, beginning of year	<u>28,475,346</u>	<u>28,071,113</u>
Net position, end of year	<u><u>\$ 28,938,258</u></u>	<u><u>\$ 28,475,346</u></u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2017 AND 2016

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	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Cash received from insurance premium taxes	\$ 18,331,186	\$ 18,012,139
Cash paid to municipal pension plans	(17,352,187)	(17,105,596)
Cash paid to employees	(262,125)	(261,901)
Cash paid to suppliers	(439,971)	(346,152)
Net cash provided by operating activities	<u>276,903</u>	<u>298,490</u>
Cash flows from capital and related financing activities:		
Purchase of property and equipment	(4,695)	(1,344)
Net cash provided by financing activities	<u>(4,695)</u>	<u>(1,344)</u>
Cash flows from investing activities:		
Investment earnings	219,049	79,257
Net cash provided by investing activities	<u>219,049</u>	<u>79,257</u>
Net increase in cash and cash equivalents	491,257	376,403
Cash and cash equivalents, beginning of year	<u>28,581,361</u>	<u>28,204,958</u>
Cash and cash equivalents, end of year	<u>\$ 29,072,618</u>	<u>\$ 28,581,361</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating income	\$ 243,863	\$ 324,976
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,678	10,270
Pension expense	23,118	10,479
Loss on asset disposal	-	886
Changes in operating accounts:		
Increase (decrease) in accounts payable	29,485	(26,708)
Increase (decrease) in accrued payroll liabilities	2,901	6,897
Increase in deferred outflows of resources - pension contributions	<u>(25,142)</u>	<u>(28,310)</u>
Net cash provided by operating activities	<u>\$ 276,903</u>	<u>\$ 298,490</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

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NOTE 1 - REPORTING ENTITY

The West Virginia Legislature passed Senate Bill 4007 on November 19, 2009, creating the West Virginia Municipal Pensions Oversight Board (the Board). The Board was created for the purpose of monitoring and improving the performance of municipal policemen's and firemen's pension and relief funds to assure prudent administration, investment, and management of their funds. Duties of the oversight board include assisting municipal boards of trustees in performing their duties, assuring the funds' compliance with applicable laws, providing for actuarial studies, distributing tax revenues to the funds, initiating or joining legal actions on behalf of active or retired pension fund members or municipal boards of trustees to protect the interests of the members in the funds, and taking other actions as may be reasonably necessary to provide for the security and fiscal integrity of the pension funds. The oversight board also monitors the performance required of the various funds to qualify to receive distributions of insurance premium tax revenues pursuant to the West Virginia Code. The Board 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 discretely presented component unit.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Board is accounted for as a proprietary fund engaged in business-type activities. The financial statements are prepared on the economic resources measurement focus and the accrual basis of accounting which requires recognition of revenue when earned and expenses when incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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.

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of demand deposits with the West Virginia State Treasurer's Office (STO) and short-term interest-earning investments in a State internal 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 the fair value of the underlying securities.

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

The Board has adopted a policy of capitalizing assets for individual items exceeding \$1,000 in cost and a useful life greater than one year. These assets include leasehold improvements, furnishings, and equipment. Depreciation is computed using the straight-line method over the estimated economic useful lives of the assets, which are as follows:

<u>Assets</u>	<u>Years</u>
Leasehold improvements	5
Furnishings & equipment	5

Accrued Employee Benefits

In accordance with State policy, the Board permits employees to accumulate earned but unused vacation and sick pay benefits. A liability for vacation pay is accrued when earned. To the extent that accumulated sick leave is expected to be converted to benefits on retirement, the benefits are funded by the Board's participation in the West Virginia Retiree Health Benefit Trust.

Deferred Outflows of Resources / Deferred Inflows of Resources

The statement of net position reports a separate financial statement element called *deferred outflows of resources*. This financial statement element represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense) until that time. The Board reports deferred outflows of resources related to pensions as deferred outflows of resources on the statement of net position.

The statement of net position reports a separate financial statement element called *deferred inflows of resources*. This financial statement element represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The Board reports deferred inflows of resources related to pensions as deferred inflows of resources on the statement of net position.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employee Retirement System (PERS), and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position is presented as restricted by enabling legislation, or as the net investment in capital assets, which represents the net book value of all capital assets of the Board. Net position restricted by enabling legislation is required to first be used for the administrative expenses of the Board, with all remaining net position available for disbursement to the municipal policemen's and firemen's pension and relief funds. All expenses are incurred for restricted purposes.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds such as the Board are revenues and expenses that result from providing services and producing goods and/or services. Operating revenues include premium tax revenues, recognized when earned. Operating expenses of the Board include administrative expenses and pension distributions, recognized when incurred. All revenues not meeting this definition are reported as nonoperating revenues.

NOTE 3 - CASH AND CASH EQUIVALENTS

At June 30, 2017 and 2016, the carrying amounts of deposits with the STO and the BTI are as follows:

	<u>2017</u>	<u>2016</u>
Cash on hand at STO	\$ 14,609	\$ 17,877
Investments with BTI reported as cash equivalents	<u>29,058,009</u>	<u>28,563,484</u>
	<u>\$ 29,072,618</u>	<u>\$ 28,581,361</u>

The State Treasurer has statutory responsibility for daily cash management activities of the State's agencies, departments, boards and commissions, and transfers funds to the West Virginia Board of Treasury Investments (BTI) for investment in accordance with West Virginia Code, policies set by the BTI and by provisions of bond indentures and trust agreements when applicable.

The Board's cash balances are invested by the BTI in the BTI's West Virginia Money Market Pool. Investment income is pro-rated to the Board at rates specified by the BTI based on the balance of the deposits maintained by the Board in relation to the total deposits of all participants in the pool. Such funds are available to the Board with overnight notice.

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NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Two of the BTI’s pools, the WV Money Market and WV Government Money Market Pools, have been rated AAAm by Standard & Poor’s. A fund rated “AAAm” has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. “AAAm” is the highest principal stability fund rating assigned by Standard & Poor’s. Neither the BTI itself nor any of the other Consolidated Fund pools or accounts has been rated for credit risk by any organization. Of the Consolidated Fund pools and accounts, six are subject to credit risk: WV Money Market Pool, WV Government Money Market Pool, WV Short Term Bond Pool, WV Bank Pool, Loan Pool, and School Fund Account.

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all corporate bonds to be rated A+ by Standard & Poor’s (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor’s and P-1 by Moody’s. The pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America. The following table provides information on the credit ratings of the WV Money Market Pool’s investments (in thousands):

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NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
Commercial paper	P-1	A-1+	\$ 358,377	20.10%
	P-1	A-1	706,150	39.60
Corporate bonds and notes	Aa3	AA-	6,285	0.35
	A1	A	3,200	0.18
U.S. Treasury notes *	Aaa	AA+	97,823	5.49
U.S. Treasury bills *	P-1	A-1+	69,837	3.92
Negotiable certificates of deposit	P-1	A-1+	174,000	9.76
	P-1	A-1	156,476	8.78
Money market funds	Aaa	AAAm	100,005	5.61
Repurchase agreements (underlying securities):				
U.S. Treasury notes *	P-1	A-1	50,000	2.80
U.S. Treasury notes *	NR	A-1	60,800	3.41
			<u>\$ 1,782,953</u>	<u>100.00%</u>

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

Interest Rate Risk

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

The overall weighted average maturity of the investments of the WV Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool:

Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 110,800	3
U.S. Treasury notes	97,823	44
U.S. Treasury bills	69,837	88
Commercial paper	1,064,527	36
Certificates of deposit	330,476	41
Corporate bonds and notes	9,485	79
Money market funds	100,005	3
	<u>\$ 1,782,953</u>	<u>36</u>

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NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Other Risks of Investing

Other risks of investing can include concentration of credit risk, custodial credit risk, and foreign currency risk.

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

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. The BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

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

Deposits

Custodial credit risk of deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits include nonnegotiable certificates of deposit. The WV Bank Pool contains nonnegotiable certificates of deposit valued at \$79,500,000. The Reserve Pool contains funds totaling approximately \$18,845,000 in a bank depository account. The BTI does not have a deposit policy for custodial credit risk.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
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NOTE 4 - CAPITAL ASSETS

A summary of capital asset activity is as follows:

	Historical Cost at June 30, 2015	Additions	Disposals	Historical Cost at June 30, 2016	Additions	Disposals	Historical Cost at June 30, 2017
Leasehold improvements	\$ 18,593	\$ -	\$ -	\$ 18,593	\$ 4,694	\$ (16,405)	\$ 6,882
Furnishings and equipment	22,974	1,344	(10,774)	13,544	-	-	13,544
	<u>\$ 41,567</u>	<u>\$ 1,344</u>	<u>\$ (10,774)</u>	<u>\$ 32,137</u>	<u>\$ 4,694</u>	<u>\$ (16,405)</u>	<u>\$ 20,426</u>
	Accumulated Depreciation June 30, 2015	Additions	Disposals	Accumulated Depreciation June 30, 2016	Additions	Disposals	Accumulated Depreciation June 30, 2017
Leasehold improvements	\$ 13,815	\$ 4,778	\$ -	\$ 18,593	\$ 752	\$ (16,405)	\$ 2,940
Furnishings and equipment	14,306	5,492	(9,889)	9,909	1,926	-	11,835
	<u>\$ 28,121</u>	<u>\$ 10,270</u>	<u>\$ (9,889)</u>	<u>\$ 28,502</u>	<u>\$ 2,678</u>	<u>\$ (16,405)</u>	<u>\$ 14,775</u>
Total	<u>\$ 13,446</u>	<u>\$ (8,926)</u>	<u>\$ (885)</u>	<u>\$ 3,635</u>	<u>\$ 2,016</u>	<u>\$ -</u>	<u>\$ 5,651</u>

NOTE 5 - RETIREMENT PLAN

Plan Description

The Board contributes to the Public Employees Retirement System (PERS), a cost-sharing, multiple-employer, defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board (CPRB). PERS provides retirement benefits to plan members and beneficiaries. CPRB issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to CPRB, 4101 MacCorkle Avenue S.E., Charleston, West Virginia 25304-1636 or by calling (304) 558-3570.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 - RETIREMENT PLAN (Continued)

Benefits Provided

Benefits are provided through PERS using a two-tiered system. Effective July 1, 2015, PERS implemented the second tier, Tier II. Employees hired, for the first time, on or after July 1, 2015 are considered Tier II members. Tier I and Tier II members are subject to different regulations.

Tier I: Employees who retire at or after age 60 with five or more years of credited service, or at least age 55 with age and service equal to 80 years or greater, are entitled to a retirement benefit established by State statute, payable monthly for life, in the form of a straight-life annuity equal to two percent of the employee's final average salary multiplied by years of service. Final average salary is the average of the highest annual compensation received by an employee during any period of three consecutive years of credited service included within fifteen years of credited service immediately preceding the termination date of employment with a participating public employer or, if the employee has less than three years of credited service, the average of the annual rate of compensation received by the employee during the total years of credited service. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62.

Tier II: Employees who retire at or after age 62 with ten or more years of credited service are entitled to a retirement benefit established by State statute, payable monthly for life, in the form of a straight-life annuity equal to two percent of the employee's final average salary multiplied by years of service. Final average salary is the average of the highest annual compensation received by an employee during any period of five consecutive years of credited service included within fifteen years of credited service immediately preceding the termination date of employment with a participating public employer. Terminated members with at least ten years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 64.

Contributions

While contribution rates are legislatively determined, actuarial valuations are performed to assist PERS and the State Legislature in determining contribution rates. Current funding policy requires employer contributions of 12%, 13.5%, and 14% for the years ended June 30, 2017, 2016, and 2015, respectively. For periods prior to July 1, 2015, the employee contribution rate was 4.5%. Effective July 1, 2015 the employee contribution increases to 6.0% for new hires. The Board's contribution to the Plan, excluding the employee's contribution paid by the Board, approximated \$25,142, \$28,310, and \$29,089 for the fiscal years ended June 30, 2017, 2016, and 2015, respectively.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
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NOTE 5 - RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017 and 2016, the Board reported a liability of \$137,788 and \$85,568, respectively for its proportionate share of the net pension liability. The 2017 net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to the measurement date of June 30, 2016. The 2016 net pension liability was measured as of June 30, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, rolled forward to the measurement date of June 30, 2015. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Board's proportionate share was 0.014991%, which was a decrease of .000330% from its proportionate share measured as of June 30, 2015. At June 30, 2015, the Board's proportionate share was 0.015321%, which was an increase of 0.000131% from its proportionate share measured as of June 30, 2014.

For the years ended June 30, 2017 and 2016, the Board recognized pension expense of \$22,847 and \$10,479, respectively. At June 30, 2017 and 2016, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>June 30, 2017</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 43,298	\$ -
Differences between expected and actual experience	11,490	-
Deferred difference in assumptions	-	6,713
Changes in proportion and differences between Board's contributions and proportionate share of contributions	982	1,582
Board's contributions subsequent to the measurement date	25,142	-
Total	<u>\$ 80,912</u>	<u>\$ 8,295</u>

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
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NOTE 5 - RETIREMENT PLAN (Continued)

<u>June 30, 2016</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 18,760
Differences between expected and actual experience	17,498	-
Deferred difference in assumptions	-	10,292
Changes in proportion and differences between Board's contributions and proportionate share of contributions	1,616	-
Board's contributions subsequent to the measurement date	28,310	-
Total	<u>\$ 47,424</u>	<u>\$ 29,052</u>

The Board reported \$25,142 and \$28,310 as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the years ended June 30, 2017 and 2016, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,:</u>	
2018	\$ 7,576
2019	7,160
2020	19,323
2021	13,416

Actuarial assumptions and methods

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.0%
Salary increases	3.0% – 6.0%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense

Mortality rates were based on 110% of RP-2000 Non-Annuitant, Scale AA fully generational for healthy males, 101% of RP-2000 Non-Annuitant, Scale AA fully generational for healthy females, 96% of RP-2000 Disabled Annuitant, Scale AA fully generational for disabled males, and 107% of RP-2000 Disabled Annuitant, Scale AA fully generational for disabled females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2014.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
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NOTE 5 - RETIREMENT PLAN (Continued)

Long-term expected rates of return

The long-term rates of return on pension plan investments were determined using a building-block method in which estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. Best estimates of long term geometric rates of return are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Fixed Income	7.5%	2.7%
High Yield Fixed Income	7.5%	5.5%
Domestic Equity	27.5%	7.0%
International Equity	27.5%	7.7%
Real Estate	10.0%	7.0%
Private Equity	10.0%	9.4%
Hedge Funds	10.0%	4.7%
Total	<u>100.0%</u>	

Discount rate

The discount rate used to measure the total pension liability was 7.5%. The projections of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions from employers will continue to be made at statutorily required rates, which are determined annually based on actuarial valuations. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability. Although discount rates are subject to change between measurement dates, there were no changes in the discount rate in the current period.

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NOTE 5 - RETIREMENT PLAN (Continued)

Sensitivity of the Board's proportionate share of the net pension liability to changes in the discount rate

The following table presents the Board's proportionate share of the net pension liability calculated using the current discount rate of 7.5% as well as the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

<u>Total Net Pension Liability</u>		
<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
<u>6.5%</u>	<u>7.5%</u>	<u>8.5%</u>
<u>\$ 249,413</u>	<u>\$ 137,778</u>	<u>\$ 42,984</u>

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The Board participates in the West Virginia Other Postemployment Benefits Plan (OPEB Plan) of the West Virginia Retiree Health Benefit Trust, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the West Virginia Public Employees 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, E., Suite 2, Charleston, West Virginia 25304, 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 GAAP. 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.

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
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NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The Board's contributions to the trust fund for the years ended June 30, 2017, 2016, and 2015 were \$1,994, \$1,992, and \$1,968, respectively, and the billed ARC's were \$4,028, \$5,184, and \$4,668. The contributions represent 49.5%, 38.4%, and 42.2% of the ARC for the years and period ended June 30, 2017, 2016, and 2015, respectively. As of June 30, 2017, 2016, and 2015, the Board has recorded a liability of \$12,384, \$10,350, and \$7,158, respectively for post employment benefits other than pensions.

NOTE 7 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to and illnesses of employees; and natural disasters.

The Board has obtained coverage for job-related injuries of employees (workers compensation) and health coverage for its employees through a commercial insurer and West Virginia Public Employees Insurance Agency (WVPEIA). In exchange for the payment of premiums, the Board has transferred its risks related to health coverage for employees and job-related injuries of employees.

The Board participates in the West Virginia State Board of Risk and Insurance Management (WVBRIM), a public entity risk pool, to obtain coverage for general liability, personal injury liability, professional liability, stop gap liability, wrongful act liability, and comprehensive auto liability. There have been no reductions in insurance coverage from the prior year and no settlements in the past three fiscal years.

NOTE 8 - TRANSACTIONS WITH THE STATE OF WEST VIRGINIA

Pursuant to West Virginia Code, the West Virginia Insurance Commission (the Commission) collects a 1% premium tax on fire and casualty insurance policies. The Commission distributes 65% of the premium tax receipts to the Board. The distributions from the Commission are reported as insurance premium tax revenues on the Board's Statements of Revenues, Expenses, and Changes in Fund Net Position. Other transactions with state agencies include expenses paid to the following:

Attorney General	\$ 8,180
Board of Risk and Insurance Management	2,544
Consolidated Public Retirement Board	1,480
Department of Administration	1,080
Enterprise Resource Planning Board	600
Office of Technology	8,834
West Virginia Public Employees Insurance Agency	2,182
West Virginia State Treasurer's Office	15

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
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NOTE 9 - COMMITMENTS

The Board is required by its enabling legislation to allocate certain tax and other revenues, net of administrative expenses, to the municipal policemen's and firemen's pension and relief funds (the Funds) by September 1st of each year. The amount to be allocated to the Funds is calculated based upon the Board's prior calendar year insurance premium tax revenues, interest, and other income, less its administrative expenses for the same period. The amounts allocated to each Fund are paid after the allocation date as eligibility requirements to receive the payments are met by each of the Funds. Amounts allocated expire in 18 months if eligibility requirements are not met and the allocated amounts are not paid. Any expired allocation is re-allocated to all other eligible Funds at the next allocation date. The amount committed for payment to the Funds that remain on hand from the September 1, 2016 allocation, but have not been disbursed as of June 30, 2017 is \$1,816,033.

The amount available to the Board for allocation to the pension plans in September 2017 is \$18,189,012.

NOTE 10 - NEW ACCOUNTING PRONOUNCEMENTS

The Board implemented Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for fiscal years beginning after June 15, 2016. The requirements of this Statement will improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The adoption of GASB Statement No. 74 had no impact on the June 30, 2017 financial statements.

The Board implemented Statement No. 77, *Tax Abatement Disclosures*, effective for fiscal years beginning after December 15, 2015. The requirements of this Statement will improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations and (2) the impact those abatements have on a government's financial position and economic condition. The adoption of GASB Statement No. 77 had no impact on the June 30, 2017 financial statements.

The Board implemented Statement No. 80, *Blending Requirements for Certain Component Units* an amendment of GASB Statement No. 14, effective for fiscal years beginning after June 15, 2016. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. The adoption of GASB Statement No. 80 had no impact on the June 30, 2017 financial statements.

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NOTE 10 - NEW ACCOUNTING PRONOUNCEMENTS (Continued)

The Board implemented Statement No. 81, *Irrevocable Split-Interest Agreements*, effective for fiscal years beginning after December 15, 2016. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The adoption of GASB Statement No. 81 had no impact on the June 30, 2017 financial statements.

The Board implemented Statement No. 86, *Certain Debt Extinguishment Issues*, effective for fiscal years beginning after June 15, 2017. The requirements of this Statement will increase consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. The requirements of this Statement also will enhance consistency in financial reporting of prepaid insurance related to debt that has been extinguished. In addition, this Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance. The adoption of GASB Statement No. 86 had no impact on the June 30, 2017 financial statements.

Recent Statements Issued By GASB

The Governmental Accounting Standards Board has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. The requirements of this Statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The Board has not yet determined the effect that the adoption of GASB Statement No. 75 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for fiscal years beginning after June 15, 2018. The requirements of this Statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain asset retirement obligations (AROs), including obligations that may not have been previously reported. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. The Board has not yet determined the effect that the adoption of GASB Statement No. 83 may have on its financial statements.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2017 AND 2016

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NOTE 10 - NEW ACCOUNTING PRONOUNCEMENTS (Continued)

The Governmental Accounting Standards Board has also issued Statement No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2018. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The Board has not yet determined the effect that the adoption of GASB Statement No. 84 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 85, *Omnibus 2017*, effective for fiscal years beginning after June 15, 2017. The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. The Board has not yet determined the effect that the adoption of GASB Statement No. 85 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. The requirements of this Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The Board has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM PLAN

	Years Ended June 30,		
	2017	2016	2015
Board's proportion (percentage) of the net pension liability (asset)	0.014991%	0.015321%	0.015190%
Board's proportionate share of the net pension liability (asset)	\$ 137,788	\$ 85,568	\$ 56,062
Board's covered-employee payroll	\$ 209,706	\$ 207,776	\$ 203,412
Board's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	65.705%	41.183%	27.561%
Plan fiduciary net position as a percentage of the total pension liability	86.11%	91.29%	93.98%

Note: All amounts presented are as of the measurement date, which is one year prior to the fiscal year end date.

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE PERS**

	Years Ended June 30,			
	2017	2016	2015	2014
Statutorily required contribution	\$ 25,142	\$ 28,310	\$ 29,089	\$ 29,495
Contributions in relation to the statutorily required contribution	(25,142)	(28,310)	(29,089)	(29,495)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
The Board's covered-employee payroll	\$ 208,930	\$ 209,706	\$ 207,776	\$ 203,412
Contributions as a percentage of covered-employee payroll	12.0%	13.5%	14.0%	14.5%
				\$ 28,127
				\$ 200,906
				(28,127)
				\$ -

WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE I - TREND INFORMATION PRESENTED

The accompanying schedules of the Board's proportionate share of the net pension liability and contributions to PERS are required supplementary information to be presented for 10 years. However, until a full 10 year trend is compiled, information is presented in the schedules for those years for which information is available.

There were no factors that affected trends in the amounts reported. If necessary, additional information can be obtained from the CPRB Comprehensive Annual Financial Report for the year ended June 30, 2017.

OTHER FINANCIAL INFORMATION

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
SCHEDULE OF STATUTORY COMMITMENTS
June 30, 2017

Department	September 1, 2016 Allocation	Expended	Balance
<u>Full-Time Police Departments</u>			
Beckley	\$ 487,562	\$ 487,562	\$ -
Belle	26,745	26,745	-
Bluefield	243,862	243,862	-
Charleston	1,698,684	1,698,684	-
Charles Town	14,084	14,084	-
Chester	37,400	37,400	-
Clarksburg	421,449	421,449	-
Dunbar	143,878	143,878	-
Elkins	85,605	85,605	-
Fairmont	367,668	367,668	-
Grafton	57,947	57,947	-
Huntington	1,094,555	547,278	547,278
Logan	54,160	-	54,160
Martinsburg	436,496	436,496	-
Morgantown	629,967	629,967	-
Moundsville	144,465	144,465	-
Nitro	149,635	46,043	103,592
Oak Hill	119,395	-	119,395
Parkersburg	683,470	683,470	-
Princeton	182,018	182,018	-
Point Pleasant	83,675	-	83,675
Saint Albans	226,843	226,843	-
South Charleston	385,377	385,377	-
Star City	49,256	49,256	-
Vienna	176,783	176,783	-
Weirton	380,767	380,767	-
Welch	43,847	-	43,847
Weston	57,093	-	57,093
Westover	81,952	81,952	-
Wheeling	767,103	767,103	-
Williamson	62,926	-	62,926
<u>Full-Time Fire Departments</u>			
Beckley	428,814	428,814	-
Bluefield	203,346	203,346	-
Charleston	1,710,329	1,710,329	-
Clarksburg	445,631	445,631	-
Fairmont	434,016	434,016	-
Huntington	1,135,084	567,542	567,542
Martinsburg	350,495	350,495	-
Morgantown	485,359	485,359	-
Moundsville	72,730	72,730	-
Parkersburg	654,545	654,545	-
South Charleston	390,915	390,915	-
Wheeling	964,251	964,251	-

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
SCHEDULE OF STATUTORY COMMITMENTS
June 30, 2017

Department	September 1, 2016 Allocation	Expended	Balance
<u>Full-Time/Part-Time Fire Department</u>			
Dunbar	148,389	148,389	-
Elkins	31,901	31,901	-
Grafton	36,596	36,596	-
Logan	65,687	-	65,687
Nitro	127,325	127,325	-
Princeton	130,285	130,285	-
Saint Albans	207,958	207,958	-
Weirton	213,909	213,909	-
Weston	37,058	-	37,058
Williamson	73,779	-	73,779
Totals	\$ 17,743,069	\$ 15,927,036	\$ 1,816,033

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION - FINANCE DIVISION
FINANCIAL ACCOUNTING AND REPORTING SECTION
GAAP REPORTING FORM - DEPOSITS DISCLOSURE

Audited Agency Municipal Pensions Oversight Board - June 30, 2017

Per GASB Statement 40 the Agency must disclose its deposit policy. The deposit policy must be formally adopted through legal or contractual provisions. Disclosure of any statutory policies are also required. Please provide in the space below the Agency's deposit policy.

See footnote to the financial statements in the Independent Auditor's Report

	3A	3B	3C	2		FDIC Insured Amount	Bank Balance	Total Carrying Amount	Repledged Carrying Amount	Carrying Amount	Foreign Currency Risk
				Amount Collateralized with securities held by the pledging financial institution's trust department or agent in the government's name	Amount Collateralized with securities held by the pledging financial institution's trust department or agent in the name of the depositor						
Cash with Treasurer											
Per wvOASIS Opening Balance Report								14,809	14,809		
Cash with Municipal Bond Commission								0	0		
Cash on Hand								0	0		
Cash in Transit to wvOASIS								0	0		
Cash with Board of Trustees								0	0		
Cash in Escrow Bank Accounts								0	0		
Cash in Escrow								0	0		
Certificates of Deposits (Non-Negotiable)								0	0		
Other								0	0		
Total				0	0	0	0	14,809	14,809	0	0

PLEASE SEND COMPLETED FORMS TO:
State of West Virginia
Financial Accounting and Reporting Section
2102 Washington Street East
Building 17, 3rd Floor
Charleston, WV 25305
Telephone Number (800) 538-4043
Fax Number (304) 526-4034

STATE OF WEST VIRGINIA
DEPARTMENT OF ADMINISTRATION - FINANCE DIVISION
FINANCIAL ACCOUNTING AND REPORTING SECTION

FORM 8A

GAAP REPORTING FORM - DEPOSITS AND INVESTMENTS RECONCILIATION

Audited Agency Municipal Pensions Oversight Board 6/30/17

Reconciliation of cash, cash equivalents, and investments as reported in the financial statements to the amounts disclosed in the footnote:

Deposits:

Cash and cash equivalents as reported on balance sheet	\$ -
Less: cash equivalents disclosed as investments	_____
Add: restricted cash and cash equivalents disclosed as deposits	_____
Other (describe) _____	_____
_____	_____
_____	_____

Carrying amount of deposits as disclosed on Form 7	\$ -
--	------

Investments:

Investments as reported on balance sheet	\$ -
Add: restricted investments disclosed as investments	_____
Add: cash equivalents disclosed as investments	_____
Other (describe) _____	_____
_____	_____
_____	_____

Reported amount of investments as disclosed on Form 8	\$ -
---	------

PLEASE SEND COMPLETED FORMS TO:

State of West Virginia
Financial Accounting and Reporting Section
2101 Washington Street East
Building 17, 3rd Floor
Charleston, WV 25305

Telephone Number:	304-558-4083
Fax Number:	304-558-4084



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

Honorable Members of the Board
West Virginia Municipal Pensions Oversight Board
Charleston, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the West Virginia Municipal Pensions Oversight Board (the Board) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated October 10, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charleston, West Virginia
October 10, 2017

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
(A Component Unit of the State of West Virginia)

**AUDITED FINANCIAL STATEMENTS
WITH OTHER FINANCIAL INFORMATION**

YEARS ENDED JUNE 30, 2018 AND 2017



**Suttle &
Stalnaker** PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To The Members of the
West Virginia Municipal Pensions Oversight Board
Charleston, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the West Virginia Municipal Pensions Oversight Board (the Board), a component unit of the State of West Virginia, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change In Accounting Principle

As described in Note 3 to the financial statements, in 2018 the Board adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 9, the schedule of the proportionate share of the net pension liability, schedule of contributions to the PERS, schedule of the proportionate share of the net OPEB liability, schedule of OPEB contributions, and related footnotes on pages 35 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Board's basic financial statements. The accompanying schedule as listed in the table of contents on page 41 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying information on page 41 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Emphasis of Matter

As discussed in Note 1, the financial statements of the West Virginia Municipal Pensions Oversight Board are intended to present the financial position, the changes in financial position, and where applicable, cash flows of only that portion of the business-type activities of the State of West Virginia that is attributable to the transactions of the Board. They do not purport to, and do not present fairly the financial position of the State of West Virginia, as of June 30, 2018, the changes in its financial position, or its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2018 on our consideration of the Board's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.



Charleston, West Virginia
September 20, 2018

WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2018 AND 2017

6

Our discussion and analysis of the Municipal Pensions Oversight Board's (the Board) financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the Board's financial statements, which follow.

Financial Highlights

- The Insurance Premium Tax increased by \$1,109,146 or about 6% during fiscal year 2018.
- Distributions to municipal pension plans increased \$1,155,353 or about 7% during the fiscal year.
- Interest income increased from \$219,049 to \$397,483 during fiscal year 2018.
- The Board's net position increased during fiscal year 2018 in the amount of \$634,803.

Using This Report

This report consists of a series of financial statements. The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Fund Net Position display and report the Board's net position and changes in their position. The Board's net position, which is the difference between assets and liabilities, is normally how one would measure the Board's financial health or financial position.

The Board as a Whole

The Municipal Pensions Oversight Board is accounted for as a proprietary fund engaged in business-type activities. The Board 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 discretely presented component unit.

During the third month of each quarter the Board receives, from the West Virginia Insurance Commission, a portion of the Casualty & Fire insurance premiums to distribute, net of operating expenses, to the municipal police and fire pension plans. In order to receive the premium distribution there must be an actuarial study of the pension plan, the employer must make the required contributions and an annual report must be provided to the Board.

Duties of the Board include assisting municipal pension funds' boards of trustees in performing their duties, assuring the funds' compliance with applicable laws, providing for actuarial studies, distributing tax revenues to the funds, initiating or joining legal actions on behalf of active or retired pension fund members or municipal pension funds' boards of trustees to protect the interests of the members in the funds, and taking other actions as may be reasonably necessary to provide for the security and fiscal integrity of the pension funds.

Our analysis below shows the Board's net position as of June 30, 2018, 2017, and 2016 (Table 1) and changes in the Board's net position for the years then ended (Table 2), with emphasis on the most recent year.

WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2018 AND 2017

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Table 1
Net Position

	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 29,668,433	\$ 29,072,618	\$ 28,581,361
Capital assets, net	<u>3,763</u>	<u>5,651</u>	<u>3,635</u>
	<u>29,672,196</u>	<u>29,078,269</u>	<u>28,584,996</u>
Deferred outflows of resources related to pensions	30,381	80,912	47,424
Deferred outflows of resources related to OPEB	<u>2,124</u>	<u>-</u>	<u>-</u>
Total deferred outflows of resources	<u>32,505</u>	<u>80,912</u>	<u>47,424</u>
<u>Total assets and deferred outflows of resources</u>	<u>\$ 29,704,701</u>	<u>\$ 29,159,181</u>	<u>\$ 28,632,420</u>
<u>LIABILITIES</u>			
Current liabilities	\$ 29,351	\$ 62,456	\$ 42,454
Non-current liabilities:			
Net pension liability	65,444	137,788	85,568
Net OPEB liability	<u>23,776</u>	<u>12,384</u>	<u>-</u>
Total liabilities	<u>118,571</u>	<u>212,628</u>	<u>128,022</u>
Deferred inflows of resources related to pensions	20,522	8,295	29,052
Deferred inflows of resources related to OPEB	<u>3,913</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>24,435</u>	<u>8,295</u>	<u>29,052</u>
<u>Total liabilities and deferred inflows of resources</u>	<u>\$ 143,006</u>	<u>\$ 220,923</u>	<u>\$ 157,074</u>
<u>NET POSITION</u>			
Net investment in capital assets	\$ 3,763	\$ 5,651	\$ 3,635
Restricted by enabling legislation	<u>29,557,932</u>	<u>28,932,607</u>	<u>28,471,711</u>
Total net position	<u>\$ 29,561,695</u>	<u>\$ 28,938,258</u>	<u>\$ 28,475,346</u>

WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2018 AND 2017

8

Table 2
Changes in Net Position

	2018	2017	2016
Operating revenues:			
Insurance premium tax	\$ 19,440,332	\$ 18,331,186	\$ 18,012,139
Operating expenses:			
Distributions to municipal pension plans	18,507,540	17,352,187	17,105,596
Administrative expense	696,971	735,136	581,567
	<u>19,204,511</u>	<u>18,087,323</u>	<u>17,687,163</u>
Operating income	235,821	243,863	324,976
Non-operating revenues:			
Interest and other income	397,483	219,049	79,257
Payments on behalf	1,499	-	-
	<u>634,803</u>	<u>462,912</u>	<u>404,233</u>
Change in net position	634,803	462,912	404,233
Net position, beginning of year, as previously stated	28,938,258	28,475,346	28,071,113
Net effect of change in accounting policy	(11,366)	-	-
Net position, beginning of year, restated	<u>28,926,892</u>	<u>28,475,346</u>	<u>28,071,113</u>
Net position, end of period	<u>\$ 29,561,695</u>	<u>\$ 28,938,258</u>	<u>\$ 28,475,346</u>

Changes in Net Position

As is noted in Table 2 the Board had a change in net position in the amount of \$634,803. Several factors contribute to both a negative and positive effect on net position. First, the Board experienced an increase in the insurance premium tax revenue in the amount of \$1,109,146 for fiscal year 2018. While the Board has no control over the premium tax revenue as it is subject to economic and market conditions, an increase in revenue to the Board directly benefits the local police and fire pension plans. Secondly, distributions to pension plans increased for fiscal year 2018 in the amount of \$1,155,353. One of the primary objectives of the MPOB is to get the premium tax into the accounts of the pension plans as soon as the plans meet the criteria for state aid. While it is the responsibility of the pension plans to draw down these funds, the increased distributions is reflective of our continued educational efforts to the pension plan trustees and finance directors especially with respect to drawing down the state aid as soon as the municipality has made its required contributions. 93% of the September 2017 allocation was distributed by June 30, 2018 which is an increase of 3% to the same time period of the previous year. Third, as a result of short term rate increases in the WV Money Market Pool the MPOB return on investments managed by the Board of Treasury Investments have risen from 1.11% as of June 2017 to 2.06 % as of June 2018. This rate hike caused our interest income to increase \$178,434.

WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2018 AND 2017

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Currently Known Facts and Conditions

The Board's financial position remains stable and does not foresee or plan to engage in any activities that will have a negative impact on its financial stability.

Requests for Information

This financial report is designed to provide a general overview of the Board's operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Blair Taylor, Executive Director, Municipal Pensions Oversight Board, 301 Eagle Mountain Road, Suite 251, Charleston, West Virginia 25311.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
STATEMENTS OF NET POSITION
JUNE 30, 2018 AND 2017

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	<u>2018</u>	<u>2017</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 29,668,433	\$ 29,072,618
Capital assets, net	<u>3,763</u>	<u>5,651</u>
Total assets	<u>29,672,196</u>	<u>29,078,269</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows of resources related to pensions	30,381	80,912
Deferred outflows of resources related to OPEB	<u>2,124</u>	<u>-</u>
Total deferred outflows of resources	<u>32,505</u>	<u>80,912</u>
Total assets and deferred outflows of resources	<u>\$ 29,704,701</u>	<u>\$ 29,159,181</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 3,251	\$ 38,022
Accrued payroll liabilities	<u>26,100</u>	<u>24,434</u>
Total current liabilities	<u>29,351</u>	<u>62,456</u>
Noncurrent liabilities:		
Net pension liability	65,444	137,788
Net OPEB liability	<u>23,776</u>	<u>12,384</u>
Total noncurrent liabilities	<u>89,220</u>	<u>150,172</u>
Total liabilities	<u>118,571</u>	<u>212,628</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of resources related to pensions	20,522	8,295
Deferred inflows of resources related to OPEB	<u>3,913</u>	<u>-</u>
Total deferred inflows of resources	<u>24,435</u>	<u>8,295</u>
Total liabilities and deferred inflows of resources	<u>\$ 143,006</u>	<u>\$ 220,923</u>
<u>NET POSITION</u>		
Net position:		
Net investment in capital assets	\$ 3,763	\$ 5,651
Restricted by enabling legislation	<u>29,557,932</u>	<u>28,932,607</u>
Total net position	<u>\$ 29,561,695</u>	<u>\$ 28,938,258</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEARS ENDED JUNE 30, 2018 AND 2017

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	<u>2018</u>	<u>2017</u>
Operating revenues:		
Insurance premium tax	\$ 19,440,332	\$ 18,331,186
Operating expenses:		
Distributions to municipal pension plans	18,507,540	17,352,187
Administrative:		
Salaries and wages	212,736	208,930
Employee benefits	47,944	54,114
Professional fees	370,461	377,694
Depreciation	1,888	2,678
Miscellaneous	63,942	91,720
	<u>19,204,511</u>	<u>18,087,323</u>
Operating income	<u>235,821</u>	<u>243,863</u>
Non-operating revenues:		
Interest and other income	<u>397,483</u>	<u>219,049</u>
Excess of revenues over expenditures	633,304	462,912
Payment on Behalf of State of West Virginia	<u>1,499</u>	<u>-</u>
Change in net position	<u>634,803</u>	<u>462,912</u>
Net position, beginning of year, as previously stated	28,938,258	28,475,346
Cumulative effect of change in accounting principle	<u>(11,366)</u>	<u>-</u>
Net position, beginning of year, restated	<u>28,926,892</u>	<u>28,475,346</u>
Net position, end of year	<u><u>\$ 29,561,695</u></u>	<u><u>\$ 28,938,258</u></u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

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	<u>2018</u>	<u>2017</u>
Cash flows from operating activities:		
Cash received from insurance premium taxes	\$ 19,440,332	\$ 18,331,186
Cash paid to municipal pension plans	(18,507,540)	(17,352,187)
Cash paid to employees	(265,286)	(262,125)
Cash paid to suppliers	(469,174)	(439,971)
Net cash provided by operating activities	<u>198,332</u>	<u>276,903</u>
Cash flows from capital and related financing activities:		
Purchase of property and equipment	-	(4,695)
Net cash (used) by financing activities	<u>-</u>	<u>(4,695)</u>
Cash flows from investing activities:		
Investment earnings	<u>397,483</u>	<u>219,049</u>
Net cash provided by investing activities	<u>397,483</u>	<u>219,049</u>
Net increase in cash and cash equivalents	595,815	491,257
Cash and cash equivalents, beginning of year	<u>29,072,618</u>	<u>28,581,361</u>
Cash and cash equivalents, end of year	<u>\$ 29,668,433</u>	<u>\$ 29,072,618</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 235,821	\$ 243,863
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,888	2,678
Net effect change in accounting policy	(11,366)	-
OPEB expense - special funding	1,499	-
Changes in operating accounts:		
Pension expense	(72,344)	23,118
OPEB expense	11,392	-
Increase (decrease) in accounts payable	(34,771)	29,485
Increase (decrease) in accrued payroll liabilities	1,666	2,901
(Increase) decrease in deferred outflows of resources	48,407	(25,142)
Increase in deferred inflows of resources	<u>16,140</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 198,332</u>	<u>\$ 276,903</u>

The Accompanying Notes Are An Integral
Part Of These Financial Statements.

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017**

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NOTE 1 - REPORTING ENTITY

The West Virginia Legislature passed Senate Bill 4007 on November 19, 2009, creating the West Virginia Municipal Pensions Oversight Board (the Board). The Board was created for the purpose of monitoring and improving the performance of municipal policemen's and firemen's pension and relief funds to assure prudent administration, investment, and management of their funds. Duties of the oversight board include assisting municipal boards of trustees in performing their duties, assuring the funds' compliance with applicable laws, providing for actuarial studies, distributing tax revenues to the funds, initiating or joining legal actions on behalf of active or retired pension fund members or municipal boards of trustees to protect the interests of the members in the funds, and taking other actions as may be reasonably necessary to provide for the security and fiscal integrity of the pension funds. The oversight board also monitors the performance required of the various funds to qualify to receive distributions of insurance premium tax revenues pursuant to the West Virginia Code. The Board 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 discretely presented component unit.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Board is accounted for as a proprietary fund engaged in business-type activities. The financial statements are prepared on the economic resources measurement focus and the accrual basis of accounting which requires recognition of revenue when earned and expenses when incurred.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of demand deposits with the West Virginia State Treasurer's Office (STO) and short-term interest-earning investments in a State internal 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 the fair value of the underlying securities.

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

The Board has adopted a policy of capitalizing assets for individual items exceeding \$1,000 in cost and a useful life greater than one year. These assets include leasehold improvements, furnishings, and equipment. Depreciation is computed using the straight-line method over the estimated economic useful lives of the assets, which are as follows:

<u>Assets</u>	<u>Years</u>
Leasehold improvements	5
Furnishings & equipment	5

Accrued Employee Benefits

In accordance with State policy, the Board permits employees to accumulate earned but unused vacation and sick pay benefits. A liability for vacation pay is accrued when earned. To the extent that accumulated sick leave is expected to be converted to benefits on retirement, the benefits are funded by the Board's participation in the West Virginia Retiree Health Benefit Trust.

Deferred Outflows of Resources / Deferred Inflows of Resources

The statement of net position reports a separate financial statement element called *deferred outflows of resources*. This financial statement element represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense) until that time. The Board reports deferred outflows of resources related to pensions and other post employment benefits as deferred outflows of resources on the statement of net position.

The statement of net position reports a separate financial statement element called *deferred inflows of resources*. This financial statement element represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The Board reports deferred inflows of resources related to pensions and other post employment benefits as deferred inflows of resources on the statement of net position.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employee Retirement System (PERS), and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017**

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position is presented as restricted by enabling legislation, or as the net investment in capital assets, which represents the net book value of all capital assets of the Board. Net position restricted by enabling legislation is required to first be used for the administrative expenses of the Board, with all remaining net position available for disbursement to the municipal policemen's and firemen's pension and relief funds. All expenses are incurred for restricted purposes.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds such as the Board are revenues and expenses that result from providing services and producing goods and/or services. Operating revenues include premium tax revenues, recognized when earned. Operating expenses of the Board include administrative expenses and pension distributions, recognized when incurred. All revenues not meeting this definition are reported as nonoperating revenues.

Reclassifications

Certain reclassifications have been made to 2017 to conform with the 2018 presentation. These changes have no impact on net position or its components.

NOTE 3 - CHANGE IN ACCOUNTING POLICY AND RESTATEMENT OF BEGINNING NET POSITION

The Board changed its method of accounting for the following items in order to comply with accounting principles generally accepted in the United States of America:

GASB 75 – As of July 1, 2017, the West Virginia Municipal Pensions Oversight Board implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. These statements reclassified some items previously reported as expenses as deferred outflows and now requires the Board to record the net other postemployment benefits (OPEB) liability and a more comprehensive measure of OPEB expense.

Employer contributions to the West Virginia Retiree Health Benefit Trust Fund (RHBT) made subsequent to the measurement date, are now recorded as deferred outflows of resources. For the fiscal year ended June 30, 2018, the Board reported deferred outflows of resources relating to these payments of \$2,124. Additionally, investment earnings in excess of actuarial assumptions are required to be recorded as deferred inflows and are amortized over 5 years, the average remaining service life. The difference in assumptions and changes in the proportionate share of contributions are also required to be recorded as deferred inflows and are amortized over 4.71 years, the average remaining service life. For the fiscal year ended June 30, 2018, the Board reported deferred inflows of resources relating to these earnings of \$3,913.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

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NOTE 3 - CHANGE IN ACCOUNTING POLICY AND RESTATEMENT OF BEGINNING NET POSITION (Continued)

Net effect of the change in accounting policy on beginning net position:

Net position at June 30, 2017, as previously stated	\$ 28,938,258
Net effect of change in accounting policy	<u>(11,366)</u>
Net position at June 30, 2017, restated	<u>\$ 28,926,892</u>

NOTE 4 - CASH AND CASH EQUIVALENTS

At June 30, 2018 and 2017, the carrying amounts of deposits with the STO and the BTI are as follows:

	<u>2018</u>	<u>2017</u>
Cash on hand at STO	\$ 24,273	\$ 14,609
Investments with BTI reported as cash equivalents	<u>29,644,160</u>	<u>29,058,009</u>
	<u>\$ 29,668,433</u>	<u>\$ 29,072,618</u>

The State Treasurer has statutory responsibility for daily cash management activities of the State's agencies, departments, boards and commissions, and transfers funds to the West Virginia Board of Treasury Investments (BTI) for investment in accordance with West Virginia Code, policies set by the BTI and by provisions of bond indentures and trust agreements when applicable.

The Board's cash balances are invested by the BTI in the BTI's West Virginia Money Market Pool. Investment income is pro-rated to the Board at rates specified by the BTI based on the balance of the deposits maintained by the Board in relation to the total deposits of all participants in the pool. Such funds are available to the Board with overnight notice.

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

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

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NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Two of the BTI's pools, the WV Money Market and WV Government Money Market Pools, have been rated AAAm by Standard & Poor's. A fund rated "AAAm" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's. Neither the BTI itself nor any of the other Consolidated Fund pools or accounts has been rated for credit risk by any organization. Of the Consolidated Fund pools and accounts, six are subject to credit risk: WV Money Market Pool, WV Government Money Market Pool, WV Short Term Bond Pool, WV Bank Pool, Loan Pool, and School Fund Account.

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all long-term debt to be rated A+ or higher by Standard & Poor's (or its equivalent), and short-term corporate debt be rated A-1 or higher by Standard & Poor's (or its equivalent). The pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America. The following table provides information on the credit ratings of the WV Money Market Pool's investments (in thousands):

Security Type	<u>Credit Rating</u>		Carrying Value	Percent of
	Moody's	S&P		Pool Assets
U.S. Treasury notes *	Aaa	AA+	\$ 90,330	2.77%
U.S. Treasury bills *	P-1	A-1+	252,084	7.72
Corporate bonds and notes	P-1	A-1	18,078	0.55
Commercial Paper	P-1	A-1+	473,172	14.50
	P-1	A-1	1,351,128	41.39
	P-2	A-1	44,600	1.37
Negotiable certificates of deposit	P-1	A-1+	205,501	6.30
	P-1	A-1	458,300	14.04
Money market funds	Aaa	AAAm	143,067	4.38
Repurchase agreements (underlying securities):				
U.S. agency bonds and notes	Aaa	AA+	227,800	6.98
			<u>\$ 3,264,060</u>	<u>100.00%</u>

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

Interest Rate Risk

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

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

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NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

The overall weighted average maturity of the investments of the WV Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool:

Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 227,800	3
U.S. Treasury notes	90,330	73
U.S. Treasury bills	252,084	69
Commercial paper	1,868,900	36
Negotiable certificates of deposit	663,801	29
Corporate bonds and notes	18,078	21
Money market funds	143,067	3
	\$ 3,264,060	34

Other Risks of Investing

Other risks of investing can include concentration of credit risk, custodial credit risk, and foreign currency risk.

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

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. The BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

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

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

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NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)

Deposits

Custodial credit risk of deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits include nonnegotiable certificates of deposit. The WV Bank Pool contains nonnegotiable certificates of deposit valued at \$81,000,000. The Reserve Pool contains funds totaling approximately \$19,092,000 in a bank depository account. The BTI does not have a deposit policy for custodial credit risk.

NOTE 5 - CAPITAL ASSETS

A summary of capital asset activity is as follows:

	Historical Cost at June 30, 2016	Additions	Disposals	Historical Cost at June 30, 2017	Additions	Disposals	Historical Cost at June 30, 2018
Leasehold improvements	\$ 18,593	\$ 4,694	\$ (16,405)	\$ 6,882	\$ -	\$ -	\$ 6,882
Furnishings and equipment	13,544	-	-	13,544	-	-	13,544
	<u>\$ 32,137</u>	<u>\$ 4,694</u>	<u>\$ (16,405)</u>	<u>\$ 20,426</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,426</u>
	Accumulated Depreciation June 30, 2016	Additions	Disposals	Accumulated Depreciation June 30, 2017	Additions	Disposals	Accumulated Depreciation June 30, 2018
Leasehold improvements	\$ 18,593	\$ 752	\$ (16,405)	\$ 2,940	\$ 986	\$ -	\$ 3,926
Furnishings and equipment	9,909	1,926	-	11,835	902	-	12,737
	<u>\$ 28,502</u>	<u>\$ 2,678</u>	<u>\$ (16,405)</u>	<u>\$ 14,775</u>	<u>\$ 1,888</u>	<u>\$ -</u>	<u>\$ 16,663</u>
Total	<u>\$ 3,635</u>	<u>\$ 2,016</u>	<u>\$ -</u>	<u>\$ 5,651</u>	<u>\$ (1,888)</u>	<u>\$ -</u>	<u>\$ 3,763</u>

NOTE 6 - RETIREMENT PLAN

Plan Description

The Board contributes to the Public Employees Retirement System (PERS), a cost-sharing, multiple-employer, defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board (CPRB). PERS provides retirement benefits to plan members and beneficiaries. CPRB issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to CPRB, 4101 MacCorkle Avenue S.E., Charleston, West Virginia 25304-1636 or by calling (304) 558-3570.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

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NOTE 6 - RETIREMENT PLAN (Continued)

Benefits Provided

Benefits are provided through PERS using a two-tiered system. Effective July 1, 2015, PERS implemented the second tier, Tier II. Employees hired, for the first time, on or after July 1, 2015 are considered Tier II members. Tier I and Tier II members are subject to different regulations.

Tier I: Employees who retire at or after age 60 with five or more years of credited service, or at least age 55 with age and service equal to 80 years or greater, are entitled to a retirement benefit established by State statute, payable monthly for life, in the form of a straight-life annuity equal to two percent of the employee's final average salary multiplied by years of service. Final average salary is the average of the highest annual compensation received by an employee during any period of three consecutive years of credited service included within fifteen years of credited service immediately preceding the termination date of employment with a participating public employer or, if the employee has less than three years of credited service, the average of the annual rate of compensation received by the employee during the total years of credited service. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62.

Tier II: Employees who retire at or after age 62 with ten or more years of credited service are entitled to a retirement benefit established by State statute, payable monthly for life, in the form of a straight-life annuity equal to two percent of the employee's final average salary multiplied by years of service. Final average salary is the average of the highest annual compensation received by an employee during any period of five consecutive years of credited service included within fifteen years of credited service immediately preceding the termination date of employment with a participating public employer. Terminated members with at least ten years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 64.

Contributions

While contribution rates are legislatively determined, actuarial valuations are performed to assist PERS and the State Legislature in determining contribution rates. Current funding policy requires employer contributions of 11%, 12%, and 13.5% for the years ended June 30, 2018, 2017, and 2016, respectively. Effective July 1, 2018, a decrease in the contribution rate of 1% will decrease the Board's contribution rate to 10%. The employee contribution rate is 4.5% and 6% for Tier I and Tier II employees, respectively. The Board's contribution to the Plan, excluding the employee's contribution paid by the Board, approximated \$23,440, \$25,142, and \$28,310 for the fiscal years ended June 30, 2018, 2017, and 2016, respectively.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

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NOTE 6 - RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018 and 2017, the Board reported a liability of \$65,444 and \$137,788, respectively for its proportionate share of the net pension liability. The 2018 net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to the measurement date of June 30, 2017. The 2017 net pension liability was measured as of June 30, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015, rolled forward to the measurement date of June 30, 2016. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Board's proportionate share was 0.015161%, which was an increase of .000170% from its proportionate share measured as of June 30, 2016. At June 30, 2016, the Board's proportionate share was 0.014991%, which was an increase of 0.000330% from its proportionate share measured as of June 30, 2015.

For the years ended June 30, 2018 and 2017, the Board recognized pension expense of \$13,820 and \$22,847, respectively. At June 30, 2018 and 2017, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>June 30, 2018</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 15,910
Differences between expected and actual experience	5,824	145
Changes in assumptions	-	3,394
Changes in proportion and differences between Board's contributions and proportionate share of contributions	1,117	1,073
Board's contributions subsequent to the measurement date	<u>23,440</u>	<u>-</u>
Total	<u>\$ 30,381</u>	<u>\$ 20,522</u>

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

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NOTE 6 - RETIREMENT PLAN (Continued)

<u>June 30, 2017</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 43,298	\$ -
Differences between expected and actual experience	11,490	-
Changes in assumptions	-	6,713
Changes in proportion and differences between Board's contributions and proportionate share of contributions	982	1,582
Board's contributions subsequent to the measurement date	25,142	-
Total	<u>\$ 80,912</u>	<u>\$ 8,295</u>

The Board reported \$23,440 and \$25,142 as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the years ended June 30, 2019 and 2018, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2019	\$ (6,152)
2020	6,011
2021	106
2022	(13,546)

Actuarial assumptions and methods

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.0%
Salary increases	3.0% – 6.0%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense

Mortality rates were based on 110% of RP-2000 Annuitant, Scale AA fully generational for healthy males, 101% of RP-2000 Annuitant, Scale AA fully generational for healthy females, 96% of RP-2000 Disabled Annuitant, Scale AA fully generational for disabled males, and 107% of RP-2000 Disabled Annuitant, Scale AA fully generational for disabled females.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2014.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

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NOTE 6 - RETIREMENT PLAN (Continued)

Long-term expected rates of return

The long-term rates of return on pension plan investments were determined using a building-block method in which estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. Best estimates of long term geometric rates of return are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Fixed Income	7.5%	2.7%
High Yield Fixed Income	7.5%	5.5%
US Equity	27.5%	7.0%
International Equity	27.5%	7.7%
Real Estate	10.0%	7.0%
Private Equity	10.0%	9.4%
Hedge Funds	10.0%	4.7%
Total	<u>100.0%</u>	

Discount rate

The discount rate used to measure the total pension liability was 7.5%. The projections of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions from employers will continue to be made at statutorily required rates, which are determined annually based on actuarial valuations. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability. Although discount rates are subject to change between measurement dates, there were no changes in the discount rate in the current period.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

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NOTE 6 - RETIREMENT PLAN (Continued)

Sensitivity of the Board's proportionate share of the net pension liability to changes in the discount rate

The following table presents the Board's proportionate share of the net pension liability calculated using the current discount rate of 7.5% as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease <u>6.5%</u>	Discount Rate <u>7.5%</u>	1% Increase <u>8.5%</u>
Total net pension liability (asset)	<u>\$ 181,171</u>	<u>\$ 65,444</u>	<u>\$ (32,407)</u>

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report available at the Consolidated Public Retirement Board's website at www.wvretirement.com.

NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS

As related to the implementation of GASB 75, following are The Board's net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, revenues, and the OPEB expense and expenditures for the fiscal year ended June 30, 2018:

	<u>2018</u>
Net OPEB liability	\$ 23,776
Deferred outflows of resources	2,124
Deferred inflows of resources	3,913
Revenues	1,499
OPEB expense	1,275
Contributions made by The Board	2,124

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017**

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NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Plan Description

The West Virginia Other Postemployment Benefit (OPEB) Plan (the Plan) is a cost-sharing, multiple employer, defined benefit other postemployment benefit plan and covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in the West Virginia Code. Financial activities of the Plan are accounted for in the West Virginia Retiree Health Benefit Trust Fund (RHBT), a fiduciary fund of the State established July 1, 2006 as an irrevocable trust. The Plan is administered by a combination of the West Virginia Public Employees Insurance Agency (PEIA) and the RHBT staff. Plan benefits are established and revised by PEIA and the RHBT management with the approval of the PEIA Finance Board. The plan provides medical and prescription drug insurance, as well as life insurance, benefits to certain retirees of State agencies, colleges and universities, county boards of education, and other government entities who receive pension benefits under the PERS, STRS, TDCRS, TIAA-CREF, Plan G, Troopers Plan A, or Troopers Plan B pension systems, as administered by the West Virginia Consolidated Public Retirement Board (CPRB). The plan is closed to new entrants.

The Plan's fiduciary net position has been determined on the same basis used by the Plan. The RHBT is accounted for as a fiduciary fund, and its financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in conformity with GAAP for fiduciary funds as prescribed or permitted by the GASB. The primary sources of revenue are plan members and employer contributions. Members' contributions are recognized in the period in which the contributions are due. Employer contributions and related receivables to the trust are recognized pursuant to a formal commitment from the employer or statutory or contractual requirement, when there is a reasonable expectation of collection. Benefits and refunds are recognized when due and payable.

RHBT is considered a component unit of the State of West Virginia for financial reporting purposes, and, as such, its financial report is also included in the State of West Virginia's Comprehensive Annual Financial Report. RHBT issues publicly available financial statements and required supplementary information for the OPEB plan. Details regarding this plan and a copy of the RHBT financial report may be obtained by contacting PEIA at 601 57th Street SE, Suite 2, Charleston, West Virginia 25304-2345, or by calling (888) 680-7342.

Benefits Provided

The Plan provides the following benefits:

- Medical and prescription drug insurance
- Life insurance

The medical and prescription drug insurance is provided through two options:

- Self-Insured Preferred Provider Benefit Plan – primarily for non-Medicare-eligible retirees and spouses
- External Managed Care Organizations – primarily for Medicare-eligible retirees and spouses

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
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NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Contributions

Employer contributions from the RHBT billing system represent what the employer was billed during the respective year for its portion of the pay-as-you-go (paygo) premiums, retiree leave conversion billings, and other matters, including billing adjustments.

Paygo premiums are established by the PEIA Finance Board annually. All participating employers are required by statute to contribute this premium to the RHBT at the established rate for every active policyholder per month. The paygo rates related to the measurement date of June 30, 2017 were:

	July 2016-December 2016 2017	January 2017-June 2017 2017
Paygo premium	\$ 196	\$ 135

Members retired before July 1, 1997 pay retiree healthcare contributions at the highest sponsor subsidized rate, regardless of their actual years of service. Members retired after July 1, 1997 or hired before June 30, 2010 pay a subsidized rate depending on the member's years of service. Members hired on or after July 1, 2010 pay retiree healthcare contributions with no sponsor provided implicit or explicit subsidy.

Retiree leave conversion contributions from the employer depend on the retiree's date of hire and years of service at retirement as described below:

- Members hired before July 1, 1988 may convert accrued sick or annual leave days into 100% of the required retiree healthcare contribution.
- Members hired from July 1, 1988 to June 30, 2001 may convert accrued sick or annual leave days into 50% of the required retiree healthcare contribution.

The conversion rate is two days of unused sick and annual leave days per month for single healthcare coverage and three days of unused sick and annual leave days per month for family healthcare coverage.

The Board's contributions to the OPEB plan for the years ended June 30, 2018, 2017, and 2016, were \$2,124, \$1,981, and \$1,992, respectively.

Assumptions

The total OPEB liability for financial reporting purposes was determined by an actuarial valuation as of July 1, 2016 and rolled forward to June 30, 2017. The following actuarial assumptions were used and applied to all periods included in the measurement, unless otherwise specified:

- Actuarial cost method: Entry age normal cost method.

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017**

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NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

- Asset valuation method: Investments are reported at fair (market) value.
- Amortization method: Level percentage of payroll over a 21 year closed period
- Remaining amortization period: 21 years closed as of June 30, 2016.
- Investment rate of return: 7.15%, net of OPEB plan investment expense, including inflation.
- Healthcare cost trend rates: Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.50% and 9.75% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.14% and 0.29% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims cost beginning in 2020 to account for the Excise Tax.
- Projected salary increases: Dependent upon pension system ranging from 3.0-6.5%, including inflation.
- Inflation rate: 2.75%.
- Mortality rates based on RP-2000 Mortality Tables.

Experience studies are performed at least once in every five-year period. The most recent experience study covered the period from July 1, 2010 to June 30, 2015. These assumptions will remain in effect for valuation purposes until such time as the RHBT adopts revised assumptions.

The projections of the net OPEB liability are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of the net OPEB liability does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost-sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial estimated liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. However, the preparation and any estimate of future postemployment costs requires consideration of a broad array of complex social and economic events. Future changes in the healthcare reform, changes in reimbursement methodology, the emergence of new and expensive medical procedures and prescription drugs options, changes in the investment rate of return, and other matters increase the level of uncertainty in such estimates. As such, the estimate of postemployment program costs contains considerable uncertainty and variability, and actual experience may vary significantly from the current estimated net OPEB liability.

The long-term expected rate of return of 7.15% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.50% for long-term assets invested with the WV Investment Management Board and an expected short-term rate of return of 3.00% for assets invested with the BTI.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

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NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the long-term geometric rates of return for each major asset class included in RHBT's target asset allocation as of June 30, 2017, are summarized below.

Asset Class	Target Allocation
Domestic equity	27.5%
International equity	27.5%
Fixed income	15.0%
Real estate	10.0%
Private equity	10.0%
Hedge funds	10.0%

Asset Class	Long-term Expected Real Rate of Return
Large cap domestic	17.0%
Non-large cap domestic	22.0%
International qualified	24.6%
International non-qualified	24.3%
International equity	26.2%
Short-term fixed	0.5%
Total return fixed income	6.7%
Core fixed income	0.1%
Hedge fund	5.7%
Private equity	19.6%
Real estate	8.3%
Opportunistic income	4.8%
Cash	0.0%

Discount rate. The discount rate used to measure the total OPEB liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that RHBT contributions will continue to follow the current funding policies. Based on those assumptions and that the OPEB plan is expected to be fully funded by the fiscal year ended June 30, 2036, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

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NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents The Board's proportionate share of the net OPEB liability as of June 30, 2018 calculated using the discount rate of 7.15%, as well as what The Board's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.15%) or one percentage point higher (8.15%) than the current rate.

	<u>1% Decrease (6.15%)</u>	<u>Discount Rate (7.15%)</u>	<u>1% Increase (8.15%)</u>
Net OPEB liability	<u>\$ 27,684</u>	<u>\$ 23,776</u>	<u>\$ 20,527</u>

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate. The following presents The Board's proportionate share of the net OPEB liability as of June 30, 2018 calculated using the healthcare cost trend rate, as well as what The Board's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate.

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$ 19,972</u>	<u>\$ 23,776</u>	<u>\$ 28,428</u>

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The June 30, 2018 net OPEB liability was measured as of June 30, 2017, and the total OPEB liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to the measurement date of June 30, 2017.

At June 30, 2018, The Board's proportionate share of the net OPEB liability was \$28,660. Of this amount, The Board recognized \$23,776 as its proportionate share on the statement of net position. The remainder of \$4,884 denotes The Board's proportionate share of net OPEB liability attributable to the special funding.

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on its proportionate share of employer and non-employer contributions to OPEB for each of the fiscal years ended June 30, 2017 and 2016. Employer contributions are recognized when due. At the June 30, 2017 measurement date, The Board's proportion was 0.000966902%, a decrease of 0.00017653% from its proportion of 0.001143415% calculated as of June 30, 2016.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

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NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

For the year ended June 30, 2018, The Board recognized OPEB expense of \$2,774. Of this amount, \$1,275 was recognized as The Board's proportionate share of OPEB expense and \$1,499 as the amount of OPEB expense attributable to special funding from a non-employer contributing entity. The Board also recognized revenue of \$1,499 for support provided by the State.

At June 30, 2018, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows.

<u>June 30, 2018</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 80
Changes in proportion and difference between employer contributions and proportionate share of contributions	-	3,454
Net difference between projected and actual investment earnings	-	379
Contributions after the measurement date	<u>2,124</u>	<u>-</u>
Total	<u>\$ 2,124</u>	<u>\$ 3,913</u>

The Board will recognize the \$2,124 reported as deferred outflows of resources resulting from OPEB contributions after the measurement date as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ended June 30,</u>	<u>Amortization</u>
2019	\$ (979)
2020	(979)
2021	(979)
2022	<u>(976)</u>
	<u>\$ (3,913)</u>

Payables to the OPEB Plan

The Board did not report any amounts payable for normal contributions to the OPEB plan as of June 30, 2018.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

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NOTE 8 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to and illnesses of employees; and natural disasters.

The Board has obtained coverage for job-related injuries of employees (workers compensation) and health coverage for its employees through a commercial insurer and West Virginia Public Employees Insurance Agency (WVPEIA). In exchange for the payment of premiums, the Board has transferred its risks related to health coverage for employees and job-related injuries of employees.

The Board participates in the West Virginia State Board of Risk and Insurance Management (WVBRIM), a public entity risk pool, to obtain coverage for general liability, personal injury liability, professional liability, stop gap liability, wrongful act liability, and comprehensive auto liability. There have been no reductions in insurance coverage from the prior year and no settlements in the past three fiscal years.

NOTE 9 - TRANSACTIONS WITH THE STATE OF WEST VIRGINIA

Pursuant to West Virginia Code, the West Virginia Insurance Commission (the Commission) collects a 1% premium tax on fire and casualty insurance policies. The Commission distributes 65% of the premium tax receipts to the Board. The distributions from the Commission are reported as insurance premium tax revenues on the Board's Statements of Revenues, Expenses, and Changes in Fund Net Position. Other transactions with state agencies include expenses paid to the following:

Attorney General	\$ 14,322
Board of Risk and Insurance Management	2,722
Consolidated Public Retirement Board	23,440
Department of Administration	700
Enterprise Resource Planning Board	600
Office of Technology	5,691
West Virginia Public Employees Insurance Agency	11,405
West Virginia State Auditor's Office	760
Retiree Health Benefits Trust	4,788

Amounts due to other State Agencies, at June 30, 2018 include:

State Auditor's Office	\$ 760
Attorney General	700
Office of Technology	751

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

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NOTE 10 - COMMITMENTS

The Board is required by its enabling legislation to allocate certain tax and other revenues, net of administrative expenses, to the municipal policemen's and firemen's pension and relief funds (the Funds) by September 1st of each year. The amount to be allocated to the Funds is calculated based upon the Board's prior calendar year insurance premium tax revenues, interest, and other income, less its administrative expenses for the same period. The amounts allocated to each Fund are paid after the allocation date as eligibility requirements to receive the payments are met by each of the Funds. Amounts allocated expire in 18 months if eligibility requirements are not met and the allocated amounts are not paid. Any expired allocation is re-allocated to all other eligible Funds at the next allocation date. The amount committed for payment to the Funds that remain on hand from the September 1, 2017 allocation, but have not been disbursed as of June 30, 2018 is \$1,260,473.

The amount available to the Board for allocation to the pension plans in September 2018 is \$18,517,193.

NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS

The Board implemented Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. The requirements of this Statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. See note 7 for a discussion of the effect and additional required disclosures.

The Board implemented Statement No. 85, *Omnibus 2018*, effective for fiscal years beginning after June 15, 2017. The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. The adoption of this standard did not have a material impact on the financial statements.

Recent Statements issued by GASB

The Governmental Accounting Standards Board has also issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for fiscal years beginning after June 15, 2018. The requirements of this Statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain asset retirement obligations (AROs), including obligations that may not have been previously reported. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. The Board has not yet determined the effect that the adoption of GASB Statement No. 83 may have on its financial statements.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

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NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS (Continued)

The Governmental Accounting Standards Board has also issued Statement No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2018. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhances the value provided by the information reported in financial statements for assessing government accountability and stewardship. The Board has not yet determined the effect that the adoption of GASB Statement No. 84 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. The requirements of this Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The Board has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for fiscal years beginning after June 15, 2018. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The Board has not yet determined the effect that the adoption of GASB Statement No. 88 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for fiscal years beginning after December 15, 2019. The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. The Board has not yet determined the effect that the adoption of GASB Statement No. 89 may have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM PLAN
JUNE 30, 2018

Last 10 Fiscal Years

	Years Ended June 30,		
	2018	2017	2016
Board's proportion (percentage) of the net pension liability (asset)	0.015161%	0.014991%	0.015321%
Board's proportionate share of the net pension liability (asset)	\$ 65,444	\$ 137,788	\$ 85,568
Board's covered payroll	\$ 208,930	\$ 209,706	\$ 207,776
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	31.323%	65.705%	41.183%
Plan fiduciary net position as a percentage of the total pension liability	93.67%	86.11%	91.29%
			93.98%

Note: All amounts presented are as of the measurement date, which is one year prior to the fiscal year end date.

The schedule is presented to illustrate the requirement to show information for 10 years. However until a full 10 year trend is compiled, the Board should present information for those years for which it is available.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE PERS

	Years Ended June 30,				
	2018	2017	2016	2015	2014
Statutorily required contribution	\$ 23,440	\$ 25,142	\$ 28,310	\$ 29,089	\$ 29,495
Contributions in relation to the statutorily required contribution	(23,440)	(25,142)	(28,310)	(29,089)	(29,495)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
The Board's covered payroll	\$ 212,736	\$ 208,930	\$ 209,706	\$ 207,776	\$ 203,412
Contributions as a percentage of covered payroll	11.0%	12.0%	13.5%	14.0%	14.5%
					14.0%
					\$ 200,906

The schedule is presented to illustrate the requirement to show information for 10 years. However until a full 10 year trend is compiled, the Board should present information for those years for which it is available.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
JUNE 30, 2018

	Last 10 Fiscal Years*									
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Board's proportion of the net OPEB liability (asset) (percentage)	0.000966902%									
Board's proportionate share of the net OPEB liability (asset)	\$ 23,776									
State's proportionate share of the net OPEB liability (asset)	4,884									
Total proportionate share of the net OPEB liability (asset)	<u>\$ 28,660</u>									
Board's covered payroll	\$ 208,930									
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	11.38%									
Plan fiduciary net position as a percentage of the total OPEB liability	25.10%									

* - The amounts presented for each fiscal year were determined as of June 30th of the previous year (measurement date).
This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Board should present information for those years for which information is available.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF OPEB CONTRIBUTIONS
JUNE 30, 2018

Last 10 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Statutorily required contribution	\$ 2,124	\$ 1,986								
Contributions in relation to the statutorily required contribution	<u>(2,124)</u>	<u>(1,986)</u>								
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>								
Board's covered payroll	\$ 212,736	\$ 208,930								
Contributions as a percentage of covered payroll	1.00%	0.95%								

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Board should present information for those years for which information is available.

WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Changes Pension Plan

An experience study, which was based on the years 2009 through 2014, was approved by the Consolidated Public Retirement Board. As a result, valuation assumptions were changed as of June 30, 2017 to reflect the most recent experience study:

	Projected Salary Increases		Inflation rate	Mortality Rates		Withdrawal Rates	
	State	Nonstate		State	Nonstate	State	Nonstate
<u>2017</u>	3.00% - 4.6%	3.35% - 6.0%	3.00%	Active-100% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy males-110% of RP-2000 Healthy Annuitant, Scale AA fully generational Retired healthy females-101% of RP-2000 Healthy Annuitant, Scale AA fully generational Disabled Males-96% of RP2000 Disabled Annuitant, Scale AA fully generational Disabled Females-107% of RP-2000 Disabled Annuitant, Scale AA fully generational	1.75-35.10%	2-35.88%	0.007-.675%
<u>2016</u>	3.00% - 4.6%	3.35% - 6.0%	3.00%	Active-100% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy males-110% of RP-2000 Healthy Annuitant, Scale AA fully generational Retired healthy females-101 % of RP-2000 Healthy Annuitant, Scale AA fully generational Disabled Males-96% of RP2000 Disabled Annuitant, Scale AA fully generational Disabled Females-107% of RP-2000 Disabled Annuitant, Scale AA fully generational	1.75-35.10%	2-35.88%	0.007-.675%
<u>2015</u>	3.00% - 4.6%	3.35% - 6.0%	1.90%	Healthy males - 110% of RP-2000 Non-Annuitant, Scale AA; Healthy females - 101% of RP-2000 Non-Annuitant, Scale AA; Disabled males - 96% of RP-2000 Disabled Annuitant, Scale AA; Disabled females - 107% of RP-2000 Disabled Annuitant, Scale AA	1.75-35.1%	2-35.88%	0-.675%
<u>2014</u>	4.25% - 6.0%	4.25% - 6.0%	2.20%	Healthy males - 1983 GAM; Healthy females-1971; disabled males - 1971 GAM; Disabled females - Revenue ruling 96-7	1-26%	2-31.2%	0-.8%

Actuarial Changes Other Postemployment Benefits Plan

There are no other factors that affect trends in the amounts reported, such as a change of benefit terms, size or composition of the population covered by the benefit terms, or other assumptions. Additional information, if necessary, can be obtained from the RHBT audited Financial Statements, Required Supplementary Information, and Other Financial Information for the year ended June 30, 2017.

OTHER FINANCIAL INFORMATION

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
SCHEDULE OF STATUTORY COMMITMENTS
June 30, 2018

Department	Supplemental Allocation Detail		
	September 2017		
	Expires 2/28/2019		
	Allocation	Expended	Balance
<u>Full-Time Police Departments</u>			
Beckley	\$ 515,032	\$ 515,032	\$ -
Belle	28,884	28,884	-
Bluefield	263,027	263,027	-
Charleston	1,737,631	1,737,631	-
Charles Town	13,454	-	13,454
Chester	34,837	34,837	-
Clarksburg	437,291	431,869	5,422
Dunbar	131,879	124,639	7,240
Elkins	104,185	104,185	-
Fairmont	376,317	376,317	-
Grafton	61,773	61,773	-
Huntington	1,098,776	824,082	274,694
Logan	49,589	-	49,589
Martinsburg	427,263	427,263	-
Morgantown	691,798	691,798	-
Moundsville	144,576	144,576	-
Nitro	153,124	153,124	-
Oak Hill	113,824	-	113,824
Parkersburg	713,738	713,738	-
Princeton	201,554	201,554	-
Point Pleasant	81,955	-	81,955
Saint Albans	231,517	231,517	-
South Charleston	389,524	389,524	-
Star City	49,907	-	49,907
Vienna	187,488	187,488	-
Weirton	399,687	399,687	-
Welch	47,542	-	47,542
Weston	52,510	-	52,510
Westover	74,862	74,862	-
Wheeling	764,859	764,859	-
Williamson	76,084	-	76,084
<u>Full-Time Fire Departments</u>			
Beckley	443,192	443,192	-
Bluefield	214,635	214,635	-
Charleston	1,735,139	1,735,139	-
Clarksburg	442,818	436,840	5,978
Dunbar	165,524	150,345	15,179
Elkins	49,028	49,028	-
Fairmont	434,483	434,483	-
Grafton	39,167	39,167	-
Huntington	1,107,233	830,204	277,030
Logan	64,417	-	64,417
Martinsburg	359,039	359,039	-
Morgantown	507,846	507,846	-
Moundsville	73,146	73,146	-
Nitro	129,091	129,091	-
Parkersburg	659,778	659,778	-
Princeton	134,652	134,652	-
Saint Albans	219,396	219,396	-
South Charleston	419,174	419,174	-
Weirton	218,214	218,214	-
Weston	52,550	-	52,550
Wheeling	992,904	992,904	-
Williamson	73,098	-	73,098
Totals	\$ 18,189,012	\$ 16,928,538	\$ 1,260,473



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

Honorable Members of the Board
West Virginia Municipal Pensions Oversight Board
Charleston, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the West Virginia Municipal Pensions Oversight Board (the Board) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 20, 2018. Our report also includes an emphasis of a matter for the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion was not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Charleston, West Virginia
September 20, 2018

**WEST VIRGINIA MUNICIPAL PENSIONS
OVERSIGHT BOARD**

**FINANCIAL REPORT WITH
OTHER FINANCIAL INFORMATION**

June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

To the West Virginia Municipal Pensions Oversight Board
Charleston, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the West Virginia Municipal Pensions Oversight Board (the Board), a component unit of the State of West Virginia, as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Virginia Municipal Pensions Oversight Board, as of June 30, 2019, and the changes in financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of the Board as of June 30, 2018, were audited by other auditors whose report dated September 20, 2018, expressed an unmodified opinion on those statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7, and the schedules of the proportionate share of the net pension liability, the schedules of contributions to the PERS, the schedules of the proportionate share of the net OPEB liability, the schedules of contributions to the RHBT, and the notes to required supplementary information on pages 33 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Board's basic financial statements. The schedule of statutory commitments on page 40 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying schedule of statutory commitments on page 40 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of statutory commitments on page 40 is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2019 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
September 19, 2019

**WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2019 AND 2018
(Unaudited)**

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Our discussion and analysis of the Municipal Pensions Oversight Board's (the Board) financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the Board's financial statements, which follow.

Financial Highlights

- The Insurance Premium Tax increased by \$582,551 or about 3% during fiscal year 2019.
- Distributions to municipal pension plans increased \$261,344 or 1.57% during the fiscal year 2019.
- Interest income increased by \$281,992 or about 71% during fiscal year 2019.
- The Board's net position increased during fiscal year 2019 by \$1,284,529 or about 4%.

Using This Report

This report consists of a series of financial statements. The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Fund Net Position display and report the Board's net position and changes in net position. The Board's net position, which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, is normally how one would measure the Board's financial health or financial position.

The Board as a Whole

The Municipal Pensions Oversight Board is accounted for as a proprietary fund engaged in business-type activities. The Board 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 discretely presented component unit.

During the third month of each quarter the Board receives, from the West Virginia Insurance Commission, a portion of the casualty & fire insurance premiums to distribute, net of operating expenses, to the municipal police and fire pension plans. In order to receive the premium distribution, there must be an actuarial study of the pension plan, the employer must make the required contributions and an annual report must be provided to the Board.

Duties of the Board include assisting municipal pension funds' boards of trustees in performing their duties, assuring the funds' compliance with applicable laws, providing for actuarial studies, distributing tax revenues to the funds, initiating or joining legal actions on behalf of active or retired pension fund members or municipal pension funds' boards of trustees to protect the interests of the members in the funds, and taking other actions as may be reasonably necessary to provide for the security and fiscal integrity of the pension funds.

Our analysis below shows the Board's net position as of June 30, 2019, 2018, and 2017 (Table 1) and changes in the Board's net position for the years then ended (Table 2), with emphasis on the most recent year.

WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2019 AND 2018
(Unaudited)

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Table 1
Net Position

	2019	2018	2017
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 30,948,545	\$ 29,668,433	\$ 29,072,618
Capital assets, net	9,412	3,763	5,651
	<u>30,957,957</u>	<u>29,672,196</u>	<u>29,078,269</u>
Deferred outflows of resources related to pensions	25,868	30,381	80,912
Deferred outflows of resources related to OPEB	3,592	2,124	-
Total deferred outflows of resources	<u>29,460</u>	<u>32,505</u>	<u>80,912</u>
<u>Total assets and deferred outflows of resources</u>	<u>\$ 30,987,417</u>	<u>\$ 29,704,701</u>	<u>\$ 29,159,181</u>
<u>LIABILITIES</u>			
Current liabilities	\$ 49,632	\$ 29,351	\$ 62,456
Non-current liabilities:			
Net pension liability	39,726	65,444	137,788
Net OPEB liability	<u>22,300</u>	<u>23,776</u>	<u>12,384</u>
Total liabilities	<u>111,658</u>	<u>118,571</u>	<u>212,628</u>
Deferred inflows of resources related to pensions	24,041	20,522	8,295
Deferred inflows of resources related to OPEB	<u>5,494</u>	<u>3,913</u>	<u>-</u>
Total deferred inflows of resources	<u>29,535</u>	<u>24,435</u>	<u>8,295</u>
<u>Total liabilities and deferred inflows of resources</u>	<u>\$ 141,193</u>	<u>\$ 143,006</u>	<u>\$ 220,923</u>
<u>NET POSITION</u>			
Net investment in capital assets	\$ 9,412	\$ 3,763	\$ 5,651
Restricted by enabling legislation	<u>30,836,812</u>	<u>29,557,932</u>	<u>28,932,607</u>
Total net position	<u>\$ 30,846,224</u>	<u>\$ 29,561,695</u>	<u>\$ 28,938,258</u>

**WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2019 AND 2018
(Unaudited)**

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**Table 2
Changes in Fund Net Position**

	2019	2018	2017
Operating revenues:			
Insurance premium tax	\$ 20,022,883	\$ 19,440,332	\$ 18,331,186
Operating expenses:			
Distributions to municipal pension plans	18,768,884	18,507,540	17,352,187
Administrative expense	650,354	696,971	735,136
	<u>19,419,238</u>	<u>19,204,511</u>	<u>18,087,323</u>
Operating income	603,645	235,821	243,863
Non-operating revenues:			
Interest and other income	679,475	397,483	219,049
On behalf OPEB payments	<u>1,409</u>	<u>1,499</u>	<u>-</u>
Change in net position	1,284,529	634,803	462,912
Net position, beginning of year, as previously stated	29,561,695	28,938,258	28,475,346
Net effect of change in accounting policy	-	(11,366)	-
Net position, beginning of year, restated	<u>29,561,695</u>	<u>28,926,892</u>	<u>28,475,346</u>
Net position, end of period	<u>\$ 30,846,224</u>	<u>\$ 29,561,695</u>	<u>\$ 28,938,258</u>

Changes in Net Position

As is noted in Table 2 the Board had a change in net position in the amount of \$1,284,529. Several factors contribute to both a negative and positive effect on net position. First, the Board experienced an increase in the insurance premium tax revenue in the amount of \$582,551 for fiscal year 2019. While the Board has no control over the premium tax revenue as it is subject to economic and market conditions, an increase in revenue to the Board directly benefits the local police and fire pension plans. Secondly, distributions to pension plans increased for fiscal year 2019 in the amount of \$261,344. One of the primary objectives of the MPOB is to distribute the premium tax into the accounts of the pension plans as soon as the plans meet the criteria for state aid. While it is the responsibility of the pension plans to draw down these funds, the increased distributions is reflective of our continued educational efforts to the pension plan trustees and finance directors especially with respect to drawing down the state aid as soon as the municipality has made its required contributions. 96% of the September 2018 allocation was distributed by June 30, 2019 which is an increase of 3% to the same time period of the previous year. Third, as a result of short-term rate increases in the WV Money Market Pool the MPOB return on investments managed by the Board of Treasury Investments have risen from 2.06% as of June 2018 to 2.47 % as of June 2019. This rate hike caused our interest income to increase \$281,992.

**WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2019 AND 2018
(Unaudited)**

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Currently Known Facts and Conditions

The Board's financial position remains stable and does not foresee or plan to engage in any activities that will have a negative impact on its financial stability.

Requests for Information

This financial report is designed to provide a general overview of the Board's operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Blair Taylor, Executive Director, Municipal Pensions Oversight Board, 301 Eagle Mountain Road, Suite 251, Charleston, West Virginia 25311.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
STATEMENTS OF NET POSITION
June 30, 2019 and 2018

<u>ASSETS</u>	<u>2019</u>	<u>2018</u>
Current Assets:		
Cash and Cash equivalents (Note 3)	\$ 30,948,545	\$ 29,668,433
Capital assets, net (Note 4)	<u>9,412</u>	<u>3,763</u>
Total assets	<u>30,957,957</u>	<u>29,672,196</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows of resources related to pensions (Note 5)	25,868	30,381
Deferred outflows of resources related to OPEB (Note 6)	<u>3,592</u>	<u>2,124</u>
Total deferred outflows of resources	<u>29,460</u>	<u>32,505</u>
Total assets and deferred outflows of resources	<u><u>\$ 30,987,417</u></u>	<u><u>\$ 29,704,701</u></u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 10,918	\$ 3,251
Accrued payroll liabilities	<u>38,714</u>	<u>26,100</u>
Total current liabilities	<u>49,632</u>	<u>29,351</u>
Noncurrent Liabilities:		
Net pension liability (Note 5)	39,726	65,444
Net OPEB liability (Note 6)	<u>22,300</u>	<u>23,776</u>
Total noncurrent liabilities	<u>62,026</u>	<u>89,220</u>
Total liabilities	<u>111,658</u>	<u>118,571</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of resources related to pensions (Note 5)	24,041	20,522
Deferred inflows of resources related to OPEB (Note 6)	<u>5,494</u>	<u>3,913</u>
Total deferred inflows of resources	<u>29,535</u>	<u>24,435</u>
Total liabilities and deferred inflows of resources	<u><u>\$ 141,193</u></u>	<u><u>\$ 143,006</u></u>
<u>NET POSITION</u>		
Net investment in capital assets	\$ 9,412	\$ 3,763
Restricted by enabling legislation	<u>30,836,812</u>	<u>29,557,932</u>
Total net position	<u><u>\$ 30,846,224</u></u>	<u><u>\$ 29,561,695</u></u>

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Insurance premium tax	\$ 20,022,883	\$ 19,440,332
Operating expenses:		
Distributions to municipal pension plans	18,768,884	18,507,540
Administrative:		
Salaries and wages	224,823	212,736
Employee benefits	47,977	47,944
Professional fees	307,429	370,461
Depreciation	2,623	1,888
Miscellaneous	67,502	63,942
	<u>19,419,238</u>	<u>19,204,511</u>
Operating income	<u>603,645</u>	<u>235,821</u>
Non-operating revenues:		
Interest and other income	679,475	397,483
On behalf OPEB payments	1,409	1,499
Non-operating income	<u>680,884</u>	<u>398,982</u>
Change in net position	<u>1,284,529</u>	<u>634,803</u>
Net position, beginning of year	<u>29,561,695</u>	<u>28,926,892</u>
Net position, end of year	<u><u>\$ 30,846,224</u></u>	<u><u>\$ 29,561,695</u></u>

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Cash received from insurance premium taxes	\$ 20,022,883	\$ 19,440,332
Cash paid to municipal pension plans	(18,768,884)	(18,507,540)
Cash paid to employees	(277,826)	(265,286)
Cash paid to suppliers	(367,264)	(469,174)
Net cash provided by operating activities	<u>608,909</u>	<u>198,332</u>
Cash flows from capital and related financing activities:		
Purchase of property and equipment	<u>(8,272)</u>	<u>-</u>
Cash flows from investing activities:		
Investment earnings	<u>679,475</u>	<u>397,483</u>
Net increase in cash and cash equivalents	1,280,112	595,815
Cash and cash equivalents, beginning of year	<u>29,668,433</u>	<u>29,072,618</u>
Cash and cash equivalents, end of year	<u><u>\$ 30,948,545</u></u>	<u><u>\$ 29,668,433</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 603,645	\$ 235,821
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,623	1,888
Pension expense	4,837	13,854
OPEB expense	2,240	5,438
Changes in operating accounts:		
Increase (decrease) in accounts payable	7,667	(34,771)
Increase (decrease) in accrued payroll liabilities	12,614	1,666
(Increase) in deferred outflows of resources-Pension	(22,523)	(23,440)
(Increase) in deferred outflows of resources -OPEB	<u>(2,194)</u>	<u>(2,124)</u>
Net cash provided by operating activities	<u><u>\$ 608,909</u></u>	<u><u>\$ 198,332</u></u>

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 1 - REPORTING ENTITY

The West Virginia Legislature passed Senate Bill 4007 on November 19, 2009, creating the West Virginia Municipal Pensions Oversight Board (the Board). The Board was created for the purpose of monitoring and improving the performance of municipal policemen's and firemen's pension and relief funds to assure prudent administration, investment, and management of their funds. Duties of the oversight board include assisting municipal boards of trustees in performing their duties, assuring the funds' compliance with applicable laws, providing for actuarial studies, distributing tax revenues to the funds, initiating or joining legal actions on behalf of active or retired pension fund members or municipal boards of trustees to protect the interests of the members in the funds, and taking other actions as may be reasonably necessary to provide for the security and fiscal integrity of the pension funds. The oversight board also monitors the performance required of the various funds to qualify to receive distributions of insurance premium tax revenues pursuant to the West Virginia Code. The Board 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 discretely presented component unit.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Board is accounted for as a proprietary fund engaged in business-type activities. The financial statements are prepared on the economic resources measurement focus and the accrual basis of accounting which requires recognition of revenue when earned and expenses when incurred.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of demand deposits with the West Virginia State Treasurer's Office (STO) and short-term interest-earning investments in the West Virginia Money Market Pool, a State internal investment pool maintained by the West Virginia Board of Treasury Investments (BTI). The West Virginia Money Market Pool is carried at amortized cost.

Capital Assets

The Board has adopted a policy of capitalizing assets for individual items exceeding \$1,000 in cost and a useful life greater than one year. These assets include leasehold improvements and furnishings and equipment. Depreciation is computed using the straight-line method over the estimated economic useful lives of the assets for 5 years.

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Employee Benefits

In accordance with State policy, the Board permits employees to accumulate earned but unused vacation and sick pay benefits. A liability for vacation pay is accrued when earned. To the extent that accumulated sick leave is expected to be converted to benefits on retirement, the benefits are funded by the Board's participation in the West Virginia Retiree Health Benefit Trust.

Deferred Outflows of Resources / Deferred Inflows of Resources

The statement of net position reports a separate financial statement element called *deferred outflows of resources*. This financial statement element represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense) until that time. The Board reports deferred outflows of resources related to pensions and other post-employment benefits on the statements of net position.

The statement of net position reports a separate financial statement element called *deferred inflows of resources*. This financial statement element represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The Board reports deferred inflows of resources related to pensions and other post-employment benefits on the statements of net position.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employee Retirement System (PERS), and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the West Virginia Retiree Health Benefit Trust OPEB Plan (RHBT) and additions to/deductions from RHBT's fiduciary net position have been determined on the same basis as they are reported by RHBT. For this purpose RHBT recognized benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for certain pooled investments, money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at amortized cost.

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position

Net position is presented as restricted by enabling legislation, or as the net investment in capital assets, which represents the net book value of all capital assets of the Board. Net position restricted by enabling legislation is required to first be used for the administrative expenses of the Board, with all remaining net position available for disbursement to the municipal policemen's and firemen's pension and relief funds. All expenses are incurred for restricted purposes.

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds such as the Board are revenues and expenses that result from providing services and producing goods and/or services. Operating revenues include premium tax revenues, recognized when earned. Operating expenses of the Board include administrative expenses and pension distributions, recognized when incurred. All revenues not meeting this definition are reported as nonoperating revenues.

NOTE 3 - CASH AND CASH EQUIVALENTS

At June 30, 2019 and 2018, the carrying amounts of deposits with the STO and the BTI are as follows:

	2019	2018
Cash on hand at STO	\$ 43,149	\$ 24,273
Investments with BTI reported as cash equivalents	30,905,396	29,644,160
	<u>\$ 30,948,545</u>	<u>\$ 29,668,433</u>

The State Treasurer has statutory responsibility for daily cash management activities of the State's agencies, departments, boards and commissions, and transfers funds to the BTI for investment in accordance with West Virginia Code, policies set by the BTI and by provisions of bond indentures and trust agreements when applicable.

The Board's cash balances are invested by the BTI in the BTI's West Virginia Money Market Pool. Investment income is pro-rated to the Board at rates specified by the BTI based on the balance of the deposits maintained by the Board in relation to the total deposits of all participants in the pool. Such funds are available to the Board with overnight notice.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

The BTI's investment policy is to invest assets in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity. The BTI recognizes that risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investments. Investment policies have been established for the West Virginia Money Market Pool.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The West Virginia Money Market has been rated AAAm by Standard & Poor's. A fund rated "AAAm" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's. The BTI itself has not been rated for credit risk by any organization.

The BTI limits the exposure to credit risk in the West Virginia Money Market Pool by requiring all long-term debt to be rated A+ or higher by Standard & Poor's (or its equivalent), and short-term corporate debt be rated A-1 or higher by Standard & Poor's (or its equivalent). The pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America. The following table provides information on the credit ratings of the WV Money Market Pool's investments (in thousands):

Security Type	Credit Rating		Carrying Value (in Thousands)	Percent of Pool Assets
	Moody's	S&P		
U.S. Treasury notes *	Aaa	AA+	\$ 24,927	0.63%
U.S. Treasury bills *	P-1	A-1+	329,390	8.33
Commercial Paper	P-1	A-1+	733,411	18.54
	P-1	A-1	1,494,297	37.77
	P-2	A-1	8,490	0.21
Negotiable certificates of deposit	P-1	A-1+	179,251	4.53
	P-1	A-1	534,891	13.52
Money market funds	Aaa	AAAm	178,619	4.51
Repurchase agreements (underlying securities):				
U.S. Treasury bonds and notes*	Aaa	AA+	426,000	10.77
U.S. agency bonds and notes	Aaa	AA+	47,200	1.19
			<u>\$ 3,956,476</u>	<u>100.00%</u>

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The West Virginia Money Market Pool is subject to interest rate risk.

The overall weighted average maturity of the investments of the West Virginia Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides information on the weighted average maturities for the various asset types in the West Virginia Money Market Pool:

Security Type	Carrying Value (In Thousands)	WAM (Days)
U.S. Treasury notes	\$ 24,927	125
U.S. Treasury bills	329,390	34
Commercial paper	2,236,198	57
Negotiable certificates of deposit	714,142	33
Repurchase agreements	473,200	3
Money market funds	178,619	3
	\$ 3,956,476	42

Other Risks of Investing

Other risks of investing can include concentration of credit risk, custodial credit risk, and foreign currency risk.

Concentration of credit risk is the risk of loss attributed to the magnitude of a pool or account's investment in a single corporate issuer. The BTI investment policy prohibits the West Virginia Money Market Pool from investing more than 5% of their assets in any one corporate name or one corporate issue.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. The BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The West Virginia Money Market Pool does not hold investments in foreign currency or investments valued in foreign currency.

NOTE 4 - CAPITAL ASSETS

A summary of capital asset activity is as follows:

	Historical Cost at June 30, 2017	Additions	Disposals	Historical Cost at June 30, 2018	Additions	Disposals	Historical Cost at June 30, 2019
Leasehold improvements	\$ 6,882	\$ -	\$ -	\$ 6,882	\$ -	\$ -	\$ 6,882
Furnishings and equipment	13,544	-	-	13,544	8,272	-	21,816
	<u>\$ 20,426</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,426</u>	<u>\$ 8,272</u>	<u>\$ -</u>	<u>\$ 28,698</u>
	Accumulated Depreciation June 30, 2017	Additions	Disposals	Accumulated Depreciation June 30, 2018	Additions	Disposals	Accumulated Depreciation June 30, 2019
Leasehold improvements	\$ 2,940	\$ 986	\$ -	\$ 3,926	\$ 986	\$ -	\$ 4,912
Furnishings and equipment	11,835	902	-	12,737	1,637	-	14,374
	<u>\$ 14,775</u>	<u>\$ 1,888</u>	<u>\$ -</u>	<u>\$ 16,663</u>	<u>\$ 2,623</u>	<u>\$ -</u>	<u>\$ 19,286</u>
Total	<u>\$ 5,651</u>	<u>\$ (1,888)</u>	<u>\$ -</u>	<u>\$ 3,763</u>	<u>\$ 5,649</u>	<u>\$ -</u>	<u>\$ 9,412</u>

NOTE 5 - RETIREMENT PLAN

Plan Description

The Board contributes to the Public Employees Retirement System (PERS), a cost-sharing, multiple-employer, defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board (CPRB). PERS provides retirement benefits to plan members and beneficiaries. CPRB issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained at www.wvretirement.com.

Benefits Provided

Benefits are provided through PERS using a two-tiered system. Effective July 1, 2015, PERS implemented the second tier, Tier II. Employees hired, for the first time, on or after July 1, 2015 are considered Tier II members. Tier I and Tier II members are subject to different regulations.

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 5 - RETIREMENT PLAN (Continued)

Tier I: Employees who retire at or after age 60 with five or more years of credited service, or at least age 55 with age and service equal to 80 years or greater, are entitled to a retirement benefit established by State statute, payable monthly for life, in the form of a straight-life annuity equal to two percent of the employee's final average salary multiplied by years of service. Final average salary is the average of the highest annual compensation received by an employee during any period of three consecutive years of credited service included within fifteen years of credited service immediately preceding the termination date of employment with a participating public employer or, if the employee has less than three years of credited service, the average of the annual rate of compensation received by the employee during the total years of credited service. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62.

Tier II: Employees who retire at or after age 62 with ten or more years of credited service are entitled to a retirement benefit established by State statute, payable monthly for life, in the form of a straight-life annuity equal to two percent of the employee's final average salary multiplied by years of service. Final average salary is the average of the highest annual compensation received by an employee during any period of five consecutive years of credited service included within fifteen years of credited service immediately preceding the termination date of employment with a participating public employer. Terminated members with at least ten years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 64.

Contributions

Contributions as a percentage of payroll for members are established by statutes, subject to legislative limitations and are not actuarially determined. Current funding policy requires employer contributions of 10%, 11%, and 12% for the years ended June 30, 2019, 2018, and 2017, respectively. The employee contribution rate is 4.5% and 6% for Tier I and Tier II employees, respectively. The Board's contribution to the Plan, excluding the employee's contribution paid by the Board, approximated \$22,523, \$23,440, and \$25,142 for the fiscal years ended June 30, 2019, 2018, and 2017, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019 and 2018, the Board reported a liability of \$39,726 and \$65,444, respectively for its proportionate share of the net pension liability. The 2019 net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to the measurement date of June 30, 2018. The 2018 net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 5 - RETIREMENT PLAN (Continued)

as of June 30, 2016, rolled forward to the measurement date of June 30, 2017. The Board's proportion of the net pension liability was based on the Board's share of contributions to the pension plan relative to the contributions of all participating employers. At June 30, 2018, the Board's proportionate share was 0.015383%, which was an increase of .00022157% from its proportionate share measured as of June 30, 2017.

For the years ended June 30, 2019 and 2018, the Board recognized pension expense of \$4,837 and \$13,854, respectively. At June 30, 2019 and 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 23,377
Differences between expected and actual experience	1,971	98
Changes in proportion and differences between Board's contributions and proportionate share of contributions	1,374	566
Board's contributions subsequent to the measurement date	22,523	-
Total	<u>\$ 25,868</u>	<u>\$ 24,041</u>

	June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 15,910
Differences between expected and actual experience	5,824	145
Changes in proportion and differences between Board's contributions and proportionate share of contributions	1,117	1,073
Board's contributions subsequent to the measurement date	23,440	-
Total	<u>\$ 30,381</u>	<u>\$ 20,522</u>

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 5 - RETIREMENT PLAN (Continued)

The Board reported \$22,523 as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2020	\$ 3,140
2021	(2,981)
2022	(16,899)
2023	(3,956)

Actuarial Assumptions and Methods

The total pension liability in the June 30, 2018 and 2017, actuarial valuations was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.0%
Salary increases	3.0% – 6.0%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense

Mortality rates were based on 100% of RP-2000 Non-Annuitant, Scale AA fully generational for active employees, 110% of RP-2000 Healthy Annuitant, Scale AA fully generational for retired healthy males, 101% of RP-2000 Healthy Annuitant, Scale AA fully generational for retired healthy females, 96% of RP-2000 Disabled Annuitant, Scale AA fully generational for disabled males, and 107% of RP-2000 Disabled Annuitant, Scale AA fully generational for disabled females.

The actuarial assumptions used in the June 30, 2018 and 2017, valuations were based on the results of an actuarial experience study for the period July 1, 2009 through June 30, 2014.

Long-term Expected Rates of Return

The long-term rates of return on pension plan investments were determined using a building-block method in which estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. Best estimates of long-term geometric rates of return are summarized in the following table:

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 5 - RETIREMENT PLAN (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Weighted Average Expected Real Rate of Return</u>
Fixed Income	15%	3.3%	0.50%
US Equity	27.5%	4.5%	1.24%
International Equity	27.5%	8.6%	2.37%
Real Estate	10.0%	6.0%	0.60%
Private Equity	10.0%	6.4%	0.64%
Hedge Funds	10.0%	4.0%	0.40%
Total	<u>100.0%</u>		<u>5.75%</u>
Inflation (CPI)			<u>2.10%</u>
			<u>7.85%</u>

Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projections of cash flows used to determine the discount rate assumed that employer contributions will continue to follow the current funding policies. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability. Although discount rates are subject to change between measurement dates, there were no changes in the discount rate in the current period.

Sensitivity of the Board's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Board's proportionate share of the net pension liability calculated using the current discount rate of 7.5% as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	<u>1% Decrease 6.5%</u>	<u>Discount Rate 7.5%</u>	<u>1% Increase 8.5%</u>
Total net pension liability (asset)	<u>\$ 159,984</u>	<u>\$ 39,726</u>	<u>\$ (62,011)</u>

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The West Virginia Other Postemployment Benefit Plan (the OPEB Plan) is a cost-sharing, multiple-employer, defined benefit other post-employment benefit plan and covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in the West Virginia Code Section 5-16D-2 (the Code). The financial activities of the OPEB Plan are accounted for in the West Virginia Retiree Health Benefit Trust Fund (RHBT), a fiduciary fund of the State of West Virginia. The OPEB Plan is administered by a combination of the West Virginia Public Employees Insurance Agency (PEIA) and the RHBT staff. OPEB Plan benefits are established and revised by PEIA and the RHBT management with approval of their Finance Board. The PEIA issues a publically available financial report of the RHBT that can be obtained at www.peia.wv.gov or by writing to the West Virginia Public Employees Insurance Agency, 601 571h Street, SE Suite 2, Charleston, WV 25304.

Benefits Provided

Board employees who retire are eligible for PEIA health and life benefits, provided they meet the minimum eligibility requirements of the PERS or meet certain other eligibility requirements of other West Virginia Consolidated Public Retirement Board (CPRB) sponsored retirement plans. RHBT provides medical and prescription drug insurance and life insurance benefits to those qualified participants. Life insurance is provided through a vendor and is fully funded by member contributions. The medical and prescription drug insurance is provided through two options; Self-Insured Preferred Provider Benefit Plan - primarily for non-Medicare-eligible retirees and spouses or External Managed Care Organizations - primarily for Medicare-eligible retirees and spouses.

The RHBT Medicare-eligible retired employees and their Medicare-eligible dependents receive medical and drug coverage from a Medicare Advantage Plan administered by a vendor. Under this arrangement, the vendor assumes the financial risk of providing comprehensive medical and drug coverage with limited copayments. Non-Medicare retirees continue enrollment in PEIA's Preferred Provider Benefit or the Managed Care Option. The RHBT collects employer contributions for Managed Care Organization (MCO) participants and remits capitation payments to the MCO. Survivors of retirees have the option of purchasing the medical and prescription drug coverage.

Eligible participants hired after June 30, 2010, will be required to fully fund premium contributions upon retirement. The Plan is a closed plan to new entrants.

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Contributions

West Virginia Code section 5-16D-6 assigns to the PEIA Finance Board the authority to establish and amend contribution requirements of the plan members and the participating employers. Participating employers are required by statute to contribute at a rate assessed each year by the RHBT. The annual contractually required rate is the same for all participating employers. Employer contributions represent what the employer was billed during the respective year for their portion of the pay as you go premiums, commonly referred to as paygo, retiree leave conversion billings, and other matters, including billing adjustments. The annual contractually required per active policyholder per month rates for State non-general funded agencies and other participating employers effective June 30, 2019, 2018, and 2017, respectively, were:

	2019	2018	2017	2017
			1/1/17 – 6/30/17	7/1/16-12/31/16
Paygo Premium	\$ 183	\$ 177	\$ 135	\$ 196

Contributions to the OPEB plan from the Board were \$2,194, \$2,124, and \$1,981 for the years ended June 30, 2019, 2018, and 2017, respectively.

Members retired before July 1, 1997, pay retiree healthcare contributions at the highest sponsor subsidized rate, regardless of their actual years of service. Members retired between July 1, 1997 and June 30, 2010, pay a subsidized rate depending on the member's years of service. Members hired on or after July 1, 2010, pay retiree healthcare contributions with no sponsor provided implicit or explicit subsidy.

Retiree leave conversion contributions from the employer depend on the retiree's date of hire and years of service at retirement as described below;

- Members hired before July 1, 1988, may convert accrued sick or leave days into 100% of the required retiree healthcare contribution.
- Members hired from July 1, 1988, to June 30, 2001, may convert accrued sick or leave days into 50% of the required retiree healthcare contribution.

The conversion rate is two days of unused sick and annual leave days per month for single healthcare coverage and three days of unused sick and annual leave days per month for family healthcare coverage.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Contributions by Nonemployer Contributing Entities in Special Funding Situation

The State of West Virginia is a nonemployer contributing entity that provides funding through SB 419, effective July 1, 2012, amended by West Virginia Code §11-21-96. The State provides a supplemental pre-funding source dedicating \$30 million annually to the RHBT Fund from annual collections of the Personal Income Tax Fund and dedicated for payment of the unfunded liability of the RHBT. The \$30 million transferred pursuant to this Code shall be transferred until the Governor certifies to the Legislature that an independent actuarial study has determined that the unfunded liability of RHBT has been provided for in its entirety or July 1, 2037, whichever date is later. This funding is to the advantage of all RHBT contributing employers.

The State is a nonemployer contributing entity that provides funding through West Virginia State Code §11B-2-32. The Financial Stability Fund is a plan to transfer an annual amount of \$5 million to the RHBT from special revenue funds to be used to lower retiree premiums, to help reduce benefit cuts, to help reduce premium increases or any combination thereof. The \$5 million transferred pursuant to this Code shall be transferred annually into the RHBT through June 30, 2020. This funding is to the advantage of all RHBT contributing employers.

The State is a nonemployer contributing entity that provides funding through SB 469 which was passed February 10, 2012, granting OPEB liability relief to the 55 County Boards of Education effective July 1, 2012. The public school support plan (PSSP) is a basic foundation allowance program that provides funding to the local school boards for "any amount of the employer's annual required contribution allocated and billed to the county boards for employees who are employed as professional employees, employees who are employed as service personnel and employees who are employed as professional student support personnel", within the limits authorized by the State Code. This special funding under the school aid formula subsidizes employer contributions of the county boards of education.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019 and 2018, the Board reported a liability for its proportionate share of the RHBT net OPEB liability that reflected a reduction for State OPEB support provided to the Board. The amount recognized by the Board as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the Board was as follows:

	<u>2019</u>	<u>2018</u>
The Board's proportionate share of the net OPEB liability	\$ 22,300	\$ 23,776
State's special funding proportionate share of the net OPEB liability associated with the Board	<u>4,609</u>	<u>4,884</u>
Total portion of net OPEB liability associated with the Board	<u>\$ 26,909</u>	<u>\$ 28,660</u>

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The net OPEB liability reported at June 30, 2019 was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. The Board's proportion of the net OPEB liability was based on its proportionate share of employer and non-employer contributions to the OPEB Plan for the fiscal year ended on the measurement date. At June 30, 2018, the Board's proportion was .001039396 percent, which is an increase of .000072494 percent from its proportion measured as of June 30, 2017.

For the years ended June 30, 2019 and 2018, respectively, the Board recognized OPEB expense of \$2,240 and \$2,774 and for support provided by the State under special funding situations revenue of \$1,409 and \$1,499. At June 30, 2019 and 2018, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 330
Net difference between projected and actual earnings on OPEB plan investments	-	413
Changes in assumptions	-	2,227
Changes in proportion and differences between the Board's contributions and proportionate share of contributions	1,398	2,524
The Board's contributions subsequent to the measurement date of June 30, 2018	2,194	-
Total	<u>\$ 3,592</u>	<u>\$ 5,494</u>

	June 30, 2018	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 80
Net difference between projected and actual earnings on OPEB plan investments	-	379
Changes in proportion and differences between the Board's contributions and proportionate share of contributions	-	3,454
The Board's contributions subsequent to the measurement date of June 30, 2017	2,124	-
Total	<u>\$ 2,124</u>	<u>\$ 3,913</u>

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Deferred outflows of resources related to OPEB of \$2,194 resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	
2020	\$ (1,382)
2021	(1,382)
2022	(1,109)
2023	(223)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	Dependent upon pension system ranging from 3.00% to 6.50%, including inflation
Investment rate of return	7.15%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Actual trend used for fiscal year 2018. For fiscal years on and after 2019, trend starts at 8.00% and 10.00% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.13% and 0.00% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2022 to account for the Excise Tax.
Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll over a 20 year closed period
Remaining amortization period	20 years closed as of June 30, 2017

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial Assumptions (Continued)

Post-retirement mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and Teachers' Retirement System (TRS) and RP-2014 Healthy Annuitant Mortality Table projected with scale MP-2016 on a fully generational basis for West Virginia Death, Disability, and Retirement Fund (Troopers A) and West Virginia State Police Retirement System (Troopers B). Pre-retirement mortality rates were based on RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS and RP-2014 Employee Mortality Table projected with Scale MP-2016 on a fully generational basis for Troopers A and B.

The total OPEB liability was determined by an actuarial valuation as of June 30, 2016, rolled forward to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	Dependent upon pension system ranging from 3.00% to 6.50%, including inflation
Investment rate of return	7.15%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Actual trend used for fiscal year 2017. For fiscal years on and after 2018, trend starts at 8.50% and 9.75% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.14% and 0.29% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2020 to account for the Excise Tax.
Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll over a 21 year closed period
Remaining amortization period	21 years closed as of June 30, 2016

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and Teachers' Retirement System (TRS). RP-2000 Healthy Annuitant Mortality Table projected to 2025 with scale BB for West Virginia Death, Disability, and Retirement Fund (Troopers A) and West Virginia State Police Retirement System (Troopers B). Pre-Retirement: RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS. RP-2000 Non-Annuitant Mortality Table projected to 2020 with Scale BB for Troopers A and B.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The actuarial assumptions used in the June 30, 2017 and 2016 valuations were based on the results of an actuarial experience study for the period July 1, 2011 - June 30, 2015.

Certain assumptions have been changed since the prior measurement date. The assumption changes that most significantly impacted the Net OPEB Liability are as follows: the inclusion of waived annuitants increased the liability by approximately \$17 million; a 15% reduction in the retirement rate assumption decreased the liability by approximately \$68 million; a change in certain healthcare-related assumptions decreased the liability by approximately \$232 million; and an update to the mortality tables increased the liability by approximately \$25 million. Certain other assumption changes were noted but did not materially impact the Net OPEB Liability.

The long-term expected rate of return of 7.15% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.50% for long-term assets invested with the West Virginia Investment Management Board (WVIMB) and an expected short-term rate of return of 3.0% for assets invested with the WVBFI. Long-term pre-funding assets are invested with the WVIMB. The strategic asset allocation consists of 55% equity, 15% fixed income, 10% private equity, 10% hedge fund and 10% real estate invested. Short-term assets used to pay current year benefits and expenses are invested with the WVBFI.

The long-term rate of return on OPEB plan investments was determined using a building block method in which estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) was developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. Best estimates of long-term geometric rates are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return
Large Cap Domestic	17.0%
Non-Large Cap Domestic	22.0%
International Qualified	24.6%
International Non-Qualified	24.3%
International Equity	26.2%
Short-Term Fixed	0.5%
Total Return Fixed Income	6.7%
Core Fixed Income	0.1%
Hedge Fund	5.7%
Private Equity	19.6%
Real Estate	8.3%
Opportunistic Income	4.8%
Cash	0.0%

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Discount rate

The discount rate used to measure the total OPEB liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that RHBT contributions would be made at rates equal to the actuarially determined contribution rates, in accordance with prefunding and investment policies. Future pre-funding assumptions include a \$30 million annual contribution from the State through 2037. Based on those assumptions, and that the Plan is expected to be fully funded by fiscal year ended June 30, 2037, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates.

Other key assumptions

The projection assumes that the capped subsidy aggregate contribution limit of \$160 million for 2018 would increase by \$10 million per year on and after 2019. Additionally, the per member subsidy is projected to increase by at least 3.0% per year but no more than the healthcare trend inflation assumption such that the product of the projected subsidy and projected members is less than the projected aggregated capped costs; and the member's share of plan costs is expected to remain stable as a percentage of total costs following the year that the program is fully funded. After 2037, the program is projected to be fully funded and the sponsor is assumed to contribute the residual portion of normal cost and operational expenses needed to maintain a funded ratio of 100% in future years. In addition, after 2035, the member's share of total plan costs is assumed to remain stable at approximately 61% of total plan costs. These assumptions produced per member annual capped subsidy increases of 3.0% per year from 2018 to 2023 and 4.5% per year after 2023.

Members hired on or after July 1, 2010, are required to pay 100% of expected cost of coverage, resulting in no implicit or explicit employer cost. Consequently, these members are excluded from the actuarial valuation.

Subsequent Event

Subsequent to the June 30, 2018, measurement date, on August 21, 2018 RHBT executed a contract renewal with Humana's Medicare Advantage Plan (Humana MAPD) for Plan years 2019 and 2020. This renewal included reduced per member per month capitation costs which decreased from \$224 to \$175 per member per month, due to favorable experience and the removal of the health insurance fee.

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The estimated impact of these reduced rates is not recognized in the estimated net OPEB liability measured at June 30, 2018, since the contract was executed subsequent to the measurement date. Per GASB Statement 75, if a change occurs in a factor relevant to measurement of the net OPEB liability between the measurement date of the net OPEB liability and the employer's current fiscal year-end, the employer should report the effect on the net OPEB liability of that change as of the next measurement date. The estimated impact of the reduced capitation rates on the net OPEB liability is a decrease of approximately 9.0%, or \$280 million, which will be considered in the next actuarial valuation estimating the net OPEB liability measured as of June 30, 2019. The future actuarial measurement may differ significantly from this estimate due to various other factors such as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions due to changing conditions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

Sensitivity of the Board's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Board's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the Board's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
The Board's proportionate share of the net OPEB liability	\$ 26,209	\$ 22,300	\$ 19,041

Sensitivity of the Board's Proportionate Share of Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the Board's proportionate share of the net OPEB liability, as well as what the Board's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage point higher than the current rates:

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
The Board's proportionate share of the net OPEB liability	\$ 18,452	\$ 22,300	\$ 26,988

NOTE 7 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to and illnesses of employees; and natural disasters.

The Board has obtained coverage for job-related injuries of employees (workers compensation) and health coverage for its employees through a commercial insurer and West Virginia Public Employees Insurance Agency (WVPEIA). In exchange for the payment of premiums, the Board has transferred its risks related to health coverage for employees and job-related injuries of employees.

The Board participates in the West Virginia State Board of Risk and Insurance Management (WVBRIM), a public entity risk pool, to obtain coverage for general liability, personal injury liability, professional liability, stop gap liability, wrongful act liability, and comprehensive auto liability. There have been no reductions in insurance coverage from the prior year and no settlements in the past three fiscal years.

NOTE 8 - TRANSACTIONS WITH THE STATE OF WEST VIRGINIA

Pursuant to West Virginia Code, the West Virginia Insurance Commission (the Commission) collects a 1% premium tax on fire and casualty insurance policies. The Commission distributes 65% of the premium tax receipts to the Board. The distributions from the Commission are reported as insurance premium tax revenues on the Board's Statements of Revenues, Expenses, and Changes in Fund Net Position. Other transactions with State of West Virginia agencies include expenses paid for general and administrative activities of the Board in the normal course of operations.

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 9 - COMMITMENTS

The Board is required by its enabling legislation to allocate certain tax and other revenues, net of administrative expenses, to the municipal policemen's and firemen's pension and relief funds (the Funds) by September 1st of each year. The amount to be allocated to the Funds is calculated based upon the Board's prior calendar year insurance premium tax revenues, interest, and other income, less its administrative expenses for the same period. The amounts allocated to each Fund are paid after the allocation date as eligibility requirements to receive the payments are met by each of the Funds. Amounts allocated expire in 18 months if eligibility requirements are not met and the allocated amounts are not paid. Any expired allocation is re-allocated to all other eligible Funds at the next allocation date. The amount committed for payment to the Funds that remain on hand from the September 1, 2018 allocation, but have not been disbursed as of June 30, 2019 is \$621,647.

The amount available to the Board for allocation to the pension plans in September 2019 is \$19,500,066.

NOTE 10 - NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2018. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The Board has not yet determined the effect that the adoption of GASB Statement No. 84 may have on its financial statements.

The GASB has also issued Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. The requirements of this Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The Board has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

The GASB has also issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for fiscal years beginning after December 15, 2019. The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. The Board has not yet determined the effect that the adoption of GASB Statement No. 89 may have on its financial statements.

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2019 AND 2018**

NOTE 10 - NEW ACCOUNTING PRONOUNCEMENTS (Continued)

The GASB has also issued Statement No. 90, *Majority Equity Interests*, an amendment of GASB Statements No. 14 and No. 61 in August 2018. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improves the relevance of financial statement information for certain component units. The requirements of this Statement are effective for periods beginning after December 15, 2018. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis. The Board has not yet determined the effect that the adoption of GASB Statement No. 90 may have on its financial statements.

The GASB has also issued Statement No. 91, *Conduit Debt Obligations* in May 2019. This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. The Board has not yet determined the effect that the adoption of GASB Statement No. 91 may have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM PLAN

	Years Ended June 30,			
	2019	2018	2017	2016
Board's proportion (percentage) of the net pension liability (asset)	0.015383%	0.015161%	0.014991%	0.015321%
Board's proportionate share of the net pension liability (asset)	\$ 39,726	\$ 65,444	\$ 137,788	\$ 85,568
Board's covered payroll	\$ 212,736	\$ 208,930	\$ 209,706	\$ 207,776
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	18.674%	31.323%	65.705%	41.183%
Plan fiduciary net position as a percentage of the total pension liability	96.33%	93.67%	86.11%	91.29%
				93.98%

Note: All amounts presented are as of the measurement date, which is one year prior to the fiscal year end date.

See Independent Auditor's Report and accompanying Notes to Required Supplementary Information.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CONTRIBUTIONS TO THE PERS

	Years Ended June 30,						
	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 22,523	\$ 23,440	\$ 25,142	\$ 28,310	\$ 29,089	\$ 29,495	\$ 28,127
Contributions in relation to the							
statutorily required contribution	(22,523)	(23,440)	(25,142)	(28,310)	(29,089)	(29,495)	(28,127)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The Board's covered payroll	\$ 224,823	\$ 212,736	\$ 208,930	\$ 209,706	\$ 207,776	\$ 203,412	\$ 200,906
Contributions as a percentage of covered payroll	10.0%	11.0%	12.0%	13.5%	14.0%	14.5%	14.0%

See Independent Auditor's Report and accompanying Notes to Required Supplementary Information.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
YEARS ENDED JUNE 30

	<u>2019</u>	<u>2018</u>
Board's proportion of the net OPEB liability (asset) (percentage)	0.001039396%	0.000966902%
Board's proportionate share of the net OPEB liability (asset)	\$ 22,300	\$ 23,776
State's proportionate share of the net OPEB liability (asset)	<u>4,609</u>	<u>4,884</u>
Total proportionate share of the net OPEB liability (asset)	<u>\$ 26,909</u>	<u>\$ 28,660</u>
Board's covered employee payroll	\$ 212,736	\$ 208,930
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	10.48%	11.38%
Plan fiduciary net position as a percentage of the total OPEB liability	30.98%	25.10%

Note: All amounts presented are as of the measurement date, which is one year prior to the fiscal year end date.

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CONTRIBUTIONS TO THE RHBT
YEARS ENDED JUNE 30**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contribution	\$ 3,592	\$ 2,124	\$ 1,986
Contributions in relation to the statutorily required contribution	<u>3,592</u>	<u>(2,124)</u>	<u>(1,986)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered employee payroll	\$ 224,823	\$ 212,736	\$ 208,930
Contributions as a percentage of covered employee payroll	1.60%	1.00%	0.95%

See Independent Auditor's Report and accompanying Notes to Required Supplementary Information.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019

NOTE 1. - TREND INFORMATION PRESENTED

The accompanying schedules of the Board's proportionate share of the net OPEB and pension liabilities and contributions to RHBT and PERS are required supplementary information to be presented for 10 years. However, until a full 10 year trend is compiled, information is presented in the schedules for those years for which information is available.

NOTE 2. - OPEB CHANGES IN ASSUMPTIONS

Below are changes in assumptions between the 2017 and 2016 valuations:

The assumption changes that most significantly impacted the Net OPEB Liability are as follows: the inclusion of waived annuitants increased the liability by approximately \$17 million; a 15% reduction in the retirement rate assumption decreased the liability by approximately \$68 million; a change in certain healthcare-related assumptions decreased the liability by approximately \$232 million; and an update to the mortality tables increased the liability by approximately \$25 million. Certain other assumption changes were noted but did not materially impact the Net OPEB Liability.

Below are changes in the assumptions between the 2016 and 2015 valuations:

Certain economic and behavioral assumptions are unique to healthcare benefits. These assumptions include the healthcare trend, per capita claims costs, the likelihood that a member selects healthcare coverage and the likelihood that a retiree selects one-person, two person or family coverage. These assumptions were updated based on a recent experience study performed by the RHBT actuaries using five-year experience data through June 30, 2015. The updated per capita claims costs were also based on recent claims, enrollment and premium information as of the valuation date.

For the June 30, 2016 valuation, the retiree healthcare participation assumption for each retirement plan is slightly higher than the previous assumption used in the June 30, 2015 OPEB valuation. More members who were covered as actives will be assumed to participate as retirees.

The 2016 and 2015 valuations include consideration of the \$30 million annual appropriations under Senate Bill 419, through July 1, 2037, or if earlier, the year the benefit obligation is fully funded. Additionally, the presentation of covered payroll was changed for the June 30, 2015, actuarial valuation. Participating employees hired before July 1, 2010, pay retiree premiums that are subsidized based on years of service at retirement. Participating employees hired on or after July 1, 2010, are required to fully fund premium contributions upon retirement. Consequently, beginning June 30, 2015, actuarial valuation covered payroll represents only the payroll for those OPEB eligible participating employees that were hired before July 1, 2010, allowing a better representation of the UAAL as a percentage of covered payroll, whereas, for the prior years, covered payroll is in total for all participating employees.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019

NOTE 3. - PENSION PLAN AMENDMENTS

The PERS was amended to make changes which apply to new employees hired on or after July 1, 2015 as follows:

- For employees hired prior to July 1, 2015, qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. A member may retire with the pension reduced actuarially if the member is at least 55 and has at least 10 years of contributory service, or at any age with 30 years of contributory service. For employees hired after July 1, 2015, qualification for normal retirement is 62 with 10 years of service. A member hired after July 1, 2015 may retire with the pension reduced actuarially if the member is between the ages 60 and 62 with at least ten years of contributory service, between ages 57 and 62 with at least twenty years of contributory service or between the ages 55 and 62 with at least thirty years of contributory service.
- The straight life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. For employees hired prior to July 1, 2015, average salary is the average of the three consecutive highest annual earnings out of the last fifteen years of earnings. For all employees hired on or after July 1, 2015 average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings.
- For employees hired prior to July 1, 2015, terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired on or after July 1, 2015, this age increases to 64 with at least ten years of contributory service, or age 63 with at least twenty years of contributory service.
- For all employees hired prior to July 1, 2015, employees are required to contribute 4.5% of annual earnings. All employees hired on or after July 1, 2015, are required to contribute 6% of annual earnings.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019

NOTE 4. - PENSION PLAN ASSUMPTIONS

An experience study, which was based on the years 2009 through 2014, was completed prior to the 2015 actuarial valuation. As a result, several assumptions were changed for the actuarial valuations as follows:

	<u>2015 - 2018</u>	<u>2014</u>
Projected salary increases:		
State	3.0-4.6%	4.25-6.0%
Non-state	3.35-6.0%	4.25-6.0%
Inflation rate	3.0% (2016-2018), 1.9% (2015)	2.2%
Mortality rates	Active RP	
	2000 Non-Annuitant Tables, Scale AA	
	fully generational	
	Retired healthy males-110% of RP-	Healthy males-1983 GAM
	2000 Non-Annuitant, Scale AA	
	fully generational	Healthy females-1971 GAM
	Retired healthy females-101% of RP-	Disabled males-1971 GAM
	2000 Non-Annuitant, Scale AA	
	fully generational	Disabled females - Revenue
	Disabled males-96% of RP-2000	ruling 96-7
	Disabled Annuitant, Scale AA	
	fully generational	
	Disabled females-07% of RP-2000	
	Disabled Annuitant, Scale AA	
	fully generational	
Withdrawal rates		
State	1.75-35.1%	1 - 26%
Non-state	2-35.8%	2 - 31.2%
Disability rates	0 - .675%	0 - .8%

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
SCHEDULE OF STATUTORY COMMITMENTS
June 30, 2018

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Supplemental Allocation Detail September 2018 Expires 2/28/2020			
	Allocation	Expended	Balance
<u>Police Departments</u>			
Beckley	\$ 528,508	\$ 528,508	\$ -
Belle	42,429	42,429	-
Bluefield	272,344	272,344	-
Charleston	1,749,234	1,749,234	-
Charles Town	10,109	10,109	-
Chester	35,437	28,395	7,042
Clarksburg	446,236	446,236	-
Dunbar	138,647	138,647	-
Elkins	108,209	108,209	-
Fairmont	379,282	379,282	-
Grafton	69,352	69,352	-
Huntington	1,053,495	1,053,495	-
Logan	57,696	-	57,696
Martinsburg	435,474	435,474	-
Morgantown	705,979	705,979	-
Moundsville	152,716	152,716	-
Nitro	160,801	160,801	-
Oak Hill	128,058	-	128,058
Parkersburg	730,381	730,381	-
Princeton	202,316	202,316	-
Point Pleasant	80,798	-	80,798
Saint Albans	239,708	239,708	-
South Charleston	399,822	399,822	-
Star City	54,437	-	54,437
Vienna	183,564	183,564	-
Weirton	390,069	390,069	-
Welch	46,970	-	46,970
Weston	61,409	61,409	-
Westover	88,637	88,637	-
Wheeling	791,415	791,415	-
Williamson	58,021	-	58,021
<u>Fire Departments</u>			
Beckley	463,895	463,895	-
Bluefield	222,060	222,060	-
Charleston	1,781,609	1,781,609	-
Clarksburg	446,391	446,391	-
Dunbar	158,206	158,206	-
Elkins	55,063	-	55,063
Fairmont	443,238	443,238	-
Grafton	41,156	41,156	-
Huntington	1,109,807	1,109,807	-
Logan	65,234	-	65,234
Martinsburg	358,686	358,686	-
Morgantown	548,107	548,107	-
Moundsville	68,290	68,290	-
Nitro	136,709	136,709	-
Parkersburg	663,805	663,805	-
Princeton	136,710	136,710	-
Saint Albans	227,823	227,823	-
South Charleston	439,511	439,511	-
Weirton	227,874	227,874	-
Weston	53,182	53,182	-
Wheeling	999,956	999,956	-
Williamson	68,328	-	68,328
	\$ 18,517,193	\$ 17,895,546	\$ 621,647

See Independent Auditor's Report

SUPPLEMENTARY INFORMATION



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

To the West Virginia Municipal Pensions Oversight Board
Charleston, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the West Virginia Municipal Pensions Oversight Board (the Board), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 19, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
September 19, 2019

**WEST VIRGINIA MUNICIPAL PENSIONS
OVERSIGHT BOARD**

**FINANCIAL REPORT WITH
OTHER FINANCIAL INFORMATION**

June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the West Virginia Municipal Pensions Oversight Board
Charleston, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the West Virginia Municipal Pensions Oversight Board (the Board), a component unit of the State of West Virginia, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Virginia Municipal Pensions Oversight Board, as of June 30, 2020 and 2019, and the changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7, and the schedule of the proportionate share of the net pension liability, the schedule of contributions to the PERS, the schedule of the proportionate share of the net OPEB liability, the schedule of contributions to the RHBT, and the notes to required supplementary information on pages 30 through 36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Board's basic financial statements. The schedule of statutory commitments on page 37 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying schedule of statutory commitments on page 37 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of statutory commitments on page 37 is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2020 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
September 21, 2020

WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019
(Unaudited)

Our discussion and analysis of the Municipal Pensions Oversight Board's (the Board) financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the Board's financial statements, which follow.

Financial Highlights

- The Insurance Premium Tax increased by \$181,773 or less than 1% during fiscal year 2020.
- Distributions to municipal pension plans decreased \$146,516 or less than 1% during fiscal year 2020.
- Interest income decreased from \$679,475 to \$558,489 during fiscal year 2020.
- The Board's net position increased during fiscal year 2020 in the amount of \$1,499,658.

Using This Report

This report consists of a series of financial statements. The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Fund Net Position display and report the Board's net position and changes in their position. The Board's net position, which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, is normally how one would measure the Board's financial health or financial position.

The Board as a Whole

The Board is accounted for as a proprietary fund engaged in business-type activities. The Board 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 discretely presented component unit.

During the third month of each quarter the Board receives, from the West Virginia Insurance Commission, a portion of the casualty & fire insurance premiums to distribute, net of operating expenses, to the municipal police and fire pension plans. To receive the premium distribution, there must be an actuarial study of the pension plan, the employer must make the required contributions and an annual report must be provided to the Board.

Duties of the Board include assisting municipal pension funds' boards of trustees in performing their duties, assuring the funds' compliance with applicable laws, providing for actuarial studies, distributing tax revenues to the funds, initiating or joining legal actions on behalf of active or retired pension fund members or municipal pension funds' boards of trustees to protect the interests of the members in the funds, and taking other actions as may be reasonably necessary to provide for the security and fiscal integrity of the pension funds.

Our analysis below shows the Board's net position as of June 30, 2020, 2019, and 2018 (Table 1) and changes in the Board's net position for the years then ended (Table 2), with emphasis on the most recent year.

WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019
(Unaudited)

Table 1
Net Position

	2020	2019	2018
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 30,413,427	\$ 30,948,545	\$ 29,668,433
DROP receivable	11,370	-	-
Capital assets, net	9,500	9,412	3,763
	<u>32,434,297</u>	<u>30,957,957</u>	<u>29,672,196</u>
Deferred outflows of resources related to pensions	25,433	25,868	30,381
Deferred outflows of resources related to OPEB	3,725	3,592	2,124
Total deferred outflows of resources	<u>29,158</u>	<u>29,460</u>	<u>32,505</u>
<u>Total assets and deferred outflows of resources</u>	<u>\$ 32,463,455</u>	<u>\$ 30,987,417</u>	<u>\$ 29,704,701</u>
<u>LIABILITIES</u>			
Current liabilities	\$ 37,846	\$ 49,632	\$ 29,351
Non-current liabilities:			
Net pension liability	33,028	39,726	65,444
Net OPEB liability	17,684	22,300	23,776
Total liabilities	<u>88,558</u>	<u>111,658</u>	<u>118,571</u>
Deferred inflows of resources related to pensions	21,005	24,041	20,522
Deferred inflows of resources related to OPEB	8,010	5,494	3,913
Total deferred inflows of resources	<u>29,015</u>	<u>29,535</u>	<u>24,435</u>
<u>Total liabilities and deferred inflows of resources</u>	<u>\$ 117,573</u>	<u>\$ 141,193</u>	<u>\$ 143,006</u>
<u>NET POSITION</u>			
Net investment in capital assets	\$ 9,500	\$ 9,412	\$ 3,763
Restricted by enabling legislation	<u>32,336,382</u>	<u>30,836,812</u>	<u>29,557,932</u>
Total net position	<u>\$ 32,345,882</u>	<u>\$ 30,846,224</u>	<u>\$ 29,561,695</u>

WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019
(Unaudited)

Table 2
Changes in Net Position

	2020	2019	2018
Operating revenues:			
Insurance premium tax	\$ 20,204,656	\$ 20,022,883	\$ 19,440,332
Operating expenses:			
Distributions to municipal pension plans	18,622,368	18,768,884	18,507,540
Administrative expense	642,191	650,354	696,971
	<u>19,264,559</u>	<u>19,419,238</u>	<u>19,204,511</u>
Operating income	940,097	603,645	235,821
Non-operating revenues:			
Interest and other income	558,489	679,475	397,483
Payments on behalf	1,072	1,409	1,499
Total non-operating revenues	<u>559,561</u>	<u>680,884</u>	<u>398,982</u>
Change in net position	1,499,658	1,284,529	634,803
Net position, beginning of year, as previously stated	30,846,224	29,561,695	28,938,258
Net effect of change in accounting policy	-	-	(11,366)
Net position, beginning of year, restated	<u>30,846,224</u>	<u>29,561,695</u>	<u>28,926,892</u>
Net position, end of period	<u>\$ 32,345,882</u>	<u>\$ 30,846,224</u>	<u>\$ 29,561,695</u>

Changes in Net Position

As is noted in Table 2 the Board had a change in net position in the amount of \$1,499,658. Several factors contribute to both a negative and positive effect on net position. First, the Board experienced an increase in the insurance premium tax revenue in the amount of \$181,773 for fiscal year 2020. While the Board has no control over the premium tax revenue as it is subject to economic and market conditions, an increase in revenue to the Board directly benefits the local police and fire pension plans. Secondly, distributions to pension plans decreased for fiscal year 2020 in the amount of \$146,516. One of the primary objectives of the MPOB is to distribute the premium tax into the accounts of the pension plans as soon as the plans meet the criteria for state aid. 92% of the September 2019 allocation was distributed by June 30, 2020. Finally, because of short-term rate decreases in the WV Money Market Pool, the MPOB return on investments managed by the Board of Treasury Investments have decreased from 2.47% as of June 2019 to 1.71% as of June 2020. This rate decrease contributed to our interest income decrease of \$120,986.

WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2020 AND 2019
(Unaudited)

Currently Known Facts and Conditions

The Board's financial position remains stable and does not foresee or plan to engage in any activities that will have a negative impact on its financial stability.

Requests for Information

This financial report is designed to provide a general overview of the Board's operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Blair Taylor, Executive Director, Municipal Pensions Oversight Board, 301 Eagle Mountain Road, Suite 251, Charleston, West Virginia 25311.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
STATEMENTS OF NET POSITION
June 30, 2020 and 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Current Assets:		
Cash and cash equivalents (Note 3)	\$ 32,413,427	\$ 30,948,545
DROP receivable	11,370	-
Capital assets, net (Note 4)	9,500	9,412
	<u>32,434,297</u>	<u>30,957,957</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows of resources related to pensions (Note 5)	25,433	25,868
Deferred outflows of resources related to OPEB (Note 6)	3,725	3,592
Total deferred outflows of resources	<u>29,158</u>	<u>29,460</u>
Total assets and deferred outflows of resources	<u>\$ 32,463,455</u>	<u>\$ 30,987,417</u>
<u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 1,491	\$ 10,918
Accrued payroll liabilities	36,355	38,714
Total current liabilities	<u>37,846</u>	<u>49,632</u>
Noncurrent liabilities:		
Net pension liability (Note 5)	33,028	39,726
Net OPEB liability (Note 6)	17,684	22,300
Total noncurrent liabilities	<u>50,712</u>	<u>62,026</u>
Total liabilities	<u>88,558</u>	<u>111,658</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of resources related to pensions (Note 5)	21,005	24,041
Deferred inflows of resources related to OPEB (Note 6)	8,010	5,494
Total deferred inflows of resources	<u>29,015</u>	<u>29,535</u>
Total liabilities and deferred inflows of resources	<u>\$ 117,573</u>	<u>\$ 141,193</u>
<u>NET POSITION</u>		
Net investment in capital assets	\$ 9,500	\$ 9,412
Restricted by enabling legislation	<u>32,336,382</u>	<u>30,836,812</u>
Total net position	<u>\$ 32,345,882</u>	<u>\$ 30,846,224</u>

The Notes to Financial Statements are an integral part of these statements.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Insurance premium tax	\$ 20,204,656	\$ 20,022,883
Operating expenses:		
Distributions to municipal pension plans	18,622,368	18,768,884
Administrative:		
Salaries and wages	251,835	224,823
Employee benefits	32,531	47,977
Professional fees	282,594	307,429
Depreciation	4,632	2,623
Miscellaneous	70,599	67,502
Total operating expenses	<u>19,264,559</u>	<u>19,419,238</u>
Operating income	<u>940,097</u>	<u>603,645</u>
Non-operating revenues:		
OPEB payment on behalf of State of West Virginia	1,072	1,409
Interest and other income	558,489	679,475
Total non-operating revenues	<u>559,561</u>	<u>680,844</u>
Change in net position	<u>1,499,658</u>	<u>1,284,529</u>
Net position, beginning of year	<u>30,846,224</u>	<u>29,561,695</u>
Net position, end of year	<u><u>\$ 32,345,882</u></u>	<u><u>\$ 30,846,224</u></u>

The Notes to Financial Statements are an integral part of these statements.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
STATEMENTS OF CASH FLOW
Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from insurance premium taxes	\$ 20,204,656	\$ 20,022,883
Cash paid to municipal pension plans	(18,622,368)	(18,768,884)
Cash paid to employees	(297,185)	(277,826)
Cash paid to suppliers	(373,990)	(367,264)
Net cash provided by operating activities	<u>911,113</u>	<u>608,909</u>
Cash flows from capital and related financing activities:		
Purchase of property and equipment	(4,720)	(8,272)
Cash flows from investing activities:		
Investment earnings	<u>558,489</u>	<u>679,475</u>
Net increase in cash and cash equivalents	1,464,882	1,280,112
Cash and cash equivalents, beginning of year	<u>30,948,545</u>	<u>29,668,433</u>
Cash and cash equivalents, end of year	<u><u>\$ 32,413,427</u></u>	<u><u>\$ 30,948,545</u></u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 940,097	\$ 603,645
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	4,632	2,623
OPEB expense - special funding	1,072	1,409
Pension expense	14,029	4,837
OPEB expense	(63)	831
Changes in operating accounts:		
(Increase) decrease in DROP receivables	(11,370)	-
Increase (decrease) in accounts payable	(9,427)	7,667
Increase (decrease) in accrued payroll liabilities	(2,359)	12,614
(Increase) in deferred outflows of resources-pension	(23,328)	(22,523)
(Increase) in deferred outflows of resources -OPEB	<u>(2,170)</u>	<u>(2,194)</u>
Net cash provided by operating activities	<u><u>\$ 911,113</u></u>	<u><u>\$ 608,909</u></u>

The Notes to Financial Statements are an integral part of these statements.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 1 - REPORTING ENTITY

The West Virginia Legislature passed Senate Bill 4007 on November 19, 2009, creating the West Virginia Municipal Pensions Oversight Board (the Board). The Board was created for the purpose of monitoring and improving the performance of municipal policemen's and firemen's pension and relief funds to assure prudent administration, investment, and management of their funds. Duties of the oversight board include assisting municipal boards of trustees in performing their duties, assuring the funds' compliance with applicable laws, providing for actuarial studies, distributing tax revenues to the funds, initiating or joining legal actions on behalf of active or retired pension fund members or municipal boards of trustees to protect the interests of the members in the funds, and taking other actions as may be reasonably necessary to provide for the security and fiscal integrity of the pension funds. The oversight board also monitors the performance required of the various funds to qualify to receive distributions of insurance premium tax revenues pursuant to the West Virginia Code. The Board 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 discretely presented component unit.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Board is accounted for as a proprietary fund engaged in business-type activities. The financial statements are prepared on the economic resources measurement focus and the accrual basis of accounting which requires recognition of revenue when earned and expenses when incurred.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of demand deposits with the West Virginia State Treasurer's Office (STO) and short-term interest-earning investments in the West Virginia Money Market Pool, a State internal investment pool maintained by the West Virginia Board of Treasury Investments (BTI). The West Virginia Money Market Pool is carried at amortized cost.

Capital Assets

The Board has adopted a policy of capitalizing assets for individual items exceeding \$1,000 in cost and a useful life greater than one year. These assets include leasehold improvements, furnishings, and equipment. Depreciation is computed using the straight-line method over the estimated economic useful lives of the assets for five years.

Accrued Employee Benefits

In accordance with State policy, the Board permits employees to accumulate earned but unused vacation and sick pay benefits. A liability for vacation pay is accrued when earned. To the extent that accumulated sick leave is expected to be converted to benefits on retirement, the benefits are funded by the Board's participation in the West Virginia Retiree Health Benefit Trust.

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources / Deferred Inflows of Resources

The statement of net position reports a separate financial statement element called *deferred outflows of resources*. This financial statement element represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense) until that time. The Board reports deferred outflows of resources related to pensions and other post-employment benefits as on the statements of net position.

The statement of net position reports a separate financial statement element called *deferred inflows of resources*. This financial statement element represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The Board reports deferred inflows of resources related to pensions and other post-employment benefits on the statements of net position.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employee Retirement System (PERS), and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the West Virginia Retiree Health Benefit Trust OPEB Plan (RHBT) and additions to/ deductions from RHBT's fiduciary net position have been determined on the same basis as they are reported by RHBT. For this purpose RHBT recognized benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for certain pooled investments, money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at amortized cost.

Net Position

Net position is presented as restricted by enabling legislation, or as the net investment in capital assets, which represents the net book value of all capital assets of the Board. Net position restricted by enabling legislation is required to first be used for the administrative expenses of the Board, with all remaining net position available for disbursement to the municipal policemen's and firemen's pension and relief funds. All expenses are incurred for restricted purposes.

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds such as the Board are revenues and expenses that result from providing services and producing goods and/or services. Operating revenues include premium tax revenues, recognized when earned. Operating expenses of the Board include administrative expenses and pension distributions, recognized when incurred. All revenues not meeting this definition are reported as nonoperating revenues.

NOTE 3 - CASH AND CASH EQUIVALENTS

At June 30, 2020 and 2019, the carrying amounts of deposits with the STO and the BTI are as follows:

	<u>2020</u>	<u>2019</u>
Cash on hand at STO	\$ 62,008	\$ 43,149
Investments with BTI reported as cash equivalents	<u>32,351,419</u>	<u>30,905,396</u>
	<u>\$ 32,413,427</u>	<u>\$ 30,948,545</u>

The State Treasurer has statutory responsibility for daily cash management activities of the State's agencies, departments, boards and commissions, and transfers funds to the BTI for investment in accordance with West Virginia Code, policies set by the BTI and by provisions of bond indentures and trust agreements when applicable.

The Board's cash balances are invested by the BTI in the BTI's West Virginia Money Market Pool. Investment income is pro-rated to the Board at rates specified by the BTI based on the balance of the deposits maintained by the Board in relation to the total deposits of all participants in the pool. Such funds are available to the Board with overnight notice.

The BTI's investment policy is to invest assets in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity. The BTI recognizes that risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The West Virginia Money Market Pool has been rated AAAm by Standard & Poor's. A fund rated "AAAm" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's. The BTI itself has not been rated for credit risk by any organization.

The BTI limits the exposure to credit risk in the West Virginia Money Market Pool by requiring all long-term debt to be rated A+ or higher by Standard & Poor's (or its equivalent), and short-term corporate debt be rated A-1 or higher by Standard & Poor's (or its equivalent). The pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America. The following table provides information on the credit ratings of the WV Money Market Pool's investments (in thousands):

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Security Type	Credit Rating		Carrying Value (in Thousands)	Percent of Pool Assets
	Moody's	S&P		
U.S. Treasury bills *	P-1	A-1+	\$ 1,017,343	19.76%
Commercial Paper	P-1	A-1+	861,472	16.73
	P-1	A-1	1,834,384	35.62
Negotiable certificates of deposit	P-1	A-1+	302,738	5.88
	P-1	A-1	469,111	9.11
Money market funds	Aaa	AAAm	1,581	0.03
	NA	AAAm	217,022	4.21
Repurchase agreements (underlying securities):				
U.S. Treasury bonds and notes			445,700	8.66
			<u>\$ 5,149,351</u>	<u>100.00%</u>

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The West Virginia Money Market Pool is subject to interest rate risk.

The overall weighted average maturity of the investments of the West Virginia Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides information on the weighted average maturities for the various asset types in the West Virginia Money Market Pool:

Security Type	Carrying Value (In Thousands)	WAM (Days)
U.S. Treasury bills	\$ 1,017,343	37
Commercial paper	2,695,856	52
Negotiable certificates of deposit	771,849	58
Repurchase agreements	445,700	1
Money market funds	218,603	1
	<u>\$ 5,149,351</u>	<u>44</u>

Other Risks of Investing

Other risks of investing can include concentration of credit risk, custodial credit risk, and foreign currency risk.

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Concentration of credit risk is the risk of loss attributed to the magnitude of the pool's investment in a single corporate issuer. The BTI investment policy prohibits the West Virginia Money Market Pool from investing more than 5% of their assets in any one corporate name or one corporate issue.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. The BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The West Virginia Money Market Pool does not hold interests in foreign currency or interests valued in foreign currency.

NOTE 4 - CAPITAL ASSETS

A summary of capital asset activity is as follows:

	Historical Cost at June 30, 2018	Additions	Disposals	Historical Cost at June 30, 2019	Additions	Disposals	Historical Cost at June 30, 2020
Leasehold improvements	\$ 6,882	\$ -	\$ -	\$ 6,882	\$ -	\$ -	\$ 6,882
Furnishings and equipment	13,544	8,272	-	21,816	4,720	-	26,536
	<u>\$ 20,426</u>	<u>\$ 8,272</u>	<u>\$ -</u>	<u>\$ 28,698</u>	<u>\$ 4,720</u>	<u>\$ -</u>	<u>\$ 33,418</u>
	Accumulated Depreciation June 30, 2018	Additions	Disposals	Accumulated Depreciation June 30, 2019	Additions	Disposals	Accumulated Depreciation June 30, 2020
Leasehold improvements	\$ 3,926	\$ 986	\$ -	\$ 4,912	\$ 986	\$ -	\$ 5,898
Furnishings and equipment	12,737	1,637	-	14,374	3,646	-	18,020
	<u>\$ 16,663</u>	<u>\$ 2,623</u>	<u>\$ -</u>	<u>\$ 19,286</u>	<u>\$ 4,632</u>	<u>\$ -</u>	<u>\$ 23,918</u>
Total	<u>\$ 3,763</u>	<u>\$ 5,649</u>	<u>\$ -</u>	<u>\$ 9,412</u>	<u>\$ 88</u>	<u>\$ -</u>	<u>\$ 9,500</u>

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 5 - RETIREMENT PLAN

Plan Description

The Board contributes to the Public Employees Retirement System (PERS), a cost-sharing, multiple-employer, defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board (CPRB). PERS covers substantially all employees of the State and its component units, as well as employees of participating non-state governmental entities who are not participants of another state or municipal retirement system. Benefits under PERS include retirement, death and disability benefits, and have been established and may be amended by action of the State Legislature. CPRB issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained at www.wvretirement.com.

Benefits Provided

Benefits are provided through PERS using a two-tiered system. Effective July 1, 2015, PERS implemented the second tier, Tier II. Employees hired, for the first time, on or after July 1, 2015 are considered Tier II members. Tier I and Tier II members are subject to different regulations.

Tier I: Employees who retire at or after age 60 with five or more years of credited service, or at least age 55 with age and service equal to 80 years or greater, are entitled to a retirement benefit established by State statute, payable monthly for life, in the form of a straight-life annuity equal to two percent of the employee's final average salary multiplied by years of service. Final average salary is the average of the highest annual compensation received by an employee during any period of three consecutive years of credited service included within fifteen years of credited service immediately preceding the termination date of employment with a participating public employer or, if the employee has less than three years of credited service, the average of the annual rate of compensation received by the employee during the total years of credited service. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62.

Tier II: Employees who retire at or after age 62 with ten or more years of credited service are entitled to a retirement benefit established by State statute, payable monthly for life, in the form of a straight-life annuity equal to two percent of the employee's final average salary multiplied by years of service. Final average salary is the average of the highest annual compensation received by an employee during any period of five consecutive years of credited service included within fifteen years of credited service immediately preceding the termination date of employment with a participating public employer. Terminated members with at least ten years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 64.

Contributions

Contributions as a percentage of payroll for members are established by statutes, subject to legislative limitations and are not actuarially determined. Current funding policy requires employer contributions of 10%, 10%, and 11%, for the years ended June 30, 2020, 2019, and 2018, respectively. The employee contribution rate is 4.5% and 6% for Tier I and Tier II employees, respectively. The Board's contribution to the Plan, excluding the employee's contribution paid by the Board, approximated \$23,328, \$22,523, and \$23,440, for the fiscal years ended June 30, 2020, 2019, and 2018, respectively.

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 5 - RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

On June 30, 2020 and 2019, the Board reported a liability of \$33,028 and \$39,726, respectively for its proportionate share of the net pension liability. The 2020 net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to the measurement date of June 30, 2019. The 2019 net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to the measurement date of June 30, 2018. The Board's proportion of the net pension liability was based on the Board's contributions to the pension plan relative to the contributions of all participating employers. On June 30, 2019, the Board's proportionate share was 0.015361%, which was a decrease of .000022% from its proportionate share measured as of June 30, 2018.

For the years ended June 30, 2020 and 2019, the Board recognized pension expense of \$14,029 and \$4,837, respectively. At June 30, 2020 and 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 11,938
Differences between expected and actual experience	1,278	2,885
Changes in assumptions	-	6,063
Changes in proportion and differences between Board's contributions and proportionate share of contributions	827	119
Board's contributions subsequent to the measurement date	23,328	-
Total	\$ 25,433	\$ 21,005
June 30, 2019	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 23,377
Differences between expected and actual experience	1,971	98
Changes in proportion and differences between Board's contributions and proportionate share of contributions	1,374	566
Board's contributions subsequent to the measurement date	22,523	-
Total	\$ 25,868	\$ 24,041

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 5 - RETIREMENT PLAN (Continued)

The Board reported \$23,328 as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2021	(3,183)
2022	(17,081)
2023	(2,102)
2024	3,466

Actuarial assumptions and methods

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.0%
Salary increases	3.1% – 6.5% average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense

Mortality rates were based on 100% of Pub-2010 General Employees table, below-median, headcount weighted projected with scale MP-2018 for active employees, 108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected with scale MP-2018 for retired healthy males, 122% of Pub-2010 Annuitant, Scale AA fully generational General Retiree Female table below-median, headcount weighted, projected with scale MP-2018 for retired healthy females, 118% of Pub-2010 General / Teachers Disabled Male table, below median, headcount weighted, projected with scale MP-2018 for disabled males, and 118% of Pub-2010 General / Teachers Disabled Female table, below-median, headcount weighted, projected with scale MP-2018 for disabled females.

An experience study, which was based on the years 2013 through 2018, was completed prior to the 2019 actuarial valuation.

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.0%
Salary increases	3.0% - 6%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense

Mortality rates were based on 100% of RP-2000 Non-Annuitant, Scale AA fully generational for active employees, 110% of RP-2000 Annuitant, Scale AA fully generational for healthy males, 101% of RP-2000 Annuitant, Scale AA fully generational for healthy females, 96% of RP-2000 Disabled Annuitant, Scale AA fully generational for disabled males, and 107% of RP-2000 Disabled Annuitant, Scale AA fully generational for disabled females.

The experience study, which was based on the years 2009 through 2014, was used for the 2018 actuarial valuation.

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 5 - RETIREMENT PLAN (Continued)

Long-term expected rates of return

The long-term rates of return on pension plan investments were determined using a building-block method in which estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. Best estimates of long-term geometric rates of return are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Weighted Average Expected Real Rate of Return
Domestic equity	27.5%	5.8%	1.60%
International equity	27.5%	7.7%	2.12%
Fixed income	15.0%	3.3%	0.50%
Real estate	10.0%	6.1%	0.61%
Private equity	10.0%	8.8%	0.88%
Hedge funds	10.0%	4.4%	0.44%
Total	100.0%		6.15%
Inflation (CPI)			2.00%
			8.15%

Discount rate

The discount rate used to measure the total pension liability was 7.5 percent. The projections of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will continue to follow current funding policies. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability. Although discount rates are subject to change between measurement dates, there were no changes in the discount rate in the current period.

Sensitivity of the Board's proportionate share of the net pension liability to changes in the discount rate

The following table presents the Board's proportionate share of the net pension liability calculated using the current discount rate of 7.5 percent as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease 6.5%	Discount Rate 7.5%	1% Increase 8.5%
Total net pension liability (asset)	\$ 153,848	\$ 33,028	\$ (69,178)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS

Plan description

The West Virginia Other Postemployment Benefit Plan (the OPEB Plan) is a cost-sharing, multiple-employer, defined benefit other post-employment benefit plan and covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in the West Virginia Code Section 5-16D-2 (the Code). The financial activities of the OPEB Plan are accounted for in the West Virginia Retiree Health Benefit Trust Fund (RHBT), a fiduciary fund of the State of West Virginia. The OPEB Plan is administered by a combination of the West Virginia Public Employees Insurance Agency (PEIA) and the RHBT staff. OPEB Plan benefits are established and revised by PEIA and the RHBT management with approval of their Finance Board. The PEIA issues a publically available financial report of the RHBT that can be obtained at www.peia.wv.gov or by writing to the West Virginia Public Employees Insurance Agency, 601 57th Street, SE Suite 2, Charleston, WV 25304.

Benefits provided

Board employees who retire are eligible for PEIA health and life benefits, provided they meet the minimum eligibility requirements of the PERS or meet certain other eligibility requirements of other West Virginia Consolidated Public Retirement Board (CPRB) sponsored retirement plans. RHBT provides medical and prescription drug insurance and life insurance benefits to those qualified participants. Life insurance is provided through a vendor and is fully funded by member contributions. The medical and prescription drug insurance is provided through two options; Self-Insured Preferred Provider Benefit Plan - primarily for non-Medicare-eligible retirees and spouses or External Managed Care Organizations - primarily for Medicare-eligible retirees and spouses.

The RHBT Medicare-eligible retired employees and their Medicare-eligible dependents receive medical and drug coverage from a Medicare Advantage Plan administered by a vendor. Under this arrangement, the vendor assumes the financial risk of providing comprehensive medical and drug coverage with limited copayments. Non-Medicare retirees continue enrollment in PEIA's Preferred Provider Benefit or the Managed Care Option. The RHBT collects employer contributions for Managed Care Organization (MCO) participants and remits capitation payments to the MCO. Survivors of retirees have the option of purchasing the medical and prescription drug coverage.

Eligible participants hired after June 30, 2010, will be required to fully fund premium contributions upon retirement. The Plan is a closed plan to new entrants.

Contributions

West Virginia Code section 5-16D-6 assigns to the PEIA Finance Board the authority to establish and amend contribution requirements of the plan members and the participating employers. Participating employers are required by statute to contribute at a rate assessed each year by the RHBT. The annual contractually required rate is the same for all participating employers. Employer contributions represent what the employer was billed during the respective year for their portion of the pay as you go premiums, commonly referred to as paygo, retiree leave conversion billings, and other matters, including billing adjustments. The annual contractually required per active policyholder per month rates for State non-general funded agencies and other participating employers effective June 30, 2020, 2019, and 2018, respectively, were:

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Paygo Premium	\$ 168	\$ 183	\$ 177

Contributions to the OPEB plan from the Board were \$2,170, \$2,194, and \$2,124 for the years ended June 30, 2020, 2019, and 2018, respectively.

Members retired before July 1, 1997, pay retiree healthcare contributions at the highest sponsor subsidized rate, regardless of their actual years of service. Members retired between July 1, 1997 and June 30, 2010, pay a subsidized rate depending on the member's years of service. Members hired on or after July 1, 2010, pay retiree healthcare contributions with no sponsor provided implicit or explicit subsidy.

Retiree leave conversion contributions from the employer depend on the retiree's date of hire and years of service at retirement as described below;

- Members hired before July 1, 1988, may convert accrued sick or leave days into 100% of the required retiree healthcare contribution.
- Members hired from July 1, 1988, to June 30, 2001, may convert accrued sick or leave days into 50% of the required retiree healthcare contribution.

The conversion rate is two days of unused sick and annual leave days per month for single healthcare coverage and three days of unused sick and annual leave days per month for family healthcare coverage.

Contributions by nonemployer contributing entities in special funding situations

The State of West Virginia is a nonemployer contributing entity that provides funding through SB 419, effective July 1, 2012, amended by West Virginia Code §11-21-96. The State provides a supplemental pre-funding source dedicating \$30 million annually to the RHBT Fund from annual collections of the Personal Income Tax Fund and dedicated for payment of the unfunded liability of the RHBT. The \$30 million transferred pursuant to this Code shall be transferred until the Governor certifies to the Legislature that an independent actuarial study has determined that the unfunded liability of RHBT has been provided for in its entirety or July 1, 2037, whichever date is later. This funding is to the advantage of all RHBT contributing employers.

The State is a nonemployer contributing entity that provides funding through West Virginia State Code §11B-2-32. The Financial Stability Fund is a plan to transfer an annual amount of \$5 million to the RHBT from special revenue funds to be used to lower retiree premiums, to help reduce benefit cuts, to help reduce premium increases or any combination thereof. The \$5 million transferred pursuant to this Code shall be transferred annually into the RHBT through June 30, 2020. This funding is to the advantage of all RHBT contributing employers.

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Contributions by nonemployer contributing entities in special funding situations (continued)

The State is a nonemployer contributing entity that provides funding through SB 469 which was passed February 10, 2012, granting OPEB liability relief to the 55 County Boards of Education effective July 1, 2012. The public school support plan (PSSP) is a basic foundation allowance program that provides funding to the local school boards for "any amount of the employer's annual required contribution allocated and billed to the county boards for employees who are employed as professional employees, employees who are employed as service personnel and employees who are employed as professional student support personnel", within the limits authorized by the State Code. This special funding under the school aid formula subsidizes employer contributions of the county boards of education.

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB

At June 30, 2020 and 2019, the Board reported a liability for its proportionate share of the RHBT net OPEB liability that reflected a reduction for State OPEB support provided to the Board. The amount recognized by the Board as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the Board was as follows:

	<u>2020</u>	<u>2019</u>
The Board's proportionate share of the net OPEB liability	\$ 17,684	\$ 22,300
State's special funding proportionate share of the net OPEB liability associated with the Board	<u>3,619</u>	<u>4,609</u>
Total portion of net OPEB liability associated with the Board	<u>\$ 21,303</u>	<u>\$ 26,909</u>

The net OPEB liability reported at June 30, 2020 was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. The Board's proportion of the net OPEB liability was based on its proportionate share of employer and non-employer contributions to the OPEB Plan for the fiscal year ended on the measurement date. At June 30, 2019, the Board's proportion was .0011 percent, which is an increase of .0001 percent from its proportion measured as of June 30, 2018.

For the years ended June 30, 2020 and 2019, respectively, the Board recognized OPEB expense of \$1,009 and \$2,240 and for support provided by the State under special funding situations revenue of \$1,072 and \$1,409. At June 30, 2020 and 2019, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

	June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,062
Net difference between projected and actual earnings on OPEB plan investments	101	291
Changes in assumptions	-	3,587
Changes in proportion and differences between the Board's contributions and proportionate share of contributions	1,450	1,594
Reallocation of opt-out employer change in proportionate share	4	476
The Board's contributions subsequent to the measurement date of June 30, 2019	2,170	-
Total	<u>\$ 3,725</u>	<u>\$ 8,010</u>

	June 30, 2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 330
Net difference between projected and actual earnings on OPEB plan investments	-	413
Changes in assumptions	-	2,227
Changes in proportion and differences between the Board's contributions and proportionate share of contributions	1,398	2,524
The Board's contributions subsequent to the measurement date of June 30, 2018	2,194	-
Total	<u>\$ 3,592</u>	<u>\$ 5,494</u>

Deferred outflows of resources related to OPEB of \$2,170 resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	
2021	\$ (2,570)
2022	(2,291)
2023	(1,315)
2024	(279)

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial assumptions

The total OPEB liability, reported as of June 30, 2020, was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	Dependent upon pension system ranging from 3.00% to 6.50%, including inflation
Investment rate of return	7.15%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Trend rate for pre-Medicare per capita costs of 8.5% for plan year end 2020, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year 2028. Trend rate for Medicare per capita costs of 3.1% for plan year end 2020. 9.5% for plan year end 2021, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year end 2031.
Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll over a 20 year closed period
Remaining amortization period	20 years closed as of June 30, 2017

Post-retirement mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and Teachers' Retirement System (TRS) and RP-2014 Healthy Annuitant Mortality Table projected with scale MP-2016 on a fully generational basis for West Virginia Death, Disability, and Retirement Fund (Troopers A) and West Virginia State Police Retirement System (Troopers B). Pre-retirement mortality rates were based on RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS and RP-2014 Employee Mortality Table projected with Scale MP-2016 on a fully generational basis for Troopers A and B.

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial assumptions (Continued)

The total OPEB liability, reported as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	Dependent upon pension system ranging from 3.00% to 6.50%, including inflation
Investment rate of return	7.15%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Actual trend used for fiscal year 2018. For fiscal years on and after 2019, trend starts at 8.00% and 10.00% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.13% and 0.00% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims costs beginning in 2022 to account for the Excise Tax.
Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll over a 20 year closed period
Remaining amortization period	20 years closed as of June 30, 2017

Post-retirement mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and Teachers' Retirement System (TRS) and RP-2014 Healthy Annuitant Mortality Table projected with scale MP-2016 on a fully generational basis for West Virginia Death, Disability, and Retirement Fund (Troopers A) and West Virginia State Police Retirement System (Troopers B). Pre-Retirement mortality rates were based on RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS and RP-2014 Employee Mortality Table projected with Scale MP-2016 on a fully generational basis for Troopers A and B.

The actuarial assumptions used in the June 30, 2018 and 2017 valuations were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

Certain assumptions have been changed since the prior actuarial valuation of June 30, 2017 and measurement date of June 30, 2019. The net effect of assumption changes was approximately \$236 million. The assumption changes that most significantly impacted the total OPEB liability were an approximate \$11.8 million decrease in the per capita claims costs for Pre-Medicare and Medicare, as well as an approximate \$224.2 million decrease due to capped subsidy costs implemented in December 2019. Certain other assumption changes were noted but did not materially impact the total OPEB liability.

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial assumptions (Continued)

The long-term expected rate of return of 7.15% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.50% for long-term assets invested with the West Virginia Investment Management Board (WVIMB) and an expected short-term rate of return of 3.0% for assets invested with the WVBTI. Long-term pre-funding assets are invested with the WVIMB. The strategic asset allocation consists of 55% equity, 15% fixed income, 10% private equity, 10% hedge fund and 10% real estate invested. Short-term assets used to pay current year benefits and expenses are invested with the WVBTI.

The long-term rate of return on OPEB plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Target asset allocations, capital market assumptions, and a 10-year forecast of nominal geometric returns by major asset class were provided by the plan's investment advisors, including the WVIMB. The projected nominal return for the Money Market Pool held with the BTI was estimated based on the WVIMB assumed inflation of 2.0% plus a 25 basis point spread. The target allocation and estimates of annualized long-term expected real returns assuming a 10-year horizon are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	49.5%	4.8%
Core Plus Fixed Income	13.5%	2.1%
Hedge Fund	9.0%	2.4%
Private Equity	9.0%	6.8%
Core Real Estate	9.0%	4.1%
Cash and cash equivalents	10.0%	0.3%

Discount rate

The discount rate used to measure the total OPEB liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that RHBT contributions will be made in accordance with prefunding and investment policies. Future pre-funding assumptions include a \$30 million annual contribution from the State through 2037. Based on those assumptions, and that the Plan is expected to be fully funded by fiscal year ended June 30, 2033, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates.

Other key assumptions

Members hired on or after July 1, 2010, are required to pay 100% of expected cost of coverage, resulting in no implicit or explicit employer cost. Consequently, these members are excluded from the actuarial valuation.

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB subsequent event

Subsequent to the OPEB valuation with a measurement date of June 30, 2019 a global pandemic was declared by the World Health Organization due to an outbreak and spread of the coronavirus COVID-19 virus. The pandemic is impacting local and national economies. The extent of the impact of the pandemic on the Plans operations and net OPEB liability is unknown and will depend on certain developments, including the duration and spread of the virus, impact on plan participants, employees and vendors, and governmental, regulatory and private sector responses. On March 10, 2020, PEIA issued a policy for COVID-19 effective through September 30, 2020, which provides for certain COVID-19 related benefits and coverage. It also extended telemedicine, certain precertification requirements, dependent coverage and COBRA benefits. Certain benefits are further extended to the end of the COVID-19 emergency period.

This policy was not deemed to require re-measurement of the OPEB valuation. The OPEB valuation with a measurement date of June 30, 2019, does not reflect the recent and still developing impact of COVID-19, which is likely to influence healthcare claims experience, demographic experience and economic expectations. As these factors related to the pandemic develop, they could result in significant changes in assumptions for future valuations, which could result in significant changes to reported estimated net OPEB liability.

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the Board's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the Board's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>1% Increase (8.15%)</u>
The Board's proportionate share of the net OPEB liability	\$ 21,106	\$ 17,684	\$ 14,821

Sensitivity of the Board's proportionate share of net OPEB liability to changes in the healthcare cost trend rates.

The following presents the Board's proportionate share of the net OPEB liability, as well as what the Board's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage point higher than the current rates:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
The Board's proportionate share of the net OPEB liability	\$ 14,260	\$ 17,684	\$ 21,840

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 7 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to and illnesses of employees; and natural disasters.

The Board has obtained coverage for job-related injuries of employees (workers compensation) and health coverage for its employees through a commercial insurer and West Virginia Public Employees Insurance Agency (WVPEIA). In exchange for the payment of premiums, the Board has transferred its risks related to health coverage for employees and job-related injuries of employees.

The Board participates in the West Virginia State Board of Risk and Insurance Management (WVBRIM), a public entity risk pool, to obtain coverage for general liability, personal injury liability, professional liability, stop gap liability, wrongful act liability, and comprehensive auto liability. There have been no reductions in insurance coverage from the prior year and no settlements in the past three fiscal years.

NOTE 8 - TRANSACTIONS WITH THE STATE OF WEST VIRGINIA

Pursuant to West Virginia Code, the West Virginia Insurance Commission (the Commission) collects a 1% premium tax on fire and casualty insurance policies. The Commission distributes 65% of the premium tax receipts to the Board. The distributions from the Commission are reported as insurance premium tax revenues on the Board's Statements of Revenues, Expenses, and Changes in Fund Net Position. Other transactions with State of West Virginia agencies include expenses paid for general and administrative activities of the Board in the normal course of operations.

NOTE 9 - COMMITMENTS

The Board is required by its enabling legislation to allocate certain tax and other revenues, net of administrative expenses, to the municipal policemen's and firemen's pension and relief funds (the Funds) by September 1st of each year. The amount to be allocated to the Funds is calculated based upon the Board's prior calendar year insurance premium tax revenues, interest, and other income, less its administrative expenses for the same period. The amounts allocated to each Fund are paid after the allocation date as eligibility requirements to receive the payments are met by each of the Funds. Amounts allocated expire in 18 months if eligibility requirements are not met and the allocated amounts are not paid. Any expired allocation is re-allocated to all other eligible Funds at the next allocation date. The amount committed for payment to the Funds that remain on hand from the September 1, 2019 allocation, but have not been disbursed as of June 30, 2020 is \$1,520,062.

The amount available to the Board for allocation to the pension plans in September 2020 is \$19,968,579.

NOTE 10 – COVID-19 UNCERTAINTY

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase of exposure globally.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2020 AND 2019

NOTE 10 – COVID-19 UNCERTAINTY (Continued)

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude the pandemic will have on the Board's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Board is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for future fiscal years.

NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has issued Statement No. 84, *Fiduciary Activities*, effective for fiscal years beginning after December 15, 2019. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. Greater consistency and comparability enhance the value provided by the information reported in financial statements for assessing government accountability and stewardship. The Board has not yet determined the effect that the adoption of GASB Statement No. 84 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 87, *Leases*, effective for fiscal years beginning after June 15, 2021. The requirements of this Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The Board has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

The GASB issued Statement No. 92, *Omnibus 2020* in January 2020. This Statement enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for periods beginning after June 15, 2021. The Board has not yet determined the effect that the adoption of GASB Statement No. 92 may have on its financial statements.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for periods beginning after June 15, 2022. The Board has not yet determined the effect that the adoption of GASB Statement No. 96 may have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM PLAN

	Years Ended June 30,				
	2020	2019	2018	2017	2016
Board's proportion (percentage) of the net pension liability (asset)	0.015361%	0.015383%	0.015161%	0.014991%	0.015321%
Board's proportionate share of the net pension liability (asset)	\$ 33,028	\$ 39,726	\$ 65,444	\$ 137,788	\$ 85,568
Board's covered payroll	\$ 224,823	\$ 212,736	\$ 208,930	\$ 209,706	\$ 207,776
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	14.691%	18.674%	31.323%	65.705%	41.183%
Plan fiduciary net position as a percentage of the total pension liability	96.99%	96.33%	93.67%	86.11%	91.29%
					93.98%

Note: All amounts presented are as of the measurement date, which is one year prior to the fiscal year end date.

See Independent Auditor's Report and accompanying Notes to Required Supplementary Information.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE PERS

	Years Ended June 30,							
	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 23,328	\$ 22,523	\$ 23,440	\$ 25,142	\$ 28,310	\$ 29,089	\$ 29,495	\$ 28,127
Contributions in relation to the statutorily required contribution	(23,328)	(22,523)	(23,440)	(25,142)	(28,310)	(29,089)	(29,495)	(28,127)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The Board's covered payroll	\$ 233,280	\$ 224,823	\$ 212,736	\$ 208,930	\$ 209,706	\$ 207,776	\$ 203,412	\$ 200,906
Contributions as a percentage of covered payroll	10.0%	10.0%	11.0%	12.0%	13.5%	14.0%	14.5%	14.0%

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

	Years Ended June 30,		
	2020	2019	2018
Board's proportion of the net OPEB liability (asset) (percentage)	0.001065873%	0.001039396%	0.000966902%
Board's proportionate share of the net OPEB liability (asset)	\$ 17,684	\$ 22,300	\$ 23,776
State's proportionate share of the net OPEB liability (asset)	3,619	4,609	4,884
Total proportionate share of the net OPEB liability (asset)	<u>\$ 21,303</u>	<u>\$ 26,909</u>	<u>\$ 28,660</u>
Board's covered employee payroll	\$ 224,823	\$ 212,736	\$ 208,930
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	7.87%	10.48%	11.38%
Plan fiduciary net position as a percentage of the total OPEB liability	39.69%	30.98%	25.10%

* - The amounts presented for each fiscal year were determined as of June 30th of the previous year (measurement date).

See Independent Auditor's Report and accompanying Notes to Required Supplementary Information.

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE RHBT**

	Years Ended June 30			
	2020	2019	2018	2017
Statutorily required contribution	\$ 2,170	\$ 3,592	\$ 2,124	\$ 1,986
Contributions in relation to the statutorily required contribution	(2,170)	(3,592)	(2,124)	(1,986)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Board's covered employee payroll	\$ 251,835	\$ 224,823	\$ 212,736	\$ 208,930
Contributions as a percentage of covered employee payroll	0.86%	1.60%	1.00%	0.95%

See Independent Auditor's Report and accompanying Notes to Required Supplementary Information.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2020

Note 1. Trend Information Presented

The accompanying schedules of the Board's proportionate share of the net OPEB and pension liabilities and contributions to RHBT and PERS are required supplementary information to be presented for 10 years. However, until a full 10 year trend is compiled, information is presented in the schedules for those years for which information is available.

Note 2. OPEB Changes in Assumptions

Below are changes in assumptions between the 2018 and 2017 valuations:

The assumption changes that most significantly impacted the total OPEB liability were an approximate \$11.8 million decrease in the per capita claims costs for Pre-Medicare and Medicare, as well as an approximate \$224.2 million decrease due to capped subsidy costs implemented in December 2019. Certain other assumption changes were noted but did not materially impact the total OPEB liability.

Below are changes in assumptions between the 2017 and 2016 valuations:

The assumption changes that most significantly impacted the Net OPEB Liability are as follows: the inclusion of waived annuitants increased the liability by approximately \$17 million; a 15% reduction in the retirement rate assumption decreased the liability by approximately \$68 million; a change in certain healthcare-related assumptions decreased the liability by approximately \$232 million; and an update to the mortality tables increased the liability by approximately \$25 million. Certain other assumption changes were noted but did not materially impact the Net OPEB Liability.

Below are changes in the assumptions between the 2016 and 2015 valuations:

Certain economic and behavioral assumptions are unique to healthcare benefits. These assumptions include the healthcare trend, per capita claims costs, the likelihood that a member selects healthcare coverage and the likelihood that a retiree selects one-person, two person or family coverage. These assumptions were updated based on a recent experience study performed by the RHBT actuaries using five-year experience data through June 30, 2015. The updated per capita claims costs were also based on recent claims, enrollment and premium information as of the valuation date.

For the June 30, 2016 valuation, the retiree healthcare participation assumption for each retirement plan is slightly higher than the previous assumption used in the June 30, 2015 OPEB valuation. More members who were covered as actives will be assumed to participate as retirees.

The 2016 and 2015 valuations include consideration of the \$30 million annual appropriations under Senate Bill 419, through July 1, 2037, or if earlier, the year the benefit obligation is fully funded. Additionally, the presentation of covered payroll was changed for the June 30, 2015, actuarial valuation. Participating employees hired before July 1, 2010, pay retiree premiums that are subsidized based on years of service at retirement. Participating employees hired on or after July 1, 2010, are required to fully fund premium contributions upon retirement. Consequently, beginning June 30, 2015, actuarial valuation covered payroll represents only the payroll for those OPEB eligible participating employees that were hired before July 1, 2010, allowing a better representation of the UAAL as a percentage of covered payroll, whereas, for the prior years, covered payroll is in total for all participating employees.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2020

Note 3. Pension Plan Amendments

The PERS was amended to make changes which apply to new employees hired on or after July 1, 2015 as follows:

- For employees hired prior to July 1, 2015, qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. A member may retire with the pension reduced actuarially if the member is at least 55 and has at least 10 years of contributory service, or at any age with 30 years of contributory service. For employees hired after July 1, 2015, qualification for normal retirement is 62 with 10 years of service. A member hired after July 1, 2015 may retire with the pension reduced actuarially if the member is between the ages 60 and 62 with at least ten years of contributory service, between ages 57 and 62 with at least twenty years of contributory service or between the ages 55 and 62 with at least thirty years of contributory service.
- The straight life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. For employees hired prior to July 1, 2015, average salary is the average of the three consecutive highest annual earnings out of the last fifteen years of earnings. For all employees hired on or after July 1, 2015 average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings.
- For employees hired prior to July 1, 2015, terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired on or after July 1, 2015, this age increases to 64 with at least ten years of contributory service, or age 63 with at least twenty years of contributory service.
- For all employees hired prior to July 1, 2015, employees are required to contribute 4.5% of annual earnings. All employees hired on or after July 1, 2015, are required to contribute 6% of annual earnings.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2020

Note 4. Pension Plan Assumptions

Experience studies, which were based on the years 2009 through 2014 and 2013 through 2018, were completed prior to the 2015 and 2019 actuarial valuations, respectively. As a result, several assumptions were changed for the actuarial valuations as follows:

<u>PERS</u>	<u>2019</u>	<u>2015-2018</u>	<u>2014</u>
Projected salary increase			
State	3.1 - 5.3%	3.0 - 4.6%	4.25 - 6.0%
Nonstate	3.35 - 6.5%	3.35 - 6.0%	4.25 - 6.0%
Inflation rate	3.0%	3.0% (2016-2018); 1.9% (2015)	2.2%
Mortality rates	Active-100% of Pub-2010 General Employees table, below median, headcount weighted, projected with scale MP-2018 Retired healthy males-108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected with scale MP-2018 Retired healthy females-122% of Pub-2010 Annuitant, Scale AA fully generational General Retiree Female table, below-median, headcount weighted, projected with scale MP-2018 Disabled males-118% of Pub-2010 General / Teachers Disabled Male table, below-median, headcount weighted, projected with scale MP-2018 Disabled females-118% of Pub-2010 General / Teachers Disabled Female table, below-median, headcount weighted, projected with scale MP-2018	Active-RP-2000 Non-Annuitant tables, Scale AA fully generational Retired healthy males – 110% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy females – 101% of RP-2000 Non-Annuitants, Scale AA fully generational Disabled males – 96% of RP-2000 Disabled Annuitant, Scale AA fully generational Disabled females – 107% of RP-2000 Disabled Annuitant, Scale AA fully generational	Healthy males – 1983 GAM Healthy females – 1971 GAM Disabled males-1971 GAM Disabled females-Revenue ruling 96-7
Withdrawal rates			
State	2.28-45.63%	1.75 - 35.1%	1 – 26%
Nonstate	2.00-35.88%	2 - 35.8%	2 – 31.2%
Disability rates	0.005-0.540%	0. - 67.5%	0 – .8%

SUPPLEMENTARY INFORMATION

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
SCHEDULE OF STATUTORY COMMITMENTS
June 30, 2020

Supplemental Allocation Detail September 2019 Expires 2/28/2021			
	Allocation	Expended	Balance
<u>Police Departments</u>			
Beckley	\$ 561,153	\$ 561,153	\$ -
Belle	44,483	-	44,483
Bluefield	300,553	300,553	-
Charleston	1,914,536	1,914,536	-
Charles Town	11,460	-	11,460
Chester	36,609	17,807	18,802
Clarksburg	457,642	418,697	38,945
Dunbar	140,735	140,735	-
Elkins	119,469	119,469	-
Fairmont	420,498	420,498	-
Grafton	69,711	69,711	-
Huntington	1,091,330	1,091,330	-
Logan	60,163	-	60,163
Martinsburg	474,576	474,576	-
Morgantown	738,271	738,271	-
Moundsville	170,754	170,754	-
Nitro	175,848	175,848	-
Oak Hill	145,466	-	145,466
Parkersburg	752,245	752,245	-
Princeton	224,450	-	224,450
Point Pleasant	75,507	-	75,507
Saint Albans	269,689	269,689	-
South Charleston	447,012	447,012	-
Star City	66,137	-	66,137
Vienna	190,349	190,349	-
Weirton	408,735	346,526	62,209
Welch	55,131	-	55,131
Weston	58,705	-	58,705
Westover	95,351	95,351	-
Wheeling	839,091	839,091	-
Williamson	63,629	-	63,629
<u>Fire Departments</u>			
Beckley	500,554	500,554	-
Bluefield	240,729	240,729	-
Charleston	1,952,515	1,952,515	-
Clarksburg	478,835	437,224	41,611
Dunbar	181,634	187,634	(6,000)
Elkins	60,849	-	60,849
Fairmont	467,789	467,789	-
Grafton	40,812	40,812	-
Huntington	1,179,832	1,179,832	-
Logan	67,715	-	67,715
Martinsburg	377,658	377,658	-
Morgantown	631,772	631,772	-
Moundsville	76,882	76,882	-
Nitro	146,369	146,369	-
Parkersburg	716,265	716,265	-
Princeton	145,654	-	145,654
Saint Albans	247,721	247,721	-
South Charleston	470,681	353,010	117,671
Weirton	242,302	200,481	41,821
Weston	47,966	-	47,966
Wheeling	1,055,693	1,055,693	-
Williamson	77,688	-	77,688
	\$ 19,887,203	\$ 18,367,141	\$ 1,520,062

See Independent Auditor's Report.



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

To the West Virginia Municipal Pensions Oversight Board
Charleston, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the West Virginia Municipal Pensions Oversight Board (the Board), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 21, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
September 21, 2020

**WEST VIRGINIA MUNICIPAL PENSIONS
OVERSIGHT BOARD**

**FINANCIAL REPORT WITH
OTHER FINANCIAL INFORMATION**

June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the West Virginia Municipal Pensions Oversight Board
Charleston, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the West Virginia Municipal Pensions Oversight Board (the Board), a component unit of the State of West Virginia, as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the West Virginia Municipal Pensions Oversight Board, as of June 30, 2021 and 2020, and the changes in financial position, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Board's basic financial statements. The schedule of statutory commitments is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying schedule of statutory commitments is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of statutory commitments is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2021 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
September 17, 2021

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020
(Unaudited)**

Our discussion and analysis of the West Virginia Municipal Pensions Oversight Board's (the Board) financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the Board's financial statements, which follow.

Financial Highlights

- The Insurance Premium Tax decreased by \$1,919,982 or approximately 9.5% during fiscal year 2021.
- Distributions to municipal pension plans increased \$1,719,540 or more than 9% during fiscal year 2021.
- Interest income decreased from \$558,489 to \$60,709 during fiscal year 2021.
- The Board's net position decreased during fiscal year 2021 in the amount of \$2,689,945.

Using This Report

This report consists of a series of financial statements. The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Fund Net Position display and report the Board's net position and changes in their position. The Board's net position, which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, is normally how one would measure the Board's financial health or financial position.

The Board as a Whole

The Board is accounted for as a proprietary fund engaged in business-type activities. The Board 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 discretely presented component unit.

During the third month of each quarter the Board receives, from the West Virginia Insurance Commission, a portion of the casualty and fire insurance premiums to distribute, net of operating expenses, to the municipal police and fire pension plans. To receive the premium distribution, there must be an actuarial study of the pension plan, the employer must make the required contributions and an annual report must be provided to the Board.

Duties of the Board include assisting municipal pension funds' boards of trustees in performing their duties, assuring the funds' compliance with applicable laws, providing for actuarial studies, distributing tax revenues to the funds, initiating or joining legal actions on behalf of active or retired pension fund members or municipal pension funds' boards of trustees to protect the interests of the members in the funds, and taking other actions as may be reasonably necessary to provide for the security and fiscal integrity of the pension funds.

Our analysis below shows the Board's net position as of June 30, 2021, 2020, and 2019 (Table 1) and changes in the Board's net position for the years then ended (Table 2), with emphasis on the most recent year.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020
(Unaudited)

Table 1
Net Position

	2021	2020	2019
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 29,720,436	\$ 32,413,427	\$ 30,948,545
Accounts receivable	1,343	11,370	-
Capital assets, net	9,391	9,500	9,412
	<u>29,731,170</u>	<u>32,434,297</u>	<u>30,957,957</u>
Deferred outflows of resources related to pensions	60,504	25,433	25,868
Deferred outflows of resources related to OPEB	7,203	3,725	3,592
Total deferred outflows of resources	<u>67,707</u>	<u>29,158</u>	<u>29,460</u>
<u>Total assets and deferred outflows of resources</u>	<u>\$ 29,798,877</u>	<u>\$ 32,463,455</u>	<u>\$ 30,987,417</u>
<u>LIABILITIES</u>			
Current liabilities	\$ 37,260	\$ 37,846	\$ 49,632
Non-current liabilities:			
Net pension liability	79,211	33,028	39,726
Net OPEB liability	4,991	17,684	22,300
Total liabilities	<u>121,462</u>	<u>88,558</u>	<u>111,658</u>
Deferred inflows of resources related to pensions	6,027	21,005	24,041
Deferred inflows of resources related to OPEB	15,451	8,010	5,494
Total deferred inflows of resources	<u>21,478</u>	<u>29,015</u>	<u>29,535</u>
<u>Total liabilities and deferred inflows of resources</u>	<u>\$ 142,940</u>	<u>\$ 117,573</u>	<u>\$ 141,193</u>
<u>NET POSITION</u>			
Net investment in capital assets	\$ 9,391	\$ 9,500	\$ 9,412
Restricted by enabling legislation	<u>29,646,546</u>	<u>32,336,382</u>	<u>30,836,812</u>
Total net position	<u>\$ 29,655,937</u>	<u>\$ 32,345,882</u>	<u>\$ 30,846,224</u>

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020
(Unaudited)

Table 2
Changes in Net Position

	2021	2020	2019
Operating revenues:			
Insurance premium tax	\$ 18,284,674	\$ 20,204,656	\$ 20,022,883
Operating expenses:			
Distributions to municipal pension plans	20,341,908	18,622,368	18,768,884
Administrative expense	693,894	642,191	650,354
	<u>21,035,802</u>	<u>19,264,559</u>	<u>19,419,238</u>
Operating income	(2,751,128)	940,097	603,645
Non-operating revenues:			
Interest and other income	60,709	558,489	679,479
Payments on behalf of State of West Virginia	474	1,072	1,409
	<u>61,183</u>	<u>559,561</u>	<u>680,888</u>
Change in net position	(2,689,945)	1,499,658	1,284,529
Net position, beginning of year	<u>32,345,882</u>	<u>30,846,224</u>	<u>29,561,695</u>
Net position, end of period	<u>\$ 29,655,937</u>	<u>\$ 32,345,882</u>	<u>\$ 30,846,224</u>

Changes in Net Position

As is noted in Table 2 the Board had a negative change in net position in the amount of \$2,689,945. Several factors contributed to the negative effect on net position. First, the Board experienced a decrease in the insurance premium tax revenue in the amount of \$1,919,982 for fiscal year 2021. While the Board has no control over the premium tax revenue as it is subject to economic and market conditions, a decrease in revenue to the Board directly reduces future payments to the local police and fire pension plans. Secondly, distributions to pension plans increased for fiscal year 2021 in the amount of \$1,719,540. One of the primary objectives of the Board is to distribute the premium tax into the accounts of the pension plans as soon as the plans meet the criteria for state aid. 94% of the September 2020 allocation was distributed by June 30, 2021 which is a slight increase from the same time of the previous year. Third, because of short-term rate decreases in the WV Money Market Pool the Board's return on investments managed by the Board of Treasury Investments have decreased from 1.71% as of June 2020 to 0.06 % as of June 2021. This rate change caused our interest income to decrease \$497,780.

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2021 AND 2020
(Unaudited)**

Currently Known Facts and Conditions

The Board's financial position remains stable and does not foresee or plan to engage in any activities that will have a negative impact on its financial stability.

Requests for Information

This financial report is designed to provide a general overview of the Board's operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Blair Taylor, Executive Director, Municipal Pensions Oversight Board, 301 Eagle Mountain Road, Suite 251, Charleston, West Virginia 25311.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
STATEMENTS OF NET POSITION
June 30, 2021 and 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
Current Assets:		
Cash and cash equivalents (Note 3)	\$ 29,720,436	\$ 32,413,427
Accounts receivable	1,343	11,370
Capital assets, net (Note 4)	9,391	9,500
	<u>29,731,170</u>	<u>32,434,297</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows of resources related to pensions (Note 5)	60,504	25,433
Deferred outflows of resources related to OPEB (Note 6)	7,203	3,725
Total deferred outflows of resources	<u>67,707</u>	<u>29,158</u>
Total assets and deferred outflows of resources	<u>\$ 29,798,877</u>	<u>\$ 32,463,455</u>
 <u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 2,097	\$ 1,491
Accrued payroll liabilities	35,163	36,355
Total current liabilities	<u>37,260</u>	<u>37,846</u>
Noncurrent Liabilities:		
Net pension liability (Note 5)	79,211	33,028
Net OPEB liability (Note 6)	4,991	17,684
Total noncurrent liabilities	<u>84,202</u>	<u>50,712</u>
Total liabilities	<u>121,462</u>	<u>88,558</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of resources related to pensions (Note 5)	6,027	21,005
Deferred inflows of resources related to OPEB (Note 6)	15,451	8,010
Total deferred inflows of resources	<u>21,478</u>	<u>29,015</u>
Total liabilities and deferred inflows of resources	<u>\$ 142,940</u>	<u>\$ 117,573</u>
 <u>NET POSITION</u>		
Net investment in capital assets	\$ 9,391	\$ 9,500
Restricted by enabling legislation	29,646,546	32,336,382
Total net position	<u>\$ 29,655,937</u>	<u>\$ 32,345,882</u>

The Notes to Financial Statements are an integral part of these statements.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Operating revenues:		
Insurance premium tax	\$ 18,284,674	\$ 20,204,656
Operating expenses:		
Distributions to municipal pension plans	20,341,908	18,622,368
Administrative:		
Salaries and wages	251,790	251,835
Employee benefits	43,237	32,531
Professional fees	339,185	282,594
Depreciation	7,527	4,632
Miscellaneous	52,155	70,599
Total operating expenses	<u>21,035,802</u>	<u>19,264,559</u>
Operating income (loss)	<u>(2,751,128)</u>	<u>940,097</u>
Non-operating revenues:		
OPEB payment on behalf of State of West Virginia	474	1,072
Interest and other income	60,709	558,489
Total non-operating revenues	<u>61,183</u>	<u>559,561</u>
Change in net position	<u>(2,689,945)</u>	<u>1,499,658</u>
Net position, beginning of year	<u>32,345,882</u>	<u>30,846,224</u>
Net position, end of year	<u>\$ 29,655,937</u>	<u>\$ 32,345,882</u>

The Notes to Financial Statements are an integral part of these statements.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
STATEMENTS OF CASH FLOW
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Cash received from insurance premium taxes	\$ 18,284,674	\$ 20,204,656
Cash paid to municipal pension plans	(20,341,908)	(18,622,368)
Cash paid to employees	(308,342)	(297,185)
Cash paid to suppliers	(380,706)	(373,990)
Net cash provided by (used in) operating activities	<u>(2,746,282)</u>	<u>911,113</u>
Cash flows from capital and related financing activities:		
Purchase of property and equipment	<u>(7,418)</u>	<u>(4,720)</u>
Cash flows from investing activities:		
Investment earnings	<u>60,709</u>	<u>558,489</u>
Net increase (decrease) in cash and cash equivalents	(2,692,991)	1,464,882
Cash and cash equivalents, beginning of year	<u>32,413,427</u>	<u>30,948,545</u>
Cash and cash equivalents, end of year	<u><u>\$ 29,720,436</u></u>	<u><u>\$ 32,413,427</u></u>
Reconciliation of operating gain (loss) to net cash used		
 In operating activities:		
Operating income (loss)	\$ (2,751,128)	\$ 940,097
Adjustments to reconcile operating income (loss) to net cash		
(used in) provided by operating activities:		
Depreciation	7,527	4,632
OPEB expense - special funding	474	1,072
Pension expense	19,595	14,029
OPEB expense	(3,903)	(63)
Changes in operating accounts:		
(Increase) decrease in accounts receivables	10,027	(11,370)
Increase (decrease) in accounts payable	606	(9,427)
Increase (decrease) in accrued payroll liabilities	(1,192)	(2,359)
(Increase) in deferred outflows of resources-Pension	(23,461)	(23,328)
(Increase) in deferred outflows of resources -OPEB	<u>(4,827)</u>	<u>(2,170)</u>
Net cash provided by (used in) operating activities	<u><u>\$ (2,746,282)</u></u>	<u><u>\$ 911,113</u></u>

The Notes to Financial Statements are an integral part of these statements.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 1 - REPORTING ENTITY

The West Virginia Legislature passed Senate Bill 4007 on November 19, 2009, creating the West Virginia Municipal Pensions Oversight Board (the Board). The Board was created for the purpose of monitoring and improving the performance of municipal policemen's and firemen's pension and relief funds to assure prudent administration, investment, and management of their funds. Duties of the oversight board include assisting municipal boards of trustees in performing their duties, assuring the funds' compliance with applicable laws, providing for actuarial studies, distributing tax revenues to the funds, initiating or joining legal actions on behalf of active or retired pension fund members or municipal boards of trustees to protect the interests of the members in the funds, and taking other actions as may be reasonably necessary to provide for the security and fiscal integrity of the pension funds. The oversight board also monitors the performance required of the various funds to qualify to receive distributions of insurance premium tax revenues pursuant to the West Virginia Code. The Board 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 discretely presented component unit.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Board is accounted for as a proprietary fund engaged in business-type activities. The financial statements are prepared on the economic resources measurement focus and the accrual basis of accounting which requires recognition of revenue when earned and expenses when incurred.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of demand deposits with the West Virginia State Treasurer's Office (STO) and short-term interest-earning investments in the West Virginia Money Market Pool, a State internal investment pool maintained by the West Virginia Board of Treasury Investments (BTI). The West Virginia Money Market Pool is carried at amortized cost.

Capital Assets

The Board has adopted a policy of capitalizing assets for individual items exceeding \$1,000 in cost and a useful life greater than one year. These assets include leasehold improvements, furnishings, and equipment. Depreciation is computed using the straight-line method over the estimated economic useful lives of the assets for five years.

Accrued Employee Benefits

In accordance with State policy, the Board permits employees to accumulate earned but unused vacation and sick pay benefits. A liability for vacation pay is accrued when earned. To the extent that accumulated sick leave is expected to be converted to benefits on retirement, the benefits are funded by the Board's participation in the West Virginia Retiree Health Benefit Trust.

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources / Deferred Inflows of Resources

The statement of net position reports a separate financial statement element called *deferred outflows of resources*. This financial statement element represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense) until that time. The Board reports deferred outflows of resources related to pensions and other post-employment benefits as on the statements of net position.

The statement of net position reports a separate financial statement element called *deferred inflows of resources*. This financial statement element represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The Board reports deferred inflows of resources related to pensions and other post-employment benefits on the statements of net position.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employee Retirement System (PERS), and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the West Virginia Retiree Health Benefit Trust OPEB Plan (RHBT) and additions to/deductions from RHBT's fiduciary net position have been determined on the same basis as they are reported by RHBT. For this purpose RHBT recognized benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for certain pooled investments, money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at amortized cost.

Net Position

Net position is presented as restricted by enabling legislation, or as the net investment in capital assets, which represents the net book value of all capital assets of the Board. Net position restricted by enabling legislation is required to first be used for the administrative expenses of the Board, with all remaining net position available for disbursement to the municipal policemen's and firemen's pension and relief funds. All expenses are incurred for restricted purposes.

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds such as the Board are revenues and expenses that result from providing services and producing goods and/or services. Operating revenues include premium tax revenues, recognized when earned. Operating expenses of the Board include administrative expenses and pension distributions, recognized when incurred. All revenues not meeting this definition are reported as nonoperating revenues.

NOTE 3 - CASH AND CASH EQUIVALENTS

At June 30, 2021 and 2020, the carrying amounts of deposits with the STO and the BTI are as follows:

	<u>2021</u>	<u>2020</u>
Cash on hand at STO	\$ 76,358	\$ 62,008
Investments with BTI reported as cash equivalents	<u>29,644,078</u>	<u>32,351,419</u>
	<u>\$ 29,720,436</u>	<u>\$ 32,413,427</u>

The State Treasurer has statutory responsibility for daily cash management activities of the State's agencies, departments, boards and commissions, and transfers funds to the BTI for investment in accordance with West Virginia Code, policies set by the BTI and by provisions of bond indentures and trust agreements when applicable.

The Board's cash balances are invested by the BTI in the BTI's West Virginia Money Market Pool. Investment income is pro-rated to the Board at rates specified by the BTI based on the balance of the deposits maintained by the Board in relation to the total deposits of all participants in the pool. Such funds are available to the Board with overnight notice.

The BTI's investment policy is to invest assets in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity. The BTI recognizes that risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The West Virginia Money Market Pool has been rated AAAm by Standard & Poor's. A fund rated AAAm has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAm" is the highest principal stability fund rating assigned by Standard & Poor's. The BTI itself has not been rated for credit risk by any organization.

The BTI limits the exposure to credit risk in the West Virginia Money Market Pool by requiring all long-term debt to be rated A+ or higher by Standard & Poor's (or its equivalent), and short-term corporate debt be rated A-1 or higher by Standard & Poor's (or its equivalent). The pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America. The following table provides information on the credit ratings of the WV Money Market Pool's investments (in thousands):

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Security Type	Credit Rating		Carrying Value (in Thousands)	Percent of Pool Assets
	Moody's	S&P		
U.S. Treasury notes *	Aaa	AA+	\$ 37,505	0.55%
U.S. Treasury bills *	P-1	A-1+	354,997	5.19
Commercial Paper	P-1	A-1+	1,302,573	19.04
	P-1	A-1	2,634,701	38.50
Negotiable certificates of deposit	P-1	A-1+	138,500	2.02
	P-1	A-1	812,504	11.88
Money market funds	Aaa	AAAm	1,600	0.02
	NR	AAAm	217,022	3.17
Repurchase agreements (underlying securities):				
U.S. Treasury bonds and notes	Aaa	AA+	1,325,680	19.37
U.S. Agency bonds and notes	Aaa	AA+	17,920	0.26
			<u>\$ 6,843,002</u>	<u>100.00%</u>

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The West Virginia Money Market Pool is subject to interest rate risk.

The overall weighted average maturity of the investments of the West Virginia Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides information on the weighted average maturities for the various asset types in the West Virginia Money Market Pool:

Security Type	Carrying Value (In Thousands)	WAM (Days)
U.S. Treasury notes	\$ 37,505	1
U.S. Treasury bills	354,997	13
Commercial paper	3,937,274	73
Negotiable certificates of deposit	951,004	65
Repurchase agreements	1,343,600	6
Money market funds	218,622	1
	<u>\$ 6,843,002</u>	<u>52</u>

Other Risks of Investing

Other risks of investing can include concentration of credit risk, custodial credit risk, and foreign currency risk.

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Concentration of credit risk is the risk of loss attributed to the magnitude of the pool's investment in a single corporate issuer. The BTI investment policy prohibits the West Virginia Money Market Pool from investing more than 5% of their assets in any one corporate name or one corporate issue.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. The BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The West Virginia Money Market Pool does not hold interests in foreign currency or interests valued in foreign currency.

NOTE 4 - CAPITAL ASSETS

A summary of capital asset activity is as follows:

	Historical Cost at June 30, 2019	Additions	Disposals	Historical Cost at June 30, 2020	Additions	Disposals	Historical Cost at June 30, 2021
Leasehold improvements	\$ 6,882	\$ -	\$ -	\$ 6,882	\$ -	\$ -	\$ 6,882
Furnishings and equipment	21,816	4,720	-	26,536	13,319*	8,918	30,937
	<u>\$ 28,698</u>	<u>\$ 4,720</u>	<u>\$ -</u>	<u>\$ 33,418</u>	<u>\$13,319</u>	<u>\$ 8,918</u>	<u>\$ 37,819</u>
	Accumulated Depreciation June 30, 2019	Additions	Disposals	Accumulated Depreciation June 30, 2020	Additions	Disposals	Accumulated Depreciation June 30, 2021
Leasehold improvements	\$ 4,912	\$ 986	\$ -	\$ 5,898	\$ 984	\$ -	\$ 6,882
Furnishings and equipment	14,374	3,646	-	18,020	12,144*	8,618	21,546
	<u>\$ 19,286</u>	<u>\$ 4,632</u>	<u>\$ -</u>	<u>\$ 23,918</u>	<u>\$13,128</u>	<u>\$ 8,618</u>	<u>\$ 28,428</u>
Total	<u>\$ 9,412</u>	<u>\$ 88</u>	<u>\$ -</u>	<u>\$ 9,500</u>	<u>\$ 191</u>	<u>\$ 300</u>	<u>\$ 9,391</u>

* Amounts include fully depreciated assets added for tracking purposes.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
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NOTE 5 - RETIREMENT PLAN

Plan Description

The Board contributes to the Public Employees Retirement System (PERS), a cost-sharing, multiple-employer, defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board (CPRB). PERS covers substantially all employees of the State and its component units, as well as employees of participating non-state governmental entities who are not participants of another state or municipal retirement system. Benefits under PERS include retirement, death and disability benefits, and have been established and may be amended by action of the State Legislature. CPRB issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained at www.wvretirement.com.

Benefits Provided

Benefits are provided through PERS using a two-tiered system. Effective July 1, 2015, PERS implemented the second tier, Tier II. Employees hired, for the first time, on or after July 1, 2015 are considered Tier II members. Tier I and Tier II members are subject to different regulations.

Tier I: Employees who retire at or after age 60 with five or more years of credited service, or at least age 55 with age and service equal to 80 years or greater, are entitled to a retirement benefit established by State statute, payable monthly for life, in the form of a straight-life annuity equal to two percent of the employee's final average salary multiplied by years of service. Final average salary is the average of the highest annual compensation received by an employee during any period of three consecutive years of credited service included within fifteen years of credited service immediately preceding the termination date of employment with a participating public employer or, if the employee has less than three years of credited service, the average of the annual rate of compensation received by the employee during the total years of credited service. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62.

Tier II: Employees who retire at or after age 62 with ten or more years of credited service are entitled to a retirement benefit established by State statute, payable monthly for life, in the form of a straight-life annuity equal to two percent of the employee's final average salary multiplied by years of service. Final average salary is the average of the highest annual compensation received by an employee during any period of five consecutive years of credited service included within fifteen years of credited service immediately preceding the termination date of employment with a participating public employer. Terminated members with at least ten years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 64.

Contributions

Contributions as a percentage of payroll for members are established by statutes, subject to legislative limitations and are not actuarially determined. Current funding policy requires employer contributions of 10% for the years ended June 30, 2021, 2020, and 2019, respectively. The employee contribution rate is 4.5% and 6% for Tier I and Tier II employees, respectively. The Board's contribution to the Plan, excluding the employee's contribution paid by the Board, approximated \$23,461, \$23,328, and \$22,523, for the fiscal years ended June 30, 2021, 2020, and 2019, respectively.

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 5 - RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

On June 30, 2021, and 2020, the Board reported a liability of \$79,211 and \$33,028, respectively for its proportionate share of the net pension liability. The 2021 net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to the measurement date of June 30, 2020. The 2020 net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018, rolled forward to the measurement date of June 30, 2019. The Board's proportion of the net pension liability was based on the Board's contributions to the pension plan relative to the contributions of all participating employers. On June 30, 2020, the Board's proportionate share was 0.014983%, which was a decrease of .00038% from its proportionate share measured as of June 30, 2019.

For the years ended June 30, 2021 and 2020, the Board recognized pension expense of \$19,595 and \$14,029, respectively. At June 30, 2021 and 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 25,106	\$ -
Differences between expected and actual experience	11,657	1,633
Changes in assumptions	-	3,490
Changes in proportion and differences between Board's contributions and proportionate share of contributions	280	904
Board's contributions subsequent to the measurement date	23,461	-
Total	\$ 60,504	\$ 6,027
June 30, 2020	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 11,938
Differences between expected and actual experience	1,278	2,885
Changes in assumptions	-	6,063
Changes in proportion and differences between Board's contributions and proportionate share of contributions	827	119
Board's contributions subsequent to the measurement date	23,328	-
Total	\$ 25,433	\$ 21,005

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 5 - RETIREMENT PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The Board reported \$23,461 as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2022	(3,444)
2023	11,161
2024	14,214
2025	9,085

Actuarial assumptions and methods

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.0%
Salary increases	3.1% – 6.5% average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense

Mortality rates were based on 100% of Pub-2010 General Employees table, below-median, headcount weighted projected generationally with scale MP-2018 for active employees, 108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected generationally with scale MP-2018 for retired healthy males, 122% of Pub-2010 General Retiree Female table, headcount weighted, projected generationally with scale MP-2018 for retired healthy females, 118% of Pub-2010 General/Teachers Disabled Male table, headcount weighted, projected generationally with scale MP-2018 for disabled males, and 117% of Pub-2010 General/Teachers Disabled Female table, below-median, headcount weighted, projected generationally with scale MP-2018 for disabled females.

An experience study, which was based on the years 2013 through 2018, was used for the 2020 actuarial valuation.

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0%
Salary increases	3.1% - 6.5%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 5 - RETIREMENT PLAN (Continued)

Actuarial assumptions and methods (continued)

Mortality rates were based on 100% of Pub-2010 General Employees table, below-median, headcount weighted projected with scale MP-2018 for active employees, 108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected with scale MP-2018 for retired healthy males, 122% of Pub-2010 Annuitant, Scale AA fully generational General Retiree Female table, below-median, headcount weighted, projected with scale MP-2018 for retired healthy females, 118% of Pub-2010 General/Teachers Disabled Male table, below-median, headcount weighted, projected with scale MP-2018 for disabled males, and 117% of Pub-2010 General/Teachers Disabled Female table, below-median, headcount weighted, projected with scale MP-2018 for disabled females.

The experience study, which was based on the years 2013 through 2018, was used for the 2019 actuarial valuation.

Long-term expected rates of return

The long-term rates of return on pension plan investments was determined using a building block method in which estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. Best estimates of long-term geometric rates of return are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return	Weighted Average Expected Real Rate of Return
Domestic equity	27.5%	5.5%	1.51%
International equity	27.5%	7.0%	1.93%
Fixed income	15.0%	2.2%	0.33%
Real estate	10.0%	6.6%	0.66%
Private equity	10.0%	8.5%	0.85%
Hedge funds	10.0%	4.0%	0.40%
Total	100.0%		5.68%
Inflation (CPI)			1.90%
			7.58%

Discount rate

The discount rate used to measure the total pension liability was 7.5 percent. The projections of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will continue to follow current funding policies. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability. Although discount rates are subject to change between measurement dates, there were no changes in the discount rate in the current period.

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 5 - RETIREMENT PLAN (Continued)

Sensitivity of the Board's proportionate share of the net pension liability to changes in the discount rate

The following table presents the Board's proportionate share of the net pension liability calculated using the current discount rate of 7.5 percent as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease (6.5%)	Discount Rate (7.5%)	1% Increase (8.5%)
Board's proportionate share of the net pension liability (asset)	\$ 201,821	\$ 79,211	\$ (24,457)

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS

Plan description

The West Virginia Other Postemployment Benefit Plan (the OPEB Plan) is a cost-sharing, multiple-employer, defined benefit other post-employment benefit plan and covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in the West Virginia Code Section 5-16D-2 (the Code). The financial activities of the OPEB Plan are accounted for in the West Virginia Retiree Health Benefit Trust Fund (RHBT), a fiduciary fund of the State of West Virginia. The OPEB Plan is administered by a combination of the West Virginia Public Employees Insurance Agency (PEIA) and the RHBT staff. OPEB Plan benefits are established and revised by PEIA and the RHBT management with approval of their Finance Board. The PEIA issues a publically available financial report of the RHBT that can be obtained at www.peia.wv.gov or by writing to the West Virginia Public Employees Insurance Agency, 601 57th Street, SE Suite 2, Charleston, WV 25304.

Benefits provided

Board employees who retire are eligible for PEIA health and life benefits, provided they meet the minimum eligibility requirements of the PERS or meet certain other eligibility requirements of other West Virginia Consolidated Public Retirement Board (CPRB) sponsored retirement plans. RHBT provides medical and prescription drug insurance and life insurance benefits to those qualified participants. Life insurance is provided through a vendor and is fully funded by member contributions. The medical and prescription drug insurance is provided through two options; Self-Insured Preferred Provider Benefit Plan - primarily for non-Medicare-eligible retirees and spouses or External Managed Care Organizations - primarily for Medicare-eligible retirees and spouses.

The RHBT Medicare-eligible retired employees and their Medicare-eligible dependents receive medical and drug coverage from a Medicare Advantage Plan administered by a vendor. Under this arrangement, the vendor assumes the financial risk of providing comprehensive medical and drug coverage with limited copayments. Non-Medicare retirees continue enrollment in PEIA's Preferred Provider Benefit or the Managed Care Option. The RHBT collects employer contributions for Managed Care Organization (MCO) participants and remits capitation payments to the MCO. Survivors of retirees have the option of purchasing the medical and prescription drug coverage.

Eligible participants hired after June 30, 2010, will be required to fully fund premium contributions upon retirement. The Plan is a closed plan to new entrants.

(Continued)

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Contributions

West Virginia Code section 5-16D-6 assigns to the PEIA Finance Board the authority to establish and amend contribution requirements of the plan members and the participating employers. Participating employers are required by statute to contribute at a rate assessed each year by the RHBT. The annual contractually required rate is the same for all participating employers. Employer contributions represent what the employer was billed during the respective year for their portion of the pay as you go premiums, commonly referred to as paygo, retiree leave conversion billings, and other matters, including billing adjustments. The annual contractually required per active policyholder per month rates for State non-general funded agencies and other participating employers effective June 30, 2021, 2020, and 2019, respectively, were:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Paygo Premium	\$ 160	\$ 168	\$ 183

Contributions to the OPEB plan from the Board were \$4,827, \$2,170, and \$2,194 for the years ended June 30, 2021, 2020, and 2019, respectively.

Members retired before July 1, 1997, pay retiree healthcare contributions at the highest sponsor subsidized rate, regardless of their actual years of service. Members retired between July 1, 1997 and June 30, 2010, pay a subsidized rate depending on the member's years of service. Members hired on or after July 1, 2010, pay retiree healthcare contributions with no sponsor provided implicit or explicit subsidy.

Retiree leave conversion contributions from the employer depend on the retiree's date of hire and years of service at retirement as described below;

- Members hired before July 1, 1988, may convert accrued sick or leave days into 100% of the required retiree healthcare contribution.
- Members hired from July 1, 1988, to June 30, 2001, may convert accrued sick or leave days into 50% of the required retiree healthcare contribution.

The conversion rate is two days of unused sick and annual leave days per month for single healthcare coverage and three days of unused sick and annual leave days per month for family healthcare coverage.

Contributions by nonemployer contributing entities in special funding situations

The State of West Virginia is a nonemployer contributing entity that provides funding through SB 419, effective July 1, 2012, amended by West Virginia Code §11-21-96. The State provides a supplemental pre-funding source dedicating \$30 million annually to the RHBT Fund from annual collections of the Personal Income Tax Fund and dedicated for payment of the unfunded liability of the RHBT. The \$30 million transferred pursuant to this Code shall be transferred until the Governor certifies to the Legislature that an independent actuarial study has determined that the unfunded liability of RHBT has been provided for in its entirety or July 1, 2037, whichever date is later. This funding is to the advantage of all RHBT contributing employers.

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Contributions by nonemployer contributing entities in special funding situations (continued)

The State is a nonemployer contributing entity that provides funding through West Virginia State Code §11B-2-32. The Financial Stability Fund is a plan to transfer an annual amount of \$5 million to the RHBT from special revenue funds to be used to lower retiree premiums, to help reduce benefit cuts, to help reduce premium increases or any combination thereof. The \$5 million transferred pursuant to this Code shall be transferred annually into the RHBT through June 30, 2020, which is the measurement date of the liability reported as of June 30, 2021. This funding is to the advantage of all RHBT contributing employers.

The State is a nonemployer contributing entity that provides funding through SB 469 which was passed February 10, 2012, granting OPEB liability relief to the 55 County Boards of Education effective July 1, 2012. The public school support plan (PSSP) is a basic foundation allowance program that provides funding to the local school boards for "any amount of the employer's annual required contribution allocated and billed to the county boards for employees who are employed as professional employees, employees who are employed as service personnel and employees who are employed as professional student support personnel", within the limits authorized by the State Code. This special funding under the school aid formula subsidizes employer contributions of the county boards of education.

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB

At June 30, 2021 and 2020, the Board reported a liability for its proportionate share of the RHBT net OPEB liability that reflected a reduction for State OPEB support provided to the Board. The amount recognized by the Board as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the Board was as follows:

	<u>2021</u>	<u>2020</u>
The Board's proportionate share of the net OPEB liability	\$ 4,991	\$ 17,684
State's special funding proportionate share of the net OPEB liability associated with the Board	<u>1,104</u>	<u>3,619</u>
Total portion of net OPEB liability associated with the Board	<u>\$ 6,095</u>	<u>\$ 21,303</u>

The net OPEB liability reported at June 30, 2021 was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020. The Board's proportion of the net OPEB liability was based on its proportionate share of employer and non-employer contributions to the OPEB Plan for the fiscal year ended on the measurement date. At June 30, 2020, the Board's proportion was .0011 percent, which is relatively unchanged its proportion measured as of June 30, 2019.

For the years ended June 30, 2021 and 2020, respectively, the Board recognized OPEB expense (revenue) of \$(3,429) and \$1,009 and for support provided by the State under special funding situations revenue of \$474 and \$1,072. At June 30, 2021 and 2020, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB (continued)

	June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,236
Net difference between projected and actual earnings on OPEB plan investments	378	-
Changes in assumptions	-	11,265
Changes in proportion and differences between the Board's contributions and proportionate share of contributions	1,998	664
Reallocation of opt-out employer change in proportionate share		286
The Board's contributions subsequent to the measurement date of June 30, 2020	4,827	-
Total	\$ 7,203	\$ 15,451
	June 30, 2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,062
Net difference between projected and actual earnings on OPEB plan investments	101	291
Changes in assumptions	-	3,587
Changes in proportion and differences between the Board's contributions and proportionate share of contributions	1,450	1,594
Reallocation of opt-out employer change in proportionate share	4	476
The Board's contributions subsequent to the measurement date of June 30, 2020	2,170	-
Total	\$ 3,725	\$ 8,010

Deferred outflows of resources related to OPEB of \$4,827 resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:	
2022	\$ (5,384)
2023	(4,385)
2024	(3,272)
2025	(34)

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial assumptions

The total OPEB liability, reported as of June 30, 2021, was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Specific to the OPEB covered group. Ranging from 2.75% to 5.18%, including inflation
Investment rate of return	6.65%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Trend rate for pre-Medicare per capita costs of 7.0% for plan year end 2022, 6.5% for plan year end 2023, decreasing by .25% each year thereafter, until ultimate trend rate of 4.25% is reached in plan year 2032. Trend rate for Medicare per capita costs of (31.11%) for plan year end 2020, 9.15% for plan year end 2023, 8.40% for plan year end 2024, decreasing gradually, until ultimate trend rate of 4.25% is reached in plan year end 2036.
Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll over a 20 year closed period
Remaining amortization period	20 years closed as of June 30, 2017

Post-retirement mortality retirement rates were based on Pub-2010 General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 100% for males and 108% for females for Teachers' Retirement System (TRS), Pub-2010 Below-Median Income General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 106% for males and 113% for females for PERS, and Pub-2010 Public Safety Healthy Retiree Mortality Tables projected with scale MP-2019 and scaling factors of 100% for males and females for West Virginia Death, Disability, and Retirement Fund (Trooper A) and West Virginia State Police Retirement System (Trooper B). Pre-retirement mortality rates were based on Pub-2010 General Employee Mortality Tables projected with MP-2019 for TRS, Pub-2010 Below-Median Income General Employee Mortality Tables projected with MP-2019 for PERS, and Pub-2010 Public Safety Employee Mortality Tables projected with scale MP-2019 for Troopers A and B.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2015 – June 30, 2020.

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial assumptions (Continued)

The total OPEB liability, reported as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2018, rolled forward to June 30, 2019 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary increases	Dependent upon pension system ranging from 3.00% to 6.50%, including inflation
Investment rate of return	7.15%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Trend rate for pre-Medicare per capita costs of 8.5% for plan year end 2020, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year 2028. Trend rate for Medicare per capita costs of 3.1% for plan year end 2020. 9.5% for plan year end 2021, decreasing by 0.5% each year thereafter, until ultimate trend rate of 4.5% is reached in plan year end 2031.
Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll over a 20 year closed period
Remaining amortization period	20 years closed as of June 30, 2017

Post-retirement mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and Teachers' Retirement System (TRS) and RP-2014 Healthy Annuitant Mortality Table projected with scale MP-2016 on a fully generational basis for West Virginia Death, Disability, and Retirement Fund (Troopers A) and West Virginia State Police Retirement System (Troopers B). Pre-Retirement mortality rates were based on RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS and RP-2014 Employee Mortality Table projected with Scale MP-2016 on a fully generational basis for Troopers A and B.

The actuarial assumptions used in the June 30, 2018 and 2017 valuations were based on the results of an actuarial experience study for the period July 1, 2010 - June 30, 2015.

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial assumptions (Continued)

Certain assumptions have been changed since the prior actuarial valuation as of June 30, 2018 and a measurement date of June 30, 2020. The net effect of the assumption changes on the plan, in total, was approximately \$1,147 million.

- General/price inflation – decrease price inflation rate from 2.75% to 2.25%
- Discount rate – decrease discount rate from 7.15% to 6.65%
- Wage inflation – decrease wage inflation rate from 4.00% to 2.75% for PERS, and TRS, and 3.25% for Troopers A and B
- OPEB retirement – develop explicit retirement rates for members who are eligible to retire with healthcare benefits and elect healthcare coverage
- Waived annuitant termination – develop explicit waived termination rates for members who are eligible to retire with healthcare benefits but waive healthcare coverage
- SAL conversion – develop explicit SAL conversion rates for members who are eligible to convert sick and annual leave (SAL) balances at retirement and convert SAL balances into OPEB benefits
- Lapse/re-entry – develop net lapse/re-entry rates for members who either lapse coverage after electing healthcare coverage or elect healthcare coverage after waiving coverage
- Other demographic assumptions – develop termination, disability, and mortality rates based on experience specific to OPEB covered group
- Salary increase – develop salary increase assumptions based on experience specific to the OPEB covered group

The long-term expected rate of return of 6.65% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.00% for long-term assets invested with the West Virginia Investment Management Board (WVIMB) and an expected short-term rate of return of 2.5% for assets invested with the BTI. Long-term pre-funding assets are invested with the WVIMB. The strategic asset allocation consists of 55% equity, 15% fixed income, 10% private equity, 10% hedge fund and 10% real estate invested. Short-term assets used to pay current year benefits and expenses are invested with the BTI.

The long-term rates of return on OPEB plan investments are determined using a building block method in which estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected real rates of return by weighting the expected future rates of return by the target asset allocation percentage. Target asset allocations, capital market assumptions, and forecast returns were provided by the plan's investment advisors, including the WVIMB. The projected return for the Money Market Pool held with the BTI was estimated based on the WVIMB assumed inflation of 2.0% plus a 25 basis point spread. The target allocation and estimates of annualized long-term expected real returns assuming a 10-year horizon are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	52.25%	6.8%
Core Plus Fixed Income	14.25%	4.1%
Hedge Fund	9.50%	4.4%
Private Equity	9.50%	8.8%
Core Real Estate	9.50%	6.1%
Cash and cash equivalents	5.0%	0.25%

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial assumptions (Continued)

Discount rate

A single discount rate of 6.65% was used to measure the total OPEB liability. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made in accordance with the prefunding and investment policies. Future pre-funding assumptions include a \$30 million annual contribution from the State through 2037. Based on those assumptions, and that the Plan is expected to be fully funded by fiscal year ended June 30, 2025, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. Discount rates are subject to change between measurement dates.

Other key assumptions

Members hired on or after July 1, 2010, are required to pay 100% of expected cost of coverage, resulting in no implicit or explicit employer cost. Consequently, these members are excluded from the actuarial valuation.

OPEB subsequent event

Subsequent to the OPEB valuation with a measurement date of June 30, 2020, the RHBT was still experiencing the effects of a global pandemic that was declared by the World Health Organization due to an outbreak and spread of the COVID-19 virus. The OPEB valuation with a measurement date of June 30, 2020, does not reflect the recent and still developing impact of COVID-19, which is likely to influence healthcare claims experience, demographic experience and economic expectations

Sensitivity of the Board's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the Board's proportionate share of the net OPEB liability calculated using the current discount rate, as well as what the Board's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease (5.65%)</u>	<u>Current Discount Rate (6.65%)</u>	<u>1% Increase (7.65%)</u>
The Board's proportionate share of the net OPEB liability	\$ 7,117	\$ 4,991	\$ 3,210

(Continued)

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020**

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the Board's proportionate share of net OPEB liability to changes in the healthcare cost trend rates.

The following presents the Board's proportionate share of the net OPEB liability, as well as what the Board's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage point higher than the current rates:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
The Board's proportionate share of the net OPEB liability	\$ 3,003	\$ 4,991	\$ 7,392

NOTE 7 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to and illnesses of employees; and natural disasters.

The Board has obtained coverage for job-related injuries of employees (workers compensation) and health coverage for its employees through a commercial insurer and West Virginia Public Employees Insurance Agency (WVPEIA). In exchange for the payment of premiums, the Board has transferred its risks related to health coverage for employees and job-related injuries of employees.

The Board participates in the West Virginia State Board of Risk and Insurance Management (WVBRIM), a public entity risk pool, to obtain coverage for general liability, personal injury liability, professional liability, stop gap liability, wrongful act liability, and comprehensive auto liability. There have been no reductions in insurance coverage from the prior year and no settlements in the past three fiscal years.

NOTE 8 - TRANSACTIONS WITH THE STATE OF WEST VIRGINIA

Pursuant to West Virginia Code, the West Virginia Insurance Commission (the Commission) collects a 1% premium tax on fire and casualty insurance policies. The Commission distributes 65% of the premium tax receipts to the Board. The distributions from the Commission are reported as insurance premium tax revenues on the Board's Statements of Revenues, Expenses, and Changes in Fund Net Position. Other transactions with State of West Virginia agencies include expenses paid for general and administrative activities of the Board in the normal course of operations.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2021 AND 2020

NOTE 9 - COMMITMENTS

The Board is required by its enabling legislation to allocate certain tax and other revenues, net of administrative expenses, to the municipal policemen's and firemen's pension and relief funds (the Funds) by September 1st of each year. The amount to be allocated to the Funds is calculated based upon the Board's prior calendar year insurance premium tax revenues, interest, and other income, less its administrative expenses for the same period. The amounts allocated to each Fund are paid after the allocation date as eligibility requirements to receive the payments are met by each of the Funds. Amounts allocated expire in 18 months if eligibility requirements are not met and the allocated amounts are not paid. Any expired allocation is re-allocated to all other eligible Funds at the next allocation date. The amount committed for payment to the Funds that remain on hand from the September 1, 2020 allocation, but have not been disbursed as of June 30, 2021 is \$1,187,301.

The amount available to the Board for allocation to the pension plans in September 2021 is \$19,502,393.

NOTE 10 - NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board has also issued Statement No. 87, *Leases*, effective for fiscal years beginning after June 15, 2021. The requirements of this Statement will increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. This Statement also will enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The Board has not yet determined the effect that the adoption of GASB Statement No. 87 may have on its financial statements.

The GASB issued Statement No. 92, *Omnibus 2020* in January 2020. This Statement enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for periods beginning after June 15, 2021. The Board has not yet determined the effect that the adoption of GASB Statement No. 92 may have on its financial statements.

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for periods beginning after June 15, 2022. The Board has not yet determined the effect that the adoption of GASB Statement No. 96 may have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM PLAN

	Years Ended June 30,					
	2021	2020	2019	2018	2017	2016
Board's proportion (percentage) of the net pension liability (asset)	0.014983%	0.015361%	0.015383%	0.015161%	0.014991%	0.015321%
Board's proportionate share of the net pension liability (asset)	\$ 79,211	\$ 33,028	\$ 39,726	\$ 65,444	\$ 137,788	\$ 85,568
Board's covered payroll	\$ 233,280	\$ 224,823	\$ 212,736	\$ 208,930	\$ 209,706	\$ 207,776
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	33.955%	14.691%	18.674%	31.323%	65.705%	41.183%
Plan fiduciary net position as a percentage of the total pension liability	92.89%	96.99%	96.33%	93.67%	86.11%	91.29%

Note: All amounts presented are as of the measurement date, which is one year prior to the fiscal year end date.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE PERS

	Years Ended June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	
Statutorily required contribution	\$ 23,461	\$ 23,328	\$ 22,523	\$ 23,440	\$ 25,142	\$ 28,310	\$ 29,089	\$ 29,495	\$ 28,127	
Contributions in relation to the statutorily required contribution	(23,461)	(23,328)	(22,523)	(23,440)	(25,142)	(28,310)	(29,089)	(29,495)	(28,127)	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
The Board's covered payroll	\$ 234,612	\$ 233,280	\$ 224,823	\$ 212,736	\$ 208,930	\$ 209,706	\$ 207,776	\$ 203,412	\$ 200,906	
Contributions as a percentage of covered payroll	10.0%	10.0%	10.0%	11.0%	12.0%	13.5%	14.0%	14.5%	14.0%	

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**

	Years Ended June 30,			
	2021	2020	2019	2018
Board's proportion of the net OPEB liability (asset) (percentage)	0.001129919%	0.001065873%	0.001039396%	0.000966902%
Board's proportionate share of the net OPEB liability (asset)	\$ 4,991	\$ 17,684	\$ 22,300	\$ 23,776
State's proportionate share of the net OPEB liability (asset)	1,104	3,619	4,609	4,884
Total proportionate share of the net OPEB liability (asset)	\$ 6,095	\$ 21,303	\$ 26,909	\$ 28,660
Board's covered employee payroll	\$ 251,835	\$ 224,823	\$ 212,736	\$ 208,930
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	1.98%	7.87%	10.48%	11.38%
Plan fiduciary net position as a percentage of the total OPEB liability	73.49%	39.69%	30.98%	25.10%

* - The amounts presented for each fiscal year were determined as of June 30th of the previous year (measurement date).

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF RHBT CONTRIBUTIONS

	Years Ended June 30,				
	2021	2020	2019	2018	2017
Statutorily required contribution	\$ 4,827	\$ 2,170	\$ 3,592	\$ 2,124	\$ 1,986
Contributions in relation to the statutorily required contribution	(4,827)	(2,170)	(3,592)	(2,124)	(1,986)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered employee payroll	\$ 234,612	\$ 251,835	\$ 224,823	\$ 212,736	\$ 208,930
Contributions as a percentage of covered employee payroll	2.06%	0.86%	1.60%	1.00%	0.95%

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2021

Note 1. Trend Information Presented

The accompanying schedules of the Board's proportionate share of the net OPEB and pension liabilities and contributions to RHBT and PERS are required supplementary information to be presented for 10 years. However, until a full 10 year trend is compiled, information is presented in the schedules for those years for which information is available.

Note 2. OPEB Changes in Assumptions

Below are changes in assumptions between the 2020 and 2018 valuations:

The assumption changes that most significantly impacted the total OPEB liability were an approximate \$831 million decrease due to updated capped subsidy rates, per capita costs, and trend rates, as well as an approximate \$279 million decrease due to changes in assumptions as a result of an experience study as follows:

- General/price inflation – decrease price inflation rate from 2.75% to 2.25%
- Discount rate – decrease discount rate from 7.15% to 6.65%
- Wage inflation – decrease wage inflation rate from 4.00% to 2.75% for PERS, and TRS, and 3.25% for Troopers A and B
- OPEB retirement – develop explicit retirement rates for members who are eligible to retire with healthcare benefits and elect healthcare coverage
- Waived annuitant termination – develop explicit waived termination rates for members who are eligible to retire with healthcare benefits but waive healthcare coverage
- SAL conversion – develop explicit SAL conversion rates for members who are eligible to convert sick and annual leave (SAL) balances at retirement and convert SAL balances into OPEB benefits
- Lapse/re-entry – develop net lapse/re-entry rates for members who either lapse coverage after electing healthcare coverage or elect healthcare coverage after waiving coverage
- Other demographic assumptions – develop termination, disability, and mortality rates based on experience specific to OPEB covered group
- Salary increase – develop salary increase assumptions based on experience specific to the OPEB covered group

Below are changes in assumptions between the 2018 and 2017 valuations:

The assumption changes that most significantly impacted the total OPEB liability were an approximate \$11.8 million decrease in the per capita claims costs for Pre-Medicare and Medicare, as well as an approximate \$224.2 million decrease due to capped subsidy costs implemented in December 2019. Certain other assumption changes were noted but did not materially impact the total OPEB liability.

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2021

Note 2. OPEB Changes in Assumptions (Continued)

Below are changes in assumptions between the 2017 and 2016 valuations:

The assumption changes that most significantly impacted the Net OPEB Liability are as follows: the inclusion of waived annuitants increased the liability by approximately \$17 million; a 15% reduction in the retirement rate assumption decreased the liability by approximately \$68 million; a change in certain healthcare-related assumptions decreased the liability by approximately \$232 million; and an update to the mortality tables increased the liability by approximately \$25 million. Certain other assumption changes were noted but did not materially impact the Net OPEB Liability.

Below are changes in the assumptions between the 2016 and 2015 valuations:

Certain economic and behavioral assumptions are unique to healthcare benefits. These assumptions include the healthcare trend, per capita claims costs, the likelihood that a member selects healthcare coverage and the likelihood that a retiree selects one-person, two person or family coverage. These assumptions were updated based on a recent experience study performed by the RHBT actuaries using five-year experience data through June 30, 2015. The updated per capita claims costs were also based on recent claims, enrollment and premium information as of the valuation date.

For the June 30, 2016 valuation, the retiree healthcare participation assumption for each retirement plan is slightly higher than the previous assumption used in the June 30, 2015 OPEB valuation. More members who were covered as actives will be assumed to participate as retirees.

The 2016 and 2015 valuations include consideration of the \$30 million annual appropriations under Senate Bill 419, through July 1, 2037, or if earlier, the year the benefit obligation is fully funded. Additionally, the presentation of covered payroll was changed for the June 30, 2015, actuarial valuation. Participating employees hired before July 1, 2010, pay retiree premiums that are subsidized based on years of service at retirement. Participating employees hired on or after July 1, 2010, are required to fully fund premium contributions upon retirement. Consequently, beginning June 30, 2015, actuarial valuation covered payroll represents only the payroll for those OPEB eligible participating employees that were hired before July 1, 2010, allowing a better representation of the UAAL as a percentage of covered payroll, whereas, for the prior years, covered payroll is in total for all participating employees.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2021

Note 3. Pension Plan Amendments

The PERS was amended to make changes which apply to new employees hired on or after July 1, 2015 as follows:

- For employees hired prior to July 1, 2015, qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. A member may retire with the pension reduced actuarially if the member is at least 55 and has at least 10 years of contributory service, or at any age with 30 years of contributory service. For employees hired after July 1, 2015, qualification for normal retirement is 62 with 10 years of service. A member hired after July 1, 2015 may retire with the pension reduced actuarially if the member is between the ages 60 and 62 with at least ten years of contributory service, between ages 57 and 62 with at least twenty years of contributory service or between the ages 55 and 62 with at least thirty years of contributory service.
- The straight life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. For employees hired prior to July 1, 2015, average salary is the average of the three consecutive highest annual earnings out of the last fifteen years of earnings. For all employees hired on or after July 1, 2015 average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings.
- For employees hired prior to July 1, 2015, terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired on or after July 1, 2015, this age increases to 64 with at least ten years of contributory service, or age 63 with at least twenty years of contributory service.
- For all employees hired prior to July 1, 2015, employees are required to contribute 4.5% of annual earnings. All employees hired on or after July 1, 2015, are required to contribute 6% of annual earnings.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2021

Note 4. Pension Plan Assumptions

The information in the schedules of the proportionate share of the net pension liability was based on the actuarial valuations rolled forward to measurement dates of June 30 each year presented below using the following actuarial assumptions.

<u>PERS</u>	<u>2019-2020</u>	<u>2015-2018</u>	<u>2014</u>
Projected salary increase			
State	3.1 - 5.3%	3.0 - 4.6%	4.25 - 6.0%
Nonstate	3.35 - 6.5%	3.35 - 6.0%	4.25 - 6.0%
Inflation rate	3.0%	3.0% (2016-2018); 1.9% (2015)	2.2%
Mortality rates	Active-100% of Pub-2010 General Employees table, below median, headcount weighted, projected generationally with scale MP-2018 Retired healthy males-108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected generationally with scale MP-2018 Retired healthy females-122% of Pub-2010 General Retiree Female table, below-median, headcount weighted, projected generationally with scale MP-2018 Disabled males-118% of Pub-2010 General / Teachers Disabled Male table, headcount weighted, projected generationally with scale MP-2018 Disabled females-118% of Pub-2010 General / Teachers Disabled Female table, below-median, headcount weighted, projected generationally with scale MP-2018	Active-RP-2000 Non-Annuitant tables, Scale AA fully generational Retired healthy males – 110% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy females – 101% of RP-2000 Non-Annuitants, Scale AA fully generational Disabled males – 96% of RP-2000 Disabled Annuitant, Scale AA fully generational Disabled females – 107% of RP-2000 Disabled Annuitant, Scale AA fully generational	Healthy males – 1983 GAM Healthy females – 1971 GAM Disabled males-1971 GAM Disabled females-Revenue ruling 96-7
Withdrawal rates			
State	2.28-45.63%	1.75 - 35.1%	1 – 26%
Nonstate	2.950-35.88%	2 - 35.8%	2 – 31.2%
Disability rates	0.005-0.540%	0 - 67.5%	0 – .8%
Experience Study	2013-2018	2009-2014	2004-2009

SUPPLEMENTARY INFORMATION

West Virginia Municipal Pensions Oversight Board
Schedule of Statutory Commitments
June 30, 2021

	<u>Allocation</u>	<u>Expended</u>	<u>Balance</u>
<u>Police Departments</u>			
Beckley	\$ 565,302	\$ 565,302	\$ -
Belle	39,223	39,223	-
Bluefield	300,406	275,293	25,113
Charleston	1,907,763	1,907,763	-
Charles Town	11,975	11,975	-
Chester	39,223	26,876	12,347
Clarksburg	460,990	460,990	-
Dunbar	142,570	131,920	10,650
Elkins	124,531	124,531	-
Fairmont	434,032	434,032	-
Grafton	78,598	78,598	-
Huntington	1,129,547	1,129,547	-
Logan	51,991	-	51,991
Martinsburg	485,176	485,176	-
Morgantown	763,467	763,467	-
Moundsville	170,026	142,091	27,935
Nitro	186,465	186,465	-
Oak Hill	145,843	-	145,843
Parkersburg	792,677	792,677	-
Princeton	235,555	-	235,555
Point Pleasant	79,327	-	79,327
Saint Albans	258,607	258,607	-
South Charleston	506,695	506,695	-
Star City	62,103	-	62,103
Vienna	201,687	201,687	-
Weirton	446,653	446,653	-
Welch	49,537	-	49,537
Weston	55,692	-	55,692
Westover	95,414	95,414	-
Wheeling	846,301	846,301	-
Williamson	67,367	-	67,367
<u>Fire Departments</u>			
Beckley	518,795	518,795	-
Bluefield	234,494	214,890	19,604
Charleston	1,963,296	1,963,296	-
Clarksburg	494,586	494,586	-
Dunbar	173,632	130,224	43,408
Elkins	61,484	61,484	-
Fairmont	480,010	480,010	-
Grafton	47,633	47,633	-
Huntington	1,175,584	1,175,584	-
Logan	68,748	-	68,748
Martinsburg	384,590	384,590	-
Morgantown	638,747	638,747	-
Moundsville	80,722	80,722	-
Nitro	148,540	148,540	-
Parkersburg	730,679	730,679	-
Princeton	149,916	-	149,916
Saint Albans	268,863	268,863	-
South Charleston	468,691	468,691	-
Weirton	265,394	265,394	-
Weston	49,405	45,284	4,121
Wheeling	1,118,403	1,118,403	-
Williamson	78,044	-	78,044
	<u>\$ 20,334,999</u>	<u>\$ 19,147,698</u>	<u>\$ 1,187,301</u>



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

To the West Virginia Municipal Pensions Oversight Board
Charleston, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the West Virginia Municipal Pensions Oversight Board (the Board), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 17, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
September 17, 2021

**WEST VIRGINIA MUNICIPAL
PENSIONS OVERSIGHT BOARD**

**AUDITOR COMMUNICATIONS TO MANAGEMENT
AND THOSE CHARGED WITH GOVERNANCE**

June 30, 2022

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REQUIRED COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

To the West Virginia Municipal Pensions Oversight Board
Charleston, West Virginia

We have audited the financial statements of the West Virginia Municipal Pensions Oversight Board (the Board) for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated June 21, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Board are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2022. We noted no transactions entered into by the Board during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates were those used in the preparation of the pension and other postemployment benefits (OPEB) liabilities, related deferred inflows of resources and deferred outflows of resources, and the related pension and OPEB expense which are based on an allocation of actuarially determined amounts involving the Board and its participation in the West Virginia Public Employee's Retirement System and West Virginia Retiree Health Benefit Trust Fund. We evaluated the key factors and assumptions, including the Schedules of Employer Allocations of Pension and OPEB Amounts by Employer, audited by other auditors, in determining that the related amounts are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements is the disclosure of commitments in Note 9 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

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Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no such misstatements identified as a result of our audit procedures.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 28, 2022.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Other Matters

We applied certain limited procedures to management's discussion and analysis, the schedules of proportionate share of the net pension liability (asset), the schedules of contributions to the PERS, the schedules of proportionate share of the net OPEB liability (asset), and the schedules of contributions to the RHBT, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Other Matters (Continued)

We were engaged to report on the Schedule of Statutory Commitments, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the West Virginia Municipal Pensions Oversight Board and management of the Board and is not intended to be, and should not be, used by anyone other than these specified parties.

Brown, Edwards & Company, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
September 28, 2022

Stephen Neddo
Chairman

Blair Taylor
Executive Director

Vacant
Secretary/Treasurer



Municipal Pensions Oversight Board

Board Members
Jason Matthews,
Vice Chairman
Travis Blosser
Jeffrey Fleck
David Lanham
Sarah Long
Michael Payne
Thompson Pearcy
Craig Slaughter

September 28, 2022

Brown, Edwards & Company, L.L.P.
300 Chase Tower
707 Virginia Street, East
Charleston, West Virginia 25301

This representation letter is provided in connection with your audit of the financial statements of the West Virginia Municipal Pensions Oversight Board (the Board), which comprise the financial position of the Board as of June 30, 2022 and 2021, and the changes in financial position and cash flows for the years then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 21, 2022, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the Board. There are no component units required by generally accepted accounting principles to be included in the financial reporting entity.

3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
7. Adjustments or disclosures have been made for all events including instances of noncompliance subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
8. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
9. Guarantees, whether written or oral, under which the Board is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

10. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the Board from whom you determined it necessary to obtain audit evidence.
 - d. Minutes of the meetings of the Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
11. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
12. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

13. We have no knowledge of any fraud or suspected fraud that affects the Board and involves:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the financial statements.
14. We have no knowledge of any allegations of fraud or suspected fraud affecting the Board's financial statements communicated by employees, former employees, regulators, or others.
15. We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
16. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
17. We have disclosed to you the names of the Board's related parties and all the related party relationships and transactions, including any side agreements.

Government—specific

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
19. We have identified to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.
20. We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
21. The Board has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
22. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
23. We have appropriately disclosed all information for conduit debt obligations in accordance with GASBS No. 91.
24. We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.

25. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

26. As part of your audit, you assisted with preparation of the financial statements and disclosures. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures.

27. The Board has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

28. The Board has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

29. The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

30. The financial statements include all fiduciary activities required by GASB No. 84, as amended.

31. The financial statements properly classify all funds and activities in accordance with GASBS No. 34, as amended.

32. All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.

33. Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

34. Investments, derivative instrument transactions, and land and other real estate held by endowments are properly valued.

35. Provisions for uncollectible receivables have been properly identified and recorded.

36. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

37. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

38. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

39. Deposits and investment securities and derivative instrument transactions are properly classified as to risk and are properly disclosed.

40. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.

41. We have appropriately disclosed the Board's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

42. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.

43. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

44. With respect to the Schedule of Statutory Commitments (other financial information).

a. We acknowledge our responsibility for presenting other financial information in accordance with accounting principles generally accepted in the United States of America, and we believe the other financial information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the other financial information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

b. If the other financial information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

A handwritten signature in dark ink, appearing to read "Blair Taylor", written over a horizontal line.

Blair Taylor
Executive Director

A handwritten signature in dark ink, appearing to read "Les Smith", written over a horizontal line.

Les Smith
Accountant

**WEST VIRGINIA MUNICIPAL PENSIONS
OVERSIGHT BOARD**

**FINANCIAL REPORT WITH
OTHER FINANCIAL INFORMATION**

June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

To the West Virginia Municipal Pensions Oversight Board
Charleston, West Virginia

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the West Virginia Municipal Pensions Oversight Board (the Board), a component unit of the State of West Virginia, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Board, as of June 30, 2022 and 2021, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Board's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Board's basic financial statements. The schedule of statutory commitments is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of statutory commitments is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2022 on our consideration of the Board's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board's internal control over financial reporting and compliance.

Brown, Edwards & Company, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
September 28, 2022

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021
(Unaudited)**

Our discussion and analysis of the West Virginia Municipal Pensions Oversight Board's (the Board) financial performance provides an overview of the Board's financial activities for the fiscal year ended June 30, 2022. Please read it in conjunction with the Board's financial statements, which follow.

Financial Highlights

- The Insurance Premium Tax increased by \$3,152,453 or approximately 17.24% during fiscal year 2022.
- Distributions to municipal pension plans decreased \$725,689 or approximately 3.57% during fiscal year 2022.
- Interest income (loss) from investments decreased from \$60,709 to \$(317,554) during fiscal year 2022.
- The Board's net position increased during fiscal year 2022 in the amount of \$909,218.

Using This Report

This report consists of a series of financial statements. The Statements of Net Position and the Statements of Revenues, Expenses and Changes in Fund Net Position display and report the Board's net position and changes in their position. The Board's net position, which is the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, is normally how one would measure the Board's financial health or financial position.

The Board as a Whole

The Board is accounted for as a proprietary fund engaged in business-type activities. The Board 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 discretely presented component unit.

During the third month of each quarter, the Board receives, from the West Virginia Insurance Commission, a portion of the casualty and fire insurance premiums to distribute, net of operating expenses, to the municipal police and fire pension plans. To receive the premium distribution, there must be an actuarial study of the pension plan, the employer must make the required contributions and an annual report must be provided to the Board.

Duties of the Board include assisting municipal pension funds' boards of trustees in performing their duties, assuring the funds' compliance with applicable laws, providing for actuarial studies, distributing tax revenues to the funds, initiating or joining legal actions on behalf of active or retired pension fund members or municipal pension funds' boards of trustees to protect the interests of the members in the funds, and taking other actions as may be reasonably necessary to provide for the security and fiscal integrity of the pension funds.

Our analysis below shows the Board's net position as of June 30, 2022, 2021, and 2020 (Table 1) and changes in the Board's net position for the years then ended (Table 2), with emphasis on the most recent year.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021
(Unaudited)

Table 1
Net Position

	2022	2021	2020
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 30,566,591	\$ 29,720,436	\$ 32,413,427
Accounts receivable	-	1,343	11,370
Net OPEB asset	783	-	-
Net Pension asset	128,697	-	-
Capital assets, net	7,989	9,391	9,500
	<u>30,704,060</u>	<u>29,731,170</u>	<u>32,434,297</u>
Deferred outflows of resources related to pensions	60,637	60,504	25,433
Deferred outflows of resources related to OPEB	22,561	7,203	3,725
Total deferred outflows of resources	<u>83,198</u>	<u>67,707</u>	<u>29,158</u>
<u>Total assets and deferred outflows of resources</u>	<u>\$ 30,787,258</u>	<u>\$ 29,798,877</u>	<u>\$ 32,463,455</u>
<u>LIABILITIES</u>			
Current liabilities	\$ 26,965	\$ 37,260	\$ 37,846
Non-current liabilities:			
Net pension liability	-	79,211	33,028
Net OPEB liability	-	4,991	17,684
Total liabilities	<u>26,965</u>	<u>121,462</u>	<u>88,558</u>
Deferred inflows of resources related to pensions	167,649	6,027	21,005
Deferred inflows of resources related to OPEB	27,489	15,451	8,010
Total deferred inflows of resources	<u>195,138</u>	<u>21,478</u>	<u>29,015</u>
<u>Total liabilities and deferred inflows of resources</u>	<u>\$ 222,103</u>	<u>\$ 142,940</u>	<u>\$ 117,573</u>
<u>NET POSITION</u>			
Net investment in capital assets	\$ 7,989	\$ 9,391	\$ 9,500
Restricted for pension and OPEB	129,480	-	-
Restricted by enabling legislation	<u>30,427,686</u>	<u>29,646,546</u>	<u>32,336,382</u>
Total net position	<u>\$ 30,565,155</u>	<u>\$ 29,655,937</u>	<u>\$ 32,345,882</u>

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021
(Unaudited)

Table 2
Changes in Net Position

	2022	2021	2020
Operating revenues:			
Insurance premium tax	\$ 21,437,127	\$ 18,284,674	\$ 20,204,656
Operating expenses:			
Distributions to municipal pension plans	19,616,219	20,341,908	18,622,368
Administrative expense	593,481	693,894	642,191
	<u>20,209,700</u>	<u>21,035,802</u>	<u>19,264,559</u>
Operating income (loss)	1,227,427	(2,751,128)	940,097
Non-operating revenues (expenses):			
Interest and other income (loss)	(317,554)	60,709	558,489
Payments on behalf of State of West Virginia	(655)	474	1,072
Change in net position	909,218	(2,689,945)	1,499,658
Net position, beginning of year	<u>29,655,937</u>	<u>32,345,882</u>	<u>30,846,224</u>
Net position, end of period	<u>\$ 30,565,155</u>	<u>\$ 29,655,937</u>	<u>\$ 32,345,882</u>

Changes in Net Position

As is noted in Table 2 the Board had a positive change in net position in the amount of \$909,218. Several factors contributed to the positive effect on net position. First, the Board experienced a significant increase in the insurance premium tax revenue in the amount of \$3,152,453 for fiscal year 2022. While the Board has no control over the premium tax revenue as it is subject to economic and market conditions, an increase in revenue to the Board directly increases future payments to the local police and fire pension plans. Secondly, distributions to pension plans decreased for fiscal year 2022 in the amount of \$725,689. One of the primary objectives of the Board is to distribute the premium tax into the accounts of the pension plans as soon as the plans meet the criteria for state aid. 96% of the September 2021 allocation was distributed by June 30, 2022, which is a slight increase from the same time of the previous year. Third, for the first time in the history of the MPOB, and as a result of positive market conditions we were able to replace net pension and OPEB liabilities with net pension and OPEB assets in the amounts of \$128,697 and \$783, respectively. Lastly, during fiscal year 2022 the Board decided to invest \$10,000,000 of the funds in the West Virginia Money Market Pool managed by the Board of Treasury Investments into the West Virginia Short Term Bond Pool, which is also managed by the Board of Treasury Investments. Due to the unfavorable conditions in the bond market the Board experienced losses, which had a negative impact to our net position in the amount of (\$317,554).

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEARS ENDED JUNE 30, 2022 AND 2021
(Unaudited)**

Currently Known Facts and Conditions

The Board's financial position remains stable and does not foresee or plan to engage in any activities that will have a negative impact on its financial stability.

Requests for Information

This financial report is designed to provide a general overview of the Board's operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Blair Taylor, Executive Director, Municipal Pensions Oversight Board, 301 Eagle Mountain Road, Suite 251, Charleston, West Virginia 25311.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
STATEMENTS OF NET POSITION
June 30, 2022 and 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Current assets:		
Cash and cash equivalents (Note 3)	\$ 30,566,591	\$ 29,720,436
Accounts receivable	-	1,343
Total current assets	<u>30,566,591</u>	<u>29,721,779</u>
Noncurrent assets:		
Capital assets, net (Note 4)	7,989	9,391
Net OPEB asset, restricted (Note 6)	783	-
Net Pension asset, restricted (Note 5)	128,697	-
Total noncurrent assets	<u>137,469</u>	<u>9,391</u>
Total assets	<u>30,704,060</u>	<u>29,731,170</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred outflows of resources related to pensions (Note 5)	60,637	60,504
Deferred outflows of resources related to OPEB (Note 6)	22,561	7,203
Total deferred outflows of resources	<u>83,198</u>	<u>67,707</u>
 Total assets and deferred outflows of resources	<u><u>\$ 30,787,258</u></u>	<u><u>\$ 29,798,877</u></u>
 <u>LIABILITIES</u>		
Current liabilities:		
Accounts payable	\$ 1,380	\$ 2,097
Accrued payroll liabilities	25,585	35,163
Total current liabilities	<u>26,965</u>	<u>37,260</u>
Noncurrent liabilities:		
Net pension liability (Note 5)	-	79,211
Net OPEB liability (Note 6)	-	4,991
Total noncurrent liabilities	<u>-</u>	<u>84,202</u>
Total liabilities	<u>26,965</u>	<u>121,462</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred inflows of resources related to pensions (Note 5)	167,649	6,027
Deferred inflows of resources related to OPEB (Note 6)	27,489	15,451
Total deferred inflows of resources	<u>195,138</u>	<u>21,478</u>
 Total liabilities and deferred inflows of resources	<u><u>\$ 222,103</u></u>	<u><u>\$ 142,940</u></u>
 <u>NET POSITION</u>		
Net investment in capital assets	\$ 7,989	\$ 9,391
Restricted for pension and OPEB	129,480	-
Restricted by enabling legislation	<u>30,427,686</u>	<u>29,646,546</u>
 Total net position	<u><u>\$ 30,565,155</u></u>	<u><u>\$ 29,655,937</u></u>

The Notes to Financial Statements are an integral part of these statements.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating revenues:		
Insurance premium tax	\$ 21,437,127	\$ 18,284,674
Operating expenses:		
Distributions to municipal pension plans	19,616,219	20,341,908
Administrative:		
Salaries and wages	235,421	251,790
Employee benefits	348	43,237
Professional fees	285,737	339,185
Depreciation	6,697	7,527
Miscellaneous	65,278	52,155
Total operating expenses	<u>20,209,700</u>	<u>21,035,802</u>
Operating income (loss)	<u>1,227,427</u>	<u>(2,751,128)</u>
Non-operating revenues (expenses):		
OPEB payment on behalf of State of West Virginia	(655)	474
Income (loss) from investments	<u>(317,554)</u>	<u>60,709</u>
Total non-operating revenues (expenses)	<u>(318,209)</u>	<u>61,183</u>
Change in net position	<u>909,218</u>	<u>(2,689,945)</u>
Net position, beginning of year	<u>29,655,937</u>	<u>32,345,882</u>
Net position, end of year	<u>\$ 30,565,155</u>	<u>\$ 29,655,937</u>

The Notes to Financial Statements are an integral part of these statements.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
STATEMENTS OF CASH FLOWS
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities		
Cash received from insurance premium taxes	\$ 21,437,127	\$ 18,284,674
Cash paid to municipal pension plans	(19,616,219)	(20,341,908)
Cash paid to employees	(301,515)	(308,342)
Cash paid to suppliers	(350,389)	(380,706)
Net cash provided by (used in) operating activities	<u>1,169,004</u>	<u>(2,746,282)</u>
Cash flows from capital and related financing activities:		
Purchase of property and equipment	<u>(5,295)</u>	<u>(7,418)</u>
Cash flows from investing activities:		
Investment earnings (losses)	<u>(317,554)</u>	<u>60,709</u>
Net increase (decrease) in cash and cash equivalents	846,155	(2,692,991)
Cash and cash equivalents, beginning of year	<u>29,720,436</u>	<u>32,413,427</u>
Cash and cash equivalents, end of year	<u>30,566,591</u>	<u>\$ 29,720,436</u>
Reconciliation of operating gain (loss) to net cash used in operating activities:		
Operating income (loss)	1,227,427	\$ (2,751,128)
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities:		
Depreciation	6,697	7,527
OPEB expense - special funding	(655)	474
Pension expense	(24,957)	19,595
OPEB expense	(6,329)	(3,903)
Changes in operating accounts:		
(Increase) decrease in accounts receivables	1,343	10,027
Increase (decrease) in accounts payable	(717)	606
Increase (decrease) in accrued payroll liabilities	(9,578)	(1,192)
(Increase) in deferred outflows of resources-Pension	(21,462)	(23,461)
(Increase) in deferred outflows of resources -OPEB	<u>(2,765)</u>	<u>(4,827)</u>
Net cash provided by (used in) operating activities	<u>\$ 1,169,004</u>	<u>\$ (2,746,282)</u>

The Notes to Financial Statements are an integral part of these statements.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 1 - REPORTING ENTITY

The West Virginia Legislature passed Senate Bill 4007 on November 19, 2009, creating the West Virginia Municipal Pensions Oversight Board (the Board). The Board was created for the purpose of monitoring and improving the performance of municipal policemen's and firemen's pension and relief funds to assure prudent administration, investment, and management of their funds. Duties of the oversight board include assisting municipal boards of trustees in performing their duties, assuring the funds' compliance with applicable laws, providing for actuarial studies, distributing tax revenues to the funds, initiating or joining legal actions on behalf of active or retired pension fund members or municipal boards of trustees to protect the interests of the members in the funds, and taking other actions as may be reasonably necessary to provide for the security and fiscal integrity of the pension funds. The oversight board also monitors the performance required of the various funds to qualify to receive distributions of insurance premium tax revenues pursuant to the West Virginia Code. The Board 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 discretely presented component unit.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Board is accounted for as a proprietary fund engaged in business-type activities. The financial statements are prepared on the economic resources measurement focus and the accrual basis of accounting which requires recognition of revenue when earned and expenses when incurred.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents consist primarily of demand deposits with the West Virginia State Treasurer's Office (STO) and short-term interest-earning investments in State investment pools maintained by the West Virginia Board of Treasury Investments (BTI). The West Virginia Money Market Pool is carried at amortized cost and the West Virginia Short Term Bond Pool is carried at fair value.

Capital Assets

The Board has adopted a policy of capitalizing assets for individual items exceeding \$1,000 in cost and a useful life greater than one year. These assets include leasehold improvements, furnishings, and equipment. Depreciation is computed using the straight-line method over the estimated economic useful lives of the assets for five years.

Accrued Employee Benefits

In accordance with State policy, the Board permits employees to accumulate earned but unused vacation and sick pay benefits. A liability for vacation pay is accrued when earned. To the extent that accumulated sick leave is expected to be converted to benefits on retirement, the benefits are funded by the Board's participation in the West Virginia Retiree Health Benefit Trust.

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows of Resources / Deferred Inflows of Resources

The statement of net position reports a separate financial statement element called *deferred outflows of resources*. This financial statement element represents a consumption of net position that applies to a future period and so will *not* be recognized as an outflow of resources (expense) until that time. The Board reports deferred outflows of resources related to pensions and other post-employment benefits as on the statements of net position.

The statement of net position reports a separate financial statement element called *deferred inflows of resources*. This financial statement element represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The Board reports deferred inflows of resources related to pensions and other post-employment benefits on the statements of net position.

Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employee Retirement System (PERS), and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the West Virginia Retiree Health Benefit Trust OPEB Plan (RHBT) and additions to/deductions from RHBT's fiduciary net position have been determined on the same basis as they are reported by RHBT. For this purpose RHBT recognized benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for certain pooled investments, money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at amortized cost.

Net Position

Net position is presented as restricted by enabling legislation, restricted for pension and OPEB, or as net investment in capital assets, which represents the net book value of all capital assets of the Board. Net position restricted by enabling legislation is required to first be used for the administrative expenses of the Board, with all remaining net position available for disbursement to the municipal policemen's and firemen's pension and relief funds. All expenses are incurred for restricted purposes.

(Continued)

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating Revenues and Expenses

Operating revenues and expenses for proprietary funds such as the Board are revenues and expenses that result from providing services and producing goods and/or services. Operating revenues include premium tax revenues, recognized when earned. Operating expenses of the Board include administrative expenses and pension distributions, recognized when incurred. All revenues not meeting this definition are reported as nonoperating revenues (expenses).

NOTE 3 - CASH AND CASH EQUIVALENTS

At June 30, 2022 and 2021, the carrying amounts of deposits with the STO and the BTI are as follows:

	<u>2022</u>	<u>2021</u>
Cash on hand at STO	\$ 36,112	\$ 76,358
Investments with BTI reported as cash equivalents:		
WV Money Market Pool	20,897,751	29,644,078
WV Short Term Bond Pool	9,632,728	-
	<u>\$ 30,566,591</u>	<u>\$ 29,720,436</u>

The State Treasurer has statutory responsibility for daily cash management activities of the State's agencies, departments, boards and commissions, and transfers funds to the BTI for investment in accordance with West Virginia Code, policies set by the BTI and by provisions of bond indentures and trust agreements when applicable.

The Board's cash balances are invested by the BTI in the BTI's West Virginia Money Market Pool and the West Virginia Short Term Bond Pool. Investment income is pro-rated to the Board at rates specified by the BTI based on the balance of the deposits maintained by the Board in relation to the total deposits of all participants in the pool. Investments in the West Virginia Money Market Pool are available to the Board with overnight notice. Investments in the West Virginia Short Term Bond Pool are available to the Board on the first day of each month.

The BTI's investment policy is to invest assets in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity. The BTI recognizes that risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investments.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The West Virginia Money Market has been rated AAAM by Standard & Poor's. A fund rated AAAM has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. AAAM is the highest principal stability fund rating assigned by Standard & Poor's. Neither the BTI itself nor the West Virginia Short Term Bond Pool has been rated for credit risk by any organization. The West Virginia Money Market Pool and West Virginia Short Term Bond Pool are subject to credit risk.

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

The BTI limits the exposure to credit risk in the West Virginia Money Market Pool by requiring all long-term corporate debt be rated A+ or higher by Standard & Poor's (or its equivalent) and short-term corporate debt be rated at A-1 or higher by Standard & Poor's (or its equivalent). The following table provides information on the credit ratings of the West Virginia Money Market Pool's investments (in thousands):

Security Type	Rating	Carrying Value (in Thousands)	Percent of Pool Assets
U.S. Treasury notes *	AA+	\$ 37,503	0.47%
Commercial Paper	A-1+	1,956,052	24.01
	A-1	3,849,657	47.26
Negotiable certificates of deposit	A-1+	208,000	2.55
	A-1	1,141,000	14.01
	A+	117,500	1.44
Money market funds	AAA	217,659	2.67
Cash	A-1+	824	0.01
Repurchase agreements (underlying securities):			
U.S. Treasury bonds and notes*	AA+	117,400	1.44
U.S. Agency bonds and notes	AA+	500,000	6.14
		<u>\$ 8,145,595</u>	<u>100.00%</u>

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

The BTI limits the exposure to credit risk in the West Virginia Short Term Bond Pool by requiring all long-term corporate debt be rated BBB- or higher by Standard & Poor's (or its equivalent) and all short-term corporate debt be rated A-1 or higher by Standard & Poor's (or its equivalent). Mortgage-backed and asset-backed securities must be rated AAA by Standard & Poor's (or its equivalent). The following table provides information on the credit ratings of the West Virginia Short Term Bond Pool's investments (in thousands):

Security Type	Rating	Carrying Value (in Thousands)	Percent of Pool Assets
U.S. Treasury notes *	AA+	\$ 89,910	13.03%
U.S. government agency bonds	AA+	2,403	0.34
U.S. agency collateralized mortgage obligations			
U.S. government guaranteed*	AA+	10,577	1.53
Non-U.S. government guaranteed	AA+	2,732	0.40
Corporate fixed- and floating-rate bonds and notes	AAA	3,421	0.50
	AA+	1,983	0.29
	AA	3,077	0.45
	AA-	22,231	3.22
	A+	57,764	8.37
	A	58,155	8.43
	A-	90,582	13.13
	BBB+	61,433	8.90

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

Security Type	Rating	Carrying Value (in Thousands)	Percent of Pool Assets
	BBB	35,313	5.12
	BBB-	44,896	6.51
	NR	24,283	3.52
Collateralized mortgage obligations	AAA	3,126	0.45
	NR	15,296	2.22
Municipal Securities	AAA	7,713	1.12
	AA+	12,362	1.79
	AA	7,262	1.05
	AA-	2,179	0.32
	A	2,469	0.36
	NR	4,279	0.62
Asset-backed securities	AAA	94,217	13.66
	NR	26,361	3.82
Money market funds	AAAm	5,856	0.85
		<u>\$ 689,880</u>	<u>100.00%</u>

NR = Not Rated

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

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The West Virginia Money Market Pool and West Virginia Short Term Bond Pool are subject to interest rate risk.

The overall weighted average maturity of the investments of the West Virginia Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides information on the weighted average maturities for the various asset types in the West Virginia Money Market Pool:

Security Type	Carrying Value (In Thousands)	WAM (Days)
U.S. Treasury notes	\$ 37,503	1
Commercial paper	5,805,709	23
Negotiable certificates of deposit	1,466,500	25
Repurchase agreements	617,400	1
Money market funds	217,659	1
Cash	824	1
	<u>\$ 8,145,595</u>	<u>21</u>

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

The overall effective duration of the investments of the West Virginia Short Term Bond Pool is limited to a +/- 30 percent band around the effective duration of the portfolio's benchmark (the ICE BofAML 1-3 US Corporate & Government Index). As of June 30, 2022, the effective duration of the benchmark was 686 days. Maximum effective duration of individual securities cannot exceed 1,827 days (five years) from date of purchase. The following table provides information on the effective duration for the various asset types in the West Virginia Short Term Bond Pool:

Security Type	Carrying Value (In Thousands)	Effective Duration (Days)
U.S. Treasury notes	\$ 89,910	816
U.S. government agency bonds	2,403	815
U.S. agency collateralized mortgage obligations	13,309	75
Corporate fixed-rate bonds and notes	369,328	657
Corporate floating-rate bonds and notes	33,810	(19)
Commercial mortgage-backed securities	18,422	585
Municipal Securities	36,264	433
Asset-backed securities	120,578	474
Money market funds	5,856	-
	\$ 689,880	584

Other Risks of Investing

Other risks of investing can include concentration of credit risk, custodial credit risk, and foreign currency risk.

Concentration of credit risk is the risk of loss attributed to the magnitude of pool's investment in a single corporate issuer. The BTI investment policy prohibits the West Virginia Money Market Pool and the West Virginia Short Term Bond Pool from investing more than 5% of their assets in any one corporate name or one corporate issue.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. The BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The West Virginia Money Market Pool nor the West Virginia Short Term Bond Pool hold securities that were subject to foreign currency risk.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 4 - CAPITAL ASSETS

A summary of capital asset activity is as follows:

	Historical Cost at June 30, 2020	Additions	Disposals	Historical Cost at June 30, 2021	Additions	Disposals	Historical Cost at June 30, 2022
Leasehold improvements	\$ 6,882	\$ -	\$ -	\$ 6,882	\$ -	\$ -	\$ 6,882
Furnishings and equipment	26,536	13,319*	8,918	30,937	5,295	-	36,232
	<u>\$ 33,418</u>	<u>\$ 13,319</u>	<u>\$ 8,918</u>	<u>\$ 37,819</u>	<u>\$ 5,295</u>	<u>\$ -</u>	<u>\$ 43,114</u>
	Accumulated Depreciation June 30, 2020	Additions	Disposals	Accumulated Depreciation June 30, 2021	Additions	Disposals	Accumulated Depreciation June 30, 2022
Leasehold improvements	\$ 5,898	\$ 984	\$ -	\$ 6,882	\$ -	\$ -	\$ 6,882
Furnishings and equipment	18,020	12,144*	8,618	21,546	6,697	-	28,243
	<u>\$ 23,918</u>	<u>\$ 13,128</u>	<u>\$ 8,618</u>	<u>\$ 28,428</u>	<u>\$,697</u>	<u>\$ -</u>	<u>\$ 35,125</u>
Total	<u>\$ 9,500</u>	<u>\$ 191</u>	<u>\$ 300</u>	<u>\$ 9,391</u>	<u>\$ (1,402)</u>	<u>\$ -</u>	<u>\$ 7,989</u>

* Amounts include fully depreciated assets added for tracking purposes.

NOTE 5 - RETIREMENT PLAN

Plan Description

The Board contributes to the Public Employees Retirement System (PERS), a cost-sharing, multiple-employer, defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board (CPRB). PERS covers substantially all employees of the State and its component units, as well as employees of participating non-state governmental entities who are not participants of another state or municipal retirement system. Benefits under PERS include retirement, death and disability benefits, and have been established and may be amended by action of the State Legislature. CPRB issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained at www.wvretirement.com.

Benefits Provided

Benefits are provided through PERS using a two-tiered system. Effective July 1, 2015, PERS implemented the second tier, Tier II. Employees hired, for the first time, on or after July 1, 2015 are considered Tier II members. Tier I and Tier II members are subject to different regulations.

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 5 - RETIREMENT PLAN (Continued)

Benefits Provided (Continued)

Tier I: Employees who retire at or after age 60 with five or more years of credited service, or at least age 55 with age and service equal to 80 years or greater, are entitled to a retirement benefit established by State statute, payable monthly for life, in the form of a straight-life annuity equal to two percent of the employee's final average salary multiplied by years of service. Final average salary is the average of the highest annual compensation received by an employee during any period of three consecutive years of credited service included within fifteen years of credited service immediately preceding the termination date of employment with a participating public employer or, if the employee has less than three years of credited service, the average of the annual rate of compensation received by the employee during the total years of credited service. Terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62.

Tier II: Employees who retire at or after age 62 with ten or more years of credited service are entitled to a retirement benefit established by State statute, payable monthly for life, in the form of a straight-life annuity equal to two percent of the employee's final average salary multiplied by years of service. Final average salary is the average of the highest annual compensation received by an employee during any period of five consecutive years of credited service included within fifteen years of credited service immediately preceding the termination date of employment with a participating public employer. Terminated members with at least ten years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 64.

Contributions

Contributions as a percentage of payroll for members are established by statutes, subject to legislative limitations and are not actuarially determined. Current funding policy requires employer contributions of 10% for the years ended June 30, 2022, 2021, and 2020, respectively. The employee contribution rate is 4.5% and 6% for Tier I and Tier II employees, respectively. The Board's contribution to the Plan, excluding the employee's contribution paid by the Board, approximated \$21,462, \$23,461, and \$23,328 for the fiscal years ended June 30, 2022, 2021, and 2020, respectively.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

On June 30, 2022, and 2021, the Board reported a liability (asset) of \$(128,697) and \$79,211, respectively for its proportionate share of the net pension liability (asset). The 2022 net pension liability (asset) was measured as of June 30, 2021 and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of July 1, 2020, rolled forward to the measurement date of June 30, 2021. The 2021 net pension liability was measured as of June 30, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, rolled forward to the measurement date of June 30, 2020. The Board's proportion of the net pension liability (asset) was based on the Board's contributions to the pension plan relative to the contributions of all participating employers. On June 30, 2021, the Board's proportionate share was 0.014659%, which was a decrease of .00032% from its proportionate share measured as of June 30, 2020.

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 5 - RETIREMENT PLAN (Continued)

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the years ended June 30, 2022 and 2021, the Board recognized pension expense of \$(24,957) and \$19,595 respectively. At June 30, 2022 and 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 164,839
Differences between expected and actual experience	14,688	488
Changes in assumptions	24,487	1,043
Changes in proportion and differences between Board's contributions and proportionate share of contributions	-	1,279
Board's contributions subsequent to the measurement date	21,462	-
Total	<u>\$ 60,637</u>	<u>\$ 167,649</u>
June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ 25,106	\$ -
Differences between expected and actual experience	11,657	1,633
Changes in assumptions	-	3,490
Changes in proportion and differences between Board's contributions and proportionate share of contributions	280	904
Board's contributions subsequent to the measurement date	23,461	-
Total	<u>\$ 60,504</u>	<u>\$ 6,027</u>

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 5 - RETIREMENT PLAN (Continued)

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

The Board reported \$21,462 as deferred outflows of resources related to pensions resulting from the Board's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability (or increase in the net pension asset) in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2023	\$	(24,386)
2024		(21,394)
2025		(34,143)
2026		(48,551)

Actuarial assumptions and methods

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	2.75%
Salary increases	2.75-6.75% average, including inflation
Investment rate of return	7.25%, net of pension plan investment expense

Mortality rates were based on 100% of Pub-2010 General Employees table, below-median, headcount weighted projected generationally with scale MP-2018 for active employees, 108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected generationally with scale MP-2018 for retired healthy males, 122% of Pub-2010 General Retiree Female table, headcount weighted, projected generationally with scale MP-2018 for retired healthy females, 118% of Pub-2010 General/Teachers Disabled Male table, headcount weighted, projected generationally with scale MP-2018 for disabled males, and 117% of Pub-2010 General/Teachers Disabled Female table, below-median, headcount weighted, projected generationally with scale MP-2018 for disabled females.

Experience studies, which were based on the years 2015 through 2020 for economic assumptions and 2013 through 2018 for all other assumptions were used for the 2021 actuarial valuation.

Certain assumptions have changed since the prior actuarial valuation as of June 30, 2020. The discount rate and salary scales were changed to reflect the recent experience study covering the economic assumptions for July 1, 2015 through June 30, 2020.

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	3.0%
Salary increases	3.1% - 6.5%, average, including inflation
Investment rate of return	7.5%, net of pension plan investment expense

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 5 - RETIREMENT PLAN (Continued)

Actuarial assumptions and methods (continued)

Mortality rates were based on 100% of Pub-2010 General Employees table, below-median, headcount weighted projected generationally with scale MP-2018 for active employees, 108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected generationally with scale MP-2018 for retired healthy males, 122% of Pub-2010 General Retiree Female table, below-median, headcount weighted, projected generationally with scale MP-2018 for retired healthy females, 118% of Pub-2010 General/Teachers Disabled Male table, headcount weighted, projected generationally with scale MP-2018 for disabled males, and 117% of Pub-2010 General/Teachers Disabled Female table, headcount weighted, projected generationally with scale MP-2018 for disabled females.

The experience study, which was based on the years 2013 through 2018, was used for the 2020 actuarial valuation.

Long-term expected rates of return

The long-term rates of return on pension plan investments was determined using a building block method in which estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and by adding expected inflation. Best estimates of long-term geometric rates of return are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Weighted Average Expected Real Rate of Return</u>
Domestic equity	27.5%	5.5%	1.51%
International equity	27.5%	7.0%	1.93%
Fixed income	15.0%	2.2%	0.33%
Real estate	10.0%	6.6%	0.66%
Private equity	10.0%	8.5%	0.85%
Hedge funds	10.0%	4.0%	0.40%
Total	100.0%		5.68%
Inflation (CPI)			2.10%
			7.78%

Discount rate

The discount rates used to measure the total pension liability were 7.25 percent and 7.5 percent for the 2021 and 2020 actuarial valuations, respectively. The projections of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will continue to follow current funding policies. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 5 - RETIREMENT PLAN (Continued)

Sensitivity of the Board's proportionate share of the net pension liability (asset) to changes in the discount rate

The following table presents the Board's proportionate share of the net pension liability (asset) calculated using the current discount rate of 7.25 percent as well as what the Board's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
Board's proportionate share of the net pension liability (asset)	\$ 1,471	\$ (128,697)	\$ (238,566)

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS

Plan description

The West Virginia Other Postemployment Benefit Plan (the OPEB Plan) is a cost-sharing, multiple-employer, defined benefit other post-employment benefit plan and covers the retirees of State agencies, colleges and universities, county boards of education, and other government entities as set forth in the West Virginia Code Section 5-16D-2 (the Code). The financial activities of the OPEB Plan are accounted for in the West Virginia Retiree Health Benefit Trust Fund (RHBT), a fiduciary fund of the State of West Virginia. The OPEB Plan is administered by a combination of the West Virginia Public Employees Insurance Agency (PEIA) and the RHBT staff. OPEB Plan benefits are established and revised by PEIA and the RHBT management with approval of their Finance Board. The PEIA issues a publically available financial report of the RHBT that can be obtained at www.peia.wv.gov or by writing to the West Virginia Public Employees Insurance Agency, 601 57th Street, SE Suite 2, Charleston, WV 25304.

Benefits provided

Board employees who retire are eligible for PEIA health and life benefits, provided they meet the minimum eligibility requirements of the PERS or meet certain other eligibility requirements of other West Virginia Consolidated Public Retirement Board (CPRB) sponsored retirement plans. RHBT provides medical and prescription drug insurance and life insurance benefits to those qualified participants. Life insurance is provided through a vendor and is fully funded by member contributions. The medical and prescription drug insurance is provided through two options; Self-Insured Preferred Provider Benefit Plan - primarily for non-Medicare-eligible retirees and spouses or External Managed Care Organizations - primarily for Medicare-eligible retirees and spouses.

The RHBT Medicare-eligible retired employees and their Medicare-eligible dependents receive medical and drug coverage from a Medicare Advantage Plan administered by a vendor. Under this arrangement, the vendor assumes the financial risk of providing comprehensive medical and drug coverage with limited copayments. Non-Medicare retirees continue enrollment in PEIA's Preferred Provider Benefit or the Managed Care Option. The RHBT collects employer contributions for Managed Care Organization (MCO) participants and remits capitation payments to the MCO. Survivors of retirees have the option of purchasing the medical and prescription drug coverage.

Eligible participants hired after June 30, 2010, will be required to fully fund premium contributions upon retirement. The Plan is a closed plan to new entrants.

(Continued)

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Contributions

West Virginia Code section 5-16D-6 assigns to the PEIA Finance Board the authority to establish and amend contribution requirements of the plan members and the participating employers. Participating employers are required by statute to contribute at a rate assessed each year by the RHBT. The annual contractually required rate is the same for all participating employers. Employer contributions represent what the employer was billed during the respective year for their portion of the pay as you go premiums, commonly referred to as paygo, retiree leave conversion billings, and other matters, including billing adjustments. The annual contractually required per active policyholder per month rates for State non-general funded agencies and other participating employers effective June 30, 2022, 2021, and 2020, respectively, were:

2022	2022	2021	2020
2/1/22-6/30/22	7/1/21-1/31/22		
\$ 48	\$ 116	\$ 160	\$ 168

Contributions to the OPEB plan from the Board were \$2,764, \$4,827, and \$2,170 for the years ended June 30, 2022, 2021, and 2020, respectively.

Members retired before July 1, 1997, pay retiree healthcare contributions at the highest sponsor subsidized rate, regardless of their actual years of service. Members retired between July 1, 1997 and June 30, 2010, pay a subsidized rate depending on the member's years of service. Members hired on or after July 1, 2010, pay retiree healthcare contributions with no sponsor provided implicit or explicit subsidy.

Retiree leave conversion contributions from the employer depend on the retiree's date of hire and years of service at retirement as described below;

- Members hired before July 1, 1988, may convert accrued sick or leave days into 100% of the required retiree healthcare contribution.
- Members hired from July 1, 1988, to June 30, 2001, may convert accrued sick or leave days into 50% of the required retiree healthcare contribution.

The conversion rate is two days of unused sick and annual leave days per month for single healthcare coverage and three days of unused sick and annual leave days per month for family healthcare coverage.

Contributions by nonemployer contributing entities in special funding situations

The State of West Virginia is a nonemployer contributing entity that provides funding through SB 419, effective July 1, 2012, amended by West Virginia Code §11-21-96. The State provides a supplemental pre-funding source dedicating \$30 million annually to the RHBT Fund from annual collections of the Personal Income Tax Fund and dedicated for payment of the unfunded liability of the RHBT. The \$30 million transferred pursuant to this Code shall be transferred until the Governor certifies to the Legislature that an independent actuarial study has determined that the unfunded liability of RHBT has been provided for in its entirety or July 1, 2037, whichever date is later. This funding is to the advantage of all RHBT contributing employers.

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Contributions by nonemployer contributing entities in special funding situations (continued)

The State is a nonemployer contributing entity that provides funding through SB 469 which was passed February 10, 2012, granting OPEB liability relief to the 55 County Boards of Education effective July 1, 2012. The public school support plan (PSSP) is a basic foundation allowance program that provides funding to the local school boards for "any amount of the employer's annual required contribution allocated and billed to the county boards for employees who are employed as professional employees, employees who are employed as service personnel and employees who are employed as professional student support personnel", within the limits authorized by the State Code. This special funding under the school aid formula subsidizes employer contributions of the county boards of education.

OPEB liabilities (assets), OPEB expense (revenues), and deferred outflows of resources and deferred inflows of resources related to OPEB

At June 30, 2022 and 2021, the Board reported a liability (asset) for its proportionate share of the RHBT net OPEB liability (asset) that reflected a reduction for State OPEB support provided to the Board. The amount recognized by the Board as its proportionate share of the net OPEB liability (asset), the related State support, and the total portion of the net OPEB liability (asset) that was associated with the Board was as follows:

	<u>2022</u>	<u>2021</u>
The Board's proportionate share of the net OPEB liability (asset)	\$ (783)	\$ 4,991
State's special funding proportionate share of the net OPEB liability (asset) associated with the Board	<u>(154)</u>	<u>1,104</u>
Total portion of net OPEB liability (asset) associated with the Board	<u>\$ (937)</u>	<u>\$ 6,095</u>

The net OPEB liability (asset) reported at June 30, 2022 was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of June 30, 2020, and rolled forward to a measurement date of June 30, 2021. The Board's proportion of the net OPEB liability (asset) was based on its proportionate share of employer and non-employer contributions to the OPEB Plan for the fiscal year ended on the measurement date. At June 30, 2021, the Board's proportion was .002632 percent, which is an increase of .001502 percent from its proportion measured as of June 30, 2020.

For the years ended June 30, 2022 and 2021, respectively, the Board recognized OPEB expense (revenue) of \$(6,984) and \$(3,429) and for support provided by the State under special funding situations revenue of \$(655) and \$474. At June 30, 2022 and 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

OPEB liabilities (assets), OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB (continued)

	June 30, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 5,392
Net difference between projected and actual earnings on OPEB plan investments	-	5,401
Changes in assumptions	-	16,562
Changes in proportion and differences between the Board's contributions and proportionate share of contributions	19,797	-
Reallocation of opt-out employer change in proportionate share	-	134
The Board's contributions subsequent to the measurement date of June 30, 2021	2,764	-
Total	<u>\$ 22,561</u>	<u>\$ 27,489</u>
	June 30, 2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 3,236
Net difference between projected and actual earnings on OPEB plan investments	378	-
Changes in assumptions	-	11,265
Changes in proportion and differences between the Board's contributions and proportionate share of contributions	1,998	664
Reallocation of opt-out employer change in proportionate share	-	286
The Board's contributions subsequent to the measurement date of June 30, 2020	4,827	-
Total	<u>\$ 7,203</u>	<u>\$ 15,451</u>

Deferred outflows of resources related to OPEB of \$2,764 resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability (or an increase in the net OPEB asset) in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending June 30:

2023	\$ (6,213)
2024	(3,336)
2025	3,423
2026	(1,566)

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial assumptions

The total OPEB liability, reported as of June 30, 2022 and 2021, was determined by an actuarial valuation as of June 30, 2020, with measurement dates of June 30, 2021 and 2020, respectively, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.25%
Salary increases	Rates based on 2015-2020 OPEB experience study and dependent on pension plan participation and attained age, and range from 2.75% to 5.18%, including inflation
Investment rate of return	6.65%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Trend rate for pre-Medicare per capita costs of 7.0% for plan year end 2020, decreasing by .50% one year, then by .25% each year thereafter, until ultimate trend rate of 4.25% is reached in plan year 2032. Trend rate for Medicare per capita costs of (31.11%) for plan year end 2022, 9.15% for plan year end 2023, 8.40% for plan year end 2024, decreasing ratably each year thereafter, until ultimate trend rate of 4.25% is reached in plan year end 2036.
Actuarial cost method	Entry age normal cost method
Amortization method	Level percentage of payroll
Remaining amortization period	20 years closed period beginning June 30, 2017

Post-retirement mortality retirement rates were based on Pub-2010 General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 100% for males and 108% for females for Teachers' Retirement System (TRS), Pub-2010 Below-Median Income General Healthy Retiree Mortality Tables projected with MP-2019 and scaling factors of 106% for males and 113% for females for PERS, and Pub-2010 Public Safety Healthy Retiree Mortality Tables projected with scale MP-2019 and scaling factors of 100% for males and females for West Virginia Death, Disability, and Retirement Fund (Trooper A) and West Virginia State Police Retirement System (Trooper B). Pre-retirement mortality rates were based on Pub-2010 General Employee Mortality Tables projected with MP-2019 for TRS, Pub-2010 Below-Median Income General Employee Mortality Tables projected with MP-2019 for PERS, and Pub-2010 Public Safety Employee Mortality Tables projected with scale MP-2019 for Troopers A and B.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2015 through June 30, 2020.

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial assumptions (Continued)

There were no assumptions changes from the actuarial valuation as of June 30, 2020, measured at June 30, 2020 to a roll-forward measurement date of June 30, 2021.

The long-term expected rate of return of 6.65% on OPEB plan investments was determined by a combination of an expected long-term rate of return of 7.00% for long-term assets invested with the West Virginia Investment Management Board (WVIMB) and an expected short-term rate of return of 2.5% for assets invested with the BTI. Long-term pre-funding assets are invested with the WVIMB. The strategic asset allocation consists of 55% equity, 15% fixed income, 10% private equity, 10% hedge fund and 10% real estate invested. Short-term assets used to pay current year benefits and expenses are invested with the BTI.

The long-term rates of return on OPEB plan investments are determined using a building block method in which estimates of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected real rates of return by weighting the expected future rates of return by the target asset allocation percentage. Target asset allocations, capital market assumptions, and forecast returns were provided by the plan's investment advisors, including the WVIMB. The projected return for the Money Market Pool held with the BTI was estimated based on the WVIMB assumed inflation of 2.0% plus a 25 basis point spread. The target allocation and estimates of annualized long-term expected real returns assuming a 10-year horizon are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	55.0%	4.8%
Core Plus Fixed Income	15.0%	2.1%
Hedge Fund	10.0%	2.4%
Private Equity	10.0%	6.8%
Core Real Estate	10.0%	4.1%

Discount rate

A single discount rate of 6.65% was used to measure the total OPEB liability. The single discount rate was based on the expected rate of return on OPEB plan investments of 6.65%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made in accordance with the prefunding and investment policies. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Actuarial assumptions (Continued)

Other key assumptions

Members hired on or after July 1, 2010, are required to pay 100% of expected cost of coverage, resulting in no implicit or explicit employer cost. Consequently, these members are excluded from the actuarial valuation.

OPEB subsequent event

Subsequent to the OPEB valuation with a measurement date of June 30, 2020, the RHBT was still experiencing the effects of a global pandemic that was declared by the World Health Organization due to an outbreak and spread of the COVID-19 virus. The OPEB valuation with a measurement date of June 30, 2021, does not reflect the recent and still developing impact of COVID-19, which is likely to influence healthcare claims experience, demographic experience and economic expectations

Sensitivity of the Board's proportionate share of the net OPEB liability (asset) to changes in the discount rate

The following presents the Board's proportionate share of the net OPEB liability (asset) calculated using the current discount rate, as well as what the Board's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u> <u>(5.65%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(6.65%)</u>	<u>1%</u> <u>Increase</u> <u>(7.65%)</u>
The Board's proportionate share of the net OPEB liability (asset)	\$ 4,200	\$ (783)	\$ (4,920)

Sensitivity of the Board's proportionate share of net OPEB liability (asset) to changes in the healthcare cost trend rates.

The following presents the Board's proportionate share of the net OPEB liability (asset), as well as what the Board's proportionate share of the net OPEB liability (asset) would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage point higher than the current rates:

	<u>1% Decrease</u>	<u>Current</u> <u>Healthcare</u> <u>Cost Trend</u> <u>Rates</u>	<u>1%</u> <u>Increase</u>
The Board's proportionate share of the net OPEB liability (asset)	\$ (5,779)	\$ (783)	\$ 5,303

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021**

NOTE 7 - RISK MANAGEMENT

The Board is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to and illnesses of employees; and natural disasters.

The Board has obtained coverage for job-related injuries of employees (workers compensation) and health coverage for its employees through a commercial insurer and West Virginia Public Employees Insurance Agency (WVPEIA). In exchange for the payment of premiums, the Board has transferred its risks related to health coverage for employees and job-related injuries of employees.

The Board participates in the West Virginia State Board of Risk and Insurance Management (WVBRIM), a public entity risk pool, to obtain coverage for general liability, personal injury liability, professional liability, stop gap liability, wrongful act liability, and comprehensive auto liability. There have been no reductions in insurance coverage from the prior year and no settlements in the past three fiscal years.

NOTE 8 - TRANSACTIONS WITH THE STATE OF WEST VIRGINIA

Pursuant to West Virginia Code, the West Virginia Insurance Commission (the Commission) collects a 1% premium tax on fire and casualty insurance policies. The Commission distributes 65% of the premium tax receipts to the Board. The distributions from the Commission are reported as insurance premium tax revenues on the Board's Statements of Revenues, Expenses, and Changes in Fund Net Position. Other transactions with State of West Virginia agencies include expenses paid for general and administrative activities of the Board in the normal course of operations.

NOTE 9 - COMMITMENTS

The Board is required by its enabling legislation to allocate certain tax and other revenues, net of administrative expenses, to the municipal policemen's and firemen's pension and relief funds (the Funds) by September 1st of each year. The amount to be allocated to the Funds is calculated based upon the Board's prior calendar year insurance premium tax revenues, interest, and other income, less its administrative expenses for the same period. The amounts allocated to each Fund are paid after the allocation date as eligibility requirements to receive the payments are met by each of the Funds. Amounts allocated expire in 18 months if eligibility requirements are not met and the allocated amounts are not paid. Any expired allocation is re-allocated to all other eligible Funds at the next allocation date. The amount committed for payment to the Funds that remain on hand from the September 1, 2021 allocation, but have not been disbursed as of June 30, 2022 is \$1,086,151.

The amount available to the Board for allocation to the pension plans in September 2022 is \$18,133,819.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2022 AND 2021

NOTE 10 - NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) issued Statement No. 96, *Subscription-Based Information Technology Arrangements* in May 2020. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for periods beginning after June 15, 2022. The Board has not yet determined the effect that the adoption of GASB Statement No. 96 may have on its financial statements.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement updates the recognition and measurement guidance for compensated absences and amends certain previously required disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023. The Board has not yet determined the effect that the adoption of GASB Statement No. 101 may have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
PUBLIC EMPLOYEES RETIREMENT SYSTEM PLAN

	Years Ended June 30,							
	2022	2021	2020	2019	2018	2017	2016	2015
Board's proportion (percentage) of the net pension liability (asset)	0.014659%	0.014983%	0.015361%	0.015383%	0.015161%	0.014991%	0.015321%	0.151900%
Board's proportionate share of the net pension liability (asset)	\$ (128,697)	\$ 79,211	\$ 33,028	\$ 39,726	\$ 65,444	\$ 137,788	\$ 85,568	\$ 56,062
Board's covered payroll	\$ 234,612	\$ 233,280	\$ 224,823	\$ 212,736	\$ 208,930	\$ 209,706	\$ 207,776	\$ 203,412
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	(54.855%)	33.955%	14.691%	18.674%	31.323%	65.705%	41.183%	27.561%
Plan fiduciary net position as a percentage of the total pension liability	111.07%	92.89%	96.99%	96.33%	93.67%	86.11%	91.29%	93.98%

Note: All amounts presented are as of the measurement date, which is one year prior to the fiscal year end date.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE PERS

	Years Ended June 30,										
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	
Statutorily required contribution	\$ 21,462	\$ 23,461	\$ 23,328	\$ 22,523	\$ 23,440	\$ 25,142	\$ 28,310	\$ 29,089	\$ 29,495	\$ 28,127	
Contributions in relation to the statutorily required contribution	(21,462)	(23,461)	(23,328)	(22,523)	(23,440)	(25,142)	(28,310)	(29,089)	(29,495)	(28,127)	
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
The Board's covered payroll	\$ 214,620	\$ 234,612	\$ 233,280	\$ 224,823	\$ 212,736	\$ 208,930	\$ 209,706	\$ 207,776	\$ 203,412	\$ 200,906	
Contributions as a percentage of covered payroll	10.0%	10.0%	10.0%	10.0%	11.0%	12.0%	13.5%	14.0%	14.5%	14.0%	

See Independent Auditor's Report and accompanying Notes to Required Supplementary Information.

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)

	Years Ended June 30,				
	2022	2021	2020	2019	2018
Board's proportion of the net OPEB liability (asset) (percentage)	0.002632181%	0.001129919%	0.001065873%	0.001039396%	0.000966902%
Board's proportionate share of the net OPEB liability (asset)	\$ (783)	\$ 4,991	\$ 17,684	\$ 22,300	\$ 23,776
State's proportionate share of the net OPEB liability (asset)	(154)	1,104	3,619	4,609	4,884
Total proportionate share of the net OPEB liability (asset)	\$ (937)	\$ 6,095	\$ 21,303	\$ 26,909	\$ 28,660
Board's covered employee payroll	\$ 234,612	\$ 251,835	\$ 224,823	\$ 212,736	\$ 208,930
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered employee payroll	(0.33%)	1.98%	7.87%	10.48%	11.38%
Plan fiduciary net position as a percentage of the total OPEB liability	101.81%	73.49%	39.69%	30.98%	25.10%

* - The amounts presented for each fiscal year were determined as of June 30th of the previous year (measurement date).

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS TO THE RHBT

	Years Ended June 30,					
	2022	2021	2020	2019	2018	2017
Statutorily required contribution	\$ 2,764	\$ 4,827	\$ 2,170	\$ 3,592	\$ 2,124	\$ 1,986
Contributions in relation to the statutorily required contribution	(2,764)	(4,827)	(2,170)	(3,592)	(2,124)	(1,986)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Board's covered employee payroll	\$ 215,802	\$ 234,612	\$ 251,835	\$ 224,823	\$ 212,736	\$ 208,930
Contributions as a percentage of covered employee payroll	1.28%	2.06%	0.86%	1.60%	1.00%	0.95%

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2022

Note 1. Trend Information Presented

The accompanying schedules of the Board's proportionate share of the net OPEB and pension liabilities (assets) and contributions to RHBT and PERS are required supplementary information to be presented for 10 years. However, until a full 10 year trend is compiled, information is presented in the schedules for those years for which information is available.

Note 2. OPEB Changes in Assumptions

Below are changes in assumptions between the 2020 and 2018 valuations:

The assumption changes that most significantly impacted the total OPEB liability were an approximate \$831 million decrease due to updated capped subsidy rates, per capita costs, and trend rates, as well as an approximate \$279 million decrease due to changes in assumptions as a result of an experience study as follows:

- General/price inflation – decrease price inflation rate from 2.75% to 2.25%
- Discount rate – decrease discount rate from 7.15% to 6.65%
- Wage inflation – decrease wage inflation rate from 4.00% to 2.75% for PERS, and TRS, and 3.25% for Troopers A and B
- OPEB retirement – develop explicit retirement rates for members who are eligible to retire with healthcare benefits and elect healthcare coverage
- Waived annuitant termination – develop explicit waived termination rates for members who are eligible to retire with healthcare benefits but waive healthcare coverage
- SAL conversion – develop explicit SAL conversion rates for members who are eligible to convert sick and annual leave (SAL) balances at retirement and convert SAL balances into OPEB benefits
- Lapse/re-entry – develop net lapse/re-entry rates for members who either lapse coverage after electing healthcare coverage or elect healthcare coverage after waiving coverage
- Other demographic assumptions – develop termination, disability, and mortality rates based on experience specific to OPEB covered group
- Salary increase – develop salary increase assumptions based on experience specific to the OPEB covered group

Below are changes in assumptions between the 2018 and 2017 valuations:

The assumption changes that most significantly impacted the total OPEB liability were an approximate \$11.8 million decrease in the per capita claims costs for Pre-Medicare and Medicare, as well as an approximate \$224.2 million decrease due to capped subsidy costs implemented in December 2019. Certain other assumption changes were noted but did not materially impact the total OPEB liability.

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2022

Note 2. OPEB Changes in Assumptions (Continued)

Below are changes in assumptions between the 2017 and 2016 valuations:

The assumption changes that most significantly impacted the Net OPEB Liability are as follows: the inclusion of waived annuitants increased the liability by approximately \$17 million; a 15% reduction in the retirement rate assumption decreased the liability by approximately \$68 million; a change in certain healthcare-related assumptions decreased the liability by approximately \$232 million; and an update to the mortality tables increased the liability by approximately \$25 million. Certain other assumption changes were noted but did not materially impact the Net OPEB Liability.

Below are changes in the assumptions between the 2016 and 2015 valuations:

Certain economic and behavioral assumptions are unique to healthcare benefits. These assumptions include the healthcare trend, per capita claims costs, the likelihood that a member selects healthcare coverage and the likelihood that a retiree selects one-person, two person or family coverage. These assumptions were updated based on a recent experience study performed by the RHBT actuaries using five-year experience data through June 30, 2015. The updated per capita claims costs were also based on recent claims, enrollment and premium information as of the valuation date.

For the June 30, 2016 valuation, the retiree healthcare participation assumption for each retirement plan is slightly higher than the previous assumption used in the June 30, 2015 OPEB valuation. More members who were covered as actives will be assumed to participate as retirees.

The 2016 and 2015 valuations include consideration of the \$30 million annual appropriations under Senate Bill 419, through July 1, 2037, or if earlier, the year the benefit obligation is fully funded. Additionally, the presentation of covered payroll was changed for the June 30, 2015, actuarial valuation. Participating employees hired before July 1, 2010, pay retiree premiums that are subsidized based on years of service at retirement. Participating employees hired on or after July 1, 2010, are required to fully fund premium contributions upon retirement. Consequently, beginning June 30, 2015, actuarial valuation covered payroll represents only the payroll for those OPEB eligible participating employees that were hired before July 1, 2010, allowing a better representation of the UAAL as a percentage of covered payroll, whereas, for the prior years, covered payroll is in total for all participating employees.

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2022

Note 3. Pension Plan Amendments

The PERS was amended to make changes which apply to new employees hired on or after July 1, 2015 as follows:

- For employees hired prior to July 1, 2015, qualification for normal retirement is age 60 with five years of service or at least age 55 with age and service equal to 80 or greater. A member may retire with the pension reduced actuarially if the member is at least 55 and has at least 10 years of contributory service, or at any age with 30 years of contributory service. For employees hired after July 1, 2015, qualification for normal retirement is 62 with 10 years of service. A member hired after July 1, 2015 may retire with the pension reduced actuarially if the member is between the ages 60 and 62 with at least ten years of contributory service, between ages 57 and 62 with at least twenty years of contributory service or between the ages 55 and 62 with at least thirty years of contributory service.
- The straight life annuity retirement benefit is equivalent to 2% of average salary multiplied by years of service. For employees hired prior to July 1, 2015, average salary is the average of the three consecutive highest annual earnings out of the last fifteen years of earnings. For all employees hired on or after July 1, 2015 average salary is the average of the five consecutive highest annual earnings out of the last fifteen years of earnings.
- For employees hired prior to July 1, 2015, terminated members with at least five years of contributory service who do not withdraw their accumulated contributions may elect to receive their retirement annuity beginning at age 62. For all employees hired on or after July 1, 2015, this age increases to 64 with at least ten years of contributory service, or age 63 with at least twenty years of contributory service.
- For all employees hired prior to July 1, 2015, employees are required to contribute 4.5% of annual earnings. All employees hired on or after July 1, 2015, are required to contribute 6% of annual earnings.

(Continued)

WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2022

Note 4. Pension Plan Assumptions

The information in the schedules of the proportionate share of the net pension liability (asset) was based on the actuarial valuations rolled forward to measurement dates of June 30 each year presented below using the following actuarial assumptions.

<u>PERS</u>	<u>2019-2021</u>	<u>2015-2018</u>	<u>2014</u>
Projected salary increase			
State	3.1 - 5.3% (2019-2020); 2.75% - 5.55% (2021)	3.0 - 4.6%	4.25 - 6.0%
Nonstate	3.35 - 6.5% (2019-2020); 3.60% - 6.75% (2021)	3.35 - 6.0%	4.25 - 6.0%
Inflation rate	3.0% (2019-2020); 2.75% (2021)	3.0% (2016-2018); 1.9% (2015)	2.2%
Discount rate	7.50% (2019-2020); 7.25% (2021)	7.50%	7.50%
Mortality rates	Active-100% of Pub-2010 General Employees table, below median, headcount weighted, projected generationally with scale MP-2018 Retired healthy males-108% of Pub-2010 General Retiree Male table, below-median, headcount weighted, projected generationally with scale MP-2018 Retired healthy females-122% of Pub-2010 General Retiree Female table, below-median, headcount weighted, projected generationally with scale MP-2018 Disabled males-118% of Pub-2010 General / Teachers Disabled Male table, headcount weighted, projected generationally with scale MP-2018 Disabled females-118% of Pub-2010 General / Teachers Disabled Female table, below-median, headcount weighted, projected generationally with scale MP-2018	Active-RP-2000 Non-Annuitant tables, Scale AA fully generational Retired healthy males - 110% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy females - 101% of RP-2000 Non-Annuitants, Scale AA fully generational Disabled males - 96% of RP-2000 Disabled Annuitant, Scale AA fully generational Disabled females - 107% of RP-2000 Disabled Annuitant, Scale AA fully generational	Healthy males - 1983 GAM Healthy females - 1971 GAM Disabled males-1971 GAM Disabled females-Revenue ruling 96-7
Withdrawal rates			
State	2.28-45.63%	1.75 - 35.1%	1 - 26%
Nonstate	2.950-35.88%	2 - 35.8%	2 - 31.2%
Disability rates	0.005-0.540%	0. - 67.5%	0 - .8%
Experience Study	2013-2018 (2019-2020); 2015 - 2020 - economic assumptions and 2013 - 2018 all other assumptions (2021)	2009-2014	2004-2009

SUPPLEMENTARY INFORMATION

West Virginia Municipal Pensions Oversight Board
Schedule of Statutory Commitments
June 30, 2022

	Allocation	Expended	Balance
<u>Police Departments</u>			
Beckley	\$ 541,053	\$ 541,053	\$ -
Belle	37,834	37,834	-
Bluefield	285,513	285,513	-
Charleston	1,866,884	1,866,884	-
Charles Town	11,327	11,327	-
Chester	45,725	45,725	-
Clarksburg	464,032	464,032	-
Dunbar	142,464	-	142,464
Elkins	129,164	129,164	-
Fairmont	420,069	420,069	-
Grafton	75,547	75,547	-
Huntington	1,121,406	1,039,656	81,750
Logan	61,569	-	61,569
Martinsburg	446,995	446,995	-
Morgantown	711,889	711,889	-
Moundsville	169,978	169,978	-
Nitro	191,890	191,890	-
Oak Hill	141,234	-	141,234
Parkersburg	733,446	733,446	-
Princeton	239,257	239,257	-
Point Pleasant	84,219	-	84,219
Saint Albans	250,358	250,358	-
South Charleston	477,883	477,883	-
Star City	62,140	-	62,140
Vienna	197,857	197,857	-
Weirton	421,139	421,139	-
Welch	50,028	-	50,028
Weston	43,377	-	43,377
Westover	125,428	125,428	-
Wheeling	844,536	844,536	-
Williamson	64,944	64,944	-
<u>Fire Departments</u>			
Beckley	520,888	520,888	-
Bluefield	212,545	212,545	-
Charleston	1,861,484	1,861,484	-
Clarksburg	474,095	474,095	-
Dunbar	172,856	-	172,856
Elkins	61,305	-	61,305
Fairmont	464,031	464,031	-
Grafton	49,899	49,899	-
Huntington	1,131,758	1,044,047	87,711
Logan	65,966	-	65,966
Martinsburg	377,521	377,521	-
Morgantown	629,777	629,777	-
Moundsville	71,466	71,466	-
Nitro	143,123	143,123	-
Parkersburg	708,237	708,237	-
Princeton	145,067	145,067	-
Saint Albans	259,683	259,683	-
South Charleston	515,492	515,492	-
Weirton	255,721	255,721	-
Weston	50,154	18,622	31,532
Wheeling	1,119,489	1,119,489	-
Williamson	78,499	78,499	-
	<u>\$ 19,828,241</u>	<u>\$ 18,742,090</u>	<u>\$ 1,086,151</u>

See Independent Auditor's Report



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

To the West Virginia Municipal Pensions Oversight Board
Charleston, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the West Virginia Municipal Pensions Oversight Board (the Board), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 28, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Board's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Board's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Your Success is Our Focus

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Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brown, Edwards & Company, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

Charleston, West Virginia
September 28, 2022