

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

	<u>2013</u>	<u>2012</u>
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	<u>(402,640)</u>	<u>(21,515)</u>
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>
<b>Reconciliation of operating loss to net cash used in operating activities:</b>		
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>	1
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 BENEFITS**Plan 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:

	<u>2013</u>	<u>2012</u>
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 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 57<sup>th</sup> 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 1<sup>st</sup> 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.

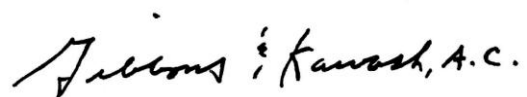
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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	3A	3B	3C	Foreign Currency Risk				
							Amount Collateralized with securities held by the pledging financial institution's trust department or agent 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 trust department or agency but not in the name of the depositor	Currency Type	Maturity	Fair Value		
Balances as of June 30, 2013															
Cash with Treasurer															
Per WVFIMS Opening Balance Report	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:															
<b>Total</b>	<b>20,608</b>	<b>0</b>	<b>20,608</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>				<b>0</b>

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 Pensions Oversight Board

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 space below the Institution's investment policy

See Footnote 3 to the financial statements.

	Reported Amount Unrestricted	Reported Amount Restricted	Custodial Credit Risk				Fair Value	Credit Ratings			Interest Rate Risk - Segmented Time Distribution				Foreign Currency Risk			
			Category 1	Category 2	Category 3	Reported Amount**		Standard & Poor's	Moody's	Fitch	Investment Maturities (in years)				Currency Type	Maturity	Fair Value	
											Less than 1	1 - 5	6 -10	More than 10				
Investments with Investment Mgmt Board (IMB)																		
<b>Per WVFIMS Opening Balance Report</b>																		
Investment Earnings not Posted to WVFIMS As of 6/30/13																		
Investments with Board of Treasury Investments (BTI)																		
<b>Per Opening Balance Report</b>	28,736,709					28,736,709	28,736,709											
Investment Earnings not Posted to WVFIMS As of 6/30/13																		
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):					( )													
					( )													
					( )													
					( )													
					( )													
<b>Total</b>	<b>28,736,709</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>28,736,709</b>	<b>28,736,709</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\*\*\*\* 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

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

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		<u>(28,736,709)</u>
Add: restricted assets disclosed as deposits		-
Other (describe) <u>Sweep recognition difference</u>		<u>-</u>
		<u>-</u>
		<u>-</u>
Carrying amount of deposits as disclosed on Form 7		<u>\$ 20,608</u>
Investments:		
Investments as reported on balance sheet		\$ -
Add: restricted assets disclosed as investments		-
Add: cash equivalents disclosed as investments		<u>28,736,709</u>
Other (describe) _____		<u>-</u>
		<u>-</u>
		<u>-</u>
Reported amount of investments as disclosed on Form 8		<u>\$ 28,736,709</u>

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