

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.

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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, 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

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

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

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

Table 2
Changes in Net Position

	<u>2016</u>	<u>2015</u>	<u>2014</u>
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	79,257	32,522	32,943
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.

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

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>\$ 28,475,346</u>	<u>\$ 28,071,113</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.

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.

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.

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:

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

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

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
			\$ 1,555,529	100.00%

* 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:

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

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.

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

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	<u>28,310</u>	<u>-</u>
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	<u>29,089</u>	<u>-</u>
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

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

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.

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

	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

	Years Ended June 30			
	2016	2015	2014	2013
Statutorily required contribution	\$ 28,310	\$ 29,089	\$ 29,495	\$ 28,127
Contributions in relation to the statutorily required contribution	<u>(28,310)</u>	<u>(29,089)</u>	<u>(29,495)</u>	<u>(28,127)</u>
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

<u>Department</u>	<u>September 1, 2015</u> <u>Allocation</u>	<u>Expended</u>	<u>Balance</u>
<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

<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 Pensions 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

	Carrying Amount	Restricted Carrying Amount	Total Carrying Amount	Bank Balance	FDIC Insured Amount	Collateralized Amount	Amount Collateralized 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 but not in the name of the depositor	Currency Type	Maturity	Fair Value	Foreign Currency Risk
														3C
Cash with Treasurer														
Per wOASIS Opening Balance Report														
Cash with Municipal Bond Commission		17,877	17,877											
Cash on Hand		0	0											
Cash with wOASIS		0	0											
Cash with Board of Trustees		0	0											
Cash in Outside Bank Accounts		0	0											
Cash in Escrow		0	0											
Certificates of Deposits (Non-Negotiable)		0	0											
Other		0	0											
Total	0	17,877	17,877	0	0	0	0	0	0	0			0	

Balances as of June 30, 2016

PLEASE SEND COMPLETED FORMS TO:
 State of West Virginia
 Financial Accounting and Reporting Section
 Department of Administration
 Building 17, 3rd Floor
 Charleston, WV 25305
 Telephone Number: (304) 558-4833
 Fax Number: (304) 558-4984

Audited Agency: Municipal Pensions Oversight Board 30 June 15

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

Investment Description	Reported Amount Unrestricted	Reported Amount Restricted	Fair Value Measurement's Using				Credit Ratings				Interest Rate Risk - Segmented Time Distribution				Foreign Currency Risk				
			Level 1	Level 2	Level 3	Fair Value	Cost Value	Total Reported Value	Standard & Poor's	Moody's	Risk	Less: than 1	1 - 5	6 - 10		More than 10	Commodity Type	Maturity	Fair Value
Investments with Investment Mgmt Board (IMB)																			
Per vFOASIS Opening Balance Report																			
Investments not Pooled to vFOASIS																			
Investments with Board of Treasury Investments (BTI)																			
Per Opening Balance Report		28,563,484				29,513,484													
Investments not Pooled to vFOASIS																			
Investments Outside IMB:																			
U.S. Treasury Obligations																			
Corporate Bonds																			
Other Government Bonds																			
Common Stocks																			
Mutual Stock Funds																			
Mutual Money Market Funds																			
Bank Investment Contract																			
Guaranteed Investment Contract																			
Separable Agreements																			
Other Investments (describe)																			
Total Outside Investments	0	0	0	0	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																			
Residential mortgage-backed securities																			
Corporate Bonds																			
Total Debt Securities	0	0	0	0	0	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	0	0	0	0
Venture Capital Investments																			
Direct venture capital -																			
Private Equity Funds - International																			
Total Venture Capital Investments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Venture Capital Investments	0	0	0	0	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	0	0	0	0
Investments Measured at Fair Value																			
Investments Derivative Instruments																			
Interest Rate Swaps																			
Foreign exchange contracts (liabilities)																			
Total Investment Derivative Instruments	0	0	0	0	0	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 The Repurchase Agreements	Fair Market Value of Collateral	Moody's	S&P

PLEASE SEND COMPLETED FORMS TO:
 State of West Virginia
 Financial Accounting and Reporting Section
 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.

A handwritten signature in cursive script that reads "Seattle & Stalaker, PLLC".

Charleston, West Virginia
December 7, 2016