

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

**AUDITED FINANCIAL STATEMENTS**  
**WITH OTHER FINANCIAL INFORMATION**

**YEARS ENDED JUNE 30, 2017 AND 2016**

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

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

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

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

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

**Other Reporting Required by *Government Auditing Standards***

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



Charleston, West Virginia  
October 10, 2017

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

### **Financial Highlights**

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

### **Using This Report**

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

### **The Board as a Whole**

The Municipal Pensions Oversight Board is accounted for as a proprietary fund engaged in business-type activities. The Board is considered a component unit of the State and its financial statements are presented in the comprehensive annual financial report of the State as a discretely presented component unit.

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

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

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

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

**Table 1**  
**Net Position**

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

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

**Table 2**  
**Changes in Net Position**

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

**Changes in Net Position**

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



**Currently Known Facts and Conditions**

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

**Requests for Information**

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

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

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

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

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

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

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

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

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

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

## **NOTE 1 - REPORTING ENTITY**

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

## **NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### Basis of Presentation

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

### Use of Estimates

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

### Cash and Cash Equivalents

Cash and cash equivalents consist primarily of demand deposits with the West Virginia State Treasurer's Office (STO) and short-term interest-earning investments in a State internal investment pool maintained by the West Virginia Board of Treasury Investments (BTI). The BTI pool is a 2a-7-like pool carried at amortized cost which approximates the fair value of the underlying securities.

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets

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

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

Accrued Employee Benefits

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

Deferred Outflows of Resources / Deferred Inflows of Resources

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

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

Pensions

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

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

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Net Position

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

Operating Revenues and Expenses

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

**NOTE 3 - CASH AND CASH EQUIVALENTS**

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

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

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

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

**NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)**

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

Credit Risk

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

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



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

**NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)**

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

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

**NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)**

Other Risks of Investing

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

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

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

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

Deposits

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

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

**NOTE 4 - CAPITAL ASSETS**

A summary of capital asset activity is as follows:

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

**NOTE 5 - RETIREMENT PLAN**

Plan Description

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

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

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**NOTE 5 - RETIREMENT PLAN (Continued)**

Benefits Provided

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

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

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

Contributions

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

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

**NOTE 5 - RETIREMENT PLAN (Continued)**

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

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

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

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

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

**NOTE 5 - RETIREMENT PLAN (Continued)**

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

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

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

Actuarial assumptions and methods

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

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

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

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

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

**NOTE 5 - RETIREMENT PLAN (Continued)**

Long-term expected rates of return

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

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

Discount rate

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

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

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

Pension plan fiduciary net position

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

**NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS**

Plan Description

The Board participates in the West Virginia Other Postemployment Benefits Plan (OPEB Plan) of the West Virginia Retiree Health Benefit Trust, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the West Virginia Public Employees Insurance Agency (WVPEIA). The OPEB Plan provides retiree post-employment health care benefits for participating state and local government employers. The provisions of the Code of West Virginia, 1931, as amended (the Code), assigns the authority to establish and amend benefit provisions to the WVPEIA board of trustees. The WVPEIA issues a publicly available financial report that includes financial statements and required supplementary information for the OPEB Plan. That report may be obtained by writing to Public Employees Insurance Agency, 601 57<sup>th</sup> Street, E., Suite 2, Charleston, West Virginia 25304, or by calling 1-888-680-7342.

Funding Policy

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



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

**NOTE 6 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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

**NOTE 7 - RISK MANAGEMENT**

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

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

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

**NOTE 8 - TRANSACTIONS WITH THE STATE OF WEST VIRGINIA**

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

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

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

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**NOTE 9 - COMMITMENTS**

The Board is required by its enabling legislation to allocate certain tax and other revenues, net of administrative expenses, to the municipal policemen's and firemen's pension and relief funds (the Funds) by September 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, 2016 allocation, but have not been disbursed as of June 30, 2017 is \$1,816,033.

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

**NOTE 10 - NEW ACCOUNTING PRONOUNCEMENTS**

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

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

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

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

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**NOTE 10 - NEW ACCOUNTING PRONOUNCEMENTS (Continued)**

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

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

Recent Statements Issued By GASB

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

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

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

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**NOTE 10 - NEW ACCOUNTING PRONOUNCEMENTS (Continued)**

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

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

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

**REQUIRED SUPPLEMENTARY INFORMATION**

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

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

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

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

	Years Ended June 30,				
	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 25,142	\$ 28,310	\$ 29,089	\$ 29,495	\$ 28,127
Contributions in relation to the statutorily required contribution	<u>(25,142)</u>	<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>	<u>\$ -</u>
The Board's covered-employee payroll	\$ 208,930	\$ 209,706	\$ 207,776	\$ 203,412	\$ 200,906
Contributions as a percentage of covered- employee payroll	12.0%	13.5%	14.0%	14.5%	14.0%

## WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

**NOTE I - TREND INFORMATION PRESENTED**

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

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



**OTHER FINANCIAL INFORMATION**

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

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

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

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

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

**Municipal Pensions Oversight Board - June 30, 2017**

Audited Agency

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	Foreign Currency Risk
													Fair Value
Cash with Treasurer													
Per wOASIS Opening Balance Report			14,609										
Cash with Municipal Bond Commission		14,609	14,609										
Cash on Hand			0										
Cash with wOASIS			0										
Cash with Board of Trustees			0										
Cash in Outside Bank Accounts			0										
Cash in Escrow			0										
Certificates of Deposits (Non-Negotiable)			0										
Other			0										
<b>Total</b>	<b>0</b>	<b>14,609</b>	<b>14,609</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>

Balances as of June 30, 2017

PLEASE SEND COMPLETED FORMS TO:  
 State of West Virginia  
 Financial Accounting and Reporting Section  
 1000 Kanawha Street East  
 Building J7, 3rd Floor  
 Charleston, WV 25305  
 Telephone Number: (304) 558-4833  
 Fax Number: (304) 558-4934

Municipal Pensions Oversight Board June 30, 2017

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	Reported Amount - Restricted	Fair Value Measurement's Using				Total Reported Value	Credit Ratings				Interest Rate Risk - Segmented Time Distribution				Foreign Currency Risk	
			Level 1	Level 2	Level 3	Fair Value		Cost Value	Standard & Poor's	Moody's	Risk	Less: than 1	1 - 5	6 - 10	More than 10		Agency Type
<b>Investments with Investment Mgmt Board (IMB)</b>																	
<b>Per vFOASIS Opening Balance Report</b>																	
Investments not Pooled to vFOASIS																	
Investments with Board of Treasury Investments (BTI)																	
<b>Per Opening Balance Report</b>																	
Investments not Pooled to vFOASIS																	
<b>Investments Outside IMB:</b>																	
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																	
Certificates of Deposit (Negotiable)																	
Other Investments (describe)																	
<b>Total Outside Investments</b>																	
<b>Investments by Fair Value Level</b>																	
<b>Debt Securities</b>																	
U.S. Treasury securities																	
Commercial mortgage-backed securities																	
Residential mortgage-backed securities																	
Corporate Bonds																	
<b>Total Debt Securities</b>																	
<b>Equity Securities</b>																	
Other																	
<b>Total Equity Securities</b>																	
<b>Venture Capital Investments</b>																	
Direct venture capital -																	
Private Equity Funds - International																	
<b>Total Venture Capital Investments</b>																	
<b>Total Venture Capital Investments</b>																	
<b>Investments Measured at the Net Asset Value (NAV)</b>																	
Equity long/short hedge funds																	
Event-driven hedge funds																	
Multi-strategy hedge funds																	
Real estate funds																	
<b>Total Investments Measured at the NAV</b>																	
<b>Investments Derivative Instruments</b>																	
Interest Rate Swaps																	
Foreign exchange contracts (liabilities)																	
<b>Total Investment Derivative Instruments</b>																	

\*\*\* 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, 30F 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 6/30/17**          

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

Deposits:

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

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

Investments:

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

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

PLEASE SEND COMPLETED FORMS TO:

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

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



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

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

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

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



Charleston, West Virginia  
October 10, 2017