

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

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

**YEARS ENDED JUNE 30, 2018 AND 2017**

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## INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

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

### ***Opinion***

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

### ***Change In Accounting Principle***

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

### ***Other Matters***

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

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

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

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

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

### **Emphasis of Matter**

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

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

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



Charleston, West Virginia  
September 20, 2018

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

### **Financial Highlights**

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

### **Using This Report**

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

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

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

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

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

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

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

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

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

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

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

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

**Changes in Net Position**

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



**Currently Known Facts and Conditions**

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

**Requests for Information**

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

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

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

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

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

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

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

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

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

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

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

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**NOTE 1 - REPORTING ENTITY**

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

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

Basis of Presentation

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

Use of Estimates

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

Cash and Cash Equivalents

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

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

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

Capital Assets

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

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

Accrued Employee Benefits

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

Deferred Outflows of Resources / Deferred Inflows of Resources

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

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

Pensions

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

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

Net Position

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

Operating Revenues and Expenses

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

Reclassifications

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

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

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

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

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

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

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

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

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

**NOTE 4 - CASH AND CASH EQUIVALENTS**

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

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

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

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

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



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

**NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)**

Credit Risk

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

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

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

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

Interest Rate Risk

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

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**NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)**

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

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

Other Risks of Investing

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

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

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

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

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD**  
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**NOTE 4 - CASH AND CASH EQUIVALENTS (Continued)**

Deposits

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

**NOTE 5 - CAPITAL ASSETS**

A summary of capital asset activity is as follows:

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

**NOTE 6 - RETIREMENT PLAN**

Plan Description

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

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD**  
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**NOTE 6 - RETIREMENT PLAN (Continued)**

Benefits Provided

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

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

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

Contributions

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

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 6 - RETIREMENT PLAN (Continued)**

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

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

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

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

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD**  
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**NOTE 6 - RETIREMENT PLAN (Continued)**

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

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

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

Actuarial assumptions and methods

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

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

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

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

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD**  
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**NOTE 6 - RETIREMENT PLAN (Continued)**

Long-term expected rates of return

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core Fixed Income	7.5%	2.7%
High Yield Fixed Income	7.5%	5.5%
US Equity	27.5%	7.0%
International Equity	27.5%	7.7%
Real Estate	10.0%	7.0%
Private Equity	10.0%	9.4%
Hedge Funds	10.0%	4.7%
Total	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**  
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**NOTE 6 - RETIREMENT PLAN (Continued)**

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

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

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

Pension plan fiduciary net position

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

**NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS**

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

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



**NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Plan Description

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

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

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

Benefits Provided

The Plan provides the following benefits:

- Medical and prescription drug insurance
- Life insurance

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

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

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD**  
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**NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

Contributions

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

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

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

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

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

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

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

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

Assumptions

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

- Actuarial cost method: Entry age normal cost method.

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD**  
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**NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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

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

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

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

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD**  
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**NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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

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

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

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

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**NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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

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

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

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

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

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

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

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

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD**  
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**NOTE 7 - OTHER POSTEMPLOYMENT BENEFITS (Continued)**

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

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

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

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

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

Payables to the OPEB Plan

The Board did not report any amounts payable for normal contributions to the OPEB plan as of June 30, 2018.

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

**NOTE 8 - RISK MANAGEMENT**

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

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

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

**NOTE 9 - TRANSACTIONS WITH THE STATE OF WEST VIRGINIA**

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

Attorney General	\$ 14,322
Board of Risk and Insurance Management	2,722
Consolidated Public Retirement Board	23,440
Department of Administration	700
Enterprise Resource Planning Board	600
Office of Technology	5,691
West Virginia Public Employees Insurance Agency	11,405
West Virginia State Auditor's Office	760
Retiree Health Benefits Trust	4,788

Amounts due to other State Agencies, at June 30, 2018 include:

State Auditor's Office	\$ 760
Attorney General	700
Office of Technology	751

**NOTE 10 - COMMITMENTS**

The Board is required by its enabling legislation to allocate certain tax and other revenues, net of administrative expenses, to the municipal policemen's and firemen's pension and relief funds (the Funds) by September 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, 2017 allocation, but have not been disbursed as of June 30, 2018 is \$1,260,473.

The amount available to the Board for allocation to the pension plans in September 2018 is \$18,517,193.

**NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS**

The Board implemented Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective for fiscal years beginning after June 15, 2017. The requirements of this Statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. See note 7 for a discussion of the effect and additional required disclosures.

The Board implemented Statement No. 85, *Omnibus 2018*, effective for fiscal years beginning after June 15, 2017. The requirements of this Statement will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements. The adoption of this standard did not have a material impact on the financial statements.

Recent Statements issued by GASB

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



**NOTE 11 - NEW ACCOUNTING PRONOUNCEMENTS (Continued)**

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

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

The Governmental Accounting Standards Board has also issued Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, effective for fiscal years beginning after June 15, 2018. The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, information about resources to liquidate debt and the risks associated with changes in terms associated with debt will be disclosed. As a result, users will have better information to understand the effects of debt on a government's future resource flows. The Board has not yet determined the effect that the adoption of GASB Statement No. 88 may have on its financial statements.

The Governmental Accounting Standards Board has also issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, effective for fiscal years beginning after December 15, 2019. The requirements of this Statement will improve financial reporting by providing users of financial statements with more relevant information about capital assets and the cost of borrowing for a reporting period. The resulting information also will enhance the comparability of information about capital assets and the cost of borrowing for a reporting period for both governmental activities and business-type activities. The Board has not yet determined the effect that the adoption of GASB Statement No. 89 may have on its financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 PUBLIC EMPLOYEES RETIREMENT SYSTEM PLAN  
 JUNE 30, 2018**

**Last 10 Fiscal Years**

	<b>Years Ended June 30,</b>		
	<b>2018</b>	<b>2017</b>	<b>2016</b>
	<b>2015</b>		
Board's proportion (percentage) of the net pension liability (asset)	0.015161%	0.014991%	0.015321%
Board's proportionate share of the net pension liability (asset)	\$ 65,444	\$ 137,788	\$ 85,568
Board's covered payroll	\$ 208,930	\$ 209,706	\$ 207,776
Board's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	31.323%	65.705%	41.183%
Plan fiduciary net position as a percentage of the total pension liability	93.67%	86.11%	91.29%
			27.561%
			56,062
			203,412
			0.015190%

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

The schedule is presented to illustrate the requirement to show information for 10 years. However until a full 10 year trend is compiled, the Board should present information for those years for which it is available.

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

	Years Ended June 30,					
	2018	2017	2016	2015	2014	2013
Statutorily required contribution	\$ 23,440	\$ 25,142	\$ 28,310	\$ 29,089	\$ 29,495	\$ 28,127
Contributions in relation to the statutorily required contribution	(23,440)	(25,142)	(28,310)	(29,089)	(29,495)	(28,127)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
The Board's covered payroll	\$ 212,736	\$ 208,930	\$ 209,706	\$ 207,776	\$ 203,412	\$ 200,906
Contributions as a percentage of covered payroll	11.0%	12.0%	13.5%	14.0%	14.5%	14.0%

The schedule is presented to illustrate the requirement to show information for 10 years. However until a full 10 year trend is compiled, the Board should present information for those years for which it is available.

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**JUNE 30, 2018**

Last 10 Fiscal Years\*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Board's proportion of the net OPEB liability (asset) (percentage)	0.000966902%									
Board's proportionate share of the net OPEB liability (asset)	\$ 23,776									
State's proportionate share of the net OPEB liability (asset)	<u>4,884</u>									
Total proportionate share of the net OPEB liability (asset)	<u>\$ 28,660</u>									
Board's covered payroll	\$ 208,930									
Board's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	11.38%									
Plan fiduciary net position as a percentage of the total OPEB liability	25.10%									

\* - The amounts presented for each fiscal year were determined as of June 30th of the previous year (measurement date). This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Board should present information for those years for which information is available.

**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF OPEB CONTRIBUTIONS  
JUNE 30, 2018**

Last 10 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Statutorily required contribution	\$ 2,124	\$ 1,986								
Contributions in relation to the statutorily required contribution	<u>(2,124)</u>	<u>(1,986)</u>								
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>								
Board's covered payroll	\$ 212,736	\$ 208,930								
Contributions as a percentage of covered payroll	1.00%	0.95%								

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Board should present information for those years for which information is available.

**WEST VIRGINIA MUNICIPAL PENSION OVERSIGHT BOARD**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

Actuarial Changes Pension Plan

An experience study, which was based on the years 2009 through 2014, was approved by the Consolidated Public Retirement Board. As a result, valuation assumptions were changed as of June 30, 2017 to reflect the most recent experience study:

	Projected Salary Increases		Inflation rate	Mortality Rates		Withdrawal Rates		Disability Rates
	State	Nonstate		State	Nonstate	State	Nonstate	
<b>2017</b>	3.00% - 4.6%	3.35% - 6.0%	3.00%	Active-100% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy males-110% of RP-2000 Healthy Annuitant, Scale AA fully generational Retired healthy females-101% of RP-2000 Healthy Annuitant, Scale AA fully generational Disabled Males-96% of RP2000 Disabled Annuitant, Scale AA fully generational Disabled Females-107% of RP-2000 Disabled Annuitant, Scale AA fully generational	1.75-35.10%	2-35.88%	0.007-.675%	
<b>2016</b>	3.00% - 4.6%	3.35% - 6.0%	3.00%	Active-100% of RP-2000 Non-Annuitant, Scale AA fully generational Retired healthy males-110% of RP-2000 Healthy Annuitant, Scale AA fully generational Retired healthy females-101% of RP-2000 Healthy Annuitant, Scale AA fully generational Disabled Males-96% of RP2000 Disabled Annuitant, Scale AA fully generational Disabled Females-107% of RP-2000 Disabled Annuitant, Scale AA fully generational	1.75-35.10%	2-35.88%	0.007-.675%	
<b>2015</b>	3.00% - 4.6%	3.35% - 6.0%	1.90%	Healthy males - 110% of RP-2000 Non-Annuitant, Scale AA; Healthy females - 101% of RP-2000 Non-Annuitant, Scale AA; Disabled males - 96% of RP-2000 Disabled Annuitant, Scale AA; Disabled females - 107% of RP-2000 Disabled Annuitant, Scale AA	1.75-35.1%	2-35.8%	0-.675%	
<b>2014</b>	4.25% - 6.0%	4.25% - 6.0%	2.20%	Healthy males - 1983 GAM; Healthy females-1971; disabled males - 1971 GAM; Disabled females - Revenue ruling 96-7	1-26%	2-31.2%	0-.8%	

Actuarial Changes Other Postemployment Benefits Plan

There are no other factors that affect trends in the amounts reported, such as a change of benefit terms, size or composition of the population covered by the benefit terms, or other assumptions. Additional information, if necessary, can be obtained from the RHBT audited Financial Statements, Required Supplementary Information, and Other Financial Information for the year ended June 30, 2017.

**OTHER FINANCIAL INFORMATION**



**WEST VIRGINIA MUNICIPAL PENSIONS OVERSIGHT BOARD**  
**SCHEDULE OF STATUTORY COMMITMENTS**  
**June 30, 2018**

<b>Supplemental Allocation Detail</b>			
<b>September 2017</b>			
<b>Expires 2/28/2019</b>			
<b>Department</b>	<b>Allocation</b>	<b>Expended</b>	<b>Balance</b>
<b><u>Full-Time Police Departments</u></b>			
Beckley	\$ 515,032	\$ 515,032	\$ -
Belle	28,884	28,884	-
Bluefield	263,027	263,027	-
Charleston	1,737,631	1,737,631	-
Charles Town	13,454	-	13,454
Chester	34,837	34,837	-
Clarksburg	437,291	431,869	5,422
Dunbar	131,879	124,639	7,240
Elkins	104,185	104,185	-
Fairmont	376,317	376,317	-
Grafton	61,773	61,773	-
Huntington	1,098,776	824,082	274,694
Logan	49,589	-	49,589
Martinsburg	427,263	427,263	-
Morgantown	691,798	691,798	-
Moundsville	144,576	144,576	-
Nitro	153,124	153,124	-
Oak Hill	113,824	-	113,824
Parkersburg	713,738	713,738	-
Princeton	201,554	201,554	-
Point Pleasant	81,955	-	81,955
Saint Albans	231,517	231,517	-
South Charleston	389,524	389,524	-
Star City	49,907	-	49,907
Vienna	187,488	187,488	-
Weirton	399,687	399,687	-
Welch	47,542	-	47,542
Weston	52,510	-	52,510
Westover	74,862	74,862	-
Wheeling	764,859	764,859	-
Williamson	76,084	-	76,084
<b><u>Full-Time Fire Departments</u></b>			
Beckley	443,192	443,192	-
Bluefield	214,635	214,635	-
Charleston	1,735,139	1,735,139	-
Clarksburg	442,818	436,840	5,978
Dunbar	165,524	150,345	15,179
Elkins	49,028	49,028	-
Fairmont	434,483	434,483	-
Grafton	39,167	39,167	-
Huntington	1,107,233	830,204	277,030
Logan	64,417	-	64,417
Martinsburg	359,039	359,039	-
Morgantown	507,846	507,846	-
Moundsville	73,146	73,146	-
Nitro	129,091	129,091	-
Parkersburg	659,778	659,778	-
Princeton	134,652	134,652	-
Saint Albans	219,396	219,396	-
South Charleston	419,174	419,174	-
Weirton	218,214	218,214	-
Weston	52,550	-	52,550
Wheeling	992,904	992,904	-
Williamson	73,098	-	73,098
<b>Totals</b>	<b>\$ 18,189,012</b>	<b>\$ 16,928,538</b>	<b>\$ 1,260,473</b>



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the West Virginia Municipal Pensions Oversight Board (the Board) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Board's basic financial statements, and have issued our report thereon dated September 20, 2018. Our report also includes an emphasis of a matter for the adoption of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion was not modified with respect to this matter.

### **Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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



Charleston, West Virginia  
September 20, 2018