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Governor

MARK MATKOVICH
Acting Tax Commissioner
Chair

JOHN D. PERDUE
State Treasurer

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Member

JOHN ROACH
Member

SARA L. ROGERS
Executive Director

MEMORANDUM

TO: Depositors with the Municipal Bond Commission

FROM: Sara L. Rogers, Executive Director

DATE: July 30, 2013

RE: Annual Statements: July 1, 2012 – June 30, 2013

1. Available on our website are the annual, fourth quarter, and monthly statements for your account(s). If your issue is paid out and had a zero balance with no activity for the fourth quarter or the month of June, then your quarterly or monthly statements are not posted to the website.

2. The amount of principal still outstanding on the issue is shown at the bottom of the Statement. P/O indicates the issue is paid out. The Commission pays principal on the date due. If the bond issue had debt service due on July 1, 2013, the funds for this debt service have **not** been withdrawn from the account, and the statement of principal outstanding is as of June 30, 2013.

Bonds owned by the Department of Environmental Protection (DEP), the WV Infrastructure Counsel, or Bureau of Public Health are usually issued on a principal draw down basis. This may result in the principal outstanding this year being greater than the amount shown last year.

3. All funds on deposit with the Commission are invested.

a) If this account has escrowed investments, specific investments held solely for this account, they will be shown near the bottom of the statement. Escrowed investments are made only at the direction of the issuer, and are primarily made to defease an issue, or limit the interest earnings. They are held in separate accounts.

b) All other funds are invested in the Government Money Market Pool at the Board of Treasury Investment, through the West Virginia State Treasury. It is under the management of an outside professional investment manager who has managed our investments for more than 25 years. This pool is limited to full faith and credit US Treasury investment of less than 13 months maturity, and has an average maturity of 90 days. The pool is a variable rate pool in which interest rates fluctuate monthly. Accounts receive credit from the date of deposit to the date of withdrawal, and interest distribution is calculated on the basis of average daily balance. No interest is earned by accounts with an average monthly balance of less than $50. Interest is calculated and posted to each account on the first day of the following month by computer.

The following is a statement of interest earnings for the funds of the Commission, which were invested in the Pool at the Board of Treasury Investments:

June 2012	0.09%	October 2012	0.12%	February 2013	0.08%
July 2012	0.10%	November 2012	0.11%	March 2013	0.08%
August 2012	0.10%	December 2012	0.11%	April 2013	0.07%
September 2012	0.11%	January 2013	0.11%	May 2013	0.07%

The average interest rate for the year was 0.09%

4. Following the payment of the final debt service on a bond issue, all surpluses remaining in the account(s) are the property of the issuer, and may be returned to them. As they are held in interest bearing accounts we normally do not return these surpluses until requested by the issuer. Due to continued interest earnings, most accounts will require more than one refund to close.

The final payment of debt service may not mean that all reconciliation has been completed with the paying agent bank, or that we have received a final bill from that paying agent. Due to numerous bank mergers and transfers of paying duties, this reconciliation can be difficult. This process usually takes at least a year, and the account will remain open at least that long. If you are still receiving statements on a zero balance account years after the final maturity, it may be due to funds still being on deposit with the paying agent bank, and an incomplete reconciliation.

The comments on your statement(s) identify the availability of funds in your accounts. These specify accounts with surplus funds available for withdrawal following the paying out/calling of the issue. Some paid out accounts are still being researched, or will be closed following this statement, and have no comment. Discretionary accounts, (those whose account number's last two digits are 15-18) have comments indicating that the funds are unrestricted and available for withdrawal at any time. These are savings accounts in the eyes of the Commission, and unrestricted, but may have restrictions placed on them by you, (for example, that they were set up solely to fund future repairs to a sewer system) of which the Commission has no knowledge.

The Commission uses internal transfers of funds that are surplus, to accounts that are deficient for the same entity. Funds in your accounts, which are surplus to bond ordinance requirement, are available to correct deficiencies in other similar accounts. This increases the efficiency of your funds and helps ensure compliance with your bond ordinances and obligation to your bond holders. The Commission never transfers funds between different types of issues. An entity with several sewer bond issues may have transfers among them, but we never transfer water funds to a sewer issue. These transfers are made to keep your issues in compliance with your bond ordinances.

The Commission only closes accounts in July, following the end of the fiscal year. If your reconciliation and final refund have been completed, you will continue to receive statements for the remainder of the fiscal year.

5. Since April 1991, the Commission has functioned as a special revenue agency of State Government. The Commission will collect a fee for its routine services for the coming year of .0027 (27/100 of 1%) of the debt service paid, with a maximum of $2,000 per issue. This is a small increase in the percentage from the past year.

6. Should any errors be detected in these statements, please bring them to our attention as soon as possible.