



State of West Virginia  
 Department of Administration  
 Purchasing Division  
 2019 Washington Street East  
 Post Office Box 50130  
 Charleston, WV 25305-0130

**Solicitation**

NUMBER
LOT501

PAGE
1

ADDRESS CORRESPONDENCE TO ATTENTION OF:
CONNIE OSWALD 304-558-2157

RFQ COPY  
 TYPE NAME/ADDRESS HERE

VENDOR

SHIP TO

WEST VIRGINIA LOTTERY  
  
 900 PENNSYLVANIA AVE  
 CHARLESTON, WV  
 25302 304-558-0500

DATE PRINTED
01/30/2013

BID OPENING DATE: 02/28/2013 BID OPENING TIME 1:30PM

LINE	QUANTITY	UOP	CAT. NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
0001	1	JB		946-20		
<p>THE STATE OF WEST VIRGINIA AND ITS AGENCY THE WEST VIRGINIA LOTTERY REQUEST A QUOTE FOR A CERTIFIED PUBLIC ACCOUNTING FIRM TO PROVIDE ANNUAL AUDIT SERVICES FOR THE WV LOTTERY LOCATED AT 900 PENNSYLVANIA AVE, CHARLESTON, WV 25302 PER THE ATTACHED INSTRUCTIONS TO BIDDERS AND SPECIFICATIONS.</p> <p>MANDATORY PRE-BID WILL BE HELD: FEBRUARY 12, 2013 AT 2:00 PM</p> <p>BID OPENING IS SCHEDULED FOR: FEBRUARY 28, 2013 AT 1:30 PM</p> <p>PLEASE REFERENCE ATTACHED INSTRUCTIONS TO BIDDERS AND GENERAL TERMS &amp; CONDITIONS.</p> <p>AUDITING SERVICES</p> <p>FOR THE WV LOTTERY ANNUAL AUDIT PER THE ATTACHED SPECIFICATIONS.</p>						

SIGNATURE	TELEPHONE	DATE
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TITLE	FEIN	ADDRESS CHANGES TO BE NOTED ABOVE
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WHEN RESPONDING TO SOLICITATION, INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED 'VENDOR'



State of West Virginia  
 Department of Administration  
 Purchasing Division  
 2019 Washington Street East  
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SHIP TO

DATE PRINTED
01/30/2013

BID OPENING DATE: 02/28/2013 BID OPENING TIME 1:30PM

LINE	QUANTITY	UOP	CAT. NO.	ITEM NUMBER	UNIT PRICE	AMOUNT
***** THIS IS THE END OF RFQ LOT501 ***** TOTAL:						

SIGNATURE		TELEPHONE	DATE
TITLE	FEIN	ADDRESS CHANGES TO BE NOTED ABOVE	

WHEN RESPONDING TO SOLICITATION, INSERT NAME AND ADDRESS IN SPACE ABOVE LABELED 'VENDOR'

INSTRUCTIONS TO VENDORS SUBMITTING BIDS

1. **REVIEW DOCUMENTS THOROUGHLY:** The attached documents contain a solicitation for bids. Please read these instructions and all documents attached in their entirety. These instructions provide critical information about requirements that if overlooked could lead to disqualification of a Vendor's bid. All bids must be submitted in accordance with the provisions contained in these instructions and the Solicitation. Failure to do so may result in disqualification of Vendor's bid.
  
2. **MANDATORY TERMS:** The Solicitation may contain mandatory provisions identified by the use of the words "must," "will," and "shall." Failure to comply with a mandatory term in the Solicitation will result in bid disqualification.
  
3. **PREBID MEETING:** The item identified below shall apply to this Solicitation.

| A pre-bid meeting will not be held prior to bid opening.

| A NON-MANDATORY PRE-BID meeting will be held at the following place and time:

| A MANDATORY PRE-BID meeting will be held at the following place and time:

February 12, 2013 at 2:00 pm

West Virginia Lottery Headquarters  
 900 Pennsylvania Avenue  
 Charleston, WV 25301

All Vendors submitting a bid must attend the mandatory pre-bid meeting. Failure to attend the mandatory pre-bid meeting shall result in disqualification of the Vendor's bid. No one person attending the pre-bid meeting may represent more than one Vendor.

An attendance sheet provided at the pre-bid meeting shall serve as the official document verifying attendance. The State will not accept any other form of proof or documentation to verify attendance. Any person attending the pre-bid meeting on behalf of a Vendor must list on the attendance sheet his or her name and the name of the Vendor he or she is representing. Additionally, the person attending the pre-bid meeting should include the Vendor's E-Mail address, phone number, and Fax number on the attendance sheet. It is the Vendor's responsibility to locate the attendance sheet and provide the required

information. Failure to complete the attendance sheet as required may result in disqualification of Vendor's bid.

All Vendors should arrive prior to the starting time for the pre-bid. Vendors who arrive after the starting time but prior to the end of the pre-bid will be permitted to sign in, but are charged with knowing all matters discussed at the pre-bid.

Questions submitted at least five business days prior to a scheduled pre-bid will be discussed at the pre-bid meeting if possible. Any discussions or answers to questions at the pre-bid meeting are preliminary in nature and are non-binding. Official and binding answers to questions will be published in a written addendum to the Solicitation prior to bid opening.

4. **VENDOR QUESTION DEADLINE:** Vendors may submit questions relating to this Solicitation to the Purchasing Division. Questions must be submitted in writing. All questions must be submitted on or before the date listed below and to the address listed below in order to be considered. A written response will be published in a Solicitation addendum if a response is possible and appropriate. Non-written discussions, conversations, or questions and answers regarding this Solicitation are preliminary in nature and are non-binding.

Question Submission Deadline: February 14, 2013

Submit Questions to:

Connie Oswald

2019 Washington Street, East

P.O. Box 50130

Charleston, WV 25305

Fax: 304-558-3970

Email: [Connie.S.Oswald@wv.gov](mailto:Connie.S.Oswald@wv.gov)

5. **VERBAL COMMUNICATION:** Any verbal communication between the Vendor and any State personnel is not binding, including that made at the mandatory pre-bid conference. Only information issued in writing and added to the Solicitation by an official written addendum by the Purchasing Division is binding.
6. **BID SUBMISSION:** All bids must be signed and delivered by the Vendor to the Purchasing Division at the address listed below on or before the date and time of the bid opening. Any bid received by the Purchasing Division staff is considered to be in the possession of the Purchasing Division and will not be returned for any reason. The bid delivery address is:

Department of Administration, Purchasing Division  
2019 Washington Street East  
P.O. Box 50130,  
Charleston, WV 25305-0130

The bid should contain the information listed below on the face of the envelope or the bid may not be considered:

SEALED BID

BUYER: \_\_\_\_\_  
SOLICITATION NO.: \_\_\_\_\_  
BID OPENING DATE: \_\_\_\_\_  
BID OPENING TIME: \_\_\_\_\_  
FAX NUMBER: \_\_\_\_\_

In the event that Vendor is responding to a request for proposal, the Vendor shall submit one original technical and one original cost proposal plus  convenience copies of each to the Purchasing Division at the address shown above. Additionally, the Vendor should identify the bid type as either a technical or cost proposal on the face of each bid envelope submitted in response to a request for proposal as follows:

BID TYPE:         Technical  
                       Cost

- 7. **BID OPENING:** Bids submitted in response to this Solicitation will be opened at the location identified below on the date and time listed below. Delivery of a bid after the bid opening date and time will result in bid disqualification. For purposes of this Solicitation, a bid is considered delivered when time stamped by the official Purchasing Division time clock.

**Bid Opening Date and Time:**

February 28, 2013 at 1:30 pm

**Bid Opening Location:**

Department of Administration, Purchasing Division  
2019 Washington Street East  
P.O. Box 50130,  
Charleston, WV 25305-0130

- 8. **ADDENDUM ACKNOWLEDGEMENT:** Changes or revisions to this Solicitation will be made by an official written addendum issued by the Purchasing Division. Vendor should acknowledge receipt of all addenda issued with this Solicitation by completing an Addendum Acknowledgment Form, a copy of which is included herewith. Failure to acknowledge addenda may result in bid disqualification. The addendum acknowledgement should be submitted with the bid to expedite document processing.
- 9. **BID FORMATTING:** Vendor should type or electronically enter the information onto its bid to prevent errors in the evaluation. Failure to type or electronically enter the information may result in bid disqualification.

GENERAL TERMS AND CONDITIONS:

1. **CONTRACTUAL AGREEMENT:** Issuance of a Purchase Order signed by the Purchasing Division Director, or his designee, and approved as to form by the Attorney General's office constitutes acceptance of this Contract made by and between the State of West Virginia and the Vendor. Vendor's signature on its bid signifies Vendor's agreement to be bound by and accept the terms and conditions contained in this Contract.
  
2. **DEFINITIONS:** As used in this Solicitation / Contract, the following terms shall have the meanings attributed to them below. Additional definitions may be found in the specifications included with this Solicitation / Contract.
  - 2.1 **"Agency" or "Agencies"** means the agency, board, commission, or other entity of the State of West Virginia that is identified on the first page of the Solicitation or any other public entity seeking to procure goods or services under this Contract.
  
  - 2.2 **"Contract"** means the binding agreement that is entered into between the State and the Vendor to provide the goods and services requested in the Solicitation.
  
  - 2.3 **"Director"** means the Director of the West Virginia Department of Administration, Purchasing Division.
  
  - 2.4 **"Purchasing Division"** means the West Virginia Department of Administration, Purchasing Division.
  
  - 2.5 **"Purchase Order"** means the document signed by the Agency and the Purchasing Division, and approved as to form by the Attorney General, that identifies the Vendor as the successful bidder and Contract holder.
  
  - 2.6 **"Solicitation"** means the official solicitation published by the Purchasing Division and identified by number on the first page thereof.
  
  - 2.7 **"State"** means the State of West Virginia and/or any of its agencies, commissions, boards, etc. as context requires.
  
  - 2.8 **"Vendor" or "Vendors"** means any entity submitting a bid in response to the Solicitation, the entity that has been selected as the lowest responsible bidder, or the entity that has been awarded the Contract as context requires.

3. **CONTRACT TERM; RENEWAL; EXTENSION:** The term of this Contract shall be determined in accordance with the category that has been identified as applicable to this Contract below:

**Term Contract**

**Initial Contract Term:** This Contract becomes effective on   
 Upon Award  
and extends for a period of  One (1)  year(s).

**Renewal Term:** This Contract may be renewed upon the mutual written consent of the Agency, and the Vendor, with approval of the Purchasing Division and the Attorney General's office (Attorney General approval is as to form only). Any request for renewal must be submitted to the Purchasing Division Director thirty (30) days prior to the expiration date of the initial contract term or appropriate renewal term. A Contract renewal shall be in accordance with the terms and conditions of the original contract. Renewal of this Contract is limited to  Two (2)  successive one (1) year periods. Automatic renewal of this Contract is prohibited. Notwithstanding the foregoing, Purchasing Division approval is not required on agency delegated or exempt purchases. Attorney General approval may be required for vendor terms and conditions.

**Reasonable Time Extension:** At the sole discretion of the Purchasing Division Director, and with approval from the Attorney General's office (Attorney General approval is as to form only), this Contract may be extended for a reasonable time after the initial Contract term or after any renewal term as may be necessary to obtain a new contract or renew this Contract. Any reasonable time extension shall not exceed twelve (12) months. Vendor may avoid a reasonable time extension by providing the Purchasing Division Director with written notice of Vendor's desire to terminate this Contract 30 days prior to the expiration of the then current term. During any reasonable time extension period, the Vendor may terminate this Contract for any reason upon giving the Purchasing Division Director 30 days written notice. Automatic extension of this Contract is prohibited. Notwithstanding the foregoing, Purchasing Division approval is not required on agency delegated or exempt purchases, but Attorney General approval may be required.

**Fixed Period Contract:** This Contract becomes effective upon Vendor's receipt of the notice to proceed and must be completed within  days.

**One Time Purchase:** The term of this Contract shall run from the issuance of the Purchase Order until all of the goods contracted for have been delivered, but in no event shall this Contract extend for more than one fiscal year.

**Other:** See attached.

4. **NOTICE TO PROCEED:** Vendor shall begin performance of this Contract immediately upon receiving notice to proceed unless otherwise instructed by the Agency. Unless otherwise specified, the fully executed Purchase Order will be considered notice to proceed
5. **QUANTITIES:** The quantities required under this Contract shall be determined in accordance with the category that has been identified as applicable to this Contract below.
- | **Open End Contract:** Quantities listed in this Solicitation are approximations only, based on estimates supplied by the Agency. It is understood and agreed that the Contract shall cover the quantities actually ordered for delivery during the term of the Contract, whether more or less than the quantities shown.
  - | **Service:** The scope of the service to be provided will be more clearly defined in the specifications included herewith.
  - | **Combined Service and Goods:** The scope of the service and deliverable goods to be provided will be more clearly defined in the specifications included herewith.
  - | **One Time Purchase:** This Contract is for the purchase of a set quantity of goods that are identified in the specifications included herewith. Once those items have been delivered, no additional goods may be procured under this Contract without an appropriate change order approved by the Vendor, Agency, Purchasing Division, and Attorney General's office.
6. **PRICING:** The pricing set forth herein is firm for the life of the Contract, unless specified elsewhere within this Solicitation/Contract by the State. A Vendor's inclusion of price adjustment provisions in its bid, without an express authorization from the State in the Solicitation to do so, may result in bid disqualification.
7. **EMERGENCY PURCHASES:** The Purchasing Division Director may authorize the Agency to purchase goods or services in the open market that Vendor would otherwise provide under this Contract if those goods or services are for immediate or expedited delivery in an emergency. Emergencies shall include, but are not limited to, delays in transportation or an unanticipated increase in the volume of work. An emergency purchase in the open market, approved by the Purchasing Division Director, shall not constitute a breach of this Contract and shall not entitle the Vendor to any form of compensation or damages. This provision does not excuse the State from fulfilling its obligations under a One Time Purchase contract.
8. **REQUIRED DOCUMENTS:** All of the items checked below must be provided to the Purchasing Division by the Vendor as specified below.
- | **BID BOND:** All Vendors shall furnish a bid bond in the amount of five percent (5%) of the total amount of the bid protecting the State of West Virginia. The bid bond must be submitted with the bid.



- | **PERFORMANCE BOND:** The apparent successful Vendor shall provide a performance bond in the amount of . The performance bond must be issued and received by the Purchasing Division prior to Contract award. On construction contracts, the performance bond must be 100% of the Contract value.
- | **LABOR/MATERIAL PAYMENT BOND:** The apparent successful Vendor shall provide a labor/material payment bond in the amount of 100% of the Contract value. The labor/material payment bond must be issued and delivered to the Purchasing Division prior to Contract award.

In lieu of the Bid Bond, Performance Bond, and Labor/Material Payment Bond, the Vendor may provide certified checks, cashier's checks, or irrevocable letters of credit. Any certified check, cashier's check, or irrevocable letter of credit provided in lieu of a bond must be of the same amount and delivered on the same schedule as the bond it replaces. A letter of credit submitted in lieu of a performance and labor/material payment bond will only be allowed for projects under \$100,000. Personal or business checks are not acceptable.

- | **MAINTENANCE BOND:** The apparent successful Vendor shall provide a two (2) year maintenance bond covering the roofing system. The maintenance bond must be issued and delivered to the Purchasing Division prior to Contract award.
- | **WORKERS' COMPENSATION INSURANCE:** The apparent successful Vendor shall have appropriate workers' compensation insurance and shall provide proof thereof upon request.
- | **INSURANCE:** The apparent successful Vendor shall furnish proof of the following insurance prior to Contract award:

- | **Commercial General Liability Insurance:**  
 or more.

- | **Builders Risk Insurance:** builders risk – all risk insurance in an amount equal to 100% of the amount of the Contract.

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The apparent successful Vendor shall also furnish proof of any additional insurance requirements contained in the specifications prior to Contract award regardless of whether or not that insurance requirement is listed above.

**LICENSE(S) / CERTIFICATIONS / PERMITS:** In addition to anything required under the Section entitled Licensing, of the General Terms and Conditions, the apparent successful Vendor shall furnish proof of the following licenses, certifications, and/or permits prior to Contract award, in a form acceptable to the Purchasing Division.

<input checked="" type="checkbox"/>	Certified Public Account License
<input checked="" type="checkbox"/>	Federal & State Statutory Business Licenses
<input type="checkbox"/>	
<input type="checkbox"/>	

The apparent successful Vendor shall also furnish proof of any additional licenses or certifications contained in the specifications prior to Contract award regardless of whether or not that requirement is listed above.

**9. LITIGATION BOND:** The Director reserves the right to require any Vendor that files a protest of an award to submit a litigation bond in the amount equal to one percent of the lowest bid submitted or \$5,000, whichever is greater. The entire amount of the bond shall be forfeited if the hearing officer determines that the protest was filed for frivolous or improper purpose, including but not limited to, the purpose of harassing, causing unnecessary delay, or needless expense for the Agency. All litigation bonds shall be made payable to the Purchasing Division. In lieu of a bond, the protester may submit a cashier's check or certified check payable to the Purchasing Division. Cashier's or certified checks will be deposited with and held by the State Treasurer's office. If it is determined that the protest has not been filed for frivolous or improper purpose, the bond or deposit shall be returned in its entirety.

**10. ALTERNATES:** Any model, brand, or specification listed herein establishes the acceptable level of quality only and is not intended to reflect a preference for, or in any way favor, a particular brand or vendor. Vendors may bid alternates to a listed model or brand provided that the alternate is at least equal to the model or brand and complies with the required specifications. The equality of any alternate being bid shall be determined by the State at its sole discretion. Any Vendor bidding an alternate model or brand should clearly identify the alternate items in its bid and should include manufacturer's specifications, industry literature, and/or any other relevant documentation demonstrating the equality of the alternate items. Failure to provide information for alternate items may be grounds for rejection of a Vendor's bid.

**11. EXCEPTIONS AND CLARIFICATIONS:** The Solicitation contains the specifications that shall form the basis of a contractual agreement. Vendor shall clearly mark any exceptions, clarifications, or

other proposed modifications in its bid. Exceptions to, clarifications of, or modifications of a requirement or term and condition of the Solicitation may result in bid disqualification.

**12. LIQUIDATED DAMAGES:** Vendor shall pay liquidated damages in the amount

for .

This clause shall in no way be considered exclusive and shall not limit the State or Agency's right to pursue any other available remedy.

**13. ACCEPTANCE/REJECTION:** The State may accept or reject any bid in whole, or in part. Vendor's signature on its bid signifies acceptance of the terms and conditions contained in the Solicitation and Vendor agrees to be bound by the terms of the Contract, as reflected in the Purchase Order, upon receipt.

**14. REGISTRATION:** Prior to Contract award, the apparent successful Vendor must be properly registered with the West Virginia Purchasing Division and must have paid the \$125 fee if applicable.

**15. COMMUNICATION LIMITATIONS:** In accordance with West Virginia Code of State Rules §148-1-6.6, communication with the State of West Virginia or any of its employees regarding this Solicitation during the solicitation, bid, evaluation or award periods, except through the Purchasing Division, is strictly prohibited without prior Purchasing Division approval. Purchasing Division approval for such communication is implied for all agency delegated and exempt purchases.

**16. FUNDING:** This Contract shall continue for the term stated herein, contingent upon funds being appropriated by the Legislature or otherwise being made available. In the event funds are not appropriated or otherwise made available, this Contract becomes void and of no effect beginning on July 1 of the fiscal year for which funding has not been appropriated or otherwise made available.

**17. PAYMENT:** Payment in advance is prohibited under this Contract. Payment may only be made after the delivery and acceptance of goods or services. The Vendor shall submit invoices, in arrears, to the Agency at the address on the face of the purchase order labeled "Invoice To."

**18. UNIT PRICE:** Unit prices shall prevail in cases of a discrepancy in the Vendor's bid.

**19. DELIVERY:** All quotations are considered freight on board destination ("F.O.B. destination") unless alternate shipping terms are clearly identified in the bid. Vendor's listing of shipping terms that contradict the shipping terms expressly required by this Solicitation may result in bid disqualification.

**20. INTEREST:** Interest attributable to late payment will only be permitted if authorized by the West Virginia Code. Presently, there is no provision in the law for interest on late payments.

**21. PREFERENCE:** Vendor Preference may only be granted upon written request and only in accordance with the West Virginia Code § 5A-3-37 and the West Virginia Code of State Rules. A Resident Vendor Certification form has been attached hereto to allow Vendor to apply for the preference. Vendor's

failure to submit the Resident Vendor Certification form with its bid will result in denial of Vendor Preference. Vendor Preference does not apply to construction projects.

- 22. SMALL, WOMEN-OWNED, OR MINORITY-OWNED BUSINESSES:** For any solicitations publicly advertised for bid on or after July 1, 2012, in accordance with West Virginia Code §5A-3-37(a)(7) and W. Va. CSR § 148-22-9, any non-resident vendor certified as a small, women-owned, or minority-owned business under W. Va. CSR § 148-22-9 shall be provided the same preference made available to any resident vendor. Any non-resident small, women-owned, or minority-owned business must identify itself as such in writing, must submit that writing to the Purchasing Division with its bid, and must be properly certified under W. Va. CSR § 148-22-9 prior to submission of its bid to receive the preferences made available to resident vendors. Preference for a non-resident small, women-owned, or minority owned business shall be applied in accordance with W. Va. CSR § 148-22-9.
- 23. TAXES:** The Vendor shall pay any applicable sales, use, personal property or any other taxes arising out of this Contract and the transactions contemplated thereby. The State of West Virginia is exempt from federal and state taxes and will not pay or reimburse such taxes.
- 24. CANCELLATION:** The Purchasing Division Director reserves the right to cancel this Contract immediately upon written notice to the vendor if the materials or workmanship supplied do not conform to the specifications contained in the Contract. The Purchasing Division Director may cancel any purchase or Contract upon 30 days written notice to the Vendor in accordance with West Virginia Code of State Rules § 148-1-7.16.2.
- 25. WAIVER OF MINOR IRREGULARITIES:** The Director reserves the right to waive minor irregularities in bids or specifications in accordance with West Virginia Code of State Rules § 148-1-4.6.
- 26. TIME:** Time is of the essence with regard to all matters of time and performance in this Contract.
- 27. APPLICABLE LAW:** This Contract is governed by and interpreted under West Virginia law without giving effect to its choice of law principles. Any information provided in specification manuals, or any other source, verbal or written, which contradicts or violates the West Virginia Constitution, West Virginia Code or West Virginia Code of State Rules is void and of no effect.
- 28. COMPLIANCE:** Vendor shall comply with all applicable federal, state, and local laws, regulations and ordinances. By submitting a bid, Vendors acknowledge that they have reviewed, understand, and will comply with all applicable law.
- 29. PREVAILING WAGE:** On any contract for the construction of a public improvement, Vendor and any subcontractors utilized by Vendor shall pay a rate or rates of wages which shall not be less than the fair minimum rate or rates of wages (prevailing wage), as established by the West Virginia Division of Labor under West Virginia Code §§ 21-5A-1 et seq. and available at <http://www.sos.wv.gov/administrative-law/wagerates/Pages/default.aspx>. Vendor shall be responsible for ensuring compliance with prevailing wage requirements and determining when prevailing wage

requirements are applicable. The required contract provisions contained in West Virginia Code of State Rules § 42-7-3 are specifically incorporated herein by reference.

- 30. ARBITRATION:** Any references made to arbitration contained in this Contract, Vendor's bid, or in any American Institute of Architects documents pertaining to this Contract are hereby deleted, void, and of no effect.
- 31. MODIFICATIONS:** This writing is the parties' final expression of intent. Notwithstanding anything contained in this Contract to the contrary, no modification of this Contract shall be binding without mutual written consent of the Agency, and the Vendor, with approval of the Purchasing Division and the Attorney General's office (Attorney General approval is as to form only). **No Change shall be implemented by the Vendor until such time as the Vendor receives an approved written change order from the Purchasing Division.**
- 32. WAIVER:** The failure of either party to insist upon a strict performance of any of the terms or provision of this Contract, or to exercise any option, right, or remedy herein contained, shall not be construed as a waiver or a relinquishment for the future of such term, provision, option, right, or remedy, but the same shall continue in full force and effect. Any waiver must be expressly stated in writing and signed by the waiving party.
- 33. SUBSEQUENT FORMS:** The terms and conditions contained in this Contract shall supersede any and all subsequent terms and conditions which may appear on any form documents submitted by Vendor to the Agency or Purchasing Division such as price lists, order forms, invoices, sales agreements, or maintenance agreements, and includes internet websites or other electronic documents. Acceptance or use of Vendor's forms does not constitute acceptance of the terms and conditions contained thereon.
- 34. ASSIGNMENT:** Neither this Contract nor any monies due, or to become due hereunder, may be assigned by the Vendor without the express written consent of the Agency, the Purchasing Division, the Attorney General's office (as to form only), and any other government agency or office that may be required to approve such assignments. Notwithstanding the foregoing, Purchasing Division approval may or may not be required on certain agency delegated or exempt purchases.
- 35. WARRANTY:** The Vendor expressly warrants that the goods and/or services covered by this Contract will: (a) conform to the specifications, drawings, samples, or other description furnished or specified by the Agency; (b) be merchantable and fit for the purpose intended; and (c) be free from defect in material and workmanship.
- 36. STATE EMPLOYEES:** State employees are not permitted to utilize this Contract for personal use and the Vendor is prohibited from permitting or facilitating the same.
- 37. BANKRUPTCY:** In the event the Vendor files for bankruptcy protection, the State of West Virginia may deem this Contract null and void, and terminate this Contract without notice.

- 38. HIPAA BUSINESS ASSOCIATE ADDENDUM:** The West Virginia State Government HIPAA Business Associate Addendum (BAA), approved by the Attorney General, is available online at <http://www.state.wv.us/admin/purchase/vrc/hipaa.html> and is hereby made part of the agreement provided that the Agency meets the definition of a Covered entity (45 CFR §160.103) and will be disclosing Protected Health Information (45 CFR §160.103) to the Vendor.
- 39. CONFIDENTIALITY:** The Vendor agrees that it will not disclose to anyone, directly or indirectly, any such personally identifiable information or other confidential information gained from the Agency, unless the individual who is the subject of the information consents to the disclosure in writing or the disclosure is made pursuant to the Agency's policies, procedures, and rules. Vendor further agrees to comply with the Confidentiality Policies and Information Security Accountability Requirements, set forth in <http://www.state.wv.us/admin/purchase/privacy/default.html>.
- 40. DISCLOSURE:** Vendor's response to the Solicitation and the resulting Contract are considered public documents and will be disclosed to the public in accordance with the laws, rules, and policies governing the West Virginia Purchasing Division. Those laws include, but are not limited to, the Freedom of Information Act found in West Virginia Code § 29B-1-1 et seq.

If a Vendor considers any part of its bid to be exempt from public disclosure, Vendor must so indicate by specifically identifying the exempt information, identifying the exemption that applies, providing a detailed justification for the exemption, segregating the exempt information from the general bid information, and submitting the exempt information as part of its bid but in a segregated and clearly identifiable format. Failure to comply with the foregoing requirements will result in public disclosure of the Vendor's bid without further notice. A Vendor's act of marking all or nearly all of its bid as exempt is not sufficient to avoid disclosure and WILL NOT BE HONORED. Vendor's act of marking a bid or any part thereof as "confidential" or "proprietary" is not sufficient to avoid disclosure and WILL NOT BE HONORED. In addition, a legend or other statement indicating that all or substantially all of the bid is exempt from disclosure is not sufficient to avoid disclosure and WILL NOT BE HONORED. Vendor will be required to defend any claimed exemption for nondisclosure in the event of an administrative or judicial challenge to the State's nondisclosure. Vendor must indemnify the State for any costs incurred related to any exemptions claimed by Vendor. Any questions regarding the applicability of the various public records laws should be addressed to your own legal counsel prior to bid submission.

- 41. LICENSING:** In accordance with West Virginia Code of State Rules §148-1-6.1.7, Vendor must be licensed and in good standing in accordance with any and all state and local laws and requirements by any state or local agency of West Virginia, including, but not limited to, the West Virginia Secretary of State's Office, the West Virginia Tax Department, West Virginia Insurance Commission, or any other state agency or political subdivision. Upon request, the Vendor must provide all necessary releases to obtain information to enable the Purchasing Division Director or the Agency to verify that the Vendor is licensed and in good standing with the above entities.

**42. ANTITRUST:** In submitting a bid to, signing a contract with, or accepting a Purchase Order from any agency of the State of West Virginia, the Vendor agrees to convey, sell, assign, or transfer to the State of West Virginia all rights, title, and interest in and to all causes of action it may now or hereafter acquire under the antitrust laws of the United States and the State of West Virginia for price fixing and/or unreasonable restraints of trade relating to the particular commodities or services purchased or acquired by the State of West Virginia. Such assignment shall be made and become effective at the time the purchasing agency tenders the initial payment to Vendor.

**43. VENDOR CERTIFICATIONS:** By signing its bid or entering into this Contract, Vendor certifies (1) that its bid was made without prior understanding, agreement, or connection with any corporation, firm, limited liability company, partnership, person or entity submitting a bid for the same material, supplies, equipment or services; (2) that its bid is in all respects fair and without collusion or fraud; (3) that this Contract is accepted or entered into without any prior understanding, agreement, or connection to any other entity that could be considered a violation of law; and (4) that it has reviewed this RFQ in its entirety; understands the requirements, terms and conditions, and other information contained herein. Vendor's signature on its bid also affirms that neither it nor its representatives have any interest, nor shall acquire any interest, direct or indirect, which would compromise the performance of its services hereunder. Any such interests shall be promptly presented in detail to the Agency.

The individual signing this bid on behalf of Vendor certifies that he or she is authorized by the Vendor to execute this bid or any documents related thereto on Vendor's behalf; that he or she is authorized to bind the Vendor in a contractual relationship; and that, to the best of his or her knowledge, the Vendor has properly registered with any State agency that may require registration.

**44. PURCHASING CARD ACCEPTANCE:** The State of West Virginia currently utilizes a Purchasing Card program, administered under contract by a banking institution, to process payment for goods and services. The Vendor must accept the State of West Virginia's Purchasing Card for payment of all orders under this Contract unless the box below is checked.

Vendor is not required to accept the State of West Virginia's Purchasing Card as payment for all goods and services.

**45. VENDOR RELATIONSHIP:** The relationship of the Vendor to the State shall be that of an independent contractor and no principal-agent relationship or employer-employee relationship is contemplated or created by this Contract. The Vendor as an independent contractor is solely liable for the acts and omissions of its employees and agents. Vendor shall be responsible for selecting, supervising, and compensating any and all individuals employed pursuant to the terms of this Solicitation and resulting contract. Neither the Vendor, nor any employees or subcontractors of the Vendor, shall be deemed to be employees of the State for any purpose whatsoever. Vendor shall be exclusively responsible for payment of employees and contractors for all wages and salaries, taxes, withholding payments, penalties, fees, fringe benefits, professional liability insurance premiums, contributions to insurance and pension, or other deferred compensation plans, including but not limited to, Workers' Compensation and Social Security obligations, licensing fees, *etc.* and the filing of all necessary documents, forms and returns pertinent to all of the foregoing. Vendor shall hold harmless the

State, and shall provide the State and Agency with a defense against any and all claims including, but not limited to, the foregoing payments, withholdings, contributions, taxes, Social Security taxes, and employer income tax returns.

- 46. INDEMNIFICATION:** The Vendor agrees to indemnify, defend, and hold harmless the State and the Agency, their officers, and employees from and against: (1) Any claims or losses for services rendered by any subcontractor, person, or firm performing or supplying services, materials, or supplies in connection with the performance of the Contract; (2) Any claims or losses resulting to any person or entity injured or damaged by the Vendor, its officers, employees, or subcontractors by the publication, translation, reproduction, delivery, performance, use, or disposition of any data used under the Contract in a manner not authorized by the Contract, or by Federal or State statutes or regulations; and (3) Any failure of the Vendor, its officers, employees, or subcontractors to observe State and Federal laws including, but not limited to, labor and wage and hour laws.
- 47. PURCHASING AFFIDAVIT:** In accordance with West Virginia Code § 5A-3-10a, all Vendors are required to sign, notarize, and submit the Purchasing Affidavit stating that neither the Vendor nor a related party owe a debt to the State in excess of \$1,000. The affidavit must be submitted prior to award, but should be submitted with the Vendor's bid. A copy of the Purchasing Affidavit is included herewith.
- 48. ADDITIONAL AGENCY AND LOCAL GOVERNMENT USE:** This Contract may be utilized by and extends to other agencies, spending units, and political subdivisions of the State of West Virginia; county, municipal, and other local government bodies; and school districts ("Other Government Entities"). This Contract shall be extended to the aforementioned Other Government Entities on the same prices, terms, and conditions as those offered and agreed to in this Contract. If the Vendor does not wish to extend the prices, terms, and conditions of its bid and subsequent contract to the Other Government Entities, the Vendor must clearly indicate such refusal in its bid. A refusal to extend this Contract to the Other Government Entities shall not impact or influence the award of this Contract in any manner.
- 49. CONFLICT OF INTEREST:** Vendor, its officers or members or employees, shall not presently have or acquire any interest, direct or indirect, which would conflict with or compromise the performance of its obligations hereunder. Vendor shall periodically inquire of its officers, members and employees to ensure that a conflict of interest does not arise. Any conflict of interest discovered shall be promptly presented in detail to the Agency.
- 50. REPORTS:** Vendor shall provide the Agency and/or the Purchasing Division with the following reports identified by a checked box below:
- [ ] Such reports as the Agency and/or the Purchasing Division may request. Requested reports may include, but are not limited to, quantities purchased, agencies utilizing the contract, total contract expenditures by agency, etc.



- | | Quarterly reports detailing the total quantity of purchases in units and dollars, along with a listing of purchases by agency. Quarterly reports should be delivered to the Purchasing Division via email at [purchasing.requisitions@wv.gov](mailto:purchasing.requisitions@wv.gov).

**51. BACKGROUND CHECK:** In accordance with W. Va. Code § 15-2D-3, the Director of the Division of Protective Services shall require any service provider whose employees are regularly employed on the grounds or in the buildings of the Capitol complex or who have access to sensitive or critical information to submit to a fingerprint-based state and federal background inquiry through the state repository. The service provider is responsible for any costs associated with the fingerprint-based state and federal background inquiry.

After the contract for such services has been approved, but before any such employees are permitted to be on the grounds or in the buildings of the Capitol complex or have access to sensitive or critical information, the service provider shall submit a list of all persons who will be physically present and working at the Capitol complex to the Director of the Division of Protective Services for purposes of verifying compliance with this provision.

The State reserves the right to prohibit a service provider's employees from accessing sensitive or critical information or to be present at the Capitol complex based upon results addressed from a criminal background check.

Service providers should contact the West Virginia Division of Protective Services by phone at (304) 558-9911 for more information.

**52. PREFERENCE FOR USE OF DOMESTIC STEEL PRODUCTS:** Except when authorized by the Director of the Purchasing Division pursuant to W. Va. Code § 5A-3-56, no contractor may use or supply steel products for a State Contract Project other than those steel products made in the United States. A contractor who uses steel products in violation of this section may be subject to civil penalties pursuant to W. Va. Code § 5A-3-56. As used in this section:

- a. "State Contract Project" means any erection or construction of, or any addition to, alteration of or other improvement to any building or structure, including, but not limited to, roads or highways, or the installation of any heating or cooling or ventilating plants or other equipment, or the supply of and materials for such projects, pursuant to a contract with the State of West Virginia for which bids were solicited on or after June 6, 2001.
- b. "Steel Products" means products rolled, formed, shaped, drawn, extruded, forged, cast, fabricated or otherwise similarly processed, or processed by a combination of two or more or such operations, from steel made by the open heath, basic oxygen, electric furnace, Bessemer or other steel making process.

The Purchasing Division Director may, in writing, authorize the use of foreign steel products if:

- a. The cost for each contract item used does not exceed one tenth of one percent (.1%) of the total

contract cost or two thousand five hundred dollars (\$2,500.00), whichever is greater. For the purposes of this section, the cost is the value of the steel product as delivered to the project; or

- b. The Director of the Purchasing Division determines that specified steel materials are not produced in the United States in sufficient quantity or otherwise are not reasonably available to meet contract requirements.

**53. PREFERENCE FOR USE OF DOMESTIC ALUMINUM, GLASS, AND STEEL:** In Accordance with W. Va. Code § 5-19-1 et seq., and W. Va. CSR § 148-10-1 et seq., for every contract or subcontract, subject to the limitations contained herein, for the construction, reconstruction, alteration, repair, improvement or maintenance of public works or for the purchase of any item of machinery or equipment to be used at sites of public works, only domestic aluminum, glass or steel products shall be supplied unless the spending officer determines, in writing, after the receipt of offers or bids, (1) that the cost of domestic aluminum, glass or steel products is unreasonable or inconsistent with the public interest of the State of West Virginia, (2) that domestic aluminum, glass or steel products are not produced in sufficient quantities to meet the contract requirements, or (3) the available domestic aluminum, glass, or steel do not meet the contract specifications. This provision only applies to public works contracts awarded in an amount more than fifty thousand dollars (\$50,000) or public works contracts that require more than ten thousand pounds of steel products.

The cost of domestic aluminum, glass, or steel products may be unreasonable if the cost is more than twenty percent (20%) of the bid or offered price for foreign made aluminum, glass, or steel products. If the domestic aluminum, glass or steel products to be supplied or produced in a “substantial labor surplus area”, as defined by the United States Department of Labor, the cost of domestic aluminum, glass, or steel products may be unreasonable if the cost is more than thirty percent (30%) of the bid or offered price for foreign made aluminum, glass, or steel products.

This preference shall be applied to an item of machinery or equipment, as indicated above, when the item is a single unit of equipment or machinery manufactured primarily of aluminum, glass or steel, is part of a public works contract and has the sole purpose or of being a permanent part of a single public works project. This provision does not apply to equipment or machinery purchased by a spending unit for use by that spending unit and not as part of a single public works project.

All bids and offers including domestic aluminum, glass or steel products that exceed bid or offer prices including foreign aluminum, glass or steel products after application of the preferences provided in this provision may be reduced to a price equal to or lower than the lowest bid or offer price for foreign aluminum, glass or steel products plus the applicable preference. If the reduced bid or offer prices are made in writing and supersede the prior bid or offer prices, all bids or offers, including the reduced bid or offer prices, will be reevaluated in accordance with this rule.

REQUEST FOR QUOTATION  
[LOT501] [WEST VIRGINIA LOTTERY ANNUAL AUDITING SERVICES]

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**SPECIFICATIONS**

1. **PURPOSE AND SCOPE:** The West Virginia Purchasing Division is soliciting bids on behalf of WEST VIRGINIA LOTTERY to establish a contract to provide the Lottery with Audit and Management Advisory Services for fiscal year ending June 30, 2013. This solicitation serves as notice, pursuant to West Virginia Code §5A-3-10b, of the commodity or service being sought and is to be considered the opportunity for Vendors to indicate their interest in bidding on such commodity or service.
  
2. **DEFINITIONS:** The terms listed below shall have the meanings assigned to them below. Additional definitions can be found in section 2 of the General Terms and Conditions.
  - 2.1 **“Contract Services”** means technical accounting services, accounting reporting assistance and financial auditing services in accordance with generally accepted accounting practices (GAAP), generally accepted auditing standards (GAAS), Statement of Auditing Standards No. 99 (SAS 99) and any other that may apply, as well as the requirements of the State Lottery Act (§29-22-1, *et seq.*), Racetrack Video Lottery Act (§29-22A-1, *et seq.*), Limited Video Lottery Act (§29-22B-101, *et seq.*), Table Games Act (§29-22C-1, *et seq.*), Limited Gaming Facility Act (§29-25-1, *et seq.*) and other applicable laws and regulations.
  
  - 2.2 **“Pricing Page”** means the pages upon which Vendor should list its proposed price for the Contract Services. The Pricing Page is either included on the last page of this RFQ or attached hereto as Exhibit A.
  
  - 2.3 **“RFQ”** means the official request for quotation published by the Purchasing Division and identified as LOT501.
  
3. **QUALIFICATIONS:** Vendor shall have the following minimum qualifications:
  - 3.1. The vendor must have a minimum of six (6) CPA's in the firm. The vendor shall certify that they have read and understand the statutory provisions governing the operation of gaming in West Virginia and shall be conversant concerning those statutes while engaged in the audit. If the successful bidder substitutes staff for the account, at any time during the term of the contract or possible extension years, the experience and qualification levels must be of a similar quality to the level of those initially proposed. The LOTTERY reserves the right to request staff changes throughout the term of the contract.

The vendor must furnish evidence of its ability to provide experienced personnel in governmental financial auditing sufficient to provide a quality audit on time as scheduled. Documentation to verify the experience and qualifications of the

personnel assigned to manage the LOTTERY's account must be provided to verify each proposed individual's credentials and the credentials of individuals proposed as sub-contractors, if applicable.

The LOTTERY has the right to refuse the services of any on-site employee of the successful bidder based on the employee's performance or criminal background. All management, supervisory, and key personnel who will be active in the audit shall be subject to initial and periodic background checks using the LOTTERY's electronic fingerprint capture system. An individual shall be removed from supporting the contract as an outcome of adverse results from the background checks. The LOTTERY will only refuse the services of an individual if that individual has a conviction for any violation of W.Va. Code § 29-22-1 *et seq.*, § 29-22A-1 *et seq.*, §29-22B-1 *et seq.*, §29-22C-1 *et seq.*, or §29-25-1 *et seq.*, or for any felony, or any crime involving moral turpitude, or any other crime that may have bearing upon the individual's fitness to support the contract.

The vendor shall have access to private and confidential data maintained by LOTTERY to the extent required for the vendor to carry out the duties and responsibilities defined in this contract. The vendor agrees to maintain confidentiality and security of the data made available.

An affirmative statement must be included with the bid indicating that the firm and all assigned key professional staff are properly licensed to practice in West Virginia.

#### 4. LOCATION AND BACKGROUND:

4.1 **Location:** The West Virginia Lottery headquarters is located at 900 Pennsylvania Ave., Charleston, West Virginia. A regional office is located at 100 Municipal Plaza, Suite 500, Weirton, WV 26062. A "hot back-up" computer facility is located in the Middletown Mall in the town of White Hall (Marion County) West Virginia.

4.2 **Background:** A copy of the most recent unaudited monthly financial statement is enclosed for extensive background information about the Lottery. The "Notes to Financial Statements" (Note 2 – Lottery Game Operations) provides an overview of the organization (See Exhibit A and Exhibit C). Also, to view the Comprehensive Annual Financial Report (CAFR) for June 30, 2011, please visit <http://www.wvlottery.com/aboutus/annualreports.aspx>. It is mandatory that the successful vendor will be intricately involved in providing assistance to the LOTTERY in preparation of the CAFR and will be present on site at the LOTTERY to make reviews, calculations, and graphic presentations in the body of the CAFR and provide personal guidance

REQUEST FOR QUOTATION  
[LOT501] [WEST VIRGINIA LOTTERY ANNUAL AUDITING SERVICES]

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and assistance to LOTTERY staff on short notice. The vendor's presence with the LOTTERY during the preparation of the CAFR is mandatory.

*4.2.1 Finance and Administration Division:*

The Finance and Administration Division is managed by a deputy director, a chief accountant, two accounting managers and consists of thirteen other active employees. The principal functions performed and the number of employees assigned to each are as follows:

<u>Functional Title</u>	<u>Number of Employees</u>
Administrative Assistant	1
Financial Reporting Specialist	1
On-line Accountant	1
Instant Accountant	1
Limited Video Lottery Accountant	1
Table Games Accountant	1
Racetrack Video Lottery Accountant	1
Purchasing Agent	1
General Accountant	2
Prize Validation Office Manager	1
Prize Validation Clerks	2

*4.2.2 Computer Systems:- Traditional Lottery Operations:*

A daily reconciliation of on-line operation is performed on the LOTTERY's computer by means of a set of software procedures called the Internal Control System (ICS). GTECH, the current on-line & instant games vendor, provides LOTTERY with log files of all on-line transactions recorded during the day's activities. LOTTERY processes these files on its ICS computer and processes them through the ICS. While doing this, ICS:

- a) Verifies that the correct date is being processed;

- b) Processes the transactions and the drawings occurring on that day;
- c) Produces prize reports similar to those provided by GTECH after each drawing is held, which are reconciled to GTECH prize reports; and
- d) Produces control total reports. LOTTERY balances these reports by comparison to similar reports printed by GTECH during their end of day processing. If the transactions processed by ICS do not balance with those processed by GTECH, ICS will generate a report of all retailers who are not in balance and the amount (either plus or minus) by which they differ.

Accounting reports are generated on a daily and weekly basis and provide financial data for sales, cancels (discontinued tickets), accounts receivable, prizes paid and remaining liabilities. Drawing reports which give handle (total) amounts and prizes won are produced daily for Daily 3, Daily 4, and Travel Keno, semi-weekly for Powerball®, Hot Lotto®, and Mega Millions® and four days a week for CASH25.

Electronic fund transfer files are produced on a weekly basis of all outstanding instant and/or on-line retailer balances. These files are processed by the State Treasurer's Office to transfer funds from the retailer bank accounts to the LOTTERY bank account.

Personal computers are used throughout LOTTERY's Finance and Administration Division to summarize daily and weekly reports of sales, prize liability, and payout activities provided by GTECH and the AEGIS video systems. Personal computers are also used to accumulate, classify and summarize personal services and other administrative expenses accrued by LOTTERY for use in producing the monthly journal entries for the financial statements and other related reports. Microsoft Great Plains Dynamics General Ledger software is used to produce the monthly financial statements.

LOTTERY also regulates racetrack video lottery, limited video lottery and table games across the state. Each of the state's four racetracks, located in Jefferson County, Hancock County, Ohio County and Kanawha County, operate racetrack video lottery terminals and table games. LOTTERY also regulates a limited gaming facility located in Greenbrier County. The limited gaming facility currently operates both video lottery terminals and table games.

Racetrack Video Lottery (RVL), as of November 30, 2012, has 8,195 TITO (Ticket In Ticket Out) machines available for play at the four racetracks in West Virginia. The daily reports are reviewed for accuracy before total gross terminal income from each track is swept to the LOTTERY through electronic transfer of funds. Settlements are distributed weekly to recipients as allowed by the Racetrack Video Lottery Act, W. Va. Code §29-22A-1, *et seq.*

Limited Video Lottery (LVL), as of November 30, 2012, has approximately 8,000 machines available for play throughout the state in retail locations restricted for adult amusement. LVL permit holder funds are electronically swept on a monthly basis.

Table Games, as of November 30, 2012, has approximately 315 tables available for play at the state's 4 racetracks. Racetracks submit a weekly ACH tax remittance and tax return for the thirty-five percent privilege tax on adjusted gross receipts generated through table games.

The Limited Gaming Facility, as of November 30, 2012, has approximately 37 tables and 330 video machines. A weekly tax return and tax remittance is submitted by wire for the thirty-five percent privilege tax on adjusted gross receipts generated through table games. LOTTERY sweeps fifty-three percent of gross terminal income from video lottery on a weekly basis.

The following is a listing of computer hardware and software used by the Lottery and its vendors. The on-line/instant system is subject to a SSAE16. The AEGIS system used for video lottery is an agency-owned-and-operated system for which the vendor will need to perform such tests as necessary to achieve their reasonable comfort level:

On-Line/Instant	GTECH	IBM 3500	Windows Server 2003/RHAS
	ES	Cisco	Switches, Routers and Firewalls
Video	GTECH	IBM P52	Linux
	Scientific	HP ProLiant	Windows Server 2008
	Games	Cisco	Switches, Routers and Firewalls
Lottery ICS	Aegis		
	GTECH/Elsym	IBM 3500 Adtran	Windows Server 2003/RHAS
Lottery/Accounting	N/A	Personal Computers	Windows/EXCEL. ACCESS, WORD Microsoft Dynamics GP

*4.2.2 Internal Audit Function:*

The LOTTERY has maintained an internal audit function for the past eighteen years. The internal auditors report to the assistant lottery director and is staffed by three employees, who will be available to the vendor as needed during the audit.

**5. MANDATORY REQUIREMENTS:**

**5.1 Mandatory Contract Services Requirements and Deliverables:** Contract Services must meet or exceed the mandatory requirements listed below.

**Mandatory Requirements:**

The LOTTERY seeks a qualified certified public accounting firm to audit its financial statements for the fiscal year ending June 30, 2013, with the option to audit for each of the two (2) subsequent fiscal years. Additionally, the firm is to provide services that will ensure the successful filing of the LOTTERY annual CAFR. The LOTTERY will seek advice from the firm on accounting matters of LOTTERY operations and changes in accounting standards. The LOTTERY expects the firm to be proactive in advising the LOTTERY on these issues. The firm must make itself available to LOTTERY on short notice.

This contract may be renewed upon the mutual written consent of the spending unit and vendor, submitted to the Director of Purchasing thirty (30) days prior to the expiration dates, this renewal shall be in accordance with the terms and conditions of the original contract and shall be limited to two (2) one (1) year periods.

GTECH Corporation is our on-line and instant ticket vendor for fiscal year ending June 30, 2013. The LOTTERY had a SSAE 16 audit for the year ending June 30, 2012, and plans to have a SSAE 16 audit for the year ending June 30, 2013 issued prior to the completion of the current fiscal year-end audited financial statements. The LOTTERY also contracts with GTECH for printing of instant tickets. No other outside audits or reviews of the LOTTERY computer systems is scheduled. The successful bidder must assure its own comfort with other LOTTERY based gaming systems and internal systems.

**5.2 Scope of Work:**

The LOTTERY requires the vendor to express an opinion on the fair presentation of financial statements in conformity with U.S. GAAP and standards established by the Governmental Accounting Standard Board (GASB) of the American Institute of Certified



Public Accountants (AICPA). Additionally, the vendor will be required to prepare all supporting schedules required by the Department of Administration for the preparation of the state's (CAFR) and must file these with the state of West Virginia Department of Administrations Financial Accounting and Reporting section by September 10, 2013 and each extended year as applicable.

The vendor shall also be responsible for assisting in the implementation of required supplementary information required by GASB as mandated by the AICPA and utilize GAAS. This assistance requires personal inter relationship of the on-site vendor and LOTTERY staff.

*5.2.1 Independence:*

The Commission requires an independent and objective auditing firm. The firm must provide an affirmative statement that it is independent of the LOTTERY as defined by GAAS and the U.S. General Accounting Office's Government Auditing Standards (1988). The firm also must provide an affirmative statement that it is independent of the State of West Virginia and any other component units of that entity, as defined by those same standards.

*5.2.2 Auditing Standards:*

To meet the requirements of this request for quotation, the audit shall be performed in accordance with GAAS as set forth by the AICPA.

*5.2.3 Reports:*

5.2.3.1 Financial Statement Report. Following the completion of the audit of the fiscal year's financial statements, the vendor shall issue a report on the fair presentation of the financial statements in conformity with U.S. GAAP and in format to comply with GASB standards established by the AICPA.

In addition, the vendor is to provide an "in-relation-to" report on the supporting schedules based on the auditing procedures applied during the audit of the general purpose financial statements.

The vendor shall communicate in a letter to management any reportable conditions found during the audit. A "reportable condition" shall be defined as a significant deficiency in the design or operation of the internal control structure, which could adversely affect the organization's ability to record, process,

summarize, and report financial data consistent with the assertions of management in the financial statements.

5.2.3.2 Irregularities and Illegal Acts. The vendor shall be required to make an immediate, written report of all irregularities and illegal acts of which they become aware to the following parties:

- a) Lottery Director;
- b) Lottery General Counsel; and
- c) Finance/Audit Committee of the LOTTERY.

5.2.3.3 Reporting to Lottery Finance/Audit Committee: The vendor shall report to the LOTTERY's Finance/Audit Committee each of the following within 60 days of the issuance of the audit:

- a) The vendor's responsibility under GAAS;
- b) Significant accounting policies;
- c) Management judgments and accounting estimates;
- d) Significant audit adjustments;
- e) Other information in documents containing audited financial statements;
- f) Disagreements with management;
- g) Management consultation with other accountants;
- h) Major issues discussed with management prior to retention; and
- i) Difficulties encountered in performing the audit.

*5.2.4 Special Considerations:*

The LOTTERY will send its CAFR to the Government Finance Officers Association (GFOA) of the United States and Canada for review in its Certificate

of Achievement for Excellence in Financial Reporting program. The successful audit firm must show that its assigned auditors have at least three (3) years of experience in filing successful CAFR reports. The vendor will be required to provide special assistance to the LOTTERY to meet the requirements of that program which include:

- a) Advise the agency on the technical standards necessary to file a CAFR for an enterprise fund;
- b) Review the agency's CAFR documents and assist in the development of meaningful statistical charts and data by providing direct on-site assistance to the LOTTERY staff;
- c) Formulation of the vendor's report to be included in the CAFR;
- d) Proofreading of the CAFR prior to filing to assure financial data and context of discussions are appropriate and in compliance with GFOA standards; and
- e) Prepare schedules, charts and graphs to be strategically placed in the CAFR.

The financial statements of the LOTTERY are to be included as a component unit of the financial statements of the State of West Virginia. The vendor will be required to provide special assistance to the State of West Virginia's auditors and the Department of Administration's Financial Accounting Reporting Section.

*5.2.5 Working Paper Retention and Access to Working Papers:*

All working papers and reports must be retained, at the vendor's expense, for a minimum of three (3) years, unless the firm is notified in writing by the LOTTERY of the need to extend the retention period. The vendor will be required to make working papers available, upon request, to the LOTTERY.

In addition, the successful bidder shall respond to the reasonable inquiries by the LOTTERY or its successor auditors and allow its successor auditors to review working papers relating to the matters of continuing account significance.

*5.2.6 Contact Person/Organizational Chart:*

The vendor's principal contact will be the internal auditors who will coordinate the assistance to be provided by the LOTTERY to the vendor. An organizational chart containing a list of key positions is in Exhibit B.

*5.2.7 Date Audit May Commence:*

The LOTTERY will have records ready for audit and management personnel available to meet with the firm's personnel after its June 30, 2013 year-end.

The vendor shall have drafts of the audit report(s) and recommendations to management available for review by the Deputy Director of Finance and Administration and internal auditors by August 31<sup>st</sup> immediately following the fiscal year-end being audited.

The Deputy Director of Finance and Administration will complete a review of the draft report as expeditiously as possible. During that period, the vendor must be available for any meetings that may be necessary to discuss the audit reports.

The vendor shall prepare the final financial statements, notes, management letter and all required supplementary schedules and statistical data by the second Friday of September immediately following the fiscal year-end being audited.

The following reports must be delivered to the Deputy Director of Finance and Administration:

- a) Financial Statements with Additional Information – statewide CAFR, ten (10) copies;
- b) Audit Results – Management Letter, twenty (20) copies; and
- c) Financial Statements, fifty (50) copies.

The vendor must be present at such times as necessary to provide assistance to LOTTERY staff in filing the LOTTERY CAFR. CAFR work will be supported from September 10, 2013 to December 31, 2013 of each year to be audited.

*5.2.8 Assistance To Be Provided to the Vendor and Report Preparation:*

*5.2.8.1 Finance Department and Clerical Assistance:*

The finance department and management staff will be available during the audit to assist the vendor by providing information documentation and explanations. The preparation of confirmations will be the responsibility of the vendor.

*5.2.8.2 Internal Audit Staff Assistance:*

Audit staff consists of three (3) individuals who will be available as needed.

*5.2.8.3 Work Area, Telephone, Photocopying and Fax Machines:*

The LOTTERY will provide the vendor with reasonable workspace, desks and chairs. The vendor will also be provided with access to telephone lines, photocopying facilities and fax machines as appropriate.

*5.2.8.4 Report Preparation:*

Report preparation, editing and printing shall be the responsibility of the vendor.

**6. CONTRACT AWARD:**

**6.1 Contract Award:** The Contract is intended to provide Agency with a purchase price for the Contract Services. The Contract shall be awarded to the Vendor that provides the Contract Services meeting the required specifications for the lowest overall total cost as shown on the Pricing Pages.

**6.2 Pricing Page:** Vendor should complete the Pricing Page by providing schedule of total professional fees and expenses for the annual financial audit, preparation of the Lottery CAFR, and preparation of schedules to comply with the Lottery filings required to support the State audit of their financials and State level CAFR. Vendor should complete the Pricing Page in full as failure to complete the Pricing Page in its entirety may result in Vendor's bid being disqualified.

Notwithstanding the foregoing, the Purchasing Division may correct errors as it deems appropriate. Vendor should type or electronically enter the information into the Pricing Page to prevent errors in the evaluation.

**7. PERFORMANCE:** Vendor and Agency shall agree upon a schedule for performance of Contract Services and Contract Services Deliverables, unless such a schedule is already included herein by Agency. In the event that this Contract is designated as an open-end contract, Vendor shall perform in accordance with the release orders that may be issued against this Contract.

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**8. PAYMENT:** Agency shall pay hourly rates, as shown on the Pricing Pages, for all Contract Services performed and accepted under this Contract. Vendor shall accept payment in accordance with the payment procedures of the State of West Virginia.

**9. TRAVEL:** Vendor shall be responsible for all mileage and travel costs, including travel time, associated with performance of this Contract. Any anticipated mileage or travel costs may be included in the flat fee or hourly rate listed on Vendor's bid, but such costs will not be paid by the Agency separately.

**10. FACILITIES ACCESS:** Performance of Contract Services may require access cards and/or keys to gain entrance to Agency's facilities. In the event that access cards and/or keys are required:

10.1 Vendor must identify principal service personnel which will be issued access cards and/or keys to perform service.

10.2 Vendor will be responsible for controlling cards and keys and will pay replacement fee, if the cards or keys become lost or stolen.

10.3 Vendor shall notify Agency immediately of any lost, stolen, or missing card or key.

10.4 Anyone performing under this Contract will be subject to Agency's security protocol and procedures.

10.5 Vendor shall inform all staff of Agency's security protocol and procedures.

**11. VENDOR DEFAULT:**

11.1 The following shall be considered a vendor default under this Contract.

11.1.1 Failure to perform Contract Services in accordance with the requirements contained herein.

11.1.2 Failure to comply with other specifications and requirements contained herein.

11.1.3 Failure to comply with any laws, rules, and ordinances applicable to the Contract Services provided under this Contract.

11.1.4 Failure to remedy deficient performance upon request.

11.2 The following remedies shall be available to Agency upon default.

11.2.1 Cancellation of the Contract.

11.2.2 Cancellation of one or more release orders issued under this Contract.

11.2.3 Any other remedies available in law or equity.

**12. MISCELLANEOUS:**

**12.1 Contract Manager:** During its performance of this Contract, Vendor must designate and maintain a primary contract manager responsible for overseeing Vendor's responsibilities under this Contract. The Contract manager must be available during normal business hours to address any customer service or other issues related to this Contract. Vendor should list its Contract manager and his or her contact information below.

**Contract Manager:** \_\_\_\_\_  
**Telephone Number:** \_\_\_\_\_  
**Fax Number:** \_\_\_\_\_  
**Email Address:** \_\_\_\_\_

**13. BY SUBMISSION OF THIS COST BID THE BIDDER CERTIFIES AND AGREES TO THE FOLLOWING:**

13.1 That the vendor (bidder) understands the LOTTERY's need to obtain highly skilled audit and accomplished accounting services and advice needed to ensure accomplishment of the reliance placed on these by bond rating agencies, State of West Virginia Legislature & Governors' Office, the public, and the many users of the national gaming industry.

REQUEST FOR QUOTATION  
[LOT501] [WEST VIRGINIA LOTTERY ANNUAL AUDITING SERVICES]

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032

13.2 That the vendor will prepare all work necessary and work with the LOTTERY staff to ensure the LOTTERY's annual CAFR is filed by the due date of December 31st of each year that the contract is in effect, and that the information contained within the submission complies with all applicable accounting standards and the filing requirements of the GFOA of the United States and Canada.

13.3 That the vendor has certified public accountants assigned to the LOTTERY work that understand traditional, instant & on-line gaming (to include the automated computer systems used to account for these operations), RVL (to include the automated central computer system), LVL (with related central computer system applications), racetrack table games operations, and limited gaming facility operations of table games and video lottery (central computer system). The vendor is responsible for understanding the West Virginia statutes, legislative rules, and internal policies which control and define the accounting for each of the above game types. The LOTTERY requires that all partners, audit managers, and senior accountants assigned to the LOTTERY work be certified public accountants with a license to practice in West Virginia, and who have a minimum of five (5) years of auditing experience of gaming lotteries, and five (5) years governmental auditing of state level agencies.

13.4 That the vendor will make itself available to the LOTTERY on short notice to give advice to the LOTTERY on changes in accounting practices, and engage in general accounting discussions on the appropriate treatment of transactions which may present themselves and which may affect their presentation in the LOTTERY's financial statements or in the course of internal operating functions.

13.5 That the vendor certifies its compliance with all other required certifications or requirements as listed in the body of the RFQ.



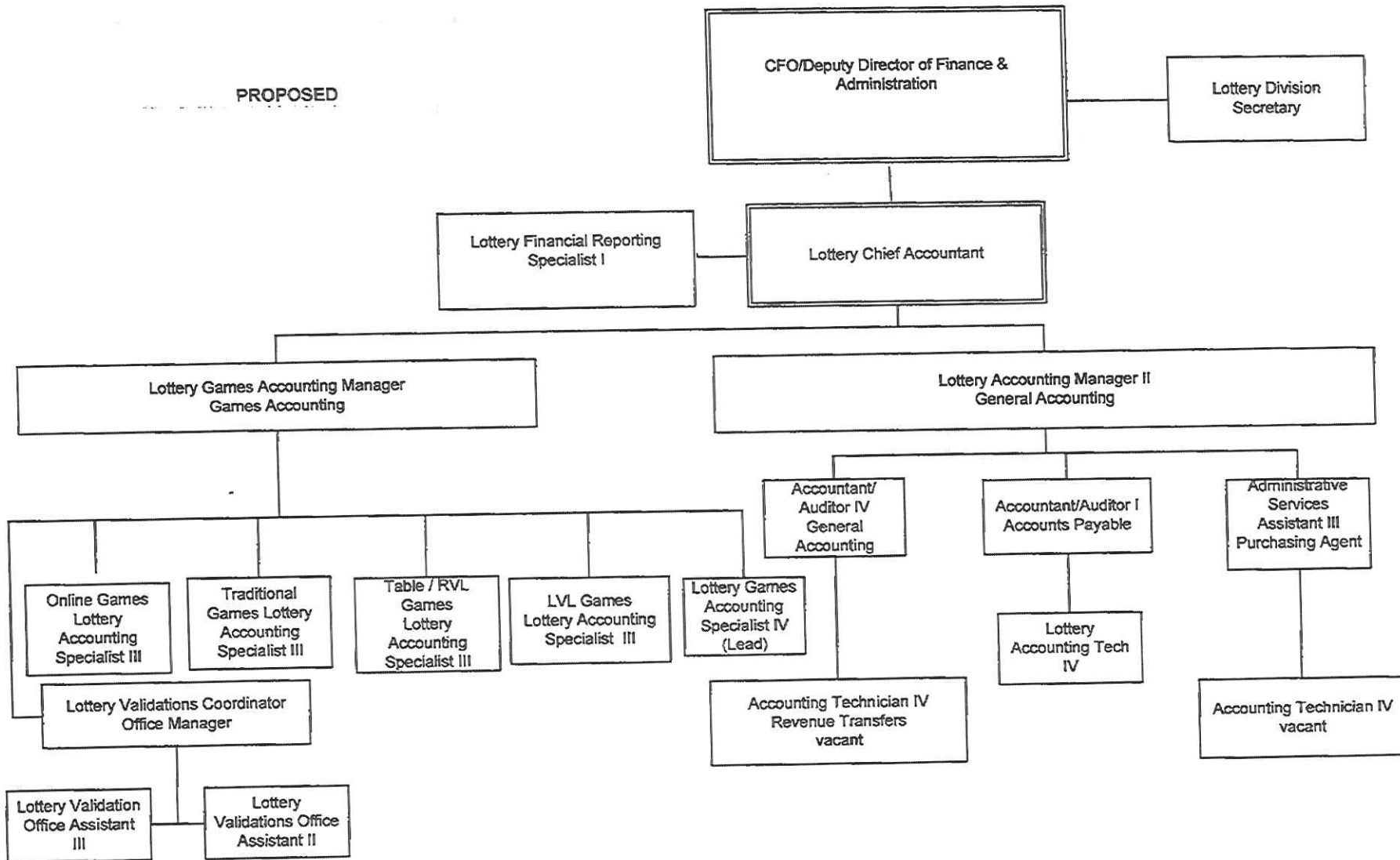
REQUEST FOR QUOTATION  
 [LOT501] [WEST VIRGINIA LOTTERY ANNUAL AUDITING SERVICES]

**14. PRICING PAGE**

	NUMBER OF HOURS	RATE PER HOUR FOR AUDIT	RATE PER HOUR FOR CAFR	RATE PER HOUR FOR COORDINATION OF LOTTERY AUDIT W/STATE FINANCIALS	TOTAL FEES
PARTNERS, MEMBERS					
MANAGERS					
SUPERVISORY STAFF					
OTHER (SPECIFY)					
GRAND TOTAL					
<b>PRINT NAME</b>					
<b>SIGNATURE</b>					
<b>COMPANY NAME</b>					
<b>COMPANY ADDRESS</b>					
<b>PHONE</b>					
<b>FAX</b>					
<b>EMAIL ADDRESS</b>					

# West Virginia Lottery Finance & Administration

PROPOSED



West Virginia Lottery  
Finance & Administration  
Organization Chart  
1-9-2013



P.O. BOX 2067  
CHARLESTON, WV 25327

PHONE: 304-558-0500  
1-800-WVA-CASH

Earl Ray Tomblin  
Governor

John C. Musgrave  
Director

**MEMORANDUM**

**TO:** Joint Committee on Government and Finance

**FROM:** John C. Musgrave, Director

**RE:** Monthly Report on Lottery Operations  
Month Ending December 31, 2012

**DATE:** January 18, 2013

This report of the Lottery operations is provided pursuant to the State Lottery Act.

Financial statements of the Lottery for the month ending December 31, 2012 are attached. Lottery revenue, which includes on-line, instant, video lottery sales, table games, and historic resort, was \$106,312,665 for the month of December.

Transfers of lottery revenue totaling \$22,458,781 made for the month of December to the designated state agencies per Senate Bill 160, Veterans Instant Ticket Fund, Racetrack Video Lottery Act (§29-22A-10), and the Racetrack Table Games Act (§29-22C-27). The amount transferred to each agency is shown in Note 10 on pages 18 and 19 of the attached financial statements.

The number of traditional and limited retailers active as of December 31, 2012 was 1,590 and 1,517 respectively.

A listing of the names and amounts of prize winners has been provided to the Clerk of the Senate, the Clerk of the House and Legislative Services.

If any member of the Committee has questions concerning the Lottery, please call me. Also if any members of the Legislature wish to visit the Lottery offices, I would be pleased to show them our facilities and discuss the Lottery with them.

JCM  
Attachment

pc: Honorable Earl Ray Tomblin, Governor  
Charles O. Lorensen, Cabinet Secretary – Dept. of Revenue  
John Perdue, Treasurer  
Glen B. Gainer III, Auditor  
Members of the West Virginia Lottery Commission



**WEST VIRGINIA LOTTERY**

**STATE OF WEST VIRGINIA**

**FINANCIAL STATEMENTS  
-UNAUDITED-**

**December 31, 2012**

WEST VIRGINIA LOTTERY

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**WEST VIRGINIA LOTTERY**  
**BALANCE SHEETS**  
(In Thousands)  
-Unaudited-

	December 31, 2012	June 30, 2012
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 223,061	\$ 241,538
Accounts receivable	42,199	36,671
Inventory	521	510
Other assets	<u>2,163</u>	<u>2,275</u>
Total Current Assets	<u>267,944</u>	<u>280,994</u>
<b>Noncurrent Assets:</b>		
Restricted cash and cash equivalents	1,670	2,373
Capital assets	46,816	46,816
Less accumulated depreciation and amortization	<u>(5,591)</u>	<u>(4,531)</u>
Net Capital Assets	<u>41,225</u>	<u>42,285</u>
Total Noncurrent Assets	<u>42,895</u>	<u>44,658</u>
Total Assets	<u>\$ 310,839</u>	<u>\$ 325,652</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current Liabilities:</b>		
Accrued nonoperating distributions to the State of West Virginia	\$ 212,054	\$ 216,819
Deferred LVL permit fees	-	-
Estimated prize claims	12,669	13,372
Accounts payable	2,082	3,238
Other accrued liabilities	<u>32,059</u>	<u>40,248</u>
Total Current Liabilities	<u>258,864</u>	<u>273,677</u>
Total Liabilities	<u>258,864</u>	<u>273,677</u>
<b>Net Assets:</b>		
Invested in capital assets	41,225	42,285
Unrestricted	9,111	8,000
Restricted assets ( see note 12)	<u>1,639</u>	<u>1,690</u>
Total Net Assets	<u>51,975</u>	<u>51,975</u>
Total Liabilities and Net Assets	<u>\$ 310,839</u>	<u>\$ 325,652</u>

The accompanying notes are an integral part of these financial statements.

**WEST VIRGINIA LOTTERY**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2012**

(In Thousands)

-Unaudited-

	CURRENT MONTH		YEAR TO DATE	
	2012	2011	2012	2011
<b>Lottery revenues</b>				
On-line games	\$ 5,824	\$ 6,881	\$ 43,114	\$ 38,096
Instant games	9,421	9,520	54,609	57,834
Racetrack video lottery	51,425	61,309	329,125	374,634
Limited video lottery	32,615	34,297	196,980	194,230
Table games	6,472	6,641	36,475	38,164
Historic Resort	556	745	4,165	3,456
	<u>106,313</u>	<u>119,393</u>	<u>664,468</u>	<u>706,414</u>
<b>Less commissions</b>				
On-line games	407	479	3,030	2,657
Instant games	659	668	3,823	4,050
Racetrack video lottery	28,115	33,547	191,929	216,541
Limited video lottery	15,981	16,806	96,520	95,173
Table games	2,826	2,854	13,925	16,400
Historic resort	339	365	2,009	1,759
	<u>48,327</u>	<u>54,719</u>	<u>313,236</u>	<u>336,580</u>
<b>Less on-line prizes</b>	2,788	3,648	21,151	19,330
<b>Less instant prizes</b>	6,228	6,428	36,283	38,464
<b>Less ticket costs</b>	138	158	887	1,059
<b>Less vendor fees and costs</b>	837	648	4,241	4,061
	<u>9,991</u>	<u>10,882</u>	<u>62,562</u>	<u>62,914</u>
<b>Gross profit</b>	<u>47,995</u>	<u>53,792</u>	<u>288,670</u>	<u>306,920</u>
<b>Administrative expenses</b>				
Advertising and promotions	426	588	2,732	3,033
Wages and related benefits	906	1,085	5,568	6,454
Telecommunications	155	99	536	398
Contractual and professional	430	626	2,789	2,754
Rental	20	59	109	314
Depreciation and amortization	173	101	1,060	321
Other administrative expenses	118	368	769	1,116
	<u>2,228</u>	<u>2,926</u>	<u>12,983</u>	<u>14,390</u>
<b>Other Operating Income</b>	<u>303</u>	<u>147</u>	<u>2,341</u>	<u>63,955</u>
<b>Operating Income</b>	<u>46,070</u>	<u>51,013</u>	<u>278,028</u>	<u>356,485</u>
<b>Nonoperating income (expense)</b>				
Investment income	23	12	123	81
Capital contribution from State of WV	-	1,048	-	7,025
Distributions to municipalities and counties	(639)	(672)	(3,861)	(3,807)
Distributions -capital reinvestment	(1,167)	(1,375)	(1,570)	(2,633)
Distributions to the State of West Virginia	(44,287)	(48,978)	(272,720)	(350,126)
	<u>(46,070)</u>	<u>(49,965)</u>	<u>(278,028)</u>	<u>(349,460)</u>
<b>Net income</b>	<u>-</u>	<u>1,048</u>	<u>-</u>	<u>7,025</u>
<b>Net assets, beginning of period</b>	<u>51,975</u>	<u>45,049</u>	<u>51,975</u>	<u>39,072</u>
<b>Net assets, end of period</b>	<u>\$ 51,975</u>	<u>\$ 46,097</u>	<u>\$ 51,975</u>	<u>\$ 46,097</u>

The accompanying notes are an integral part of these financial statements.

**WEST VIRGINIA LOTTERY**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE SIX MONTH PERIOD ENDED DECEMBER 31, 2012**

(In Thousands)  
 -Unaudited-

	2012	2011
<b>Cash flows from operating activities:</b>		
Cash received from customers and other sources	\$ 661,281	\$ 697,818
Cash payments for:		
Personnel costs	(5,511)	(5,779)
Suppliers	(7,217)	(7,125)
Other operating costs	(372,844)	(393,514)
Cash provided by operating activities	<u>275,709</u>	<u>291,400</u>
<b>Cash flows from noncapital financing activities:</b>		
Nonoperating distributions to the State of West Virginia	(277,485)	(347,258)
Distributions to municipalities and counties	(3,858)	(3,739)
Distributions from racetrack cap. reinv. fund	(13,669)	(14,331)
Cash used in noncapital financing activities	<u>(295,012)</u>	<u>(365,328)</u>
<b>Cash flows from capital and related financing activities:</b>		
Purchases of capital assets	<u>-</u>	<u>(11,403)</u>
<b>Cash flows from investing activities:</b>		
Investment earnings received	<u>123</u>	<u>81</u>
Cash provided by investing activities	<u>123</u>	<u>81</u>
Increase (decrease) in cash and cash equivalents	(19,180)	(85,250)
Cash and cash equivalents - beginning of period	<u>243,911</u>	<u>270,520</u>
Cash and cash equivalents - end of period	<u>\$ 224,731</u>	<u>\$ 185,270</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income	\$ 278,028	\$ 356,485
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation and amortization	1,060	321
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(5,528)	(13,688)
(Increase) decrease in inventory	(11)	52
(Increase) decrease in other assets	112	(80)
Increase (decrease) in estimated prize claims	(703)	(469)
Increase (decrease) in accounts payable	(1,156)	677
Increase (decrease) in deferred revenue	-	(58,863)
Increase (decrease) in other accrued liabilities	3,907	6,965
Cash provided by operating activities	<u>\$ 275,709</u>	<u>\$ 291,400</u>

The accompanying notes are an integral part of these financial statements.



**WEST VIRGINIA LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
**-Unaudited-**

**NOTE 1 - LEGISLATIVE ENACTMENT**

The West Virginia Lottery (Lottery) was established by the State Lottery Act (Act) passed April 13, 1985, which created a special fund in the State Treasury designated as the "State Lottery Fund." The purpose of the Act was to establish and implement a state-operated lottery under the supervision of a state lottery commission (Commission) and a director. The Commission, consisting of seven members and the Director are appointed by the Governor. Under the Act, the Commission has certain powers and the duty to establish rules for conducting games, to select the type and number of gaming systems or games and to enter into contracts and agreements, and to do all acts necessary or incidental to the performance of its duties and exercise of its power and duty to operate the Lottery in a highly efficient manner. The Act provides that a minimum annual average of 45% of the gross amount received from each lottery shall be allocated for prizes and also provides for certain limitations on expenses necessary for operation and administration of the Lottery. To the extent available, remaining net profits are to be distributed to the State of West Virginia. As the State is able to impose its will over the Lottery, the Lottery 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 blended proprietary fund component unit.

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

A summary of the significant accounting policies of the Lottery is presented below.

**BASIS OF PRESENTATION** – The West Virginia Lottery is a component unit of the State of West Virginia, and is accounted for as a proprietary fund special purpose government engaged in business type activities. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments," and with accounting principles generally accepted in the United States of America, the financial statements are prepared on the accrual basis of accounting which requires recognition of revenue when earned and expenses when incurred. As permitted by Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," the Lottery has elected not to adopt Financial Accounting Standards Board (FASB) statements and interpretations issued after November 30, 1989 unless the GASB specifically adopts such FASB statements or interpretations.

The Lottery is included in the State's basic financial statements as a proprietary fund and business type activity using the accrual basic of accounting. Because of the Lottery's presentation in these financial statements as a special purpose government engaged in business type activities, there may be differences in presentation of amounts reported in these financial statements and the basic financial statements of the State as a result of major fund determination.

**USE OF ESTIMATES** – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America 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.

**WEST VIRGINIA LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
**-Unaudited-**

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

**LOTTERY GAME OPERATIONS** -- The West Virginia Lottery derives its revenues from four basic types of lottery games: instant, on-line, video type games, and table games. The Lottery develops multiple game themes and prize structures to comply with its enabling legislation, including aggregate annual minimum prize provisions. All bonded retailers and agents comprised principally of grocery and convenience stores serve as the primary distribution channel for instant and on-line lottery sales to the general public.

The Lottery has contracted with a private vendor to manufacture, distribute, and provide data processing support for instant and on-line games. Under the terms of the agreements, the Lottery pays a percentage of gross revenues or gross profits for the processing and manufacture of the games.

Revenue from instant games is recognized when game tickets are sold to the retailers, and the related prize expense is recorded based on the specific game prize structure. Instant ticket sales and related prizes do not include the value of free plays issued for the purpose of increasing the odds of winning a prize.

Sales of on-line lottery tickets are made by licensed agents to the public with the use of computerized terminals. On-line games include POWERBALL®, a multi-state "jackpot" game; HOT LOTTO®, a multi-state "lotto" game; Mega Millions®, a multi-state "jackpot" game; Cash25 "lotto" game; Daily 3 and 4 "numbers" games; and Travel, a daily "keno" game. Revenue is recognized when the agent sells the tickets to the public. Prize expense is recognized on the basis of actual drawing results.

Commissions are paid to instant game retailers and on-line agents at the rate of seven percent of gross sales. A portion of the commission not to exceed one and one quarter percent of gross sales may be paid from unclaimed prize moneys. The amount paid from unclaimed prize moneys is credited against prize costs. In addition, retailers and agents are paid limited bonus incentives that include prize shares on winning tickets they sold and a ticket cashing bonus on winning tickets they cash. On a weekly basis, retailers and agents must remit amounts due to the Lottery. Retailers may not be able to order additional instant tickets if payment has not been made for the previous billing period, while an agent's on-line terminal may be rendered inactive if payment is not received each week. No one retailer or agent accounts for a significant amount of the Lottery's sales or accounts receivable. Historically credit losses have been nominal and no allowance for doubtful accounts receivable is considered necessary.

Video lottery is a self-activated video version of lottery games which is operated by an authorized licensee. The board-operated games allow a player to place bets for the chance to be awarded credits which can either be redeemed for cash or be replayed as additional bets. The coin operated games allow a player to use coins, currency, or tokens to place bets for the chance to receive coin or token awards which may be redeemed for cash or used for replay in the coin operated games. The video lottery games' prize structures are designed to award prizes, or credits, at a stipulated rate of total bets played, and prize expense is netted against total video credits played. The Lottery recognizes as video lottery revenue "gross terminal income" equivalent to all wagers, net of related prizes. Amounts required by statute to be paid to the private and local government entities are reported as commissions. WV Lottery statutes have established specific requirements for video lottery and imposed certain restrictions limiting the licensing for operation of video lottery games to horse and dog racetracks in West Virginia (subject to local county elections permitting the same), limited licensed retailer areas restricted for adult amusement, and licensed historic resort hotels as defined by WV Code.

**WEST VIRGINIA LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
**-Unaudited-**

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

The legislation further stipulates the distribution of revenues from video lottery games, and requires any video lottery licensee to be responsible for acquiring the necessary equipment and bearing the risk associated with the costs of operating and marketing the games.

Table games are lotteries as each game involves consideration, the possibility of a prize, and their outcome is determined predominantly by chance, which the common law of West Virginia has long held are the three essential elements of a lottery. Table games are the exclusive intangible intellectual property of the state of West Virginia. Table games legislation has established specific requirements for table games and imposed certain restrictions limiting the licensing for operation of table games to horse and dog racetracks in West Virginia (subject to local county elections permitting the same), and licensed historic resort hotels as defined by WV Code. Each licensee as an agent of the Lottery Commission to operate West Virginia table games shall have written rules of play for each table game it operates which must be approved by the Commission. All wagers and pay-offs of winning wagers shall be made according to those rules of play. For the privilege of holding a table games license, there is levied a privilege tax of thirty-five percent of each licensee's adjusted gross receipts for the operation of West Virginia Lottery table games. Amounts required by statute to be paid to private and local government entities are reported as commissions. The legislation further stipulates the distribution of revenues from West Virginia table games, and requires any licensee to be responsible for acquiring the necessary equipment and bearing the risk associated with the costs of operating and marketing the games.

**CASH AND CASH EQUIVALENTS** – Cash and cash equivalents primarily consist of interest-earning deposits in an external 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 fair value of the underlying securities.

**INVENTORY** – Inventory consists of instant game tickets available for sale to approved Lottery retailers and is carried at cost as determined by the specific identification method.

**OTHER ASSETS** – Other assets consist of deposits restricted for payment of certain Multi-State Lottery Association activities and prepaid expenses.

**CAPITAL ASSETS** – The Lottery has adopted a policy of capitalizing assets with individual amounts exceeding \$25,000. These assets include leasehold improvements and purchased equipment, comprised principally of technology property, office furnishings and equipment necessary to administer lottery games, are carried at cost. Depreciation is computed by the straight-line method using three to ten year lives.

**ADVERTISING AND PROMOTIONS** – The Lottery expenses the costs of advertising and promotions as they are incurred.

**COMPENSATED ABSENCES** – The Lottery has accrued \$566,986 and \$523,398 of at June 30, 2012 and 2011, respectively, for estimated obligations that may arise in connection with compensated absences for vacation at the current rate of employee pay. Employees fully vest in all earned but unused vacation. To the extent that accumulated sick leave is expected to be converted to benefits on termination or retirement, the Lottery participates in an other postemployment benefits plan (see Note 16).

**WEST VIRGINIA LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
**-Unaudited-**

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

**NET ASSETS** – Net assets are presented as restricted, unrestricted and invested in capital assets which represent the net book value of all property and equipment of the Lottery. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

**OPERATING REVENUES AND EXPENSES** – Operating revenues and expenses for proprietary funds such as the Lottery are revenues and expenses that result from providing services and producing and delivering goods and/or services. Operating revenues for the Lottery are derived from providing various types of lottery games. Operating expenses include commissions, prize costs, other direct costs of providing lottery games, and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**NOTE 3 - CASH AND CASH EQUIVALENTS**

At December 31, 2012 the carrying amounts of deposits (overdraft) with financial institutions were \$497 thousand with a bank balance (overdraft) of \$514 thousand. Of this balance \$250 thousand was covered by federal depository insurance with the remaining balance collateralized with securities held by the State of West Virginia's agent in the State's name.

A summary of the amount on deposit with the West Virginia Board of Treasury Investments (BTI) is as follows (in thousands):

	<u>December 31, 2012</u>	<u>June 30, 2012</u>
Deposits with financial institutions	\$ 497	\$ 477
Cash on hand at the Treasurer's Office	43,814	42,350
Investments with BTI reported as cash equivalents	<u>180,420</u>	<u>201,084</u>
	<u>\$ 224,731</u>	<u>\$ 243,911</u>

The deposits with the BTI are part of the State of West Virginia's consolidated investment cash liquidity pool. Investment income is pro-rated to the Lottery at rates specified by the BTI based on the balance of the deposits maintained in relation to the total deposits of all state agencies participating in the pool. Such funds are available to the Lottery with overnight notice.

**WEST VIRGINIA LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
**-Unaudited-**

**NOTE 4 – CAPITAL ASSETS**

A summary of capital asset activity for the month ended December 31, 2012 is as follows (in thousands):

	Historical Cost At June 30, 2012	Additions	Deletions	Historical Cost At December 31, 2012
Construction in Progress	\$ 519	\$ -	\$ -	\$ 519
Land	1,434	-	-	1,434
Buildings	38,084	-	-	38,084
Improvements	260	-	-	260
Equipment	6,519	-	-	6,519
	<u>\$ 46,816</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 46,816</u>
Accumulated Depreciation:				
	Historical Cost At June 30, 2012	Additions	Deletions	Historical Cost At December 31, 2012
Buildings	\$ 237	\$ 476	\$ -	\$ 713
Improvements	260	-	-	260
Equipment	4,034	584	-	4,618
	<u>\$ 4,531</u>	<u>\$ 1,060</u>	<u>\$ -</u>	<u>\$ 5,591</u>

**NOTE 5 - PARTICIPATION IN THE MULTI-STATE LOTTERY**

The Lottery is a member of the Multi-State Lottery (MUSL), which operates the semi-weekly POWERBALL® jackpot lotto game, the HOT LOTTO® game, and the MEGA MILLIONS® jackpot game on behalf of participating state lotteries. MUSL is currently comprised of 33 member state lotteries, including the District of Columbia and the United States Virgin Islands. MUSL is managed by a Board of Directors, which is comprised of the lottery directors or their designee from each of the party states. The Board of Directors' responsibilities to administer the Multi-State Lottery Powerball, Hot Lotto, and Mega Millions games are performed by advisory committees or panels staffed by officers and independent contractors appointed by the board. These officers and consultants serve at the pleasure of the board and the board prescribes their powers, duties and qualifications. The Executive Committee carries out the budgeting and financing of MUSL, while the board contracts the annual independent audit. A copy of the audit may be obtained by writing to the Multi-State Lottery Association, 1701-48th Street, Suite 210, West Des Moines, Iowa 50266-6723.

Each MUSL member sells game tickets through its agents and makes weekly wire transfers to the MUSL in an amount equivalent to the total prize pool less the amount of prizes won in each state. Lesser prizes are paid directly to the winners by each member lottery. The prize pool for POWERBALL®, HOT LOTTO® and MEGA MILLIONS® is 50% of each drawing period's sales, with minimum jackpot levels. The Lottery's revenues and expenses from MUSL games participation for the month ended December 31, 2012 and fiscal year-to-date is as follows:

**WEST VIRGINIA LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
**-Unaudited-**

**NOTE 5 - PARTICIPATION IN THE MULTI-STATE LOTTERY (continued)**

<u>Revenues</u>	<u>Month</u>	<u>Y-T-D</u>
Powerball	\$ 2,643,238	\$ 24,223,775
Hot Lotto	518,355	2,355,503
Mega Millions	602,533	4,620,595
Total	\$ 3,764,126	\$ 31,199,873

<u>Expenses (Prizes)</u>	<u>Month</u>	<u>Y-T-D</u>
Powerball	\$ 1,321,619	\$ 12,111,937
Hot Lotto	259,177	1,177,816
Mega Millions	310,302	2,379,610
Total	\$ 1,891,098	\$ 15,669,363

MUSL places a percentage of game sales from each game in separate prize reserve funds that serve as a contingency reserve to protect the respective MUSL Product Groups from unforeseen prize liabilities. These funds can only be used at the discretion of the respective MUSL Product Group. Once the prize reserve funds exceed the designated limit, the excess becomes part of that particular prize pool. Prize reserve fund monies are refundable to MUSL Product Group members if the MUSL disbands or, after one year, if a member leaves the MUSL. The applicable sales percentage contribution as well as the reserve fund limit for the MUSL games is as follows:

	<u>PowerBall</u>	<u>Hot Lotto</u>	<u>Mega Millions</u>
Required Contribution (% of sales)	2%	3%	1%
Reserve Fund Cap	\$125,000,000	\$9,000,000	N/A

At December 31, 2012, the Lotteries share of the prize reserve fund balances were as follows:

<u>Game</u>	<u>Total Prize Reserve</u>	<u>Lottery Share</u>
Powerball	\$ 114,287,693	\$ 2,108,445
Hot Lotto	7,464,347	492,853
Mega Millions	23,795,729	407,343
Total	\$ 145,547,769	\$ 3,008,641

Lottery prize reserves held by the MUSL are invested according to a Trust agreement the Lottery has with MUSL outlining investment policies. The policies restrict investments to direct obligations of the United States Government, perfected repurchase agreements, and obligations issued or guaranteed as to payment of principal and interest by agencies or instrumentalities of the United States Government, and mutual funds of approved investments. The average portfolio maturity is never more than one year, except that up to one third of the portfolio may have an average maturity of up to two years. The maximum maturity for any one security does not exceed five years.

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**NOTE 5 - PARTICIPATION IN THE MULTI-STATE LOTTERY (continued)**

The interest earned on prize reserve fund monies is used to pay MUSL operating expenses and any amounts over and above that are credited to an unreserved fund. The Lottery records this as interest when earned. This fund had a balance of \$19,991,646 at December 31, 2012, of which the Lottery's share was \$1,606,742.

**NOTE 6 - RACETRACK VIDEO LOTTERY**

The Racetrack Video Lottery legislation stipulates the distribution of racetrack video lottery revenues. This legislation has been amended since inception to restate revenue distribution based on revenue benchmarks. Initially, four percent (4%) of gross terminal revenue is allocated for lottery administrative costs. Sixty-six percent (66%) of net terminal revenue (gross less 4%) is allocated in lieu of commissions to: the racetracks (47%); other private entities associated with the racing industry (17%); and the local county and municipal governments (2%). The remaining revenues (34%) of net terminal revenue is allocated for distribution to State as specified in the Racetrack Video Lottery Act or subsequent State budget, as described in the Note 10 titled "Nonoperating Distributions to the State of West Virginia."

The first benchmark occurs when the current year net terminal revenue meets the fiscal year 1999 net terminal revenue. The counties and incorporated municipalities split 50/50 the two percent (2%) net terminal revenue.

The second benchmark occurs when the current year gross terminal revenue meets the fiscal year 2001 gross terminal revenue. The four percent (4%) is no longer allocated for lottery administrative costs; instead the State receives this for distribution as specified by legislation or the State budget.

The final benchmark occurs when the current year net terminal revenue meets the fiscal year 2001 net terminal revenue. At this point a 10% surcharge is applied to net terminal revenue, with 58% of the surcharge allocated for distribution to the State as specified by legislation or the State budget, and 42% of the surcharge allocated to separate capital reinvestment funds for each licensed racetrack.

After deduction of the surcharge, 55% of net terminal revenue is allocated in lieu of commissions to: the racetracks (42%); other private entities associated with the racing industry (11%); and the local county and incorporated municipality governments (2%). The remaining net terminal revenue (45%) is allocated for distribution to the State as specified in the Racetrack Video Lottery Act or subsequent State budget, as described in Note 10. Amounts from the capital reinvestment fund may be distributed to each racetrack if qualifying expenditures are made within the statutory timeframe; otherwise amounts accumulated in the fund revert to the state excess lottery revenue fund.

The WV Lottery, along with the Rhode Island and Delaware lotteries, participate in Multi-Jurisdictional Wide Area Progressive (MWAP) video games. This allows each of the lotteries to offer a higher progressive jackpot than they could generate alone. MUSL manages the progressive games and charges each participant a MWAP contribution fee of .74% of the amount wagered. A summary of racetrack video lottery revenues for the month ended December 31, 2012 and fiscal year-to-date follows (in thousands):

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**NOTE 6 - RACETRACK VIDEO LOTTERY (continued)**

	Current Month		Year-to-Date	
	2013	2012	2013	2012
Total credits played	\$ 562,057	\$ 665,115	\$ 3,670,162	\$ 4,138,802
Credits (prizes) won	(504,183)	(597,621)	(3,295,952)	(3,717,427)
Promotional credits played	(6,420)	(6,146)	(44,880)	(46,508)
MWAP Contributions	(29)	(39)	(205)	(233)
Gross terminal income	51,425	61,309	329,125	374,634
Administrative costs	(929)	(1,114)	(11,583)	(12,337)
Net Terminal Income	50,496	60,195	317,542	362,297
Less distribution to agents	(28,115)	(33,547)	(191,929)	(216,541)
Racetrack video lottery revenues	<u>\$ 22,381</u>	<u>\$ 26,648</u>	<u>\$ 125,613</u>	<u>\$ 145,756</u>

A summary of video lottery revenues paid or accrued for certain state funds to conform with the legislation follows (in thousands):

	December 31, 2012	Year-to-Date
State Lottery Fund	\$ 6,687	\$ 84,598
State Excess Lottery Revenue Fund	12,691	16,086
Capital Reinvestment Fund	1,137	1,427
Tourism Promotion Fund 1.375%	642	4,298
Development Office Promotion Fund .375 %	175	1,172
Research Challenge Fund .5 %	233	1,563
Capitol Renovation & Improvement Fund .6875 %	321	2,148
Parking Garage Fund .0625 %	29	195
Parking Garage Fund 1 %	-	500
Cultural Facilities & Capitol Resources Fund .5 %	233	1,313
Capitol Dome & Capitol Improvements Fund .5 %	233	1,313
Worker's Compensation Debt Reduction Fund 7 %	-	11,000
Total nonoperating distributions	<u>\$ 22,381</u>	<u>\$ 125,613</u>

**NOTE 7 - LIMITED VIDEO LOTTERY**

Limited video lottery legislation passed in 2001 has established specific requirements imposing certain restrictions limiting the licensing for the operation of limited video lottery games to 9,000 terminals placed in licensed retailers. These licensed retailers must hold a qualifying permit for the sale and consumption on premises of alcohol or non-intoxicating beer. The Lottery has been charged with the administration, monitoring and regulation of these machines. The legislation further stipulates the distribution of revenues from the limited video lottery games, and requires any licensees to comply with all related rules and regulations of the Lottery in order to continue its retailer status. The Limited Video Lottery legislation stipulates that 2% of gross terminal income be deposited into the state lottery fund for administrative costs. Then, the state share percentage of gross profit is to be transferred to the State Excess Lottery Revenue Fund. Such percentage is between 30 and 50 percent and is subject to change on a quarterly basis. Two percent is distributed to counties and incorporated municipalities in the manner prescribed by the statute. The remaining amount of gross profit is paid to retailers and/or operators as prescribed in the Act, and is recorded as limited



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**NOTE 7 - LIMITED VIDEO LOTTERY (continued)**

video lottery commissions in the financial statements. Municipal and county distributions are accounted for as nonoperating expenses. A summary of limited video lottery revenues for the month ended December 31, 2012 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2013	2012	2013	2012
Total credits played	\$ 386,777	\$ 407,435	\$ 2,329,989	\$ 2,290,519
Credits (prizes) won	(354,162)	(373,138)	(2,133,009)	(2,096,289)
Gross terminal income	\$ 32,615	\$ 34,297	\$ 196,980	\$ 194,230
Administrative costs	(653)	(686)	(3,940)	(3,885)
Gross Profit	31,962	33,611	193,040	190,345
Commissions	(15,981)	(16,806)	(96,520)	(95,173)
Municipalities and Counties	(639)	(672)	(3,861)	(3,807)
Limited video lottery revenues	<u>\$ 15,342</u>	<u>\$ 16,133</u>	<u>\$ 92,659</u>	<u>\$ 91,365</u>

**NOTE 8 - TABLE GAMES**

Table Games legislation passed in 2007 per House Bill 2718. Table games include blackjack, roulette, craps, and various types of poker. Each racetrack licensee is subject to a privilege tax of thirty five percent (35%) of adjusted gross receipts which will be deposited weekly into the Racetrack Table Games Fund.

From the gross amounts deposited into the Racetrack Table Games Fund, the Commission, on a monthly basis shall:

Retain 3% of the adjusted gross receipts for administrative expenses of which at least \$100,000 and not more than \$500,000 annually will be transferred to the Compulsive Gambling Treatment Fund. Transfer two and one-half percent of adjusted gross receipts from all thoroughbred racetracks with West Virginia Lottery table games to the special funds established by each thoroughbred racetrack table games licensee for the payment of regular racetrack purses to be divided equally among each licensee and transfer two and one-half percent of adjusted gross receipts from all greyhound racetracks with West Virginia Lottery table games to the special funds established by each greyhound racetrack table games licensee for the payment of regular racetrack purses to be divided equally among each licensee. Transfer two percent of the adjusted gross receipts from all licensed racetracks to the Thoroughbred Development Fund and the Greyhound Breeding Development Fund to be divided pro rata among the development funds. Transfer one percent of the adjusted gross receipts from each licensed racetrack to the county commissions of the counties where racetracks with West Virginia Lottery table games are located to be divided pro rata among the counties. Transfer two percent of the adjusted gross receipts from each licensed racetrack to the governing bodies of municipalities within counties where racetracks with West Virginia Lottery table games are located as prescribed by statute. And transfer one-half of one percent of the adjusted gross receipts to the governing bodies of municipalities in which a racetrack table games licensee is located to be divided equally among the municipalities. The Commission will distribute the remaining amounts, hereinafter referred to as the net amounts in the Racetrack Table Games Funds as follows:

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**NOTE 8 – TABLE GAMES (continued)**

- 1) Transfer four percent into a special fund to be established by the Racing Commission to be used for payment into the pension plan for all employees of each licensed racing association;
- 2) Transfer ten percent, to be divided and paid in equal shares, to each county commission in the state where table games are not located;
- 3) Transfer ten percent, to be divided and paid in equal shares, to the governing bodies of each municipality in the state where table games are not located; and
- 4) Transfer seventy-six percent to the State Debt Reduction Fund.

The cash transferred to the State Debt Reduction Fund in the current month is included in Note 10- Nonoperating Distributions to the State of West Virginia. The table games adjusted gross receipts for the month ended December 31, 2012 and fiscal year-to-date were \$18,491,034 and \$104,214,978, respectively. The following table shows the month and year totals of the privilege tax and the accrued distributions (in thousands) to be transferred in the subsequent month:

	Current Month		Year-to-Date	
	2013	2012	2013	2012
Table Games Privilege Tax	\$ 6,472	\$ 6,641	\$ 36,475	\$ 38,164
Interest on Table Games Fund	1	-	3	2
Administrative costs	(555)	(759)	(3,126)	(4,362)
Total Available for Distribution	<u>5,918</u>	<u>5,882</u>	<u>33,352</u>	<u>33,804</u>
<b>Less Distributions:</b>				
Racetrack Purse Funds	462	474	2,605	2,726
Thoroughbred & Greyhound Development Funds	370	380	2,084	2,181
Racing Association Pension Plan	163	159	917	916
Municipalities/ Counties	<u>1,831</u>	<u>1,841</u>	<u>10,319</u>	<u>10,577</u>
Total Distributions	<u>2,826</u>	<u>2,854</u>	<u>15,925</u>	<u>16,400</u>
State Debt Reduction Fund	<u>\$ 3,092</u>	<u>\$ 3,028</u>	<u>\$ 17,427</u>	<u>\$ 17,404</u>

**NOTE 9 – HISTORIC RESORT HOTEL**

In 2009, the Legislature passed Senate Bill 575 which permits video lottery and table games at a licensed historic resort hotel which is defined as “a resort hotel registered with the United States Department of the Interior as a national historic landmark in its National Registry of Historic Places having not fewer than five hundred guest rooms under common ownership and having substantial recreational guest amenities in addition to the gaming facility.”

Historic Resort Video Lottery

According to Senate Bill 575, thirty six percent (36%) of gross terminal income is allocated to Historic Resort Hotel Fund and seventeen percent (17%) of gross terminal income is allocated to the Human Resource Benefit Fund. The remaining forty-seven percent (47%) of gross terminal income is then subject to a ten percent (10%) surcharge which is allocated to separate capital reinvestment funds for each licensed historic resort hotel. The remaining forty-two and three-tenths percent (42.3%) of gross terminal income is retained by the

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**NOTE 9 – HISTORIC RESORT HOTEL (continued)**

historic resort hotel. A summary of historic resort hotel video lottery revenues for the month ended December 31, 2012 and fiscal year-to-date follows (in thousands):

	Current Month		Year-to-Date	
	2013	2012	2013	2012
Total credits played	\$ 6,716	\$ 7,373	\$ 35,310	\$ 36,797
Credits (prizes) won	(6,146)	(6,849)	(32,425)	(34,213)
Promotional credits played	(49)	(54)	(340)	(241)
MWAP Contributions	(1)	-	(6)	-
Gross terminal income	520	470	2,539	2,343
Capital reinvestment	(24)	(22)	(119)	(110)
Modernization Fund	(5)	(4)	(23)	(21)
Administrative costs	(28)	(25)	(137)	(127)
Hotel commissions	(220)	(199)	(1,074)	(991)
Net terminal income	243	220	1,186	1,094
Historic Resort Hotel Fund	155	140	754	696
Human Resource Benefit Fund	88	80	432	398

Historic Resort Table Games

Each historic resort hotel licensee is subject to a privilege tax of thirty five percent (35%) of adjusted gross receipts, of which thirty percent (30%) is deposited directly into the Historic Resort Hotel Fund and five percent (5%) is deposited directly into the Human Resource Benefit Fund. The historic resort hotel table games adjusted gross receipts for the month ended December 31, 2012 and fiscal year-to-date were \$103,476 and \$4,646,723, respectively.

The following table shows the month and fiscal year -to- date totals of the privilege tax and the accrued distributions (in thousands) to be transferred in the subsequent month:

	Current Month		Year-to-Date	
	2013	2012	2013	2012
Table games privilege tax	\$ 36	\$ 275	\$ 1,626	\$ 1,114
Administrative Costs	(5)	(35)	(209)	(144)
Total Available for Distribution	31	240	1,417	970
Historic Resort Hotel Fund	26	201	1,185	811
Human Resource Benefit Fund	5	39	232	159

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**NOTE 9 – HISTORIC RESORT HOTEL (continued)**

Historic Resort Hotel Fund

Of the monies deposited into the Historic Resort Hotel Fund, fifteen percent (15%) is allocated for lottery administrative costs. The remaining Historic Resort Hotel Fund net income (gross deposits less 15%) is distributed as follows:

- 1) Sixty-four percent (64%) is paid to the State of West Virginia General Revenue Fund;
- 2) Nineteen percent (19%) is paid to the State Debt Reduction Fund;
- 3) Three percent (3%) is paid to the State of West Virginia Tourism Promotion Fund;
- 4) Four percent (4%) is paid to the county where the gaming facility is located;
- 5) Two and one-half percent (2.5%) is paid to the municipality where the gaming facility is located as prescribed by statute;
- 6) Two and one-half percent (2.5%) is divided and paid in equal shares to the remaining municipalities in the county where the gaming facility is located;
- 7) Two and one-half percent (2.5%) is divided and paid in equal shares, to each county commission in the state where the gaming facility is not located;
- 8) Two and one-half percent (2.5%) is divided and paid in equal shares, to each municipality in the state not already receiving a distribution as described in item five (5) or item six (6) above.

A summary of Historic Resort Hotel Fund revenues and related distributions is as follows (in thousands):

	<u>Current Month</u>	<u>Year-to-Date</u>
Historic Resort Hotel Video Lottery	\$ 155	\$ 754
Historic Resort Table Games	26	1,185
Interest on Historic Resort Hotel Fund	-	-
Historic Resort Hotel Fund Net Income	<u>181</u>	<u>1,939</u>
Municipalities/ Counties	26	272
State General Revenue Fund	116	1,241
State Debt Reduction Fund	34	368
State Tourism Promotion Fund	5	58
Total Distributions	<u>\$ 181</u>	<u>\$ 1,939</u>

**NOTE 10- NONOPERATING DISTRIBUTIONS TO THE STATE OF WEST VIRGINIA**

The Lottery periodically distributes surplus funds, exclusive of amounts incurred and derived from limited video lottery and a portion of racetrack video lottery funds, to the State of West Virginia in accordance with the legislation. For the year ending June 30, 2013 the State Legislature budgeted \$145,017,313 of estimated profits of the Lottery for distributions to designated special revenue accounts of the State of West Virginia. With regard to the State Lottery Fund, legislation stipulates that debt service payments be given a priority over all other transfers in instances where estimated profits are not sufficient to provide for payment of all appropriated distributions. Debt service payments of \$1,800,000, \$1,000,000, and \$500,000 per month for the first ten months of each fiscal year currently have such priority. Transfers made pursuant to the State Excess

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**NOTE 10- NONOPERATING DISTRIBUTIONS TO THE STATE OF WEST VIRGINIA**  
**(continued)**

Lottery Revenue Fund have similar requirements; currently payments are \$5,300,000 per month for the first ten months of each fiscal year. In addition, Legislation provides that, if in any month, there is a shortage of funds in the State Excess Lottery Revenue Fund to make debt service payments, the necessary amount shall be transferred from the State Lottery Fund to cover such shortfall, after the State Lottery Fund debt service payments have been made. Repayments to the State Lottery Fund are required to be made in subsequent months as funds become available. During the month ended December 31, 2012 the Lottery made such distributions and accrued additional distributions of \$39,172,479. The Lottery is a non-appropriated state agency and therefore does not have a budget adopted by the Legislature. Since the enactment of the Racetrack Video Lottery Act, the Lottery is also statutorily required to distribute income from racetrack video lottery operations as described in Note 6. For the month ended December 31, 2012, the Lottery accrued additional distributions relating to racetrack video lottery, table games, and historic resort operations of \$638,457, \$3,092,129, and \$155,613, respectively.

Note 7 describes the Limited Video Lottery Act and the statutory distributions required to be made from limited video lottery operations. Note 8 describes the Table Games Act and the statutory distributions required to be made from table games operations. Note 9 describes the Historic Resort Hotel statutory distributions to be made from historic resort operations.

A summary of the cash distributions made to certain state agencies to conform to the legislation follows (in thousands):

<u>BUDGETARY DISTRIBUTIONS</u>	<u>December 31, 2012</u>	<u>Year-to-Date</u>
<u>State Lottery Fund:</u>		
Community and Technical College	\$ 500	\$ 2,997
Bureau of Senior Services	11	42,834
Department of Education	8	30,611
Library Commission	3	12,186
Higher Education-Policy Commission	2	7,889
Tourism	2	7,364
Natural Resources	1	3,398
Division of Culture & History	2	5,903
Department of Education & Arts	-	1,840
Economic Development Authority	1,000	5,998
School Building Authority	1,800	10,798
Total State Lottery Fund	<u>\$ 3,329</u>	<u>\$ 131,818</u>

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**NOTE 10- NONOPERATING DISTRIBUTIONS TO THE STATE OF WEST VIRGINIA**  
**(continued)**

State Excess Lottery Revenue Fund:

Economic Development Fund	\$ 1,899	\$ 11,394
Higher Education Improvement Fund	1,500	9,000
General Purpose Account	9,179	41,397
Higher Education Improvement Fund	-	29,000
State Park Improvement Fund	-	-
School Building Authority	1,899	11,396
Refundable Credit	-	1,072
WV Racing Commission	-	-
Excess Lottery Surplus	-	-
West Va. Infrastructure Council	-	-
Total State Excess Lottery Revenue Fund	\$ 14,477	\$ 103,259
Total Budgetary distributions:	\$ 17,806	\$ 235,077
Veterans Instant Ticket Fund	\$ 30	\$ 186

Other Racetrack Video Lottery distributions:

Tourism Promotion Fund 1.375%	\$ 528	\$ 4,229
Development Office Promotion Fund .375%	144	1,153
Research Challenge Fund .5%	192	1,538
Capitol Renovation & Improvement Fund .6875%	263	2,114
Parking Garage Fund .0625 %	24	192
Parking Garage Fund 1 %	-	500
Cultural Facilities & Cap. Resources Fund .5%	192	1,233
Capitol Dome & Cap. Improvements Fund .5%	191	1,342
Workers Compensation Debt Reduction Fund 7%	-	11,000
Total	\$ 1,534	\$ 23,301
Table Games State Debt Reduction Fund	\$ 2,883	\$ 17,168

Historic Resort Hotel distributions:

State General Revenue Fund	\$ 154	\$ 1,305
State Debt Reduction Fund	45	387
Tourism Promotion Fund	7	61
Total	\$ 206	\$ 1,753

Total nonoperating distributions to the State of West Virginia (cash basis)	\$ 22,459	\$ 277,485
Accrued nonoperating distributions, beginning	(190,226)	(216,819)
Accrued nonoperating distributions, end	212,054	212,054
	\$ 44,287	\$ 272,720

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**NOTE 11 – LEASES**

The Lottery leases, under the terms of a cancellable operating lease, various office spaces for field operations. The Lottery also leases various office equipment under agreements considered to be cancelable operating leases. Rental expense for the fiscal year-to-date ended December 31, 2012 and December 31, 2011 approximated \$109,204 and \$314,801 respectively.

The Lottery leases office space under the terms of a non-cancellable operating lease to various tenants. Rental revenues for the fiscal year-to-date ended December 31, 2012 and December 31, 2011 approximated \$707,072 and \$490,998 respectively. Future rental receipts (in thousands) are as follows:

Year Ended June 30	Rental Receipts
2013	453
2014	923
2015	232
Total	\$ 1,608

**NOTE 12 – RESTRICTED NET ASSETS**

On June 14, 2006, House Bill 106 was enacted by the West Virginia State Legislature to set aside unexpended administrative expenses of the Lottery up to the limits for such expenses established by the enabling legislation of traditional, racetrack video lottery, and limited video lottery games in an amount not to exceed \$20,000,000 beginning in fiscal year 2006 and each year through fiscal year 2012. These assets are to be set aside for the design and construction of a building for the use of the Lottery and certain other State of West Virginia governmental entities. Contributions to the fund for fiscal years ending June 30, 2012 and June 30, 2011 were as follows:

	June 30, 2012	June 30, 2011
Beginning balance	\$ 2,039	\$ 8,355
Additions		
Legislative Appropriations	9,645	-
Interest earned on restricted net assets		
Deductions		
Asset acquisition	(9,994)	(6,316)
Surplus of excess funds		
Ending balance	\$ 1,690	\$ 2,039

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**NOTE 13 – COMMITMENTS**

For the year ended June 30, 2011, the Lottery Commission has designated \$594,218 of unexpended administrative funds for the acquisition of capital assets, for the year ended June 30, 2012 the Lottery Commission has not designated any unexpended administrative funds for the acquisition of capital assets. As of June 30, 2012 and 2011, \$3,193,044 and \$5,921,057, respectively, are included in unrestricted net assets and invested in capital assets for this purpose.

**NOTE 14 - RETIREMENT BENEFITS**

All full-time Lottery employees are eligible to participate in the State of West Virginia Public Employees' Retirement System (PERS), a cost-sharing multiple-employer defined benefit public employee retirement system. The PERS is one of several plans administered by the West Virginia Consolidated Public Retirement (CPRB) under the direction of its Board of Trustees, which consists of the Governor, State Auditor, State Treasurer, Secretary of the Department of Administration, and nine members appointed by the Governor. CPRB prepares separately issued financial statements covering all retirement systems it administers, which can be obtained from Consolidated Public Retirement Board, 4101 MacCorkle Ave. S.E., Charleston, West Virginia 25304-1636.

Employees who retire at or after age sixty with five or more years of contributory service or who retire at or after age fifty-five and have completed twenty-five years of credited service with age and credited service equal to eighty or greater are eligible for retirement benefits as established by State statute. Retirement benefits are payable monthly for life, in the form of a straight-line annuity equal to two percent of the employee's average annual salary from the highest 36 consecutive months within the last 10 years of employment, multiplied by the number of years of the employee's credited service at the time of retirement. Covered employees are required to contribute 4.5% of their salary to the PERS. The Lottery is required to contribute 14.5% of covered employees' salaries to the PERS. The required employee and employer contribution percentages have been established and changed from time to time by action of the State Legislature. The required contributions are not actuarially determined; however, actuarial valuations are performed to assist the Legislature in determining appropriate contributions. The Lottery and employee contributions, for the month ending December 31, 2012 and fiscal year-to-date are as follows (in thousands):

	December 31, 2012	Year-to-Date
Lottery contributions	\$ 89	\$ 548
Employee contributions	28	176
Total contributions	\$ 117	\$ 724

**NOTE 15 - RISK MANAGEMENT**

The Lottery is exposed to various risks of loss related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Lottery participates in several risk management programs administered by the State of West Virginia. Each of these risk pools has issued separate audited financial reports on their operations. Those reports include the required supplementary information concerning the reconciliation of claims liabilities by type of contract and ten-year claim development information. Complete financial statements of the individual insurance enterprise funds can be obtained directly from their respective administrative offices.



**WEST VIRGINIA LOTTERY**  
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**NOTE 15 - RISK MANAGEMENT (continued)**

**WORKERS' COMPENSATION INSURANCE**

The Lottery carries workers compensation insurance coverage through a commercial insurance carrier. The commercial insurance carrier is paid a monthly premium to provide compensation for injuries sustained in the course of employment.

**PUBLIC EMPLOYEES' INSURANCE AGENCY (PEIA)**

The Lottery participates in the Public Employees' Insurance Agency which provides an employee benefit insurance program to employees. PEIA was established by the State of West Virginia for State agencies, institutions of higher education, Boards of Education and component units of the State. In addition, local governmental entities and certain charitable and public service organizations may request to be covered by PEIA. PEIA provides a base employee benefit insurance program which includes hospital, surgical, major medical, prescription drug and basic life and accidental death. Underwriting and rate setting policies are established by PEIA. The cost of all coverage as determined by PEIA shall be paid by the participants. Premiums are established by PEIA and are paid monthly, and are dependent upon, among other things, coverage required, number of dependents, state vs. non state employees and active employees vs. retired employees and level of compensation. Coverage under these programs is limited to \$1 million lifetime for health and \$10,000 of life insurance coverage.

The PEIA risk pool retains all risks for the health and prescription features of its indemnity plan, PEIA has fully transferred the risks of coverage to the Managed Care Organization (MCO) Plan to the plan provider, and has transferred the risks of the life insurance coverage to a third party insurer. PEIA presently charges equivalent premiums for participants in either the indemnity plan or the MCO Plan. Altogether, PEIA insures approximately 205,000 individuals, including participants and dependents.

**BOARD OF RISK AND INSURANCE MANAGEMENT (BRIM)**

The Lottery participates in the West Virginia Board of Risk and Insurance Management (BRIM), a common risk pool currently operating as a common risk management and insurance program for all State agencies, component units, and other local governmental agencies who wish to participate. The Lottery pays an annual premium to BRIM for its general insurance coverage. Fund underwriting and rate setting policies are established by BRIM. The cost of all coverage as determined by BRIM shall be paid by the participants. The BRIM risk pool retains the risk of the first \$1 million per property event and purchases excess insurance on losses above that level. Excess coverage, through an outside insurer under this program is limited to \$200 million per event, subject to limits on certain property. BRIM has \$1 million per occurrence coverage maximum on all third-party liability claims.

**NOTE 16- OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

The Lottery participates in the West Virginia Other Postemployment Benefits Plan (OPEB Plan) of the West Virginia Retiree Health Benefit Trust Fund (Trust), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the West Virginia Public Employee Insurance Agency (WVPEIA). The OPEB Plan provides retiree post-employment health care benefits for participating state and local government employers. The provisions of the Code of West Virginia, 1931, as amended (the Code),

**WEST VIRGINIA LOTTERY**  
**NOTES TO FINANCIAL STATEMENTS**  
**-Unaudited-**

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, South East, Suite 2, Charleston, West Virginia, or by calling 1-888-680-7342.

**Funding Policy**

The Code requires the OPEB Plan bill the participating employers 100% of the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. State of West Virginia plan employers are billed per active health policy per month.

The ARC rate is \$961 and \$903 per employee per month for the years ending June 30, 2013 and 2012 respectively. Through June 30, 2012 and 2011, the Lottery has paid premiums of \$317,694 and \$294,952. As of June 30, 2012 and 2011, the Lottery has recorded a liability of \$4,075,581 and \$2,749,868 on its balance sheet for OPEB.

BID BOND PREPARATION INSTRUCTIONS

AGENCY (A)
RFQ/RFP# (B)

Bid Bond

- (A) WV State Agency (Stated on Page 1 "Spending Unit") Request for Quotation Number (upper right corner of page #1)
(C) Your Company Name
(D) City, Location of your Company
(E) State, Location of your Company
(F) Surety Corporate Name
(G) City, Location of Surety
(H) State, Location of Surety
(I) State of Surety Incorporation
(J) City of Surety Incorporation
(K) Minimum amount of acceptable bid bond is 5% of total bid. You may state "5% of bid" or a specific amount on this line in words.
(L) Amount of bond in figures
(M) Brief Description of scope of work
(N) Day of the month
(O) Month
(P) Year
(Q) Name of Corporation
(R) Raised Corporate Seal of Principal
(S) Signature of President or Vice President
(T) Title of person signing
(U) Raised Corporate Seal of Surety
(V) Corporate Name of Surety
(W) Signature of Attorney in Fact of the Surety

NOTE: Dated, Power of Attorney with Raised Surety Seal must accompany this bid bond.

KNOW ALL MEN BY THESE PRESENTS, That we, the undersigned, (C) of (D), (E), as Principal, and (F) of (G), (H), a corporation organized and existing under the laws of the State of (I) with its principal office in the City of (J), as Surety, are held and firmly bound unto The State of West Virginia, as Obligee, in the penal sum of (K) (\$ (L)) for the payment of which, well and truly to be made, we jointly and severally bind ourselves, our heirs, administrators, executors, successors and assigns.

The Condition of the above obligation is such that whereas the Principal has submitted to the Purchasing Section of the Department of Administration a certain bid or proposal, attached hereto and made a part hereof to enter into a contract in writing for (M)

NOW THEREFORE.

(a) If said bid shall be rejected, or
(b) If said bid shall be accepted and the Principal shall enter into a contract in accordance with the bid or proposal attached hereto and shall furnish any other bonds and insurance required by the bid or proposal, and shall in all other respects perform the agreement created by the acceptance of said bid then this obligation shall be null and void, otherwise this obligation shall remain in full force and effect. It is expressly understood and agreed that the liability of the Surety for any and all claims hereunder shall, in no event, exceed the penal amount of this obligation as herein stated

The Surety for value received, hereby stipulates and agrees that the obligations of said Surety and its bond shall be in no way impaired or affected by any extension of time within which the Obligee may accept such bid; and said Surety does hereby waive notice of any such extension.

IN WITNESS WHEREOF, Principal and Surety have hereunto set their hands and seals, and such of them as are corporations have caused their corporate seals to be affixed hereto and these presents to be signed by their proper officers, this (N) day of (O), 20 (P).

Principal Corporate Seal

(R)

(U) Surety Corporate Seal

(Q) (Name of Principal)
By (S) (Must be President or Vice President)
(T) Title
(V) (Name of Surety)
(W) Attorney-in-Fact

IMPORTANT - Surety executing bonds must be licensed in West Virginia to transact surety insurance. Raised Corporate Seals must be affixed and a Power of Attorney must be attached.

Agency WV Lottery  
REQ.P.O# LOT501

**BID BOND**

KNOW ALL MEN BY THESE PRESENTS, That we, the undersigned, \_\_\_\_\_  
\_\_\_\_\_ of \_\_\_\_\_, \_\_\_\_\_, as Principal, and \_\_\_\_\_  
\_\_\_\_\_ of \_\_\_\_\_, \_\_\_\_\_, a corporation organized and existing under the laws of the State of \_\_\_\_\_  
\_\_\_\_\_ with its principal office in the City of \_\_\_\_\_, as Surety, are held and firmly bound unto the State  
of West Virginia, as Obligee, in the penal sum of \_\_\_\_\_ (\$ \_\_\_\_\_) for the payment of which,  
well and truly to be made, we jointly and severally bind ourselves, our heirs, administrators, executors, successors and assigns.

The Condition of the above obligation is such that whereas the Principal has submitted to the Purchasing Section of the  
Department of Administration a certain bid or proposal, attached hereto and made a part hereof, to enter into a contract in writing for  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

NOW THEREFORE,

- (a) If said bid shall be rejected, or
- (b) If said bid shall be accepted and the Principal shall enter into a contract in accordance with the bid or proposal attached  
hereto and shall furnish any other bonds and insurance required by the bid or proposal, and shall in all other respects perform the  
agreement created by the acceptance of said bid, then this obligation shall be null and void, otherwise this obligation shall remain in full  
force and effect. It is expressly understood and agreed that the liability of the Surety for any and all claims hereunder shall, in no event,  
exceed the penal amount of this obligation as herein stated.

The Surety, for the value received, hereby stipulates and agrees that the obligations of said Surety and its bond shall be in no  
way impaired or affected by any extension of the time within which the Obligee may accept such bid, and said Surety does hereby  
waive notice of any such extension.

IN WITNESS WHEREOF, Principal and Surety have hereunto set their hands and seals, and such of them as are corporations  
have caused their corporate seals to be affixed hereunto and these presents to be signed by their proper officers, this  
\_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

Principal Corporate Seal

\_\_\_\_\_  
(Name of Principal)

By \_\_\_\_\_

(Must be President or  
Vice President)

\_\_\_\_\_  
(Title)

Surety Corporate Seal

\_\_\_\_\_  
(Name of Surety)

\_\_\_\_\_  
Attorney-in-Fact

**IMPORTANT – Surety executing bonds must be licensed in West Virginia to transact surety insurance. Raised corporate seals  
must be affixed, a power of attorney must be attached.**

VENDOR PREFERENCE CERTIFICATE

Certification and application\* is hereby made for Preference in accordance with West Virginia Code, §5A-3-37. (Does not apply to construction contracts). West Virginia Code, §5A-3-37, provides an opportunity for qualifying vendors to request (at the time of bid) preference for their residency status. Such preference is an evaluation method only and will be applied only to the cost bid in accordance with the West Virginia Code. This certificate for application is to be used to request such preference. The Purchasing Division will make the determination of the Resident Vendor Preference, if applicable.

- 1. Application is made for 2.5% resident vendor preference for the reason checked: Bidder is an individual resident vendor and has resided continuously in West Virginia for four (4) years immediately preceding the date of this certification; or, Bidder is a partnership, association or corporation resident vendor and has maintained its headquarters or principal place of business continuously in West Virginia for four (4) years immediately preceding the date of this certification; or 80% of the ownership interest of Bidder is held by another individual, partnership, association or corporation resident vendor who has maintained its headquarters or principal place of business continuously in West Virginia for four (4) years immediately preceding the date of this certification; or, Bidder is a nonresident vendor which has an affiliate or subsidiary which employs a minimum of one hundred state residents and which has maintained its headquarters or principal place of business within West Virginia continuously for the four (4) years immediately preceding the date of this certification; or,
2. Application is made for 2.5% resident vendor preference for the reason checked: Bidder is a resident vendor who certifies that, during the life of the contract, on average at least 75% of the employees working on the project being bid are residents of West Virginia who have resided in the state continuously for the two years immediately preceding submission of this bid; or,
3. Application is made for 2.5% resident vendor preference for the reason checked: Bidder is a nonresident vendor employing a minimum of one hundred state residents or is a nonresident vendor with an affiliate or subsidiary which maintains its headquarters or principal place of business within West Virginia employing a minimum of one hundred state residents who certifies that, during the life of the contract, on average at least 75% of the employees or Bidder's affiliate's or subsidiary's employees are residents of West Virginia who have resided in the state continuously for the two years immediately preceding submission of this bid; or,
4. Application is made for 5% resident vendor preference for the reason checked: Bidder meets either the requirement of both subdivisions (1) and (2) or subdivision (1) and (3) as stated above; or,
5. Application is made for 3.5% resident vendor preference who is a veteran for the reason checked: Bidder is an individual resident vendor who is a veteran of the United States armed forces, the reserves or the National Guard and has resided in West Virginia continuously for the four years immediately preceding the date on which the bid is submitted; or,
6. Application is made for 3.5% resident vendor preference who is a veteran for the reason checked: Bidder is a resident vendor who is a veteran of the United States armed forces, the reserves or the National Guard, if, for purposes of producing or distributing the commodities or completing the project which is the subject of the vendor's bid and continuously over the entire term of the project, on average at least seventy-five percent of the vendor's employees are residents of West Virginia who have resided in the state continuously for the two immediately preceding years.
7. Application is made for preference as a non-resident small, women- and minority-owned business, in accordance with West Virginia Code §5A-3-59 and West Virginia Code of State Rules. Bidder has been or expects to be approved prior to contract award by the Purchasing Division as a certified small, women- and minority-owned business.

Bidder understands if the Secretary of Revenue determines that a Bidder receiving preference has failed to continue to meet the requirements for such preference, the Secretary may order the Director of Purchasing to: (a) reject the bid; or (b) assess a penalty against such Bidder in an amount not to exceed 5% of the bid amount and that such penalty will be paid to the contracting agency or deducted from any unpaid balance on the contract or purchase order.

By submission of this certificate, Bidder agrees to disclose any reasonably requested information to the Purchasing Division and authorizes the Department of Revenue to disclose to the Director of Purchasing appropriate information verifying that Bidder has paid the required business taxes, provided that such information does not contain the amounts of taxes paid nor any other information deemed by the Tax Commissioner to be confidential.

Under penalty of law for false swearing (West Virginia Code, §61-5-3), Bidder hereby certifies that this certificate is true and accurate in all respects; and that if a contract is issued to Bidder and if anything contained within this certificate changes during the term of the contract, Bidder will notify the Purchasing Division in writing immediately.

Bidder: \_\_\_\_\_ Signed: \_\_\_\_\_
Date: \_\_\_\_\_ Title: \_\_\_\_\_

RFQ No. LOT501STATE OF WEST VIRGINIA  
Purchasing Division**PURCHASING AFFIDAVIT**

**MANDATE:** Under W. Va. Code §5A-3-10a, no contract or renewal of any contract may be awarded by the state or any of its political subdivisions to any vendor or prospective vendor when the vendor or prospective vendor or a related party to the vendor or prospective vendor is a debtor and: (1) the debt owed is an amount greater than one thousand dollars in the aggregate; or (2) the debtor is in employer default.

**EXCEPTION:** The prohibition listed above does not apply where a vendor has contested any tax administered pursuant to chapter eleven of the W. Va. Code, workers' compensation premium, permit fee or environmental fee or assessment and the matter has not become final or where the vendor has entered into a payment plan or agreement and the vendor is not in default of any of the provisions of such plan or agreement.

**DEFINITIONS:**

**"Debt"** means any assessment, premium, penalty, fine, tax or other amount of money owed to the state or any of its political subdivisions because of a judgment, fine, permit violation, license assessment, defaulted workers' compensation premium, penalty or other assessment presently delinquent or due and required to be paid to the state or any of its political subdivisions, including any interest or additional penalties accrued thereon.

**"Employer default"** means having an outstanding balance or liability to the old fund or to the uninsured employers' fund or being in policy default, as defined in W. Va. Code § 23-2c-2, failure to maintain mandatory workers' compensation coverage, or failure to fully meet its obligations as a workers' compensation self-insured employer. An employer is not in employer default if it has entered into a repayment agreement with the Insurance Commissioner and remains in compliance with the obligations under the repayment agreement.

**"Related party"** means a party, whether an individual, corporation, partnership, association, limited liability company or any other form or business association or other entity whatsoever, related to any vendor by blood, marriage, ownership or contract through which the party has a relationship of ownership or other interest with the vendor so that the party will actually or by effect receive or control a portion of the benefit, profit or other consideration from performance of a vendor contract with the party receiving an amount that meets or exceed five percent of the total contract amount.

**AFFIRMATION:** By signing this form, the vendor's authorized signer affirms and acknowledges under penalty of law for false swearing (*W. Va. Code §61-5-3*) that neither vendor nor any related party owe a debt as defined above and that neither vendor nor any related party are in employer default as defined above, unless the debt or employer default is permitted under the exception above.

**WITNESS THE FOLLOWING SIGNATURE:**

Vendor's Name: \_\_\_\_\_

Authorized Signature: \_\_\_\_\_ Date: \_\_\_\_\_

State of \_\_\_\_\_

County of \_\_\_\_\_, to-wit:

Taken, subscribed, and sworn to before me this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

My Commission expires \_\_\_\_\_, 20\_\_.

**AFFIX SEAL HERE****NOTARY PUBLIC** \_\_\_\_\_

**CERTIFICATION AND SIGNATURE PAGE**

By signing below, I certify that I have reviewed this Solicitation in its entirety; understand the requirements, terms and conditions, and other information contained herein; that I am submitting this bid or proposal for review and consideration; that I am authorized by the bidder to execute this bid or any documents related thereto on bidder's behalf; that I am authorized to bind the bidder in a contractual relationship; and that to the best of my knowledge, the bidder has properly registered with any State agency that may require registration.

\_\_\_\_\_  
(Company)

\_\_\_\_\_  
(Authorized Signature)

\_\_\_\_\_  
(Representative Name, Title)

\_\_\_\_\_  
(Phone Number)

\_\_\_\_\_  
(Fax Number)

\_\_\_\_\_  
(Date)

**ADDENDUM ACKNOWLEDGEMENT FORM**

**SOLICITATION NO.:** LOT501

**Instructions:** Please acknowledge receipt of all addenda issued with this solicitation by completing this addendum acknowledgment form. Check the box next to each addendum received and sign below. Failure to acknowledge addenda may result in bid disqualification.

**Acknowledgment:** I hereby acknowledge receipt of the following addenda and have made the necessary revisions to my proposal, plans and/or specification, etc.

**Addendum Numbers Received:**

(Check the box next to each addendum received)

- |   |  |
|---|--|
| <input type="checkbox"/> Addendum No. 1 | <input type="checkbox"/> Addendum No. 6  |
| <input type="checkbox"/> Addendum No. 2 | <input type="checkbox"/> Addendum No. 7  |
| <input type="checkbox"/> Addendum No. 3 | <input type="checkbox"/> Addendum No. 8  |
| <input type="checkbox"/> Addendum No. 4 | <input type="checkbox"/> Addendum No. 9  |
| <input type="checkbox"/> Addendum No. 5 | <input type="checkbox"/> Addendum No. 10 |

I understand that failure to confirm the receipt of addenda may be cause for rejection of this bid. I further understand that any verbal representation made or assumed to be made during any oral discussion held between Vendor's representatives and any state personnel is not binding. Only the information issued in writing and added to the specifications by an official addendum is binding.

\_\_\_\_\_  
Company

\_\_\_\_\_  
Authorized Signature

\_\_\_\_\_  
Date

NOTE: This addendum acknowledgement should be submitted with the bid to expedite document processing.