

STATE OF WEST VIRGINIA

AUDIT REPORT

OF

WEST VIRGINIA STATE BOARD OF INVESTMENTS

FOR THE PERIOD

JANUARY 1, 1986 - DECEMBER 31, 1986



OFFICE OF LEGISLATIVE AUDITOR

CAPITOL BUILDING

CHARLESTON 5, WEST VIRGINIA

WEST VIRGINIA STATE BOARD OF INVESTMENTS

FOR THE PERIOD

JANUARY 1, 1986 - DECEMBER 31, 1986

West Virginia



LEGISLATIVE AUDITOR

CHARLESTON

To the Legislature of West Virginia

In compliance with the West Virginia Code, Chapter 12, Article 6, Section 15, one thousand nine hundred thirty-one, as amended, transmitted herewith is a postaudit of the investment balances of the West Virginia State Board of Investments. This report covers the calendar year 1986.

Very truly yours,

Encil Bailey
Encil Bailey

WEST VIRGINIA STATE BOARD OF INVESTMENTS

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WEST VIRGINIA STATE BOARD OF INVESTMENTS

BOARD MEMBERS

Governor Arch A. Moore, Jr. Chairman
State Treasurer A. James Manchin Executive Secretary
State Auditor Glen B. Gainer, Jr. Member

WEST VIRGINIA STATE BOARD OF INVESTMENTS

GENERAL REMARKS

INTRODUCTION

An examination of the investment balances of the West Virginia State Board of Investments as of December 31, 1986 has been completed.

BACKGROUND

The requirements of corporations to be eligible for investment purchases by the Board are set out by the West Virginia Code, Chapter 12, Article 6, Section 10, as follows: "(g) Any bond, note, debenture, commercial paper or other evidence of indebtedness of any private corporation or association organized and operating in the United States: Provided, that any such security is, at the time of its acquisition, rated in one of the three highest rating grades by an agency which is nationally known in the field of rating corporate securities: Provided, however, that if any commercial paper and/or any such security will mature within one year from the date of its issuance, it shall, at the time of its acquisition, be rated in one of the two highest rating grades by such an agency: Provided further, that any such security not rated in one of the two highest rating grades by any such agency and commercial paper or other evidence of indebtedness of any private corporation or association shall be purchased only upon the written recommendation from an investment advisor that has over three hundred million dollars in other funds under its management."

The West Virginia Code, Chapter 12, Article 6, Section 10, as amended, states in part:

"(1) At no time shall more than seventy-five percent of the portfolio of either fund be invested in securities described in subdivision (g) of said section nine;

(2) At no time shall more than twenty percent of the portfolio of either fund be invested in securities described in said subdivision (g) which mature within one year from the date of issuance thereof;

(3) At no time shall more than three percent of the portfolio of either fund be invested in securities issued by a single private corporation or association...."

Pursuant to authorization given by House Bill 1321, effective July 1, 1978, Administrative Rules and Regulations filed with the Secretary of State on October 13, 1978, and portfolio policy guidelines adopted by the Board of Investments, the State Treasurer's Office completed the conversion of state agency short-term investments to the Consolidated Fund (Short-Term Pools) on October 15, 1978 and all state retirement system funds to the Consolidated Pension Fund (Long-Term Pool) on March 17, 1979.

The Consolidated Fund is composed of 20 "pools" which are identified in our workpapers. Pool 0100 contains investments from agencies which are unrestricted type, i.e., not restricted by instrument. Pool 0140 contains investments from agencies which may only be government instruments. The remaining 18 pools contain specific investments for individual agencies due to constitutional or bonding restrictions prohibiting commingling with Pools 0100 or 0140.

The Consolidated Pension Fund is composed of the following retirement systems:

- Judges' Retirement
- Department of Public Safety
- Workers' Compensation
- Pneumoconiosis Fund
- Public Employees' Retirement
- Teachers' Retirement

VESTMENT POLICY

At a regular meeting of the West Virginia State Board of Investments on February 19, 1985, a new investment policy was adopted. The proposal was introduced by the Treasurer and seconded by the Governor. The proposal was approved with the Auditor opposing. The proposal, as adopted, contained three broad policy guidelines:

- (1) The Treasurer of State, as staff agency for the Board, shall administer the Consolidated Funds in accordance with the following guidelines for diversification of the portfolio according to the kind of investment instrument, the quality of investment instrument, and the maturity of investment instrument;
- (2) No investment may be made with a maturity date beyond ten (10) years, without approval of the majority of the Board, for those funds managed by and within the Treasurer of State's Office; and,
- (3) The Treasurer of State, as staff agency for the Board, shall be authorized to sell any investment within the Board's portfolio regardless of the maturity that it deems prudent and in the best interest of maintaining the financial integrity of the Consolidated Funds."

We noted that the policy guidelines pertained to the Consolidated Funds. We were informed by Assistant Treasurer for Investments that the Treasurer's staff follows in most instances the investment advice of the individual investment advisors for the long-term pension funds. However, during those periods when the Treasurer's staff managed those funds in 1985, when investment advisors' contracts were voided, the Treasurer's staff followed the investment strategy utilized for the Consolidated Funds.

General Investment Policies

1) Purpose

To invest and protect the assets of the Consolidated Funds for the benefit of the citizens of the State of West Virginia. To seek the highest investment return consistent with the fiduciary standards established under State and Federal law, the regulations of the State of West Virginia and the guidelines of the Board of Investments.

2) Standard of Care

All investments are to be made with the exercise of that degree of judgment and care, under circumstances then prevailing, which people of experience,

prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the probable safety of their capital as well as the probable income to be derived.

3) Diversification

To diversify the investment of the assets of the Fund so as to minimize the risk of large losses.

4) Permissible Investments

The Fund shall abide by Section 12.6.9 of the West Virginia Code with regard to permissible investments.

5) Social Responsibility

To the extent that investments are consistent with all other standards established by the Board of Investments, selection of investments should consider the interests of the people of the State of West Virginia.

6) Supervision

The sole responsibility in the supervision of the assets of the Fund shall be with the Board of Investments of the State of West Virginia.

7) Custody

The Board of Investments shall designate and maintain custodian arrangements in its sole discretion and no investment advisor shall maintain custody of the securities of the Fund.

8) Investment Advisors

The Board of Investments will select and maintain investment advisors who shall act in accordance with the terms and conditions specified by the Board of Investments' Advisory Agreement.

Investment Objectives

1) Preservation of Capital

To preserve the capital investment in Funds.

2) Stability

To maintain a high level security in the Funds by minimizing risk and volatility insofar as possible within the rate of return objectives.

3) Liquidity

To maintain sufficient liquidity to provide for all anticipated withdrawals or transfers and to invest in issues with sufficient marketability to provide for unexpected withdrawals.

4) Turnover

To minimize transaction costs.

5) Rate of Return

a. The Fund shall seek an investment return from income which should exceed the inflation rate by at least three percentage points, using the annual GNP deflator, measured over a three to five year period.

b. The Fund shall seek a total investment return which exceeds the Shearson-Lehman Government Bond Index, measured over a one to three year period.

c. The Fund shall seek total investment performance which would place it in the top one-third of comparable funds, measured over each one year period by SEI.

Investment Restrictions

) West Virginia Code

The Fund shall abide by the quality restrictions of Section 12.6.9 of the West Virginia Code.

) Diversification

a. Not more than 20% of the Fund's value at market may be invested in any single industry sector. (The utility industry shall be separated for the purpose of this restriction between telephone, electric, gas distribution and similar segments.)

b. Not more than 3% of the Fund's value at market may be invested in the securities issued by a single private corporation or association.

c. The Fund shall maintain a reasonable balance between the various classes of fixed income securities, without over concentration.

3) Quality

The Fund shall abide by the quality restrictions of Section 12.6.9 of the West Virginia Code.

4) Equity Investments

The Fund shall not invest in equity securities or equity equivalent securities." Changes in Policy Guidelines - Calendar Year 1986

In addition, at the regular meeting of the West Virginia Board of Investments on May 14, 1986, new policy guidelines were adopted concerning the divestiture of investments from companies and/or financial institutions doing business with the Republic of South Africa or Namibia. The proposal was introduced by the Treasurer and seconded by the Auditor. The proposal was approved unanimously. The proposal, as adopted, contains these new guidelines:

"Whereas, the policy of Apartheid as maintained by the present government of the Republic of South Africa is not only morally repugnant to all who believe in the inherent rights of individual freedom and equal treatment under the law and has resulted in the systematic enslavement and subjugation of the non-white majority of South Africa and Namibia but casts doubt on the safety and stability of investment in companies doing business with, operating in, or making loans to the Republic of South Africa or Namibia;

Now, Therefore, Be It Resolved That:

1. No monies under the control of the West Virginia Board of Investments shall remain invested in or hereinafter be invested in the securities or other obligations of any company doing business directly in or with the Republic of South Africa or of Namibia.

2. No monies under the control of the West Virginia Board of Investments shall be deposited in any bank or financial institution which makes loans directly to the Republic of South Africa or Namibia or a governmental enterprise thereof.

3. It is the expressed goal of the West Virginia Board of Investments that the divestiture required by Section 1 be completed within three years of approval of this resolution so that no less than one-third the value of said investments be sold in any one year. However, consistent with the Board's fiduciary responsibilities and fiscal prudence, the three-year time period may be extended to complete the divestiture program so as to minimize financial market disturbances and to avoid absorbing any realized capital (market) losses within the portfolio.

JTE: This policy shall be in effect so long as apartheid remains the official policy of the government of South Africa."

Also, at a regular meeting of the West Virginia Board of Investments on July 24, 1986, the Treasurer proposed that the investment policy established by the Board on July 3, 1984 be rescinded. The investment policy established by the Board on July 3, 1984 regarding investment in real estate or real estate related trust investments stipulated that the Board's participation could not exceed either 50% of the project or the participation level of the lead lender. The proposal was seconded by the Auditor and was passed unanimously. The investment policy established by the Board on July 3, 1984 contained these guidelines:

"The West Virginia Board of Investments will invest in real estate or real estate related trust investments under the following conditions:

1. The project supporting the security will be located in West Virginia: real estate, shopping center and other property investments outside the State will not qualify.
2. The West Virginia State Board of Investments will not be the "lead lender". The West Virginia Board of Investments will participate only with a lead lender.
3. The maximum participation by the Board of Investments will not exceed either 50% of the project or the participation level of the lead lender.

4. The participation by the State Board of Investments will include full and proportionate participation in all conditions of the security agreement.
5. The total yield to the State Board of Investments will be at least equal to such yield as would be available through investments in Treasury securities of like term.
6. At no time shall more than 25% of any individual fund be invested in real estate related trust investments."

Also, at a regular meeting of the West Virginia State Board of Investments on December 29, 1986, a policy guideline regarding options was adopted after consideration of an official opinion of the Attorney General's Office dated December 19, 1984. The proposal, introduced by the Auditor and seconded by the Treasurer, was approved unanimously. The proposal, as adopted, contains these new guidelines:

"The Treasurer of State, as staff agency for the Board, shall be authorized to invest in financial futures contracts, options and other similar instruments for the sole purpose of performing hedges in order to reduce the risk associated with fluctuations in interest rates or market prices of investments made by the Board. Such investments shall be limited to direct obligations of, or obligations guaranteed as to the payment of both principal and interest by the United States of America; namely, treasury bills, notes and bonds. For purposes of this guideline, the word "hedge" means taking a position in the futures market which is opposite and approximately equal to the one held in the cash market. This policy guideline shall only be used as a defensive strategy in order to protect the overall values of our portfolios. Advance unanimous approval of the Board must be obtained prior to each transaction enacted under this guideline."

Management of the Funds

The State Treasurer's Office administered the activities of the following funds in the following periods in calendar year 1986:

Judges' Retirement System	January 1, 1986 - June 30, 1986
Public Safety Retirement System	January 1, 1986 - June 30, 1986
Pneumoconiosis Fund	January 1, 1986 - December 31, 1986
Teachers' Retirement System	January 1, 1986 - June 30, 1986

The activities of the various funds were administered by the following advisors during the following periods in calendar year 1986:

Investment Advisers, Inc.	
Public Employees' Retirement System	January 1, 1986 - December 31, 1986
Workers' Compensation Fund	January 1, 1986 - December 31, 1986
Charleston National Bank	
Public Safety Retirement System	July 1, 1986 - December 31, 1986
Judges' Retirement System	July 1, 1986 - December 31, 1986
Duff and Phelps Investment Management Co.	
Teachers' Retirement System	July 1, 1986 - December 31, 1986

EVALUATION OF STATE BOARD OF INVESTMENTS

We obtained copies of the rating services' evaluation of the Consolidated Pension Funds' performance for the quarters ended March 31, 1986, June 30, 1986 and September 30, 1986 as prepared by SEI Funds Evaluation, Inc. The rating services' evaluation of the quarter ended December 31, 1986 was not yet available at the conclusion of our current fieldwork (January 30, 1987). We reviewed the rating services' reports and noted the following observations:

<u>Fund</u>	<u>Time-Weighted Rate of Return for Quarter Ended</u>		
	<u>09/30/86</u>	<u>06/30/86</u>	<u>03/31/86</u>
Judges'	2.0%	2.8%	5.6%
Public Safety	1.6%	2.9%	5.1%
Workers' Compensation	2.5%	2.2%	5.8%
Pneumoconiosis	6.6%	(4.2%)	11.2%
Public Employees'	3.0%	2.1%	7.0%
Teachers'	3.2%	2.0%	4.9%

The asset allocation was ranked against SEI's bond fund universe. The results reported by the rating service concerning asset allocation for the quarters ended March 31, 1986, June 30, 1986 and September 30, 1986 were as follows:

<u>Fund</u>	<u>Quarter Ended</u>		
	<u>09/30/86</u>	<u>06/30/86</u>	<u>03/31/86</u>
Judges':			
Bonds	96.4%	98.1%	61.7%
Cash Equivalents	3.6%	1.9%	38.3%

<u>Fund</u>	<u>Quarter Ended</u>		
	<u>09/30/86</u>	<u>06/30/86</u>	<u>03/31/86</u>
Public Safety:			
Bonds	92.8%	99.2%	65.1%
Cash Equivalents	7.2%	.8%	34.9%
Workers' Compensation:			
Bonds	93.3%	89.6%	85.7%
Cash Equivalents	2.0%	4.8%	8.3%
Private Placements	4.7%	5.6%	6.0%
Pneumoconiosis:			
Bonds	88.1%	73.8%	74.1%
Cash Equivalents	1.1%	12.1%	12.3%
Private Placements	10.8%	14.1%	13.5%
Public Employees':			
Bonds	95.5%	92.7%	93.4%
Cash Equivalents	1.2%	6.6%	5.9%
Private Placements	3.3%	.7%	.7%
Teachers':			
Bonds	98.0%	97.1%	86.1%
Cash Equivalents	2.0%	2.9%	13.9%

INVESTMENT ACTIVITIES

The activities of the state long-term trust funds under the aforementioned policy follows:

	<u>Judges'</u>	<u>Public Safety</u>	<u>Workers' Compensation</u>
Rate of Return:			
1986	12.18%	11.34%	12.87%
1985	12.38%	12.01%	11.80%
Sales 1986:			
Number	24	24	59
Average Years Held	0.27	0.29	3.34
Average Years to Maturity from Sale Date	6.59	6.31	13.25
Average Rate of Return	2.182%	2.727%	16.168%
Average Approximate Yield at Maturity	8.215%	8.131%	8.386%
Par Value	\$38,500,000	\$59,000,000	\$666,653,959
Book Value	\$37,683,370	\$58,483,432	\$597,170,582
Sale Proceeds	\$38,054,402	\$59,136,057	\$618,114,642
Net Gain	\$371,031	\$652,625	\$20,944,060
Total Earned	\$821,696	\$1,594,045	\$96,580,876
Sale of Investments Held Less Than One Year:			
Number	23	23	28
% of Total	95.83%	95.83%	47.46%
Average Days Held	84	88	84
Average Years to Maturity from Sale Date	6.42	6.13	8.46
Average Rate of Return	1.847%	2.247%	5.178%
Average Approximate Yield at Maturity	8.246%	8.162%	8.616%
Par Value	\$37,000,000	\$55,500,000	\$513,500,000
Book Value	\$36,186,229	\$54,990,102	\$456,245,266
Sale Proceeds	\$36,573,152	\$55,679,807	\$471,013,575
Net Gain	\$386,923	\$689,705	\$14,768,309
Total Earned	\$667,834	\$1,235,033	\$23,573,999
% of Total	81.28%	77.48%	24.41%
Purchases 1986:			
Number	25	28	42
Average Years to Maturity	6.64	7.76	8.41
Approximate Yield at Maturity	7.966%	8.036%	7.884%
Total:			
Par Value	\$38,500,000	\$71,000,000	\$684,898,438
Purchase Price	\$37,666,036	\$70,412,346	\$670,199,366

<u>moconiosis</u>	<u>Public Employees'</u>	<u>Teachers'</u>
18.81%	13.30%	13.23%
17.14%	13.56%	11.33%
68	63	87
0.12	2.88	0.26
7.63	13.92	4.49
.994%	10.319%	3.256%
7.506%	8.623%	8.358%
3,800,000	\$708,514,416	\$758,150,000
3,400,652	\$675,636,560	\$751,964,232
1,585,582	\$706,274,977	\$764,781,606
2,184,931	\$30,638,416	\$12,817,374
3,571,223	\$69,914,673	\$24,476,612
65	35	85
95.59%	55.56%	97.70%
22	102	62
7.78	8.82	4.34
.691%	6.857%	3.094%
7.475%	8.690%	8.373%
1,500,000	\$600,100,000	\$747,150,000
1,154,256	\$573,772,291	\$741,075,906
1,864,770	\$597,619,140	\$754,003,949
1,710,514	\$23,846,849	\$12,928,043
1,452,941	\$39,300,293	\$22,919,433
68.69%	56.21%	93.64%
59	50	86
8.37	8.62	5.91
7.416%	7.898%	7.775%
1,604,913	\$746,225,813	\$831,750,000
1,329,923	\$743,859,994	\$807,115,101

<u>Investment Activities - Continued</u>	<u>Judges'</u>	<u>Public Safety</u>	<u>Workers' Compensation</u>
Purchases Sold:			
Number	19	20	23
% of Total	76.00%	71.43%	54.76%
Average Days Held	77	84	66
Average Rate of Return	1.092%	1.922%	2.449%
Average Approximate Yield at Maturity	8.108%	8.068%	7.866%
Par Value	\$32,500,000	\$50,500,000	\$322,500,000
Book Value	\$31,705,913	\$50,001,842	\$322,624,816
Sale Proceeds	\$31,893,581	\$50,582,424	\$326,338,125
Net Gain	\$187,669	\$580,582	\$3,713,309
Total Earned	\$345,902	\$960,412	\$7,902,822
Investments on Hand:			
December 31, 1986:			
Number	15	16	111
Average Years to Maturity	5.65	5.83	13.63
Approximate Yield at Maturity	9.663%	9.181%	8.421%
Total:			
Par Value	\$9,436,000	\$20,581,000	\$548,732,847
Book Value	\$9,426,111	\$20,586,716	\$531,974,137
Expected:			
Earnings at Maturity	\$5,205,038	\$10,257,009	\$316,527,229
Cash in 1987	\$2,717,823	\$6,503,286	\$53,855,292
December 31, 1985:			
Number	6	7	131
Average Years to Maturity	5.12	3.52	16.12
Approximate Yield at Maturity	9.751%	9.516%	9.359%
Total:			
Par Value	\$8,460,000	\$20,812,449	\$582,147,504
Book Value	\$8,434,491	\$20,733,394	\$511,226,871
Expected:			
Earnings at Maturity	\$3,051,749	\$4,437,873	\$476,839,859
Cash in 1986	\$630,375	\$4,458,641	\$124,111,543

<u>amoconiosis</u>	<u>Public Employees'</u>	<u>Teachers'</u>
62	24	62
105.08%	48.00%	72.09%
18	51	36
0.622%	2.047%	2.037%
7.462%	8.036%	8.038%
14,500,000	\$375,100,000	\$541,150,000
50,165,996	\$376,530,335	\$537,664,977
51,767,387	\$379,968,409	\$542,929,060
\$1,601,390	\$3,438,074	\$5,264,082
\$2,178,319	\$7,709,474	\$10,948,261
9	112	31
9.26	9.94	9.70
9.976%	9.575%	8.947%
26,319,104	\$763,709,528	\$255,875,411
22,768,276	\$747,076,912	\$234,598,429
11,164,210	\$366,564,623	\$201,324,579
2,645,460	\$181,665,530	\$17,085,101
8	120	32
5.51	14.08	7.61
9.715%	8.981%	9.011%
10,727,500	\$701,273,526	\$239,064,123
9,075,263	\$658,151,995	\$235,654,858
14,139,861	\$438,541,467	\$152,094,595
13,316,250	\$60,997,013	\$56,184,432

TERMS OF NOTE

The rate of return increased or decreased over the prior year as follows: Judges (.20%); Public Safety (.67%); Workers' Compensation 1.07%; Pneumoconiosis .67%; Public Employees' (.26%); and Teachers' 1.90%. This averages to an overall increase of .59% over last year. The rate of return of all funds averaged 3.62% in 1986 and 13.03% in 1985.

All trust funds experienced net gains on sale of investments during the year as follows: Judges' \$371,031; Public Safety \$652,625; Workers' Compensation 20,944,060; Pneumoconiosis \$2,184,931; Public Employees' \$30,638,416; and Teachers' 12,817,374. The total net gain on sale of investments for all funds in 1986 was 57,608,437.00.

There were a total of 325 investments sold during the year and of that total, 259 or 80% were held for less than a year. Of the total net gain of 57,608,437 realized during the year, \$54,330,343 was from the 259 investments. The difference of \$13,278,094 between the amounts represents gains realized from the sale of the 66 investments held over one year.

There were 290 purchases during the year totaling \$2,729,979,164 par value and \$2,690,582,766 purchase price resulting in a discount of \$39,396,398. Of the 290 purchases, 210 or 72% of these were sold. The earnings on the sale of these purchases totaled \$30,045,190 and the net gain on the sale of these purchases totaled \$14,785,106.

The investments on hand at December 31, 1986 were over (under) the investments on hand at December 31, 1985 as follows: number of investments (10); average years to maturity .34; total par value \$52,168,788; total book value 13,153,709; expected earnings at maturity (\$168,062,716); and, expected cash in 1987 \$14,774,238.

We noted the following changes in the amount of repurchase agreements on hand at December 31, 1986:

<u>Fund</u>	<u>1986</u>	<u>1985</u>	<u>(Over) Under 1986</u>
Judges'	\$ 1,836,000	\$ 1,360,000	\$ 476,000
Public Safety	3,581,000	8,320,000	(4,739,000)
Workers' Compensation	88,396,000	79,740,000	8,656,000
Pneumoconiosis	11,754,000	9,390,000	2,364,000
Public Employees'	126,136,000	57,750,000	68,386,000
Teachers'	7,997,000	15,640,000	(7,643,000)
	<u>\$239,700,000</u>	<u>\$172,200,000</u>	<u>\$ 67,500,000</u>

The total amount of repurchase agreements increased by \$67,500,000 at December 31, 1986 over the amount invested on December 31, 1985. It appears the Board is continuing its commitment to the utilization of repurchase agreements.

AUDITORS' OPINION

The Honorable Encil Bailey
Legislative Auditor
State Capitol - West Wing
Charleston, West Virginia

Sir:

We have examined the schedules of investment balances of the West Virginia State Board of Investments for the year ended December 31, 1986. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the schedules referred to above present fairly the investment balances of the West Virginia State Board of Investments at December 31, 1986 in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination was made for the purpose of forming an opinion on the schedules of investment balances taken as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic schedules of investment balances. Such information has been subjected to the auditing procedures applied in the examination of the basic schedules of investment balances and, in our opinion, is fairly stated in all material respects in relation to the basic schedules of investment balances taken as a whole.

Respectfully submitted,



Thedford L. Shanklin, CPA, Director
Legislative Postaudit Division

January 30, 1987

Auditors: Michael E. Sizemore, CPA, Supervisor
David M. Lonchar
Lisa A. Ruble
Robert A. Sheets
Glenn M. Hutchinson

WEST VIRGINIA STATE BOARD OF INVESTMENTS
 SCHEDULE OF CONSOLIDATED PENSION FUND
 INVESTMENT BALANCES BY RETIREMENT SYSTEM

<u>Agency Number</u>	<u>Name of Agency</u>	<u>As of December 31, 1986</u>	
		<u>Par Value</u>	<u>Current Book Value</u>
7615	Judges' Retirement	\$ 9,436,000.00	\$ 9,426,111.25
7620	Department of Public Safety	20,581,000.00	20,586,716.20
7625	Workers' Compensation	548,732,846.79	531,974,137.09
7630	Pneumoconiosis Fund	26,319,104.37	22,768,276.12
7635	Public Employees' Retirement	763,709,528.47	747,076,911.95
7640	Teachers' Retirement	255,875,411.00	234,598,428.92
	Total Investment Balances	<u>\$1,624,653,890.63</u>	<u>\$1,566,430,581.53</u>

See Accompanying Note

As of December 31, 1985

<u>Par Value</u>	<u>Current Book Value</u>
\$ 8,460,000.00	\$ 8,434,490.94
20,812,449.47	20,733,393.72
582,147,504.10	511,226,871.14
20,727,500.00	19,075,263.25
701,273,526.26	658,151,995.40
<u>239,064,122.96</u>	<u>235,654,858.48</u>
<u><u>\$1,572,485,102.79</u></u>	<u><u>\$1,453,276,872.93</u></u>

X
WEST VIRGINIA STATE BOARD OF INVESTMENTS
SCHEDULE OF CONSOLIDATED FUND INVESTMENT

g m H

BALANCES BY POOL

<u>Description</u>	Pool (Fund) Number	Account Number	<u>As of December 31, 1986</u>	
			<u>Par Value</u>	<u>Current Book Value</u>
Consolidated Pool Unrestricted	100	7600-05	\$ 823,350,268.79	\$ 772,971,134.15
Consolidated Pension Pool	110	7645-12	440,792,326.57	439,166,225.65
Local Government Pension	115	7605-13	56,252,594.51	55,381,405.99
Highway Construction and Huntington Toll Bridge	120	6940-05	7,850,000.00	7,732,928.13
The School Fund	130	7440-05	998,000.00	1,003,188.44
Undistributed Restricted Pool	140	7610-05	764,265,779.28	769,682,012.34
Municipal Bond Commission (Huntington Toll Bridge)	150	7320-10A	1,005,000.00	993,221.88
Municipal Bond Commission (County Revenue)	152	7320-10H	169,000.00	158,674.24
Municipal Bond Commission (WVU Project II Escrow)	160	7320-10B	2,580,000.00	2,496,439.00
Municipal Bond Commission County Schools	162	7320-10E	8,795,200.00	9,081,001.42
Municipal Bond Commission (New Martinsville Toll Bridge)	164	7320-10F	300,000.00	56,655.00
Municipal Bond Commission - Escrow Account	166	7320-10G	3,850,000.00	3,065,974.31
Municipal Bond Commission	170	7320-10C	21,053,000.00	15,849,566.79
Retirement System Operating Account	3300	7649-13	253,260,117.71	254,018,623.96
WCF-HDF Loan Fund	4900	7645-34	47,189,806.60	47,189,806.60
WCF-OECD Loan Fund	5100	7645-23	12,040,828.12	12,040,828.12
Finance and Administration - Certificate of Participation	9500	9500-20A	5,324,441.00	5,324,441.00
Finance and Administration - Reserve Account	9523	9500-23A	1,560,000.00	1,560,000.00
Finance and Administration - Issuance Differential	9524	9500-24A	811,000.00	811,000.00
Revenue Sharing	9700	9700-05	3,950,000.00	3,950,000.00
Total Investment Balances			<u>\$2,455,397,362.58</u>	<u>\$2,402,533,127.02</u>

See Accompanying Note

As of December 31, 1985

<u>Par Value</u>	<u>Current Book Value</u>
897,704,912.80	\$ 892,269,232.55
507,148,343.80	451,999,495.05
51,485,978.15	38,689,952.57
7,850,000.00	7,732,928.13
998,000.00	1,003,188.44
607,244,667.50	542,741,412.86
1,005,000.00	993,221.88
-0-	-0-
2,630,000.00	2,548,939.00
8,898,200.00	9,129,126.88
300,000.00	56,655.00
3,944,000.00	3,144,442.80
13,895,000.00	12,860,432.12
234,310,468.75	210,141,818.04
54,633,612.06	54,633,612.06
9,833,905.26	9,833,905.26
-0-	-0-
-0-	-0-
-0-	-0-
-0-	-0-
<u>,401,882,088.32</u>	<u>\$2,237,778,362.64</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS

NOTES

Note A - Accounting Policies

Investments - Short-term investments are stated at cost. Long-term investments are stated at cost, less amortization of premiums, plus accretions of discount. In relation to investments shown in Note B, only investments in United States Treasury Notes and Bonds have a readily determinable market value for inclusion in the calculation of market value and book value in the Consolidated Fund. However, in relation to investments as shown in Note B below, only repurchase agreements and any investments maturing within one year from the balance sheet date do not have a readily determinable market value for inclusion in the calculation of market value and book value in the Consolidated Pension Fund. The accrual basis of accounting is followed in the accounting for all investments.

Note B - Deposits and Investments

Deposits - The following narrative briefly describes the various accounts maintained by the Treasurer of State's Office for the purposes of collecting, investing and disbursing funds. The following amounts are disclosed at December 31, 1986:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Fund</u>
Insured (FDIC)	\$ 1,062,000	\$ 1,062,000	Consolidated
Uninsured:			
Collateral Held by Bank's Trust Department in State of West Virginia's Name	<u>125,917,775</u>	<u>125,917,775</u>	Consolidated
Total Deposits	<u>\$126,979,775</u>	<u>\$126,979,775</u>	

The Treasurer of State's Office currently has demand deposit accounts at 218 financial institutions. These accounts are basically of four types, which are described below.

Receipts Accounts

These accounts serve two basic purposes. First, all moneys due the State must be deposited into an account of the Treasurer of State. Receipts accounts, established at financial institutions throughout the State, allow State agencies to deposit these funds into the Treasurer of State's account wherever they are located.

Second, all CD's purchased from financial institutions are processed through the receipts account. On the date of purchase, funds are transferred to the receipts account. The financial institution then debits the account, thus reflecting the purchase.

There are two types of receipts accounts. First, the four major State depositories are compensated for the services they provide the State on a fee basis. Once the actual charges are determined, a compensating balance remains with the financial institution to pay for these charges. These institutions and the major agencies they serve are as follows:

First National Bank of Morgantown	- West Virginia University
Kanawha Valley Bank of Charleston	- Department of Motor Vehicles
National Bank of Commerce - Charleston	- Tax Department and Workers' Compensation Fund
United National Bank - Charleston	- Treasurer of State's Office

Second, the other 211 financial institutions are compensated in the following manner. After the State agency has notified the Treasurer of State that funds have been deposited into his account, a depository transfer check (DTC) is written to the account any time during the week the account balance exceeds \$20,000. Once a week, a DTC is written for any sums that exceed \$1,000. These DTC's are deposited with United National Bank of Charleston.

Third, collected balances from the three major receipt financial institutions, in excess of the compensating balances, are wired to the receipts account at Kanawha Valley Bank of Charleston. This account is also used to settle all wire activity for local governmental subdivisions investing in the State Consolidated Investment Fund. Any funds in excess of compensating balance requirements are wired to Morgan Guaranty Bank in New York. This financial institution settles all investment activity relating to the Consolidated Investment Pool. The Treasurer of State's book balance for the receipts accounts at December 31, 1986 was \$114,968,775.

Disbursement Account

The Treasurer of State's Office currently has one disbursement account. This account must be awarded by competitive bid. Wheeling Dollar Bank currently has a contract for this account. The fees charged by this financial institution are paid for by a compensating balance.

Only funds on deposit in this account are those for the compensating balance. Funds are transferred to this account to cover the checks written on the account until the checks are presented for payment. At that time, funds are wired from Morgan Guaranty Bank to cover the checks. At December 31, 1986, the compensating balance on deposit at Wheeling Dollar Bank was \$4,800,000.

Investment Account

The Treasurer of State's Office currently uses two financial institutions to settle all investment activity. These are Morgan Guaranty Bank of New York for activity related to the Consolidated Investment Pool, and Chemical Bank of New York for all activity related to the Consolidated Investment Fund.

Collateral Account

The Treasurer of State's Office maintains a collateral account at Charleston National Bank. Among the purposes of the collateral account is the securing of deposits in excess of the \$100,000 limit consistent with FDIC insured accounts. At December 31, 1986, the compensating balance on deposit at Charleston National Bank was \$7,211,000.

Investments - Investment in the State of West Virginia's consolidated cash and investment pool are stated at cost or amortized cost, plus accrued interest. Other investments are stated at cost or amortized cost. Market values include accrued interest only if the carrying amounts include it.

	<u>Carrying Amount</u>	<u>Market Value</u>
Repurchase Agreements:		
Consolidated	\$ 432,695,441.00	\$ 432,695,441.00
Consolidated Pension	239,700,000.00	239,700,000.00
	<hr/>	<hr/>
Total Repurchase Agreements	672,395,441.00	672,395,441.00
Other Investments:		
U.S. Treasury Notes/Bonds:		
Consolidated	1,299,639,579.72	1,300,135,300.40
Consolidated Pension	699,306,772.24	733,319,718.40
	<hr/>	<hr/>
	1,998,946,351.96	2,033,455,018.80
U.S. Government Notes/Bonds:		
Consolidated Pension	4,747.67	4,747.67
U.S. Agency Notes:		
Consolidated	5,496,439.00	5,572,689.00
Consolidated Pension	236,246,946.73	242,996,952.06
	<hr/>	<hr/>
	241,743,385.73	248,569,641.06
State and Local Governmental Units of U.S. Government (SLUGS):		
Consolidated	5,864,200.00	5,864,200.00
Zero Coupon Bonds:		
Consolidated	76,820,092.98	76,820,092.98
Consolidated Pension	54,377,971.63	58,111,431.64
	<hr/>	<hr/>
	131,198,064.61	134,931,524.62
Governmental National Mortgage Association:		
Consolidated Pension	38,644,158.33	38,649,218.62
Farmers' Home Administration/Veterans' Administration Mortgages:		
Consolidated Pension	49,095,709.22	50,063,990.80
Management Program One Mortgages:		
Consolidated Pension	18,781,089.65	18,781,089.65
WV Housing and Development Mortgages:		
Consolidated	107,904,032.98	107,904,032.98
Jackson County Housing and Development Mortgages:		
Consolidated	6,566,870.24	6,566,870.24
Corporate Mortgage Obligations:		
Consolidated Pension	25,294,179.90	25,294,190.73

	<u>Carrying Amount</u>	<u>Market Value</u>
Municipal Bonds:		
Consolidated	\$ 86,919.85	\$ 86,919.85
Corporate Bonds:		
Consolidated	213,931,520.32	213,931,520.32
Consolidated Pension	198,711,006.16	200,440,765.15
	<u>412,642,526.48</u>	<u>414,372,285.47</u>
Industrial Loans:		
Consolidated Pension	6,268,000.00	3,652,238.24
Certificates of Deposit:		
Consolidated	<u>253,528,030.93</u>	<u>253,528,030.93</u>
Total Other Investments	<u>3,296,568,267.55</u>	<u>3,341,723,999.66</u>
Total Investments	<u>\$3,968,963,708.55</u>	<u>\$4,014,119,440.66</u>

te C - Equity in Pooled Cash, Pooled Investments and Investments

apter 12, Article 6, Section 8, Subsections (a) through (f) of the West Virginia Code describe the management of the Consolidated Fund and Consolidated Pension Fund, as well as identify those governmental units that may invest funds. Chapter 12, Article 6, Section 8, Subsections (a) through (f) state:

(a) There is hereby established a special investment fund to be managed by the board and designated as the "consolidated pension fund" for the common investment of pension funds. All administrators, custodians or trustees of the various pension funds are hereby authorized to make moneys available to the board for investment. Pension funds received by the board shall be deposited in the consolidated pension fund. Any security deposited by the various pension funds shall be valued at the prevailing market price on the day of deposit.

(b) There is hereby also established a special investment fund to be managed by the board and designated as the "consolidated fund." The consolidated fund shall consist of a special account for the common investment of state funds designated as the "state account" and a special account for the common investment of local government funds designated as the "local government account." Moneys in both accounts may be combined for the common investment of the consolidated fund on an equitable basis.

(c) Each board, commission, department, official or agency charged with the administration of state funds is hereby authorized to make moneys available to the board for investment. State funds received by the board shall be deposited in the state account.

(d) Each political subdivision of this State through its treasurer or equivalent financial officer is hereby authorized to enter into agreements with the board for the investment of moneys of such political subdivision: Provided, that it first be determined by the treasurer for such political subdivision that the available interest rate offered by an acceptable depository in such treasurer's county be less than the interest rate, net of administrative fees referred to in article six [§ 12-6-1 et seq.], chapter twelve of this Code, offered it through the state board of investments. Local government funds received by the board

pursuant to such agreements shall be deposited in the local government account. Any political subdivision may enter into an agreement with any state agency from which it receives funds to allow such funds to be transferred to their investment account with the state board of investments.

(e) Each county board of education through its treasurer is hereby authorized to enter into agreements with the board of investments for the investment of moneys of such county board of education: Provided, however, that it first be determined by the treasurer for such county board of education that the available interest rate offered by an acceptable depository in such treasurer's county be less than the interest rate, net of administrative fees referred to in article six [§ 12-6-1 et seq.], chapter twelve of this Code, offered it through the state board of investments.

(f) Moneys held in the various funds and accounts administered by the board shall be invested as permitted in section nine [§ 12-6-9] and subject to the restrictions contained in section ten [§ 12-6-10] of this article. The board shall maintain records of the deposits and withdrawals of each participant and the performance of the various funds and accounts. The board shall also establish such rules and regulations for the administration of the various funds and accounts established by this section as it shall deem necessary for the administration thereof, including, but not limited to: (1) The specification of minimum amounts which may be deposited in any fund or account and minimum periods of time for which deposits will be retained; (2) creation of reserves for losses; (3) provision for payment of expenses from earnings; and (4) distribution of the earnings in excess of such expenses or allocation of losses to the several participants in an equitable manner: Provided, that in the event any moneys made available to the board may not lawfully be combined for investment or deposited in the consolidated funds established by this section, the board may create special accounts and may administer and invest such moneys in accordance with the restrictions specially applicable thereto.

Deposits - At December 31, 1986, the carrying amount and bank balance of compensating balances forming the State of West Virginia's deposits was \$126,979,775. This amount, \$1,062,000 was covered by Federal depository insurance and \$25,917,775 was covered by the collateral account.

Investments - Chapter 12, Article 6, Section 9 of the West Virginia Code describes permissible investments. Chapter 12, Article 6, Section 9 states:

Notwithstanding the restrictions which may otherwise be provided by law as to the investment of funds, the board may invest funds made available to it in any of the following:

(a) Any direct obligation of, or obligation guaranteed as to the payment of both principal and interest by, the United States of America;

(b) Any evidence of indebtedness issued by any of the following agencies: Government National Mortgage Association, federal land banks, federal home loan banks, federal intermediate credit banks, banks for cooperatives, Tennessee valley authority, United States postal service, farmers home administration, export-import bank, federal financing bank, Federal Home Loan Mortgage Corporation, Student Loan Marketing Association and Federal Farm Credit Banks;

(c) Any evidence of indebtedness issued by the Federal National Mortgage Association to the extent such indebtedness is guaranteed by the Government National Mortgage Association;

(d) Any evidence of indebtedness that is secured by a first lien deed of trust or mortgage upon real property situate within this State, if the payment thereof is substantially insured or guaranteed by the United States of America or any agency thereof;

(e) Direct and general obligations of this State;

(f) Any undivided interest in a trust, the corpus of which is restricted to mortgages on real property and, unless all of such property is situate within the State and insured, such trust at the time of the acquisition of such undivided interest, is rated in one of the three highest rating grades by an agency which is nationally known in the field of rating pooled mortgage trusts;

(g) Any bond, note, debenture, commercial paper or other evidence of indebtedness of any private corporation or association organized and operating in the United States: Provided, that any such security is, at the time of its acquisition, rated in one of the three highest rating grades by an agency which is nationally known in the field of rating corporate securities: Provided, however, that if any commercial paper and/or any such security will mature within one year from the date of its issuance, it shall, at the time of its acquisition, be rated in one of the two highest rating grades by such an agency: Provided further, that any such security not rated in one of the two highest rating grades by any such agency and commercial paper or other evidence of indebtedness of any private corporation or association shall be purchased only upon the written recommendation from an investment adviser that has over three hundred million dollars in other funds under its management;

(h) Negotiable certificates of deposit issued by any bank, trust company, national banking association or savings institution organized and operating in the United States, which mature in less than one year and are fully collateralized; and

(i) Interest earning deposits including certificates of deposit, with any duly designated state depository, which deposits are fully secured by a collaterally secured bond as provided in section four [§ 12-1-4], article one of this chapter. (1967, c. 162; 1970, c. 53; 1971, c. 10; 1973, c. 14; 1978, c. 58; 1979, c. 65; 1983, c. 123.)

SUPPLEMENTAL INFORMATION

WEST VIRGINIA STATE BOARD OF INVESTMENTS

SCHEDULE OF INVESTMENT TRANSACTIONS

	Year Ended December 31, 1986	
	<u>Par Value</u>	<u>Current Book Value</u>
<u>Judges' Retirement - 7615</u>		
Beginning Investment Balance	\$ 8,460,000.00	\$ 8,434,490.94
Add: Purchases	262,316,000.00	261,478,051.26
Less: Maturities	261,340,000.00	260,527,341.80
Add: Accretions - Gains	-0-	41,559.07
Less: Amortizations - Losses	-0-	648.22
Ending Investment Balances	<u>\$ 9,436,000.00</u>	<u>\$ 9,426,111.25</u>
<u>Department of Public Safety - 7620</u>		
Beginning Investment Balance	\$ 20,812,449.47	\$ 20,733,393.72
Add: Purchases	620,088,000.00	619,500,346.25
Less: Maturities	620,319,449.47	619,745,446.71
Add: Accretions - Gains	-0-	100,012.04
Less: Amortizations - Losses	-0-	1,589.10
Ending Investment Balance	<u>\$ 20,581,000.00</u>	<u>\$ 20,586,716.20</u>

Year Ended December 31, 1985

<u>Par Value</u>	<u>Current Book Value</u>
7,525,000.00	\$ 7,506,712.29
77,834,000.00	577,527,625.49
76,899,000.00	576,598,997.42
-0-	3,206.77
-0-	4,056.19
<u>8,460,000.00</u>	<u>\$ 8,434,490.94</u>

19,949,143.59	\$ 19,830,084.66
61,714,000.00	1,461,397,625.50
60,850,694.12	1,460,489,494.76
-0-	18,013.20
-0-	22,834.88
<u>20,812,449.47</u>	<u>\$ 20,733,393.72</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS

SCHEDULE OF INTEREST EARNINGS AND

NET GAIN ON SALE OF INVESTMENTS

	Year Ended December 31,	
	1986	1985
<u>Police' Retirement - 7615I</u>		
Beginning Interest Balance	\$ 271,058.92	(\$ 7,132.15)
Accrued Interest <i>+ Net Gain on Sale of Inv -</i>	1,096,693.85	1,007,024.48
	<u>1,367,752.77</u>	<u>999,892.33</u>
Less: Service Fees	8,225.20	7,552.68
Less: Withdrawals	-0-	166,134.83
Less: Interest Reinvested <i>Interest & Net Gain on Sale of Investments Reinvested</i>	<u>1,111,317.87</u>	<u>555,145.90</u>
Ending Interest Balance	<u>\$ 248,209.70</u>	<u>\$ 271,058.92</u>
 <u>Department of Public Safety - 7620I</u>		
Beginning Interest Balance	\$ 596,411.45	(\$ 202,698.61)
Accrued Interest	2,361,205.64	2,452,493.58
	<u>2,957,617.09</u>	<u>2,249,794.97</u>
Less: Service Fees	17,709.05	18,393.71
Less: Withdrawals	2,370,161.84	1,634,989.81
Less: Interest Reinvested	<u>-0-</u>	<u>-0-</u>
Ending Interest Balance	<u>\$ 596,746.20</u>	<u>\$ 596,411.45</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS
 SCHEDULE OF INVESTMENT TRANSACTIONS

	Year Ended December 31, 1986	
	Par Value	Current Book Value
<u>Workers' Compensation - 7625</u>		
Beginning Investment Balance	\$ 582,147,504.10	\$ 511,226,871.14
Add: Purchases	12,013,135,000.00	12,018,022,667.50
Less: Maturities	12,046,549,657.31	11,999,880,255.05
Add: Accretions - Gains	-0-	2,796,673.26
Less: Amortizations - Losses	-0-	191,819.76
Ending Investment Balance	<u>\$ 548,732,846.79</u>	<u>\$ 531,974,137.09</u>
<u>Pneumoconiosis Fund - 7630</u>		
Beginning Investment Balance	\$ 20,727,500.00	\$ 19,075,263.25
Add: Purchases	1,037,583,912.69	1,041,308,923.42
Less: Maturities	1,031,992,308.32	1,037,596,113.40
Add: Accretions - Gains	-0-	31,502.87
Less: Amortizations - Losses	-0-	51,300.02
Ending Investment Balance	<u>\$ 26,319,104.37</u>	<u>\$ 22,768,276.12</u>

Year Ended December 31, 1985

<u>Par Value</u>	<u>Current Book Value</u>
521,243,155.44 \$	504,527,548.23
820,888,308.75	12,718,984,677.14
759,983,960.09	12,713,429,476.31
-0-	1,527,204.09
-0-	383,082.01
<u>582,147,504.10 \$</u>	<u>511,226,871.14</u>

31,767,500.00 \$	15,860,230.04
956,716,000.00	948,521,744.16
967,756,000.00	945,444,771.35
-0-	144,105.79
-0-	6,045.39
<u>20,727,500.00 \$</u>	<u>19,075,263.25</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS

SCHEDULE OF INTEREST EARNINGS AND

NET GAIN ON SALE OF INVESTMENTS

	Year Ended December 31,	
	1986	1985
<u>Traders' Compensation - 7625I</u>		
Beginning Interest Balance	\$14,090,441.51	\$10,990,739.53
Accrued Interest	<u>67,679,163.64</u>	<u>59,216,859.05</u>
	81,769,605.15	70,207,598.58
Less: Service Fees	507,593.73	441,126.45
Less: Withdrawals	45,673,570.62	55,676,030.62
Less: Interest Reinvested	<u>18,993,959.35</u>	<u>-0-</u>
Ending Interest Balance	<u>\$16,594,481.45</u>	<u>\$14,090,441.51</u>
 <u>Sumoconiosis Fund - 7630I</u>		
Beginning Interest Balance	\$ 662,095.44	\$ 1,605,995.15
Accrued Interest	<u>3,966,484.58</u>	<u>3,206,069.24</u>
	4,628,580.02	4,812,064.39
Less: Service Fees	29,748.63	24,045.51
Less: Withdrawals	-0-	-0-
Less: Interest Reinvested	<u>3,781,416.16</u>	<u>4,125,923.44</u>
Ending Interest Balance	<u>\$ 817,415.23</u>	<u>\$ 662,095.44</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS
 SCHEDULE OF INVESTMENT TRANSACTIONS

	<u>Year Ended December 31, 1986</u>	
	<u>Par Value</u>	<u>Current Book Value</u>
<u>Public Employees' Retirement System - 7635</u>		
Beginning Investment Balance	\$ 701,273,526.26	\$ 658,151,995.40
Add: Purchases	10,865,355,000.00	10,861,303,343.75
Less: Maturities	10,802,918,997.79	10,772,803,679.28
Add: Accretions - Gains	-0-	2,096,709.88
Less: Amortizations - Losses	-0-	1,671,457.80
Ending Investment Balance	<u>\$ 763,709,528.47</u>	<u>\$ 747,076,911.95</u>

<u>Teachers' Retirement System - 7640</u>		
Beginning Investment Balance	\$ 239,064,122.96	\$ 235,654,858.48
Add: Purchases	5,011,369,062.50	4,986,692,116.67
Less: Maturities	4,994,557,774.46	4,987,892,100.93
Add: Accretions - Gains	-0-	886,851.37
Less: Amortizations - Losses	-0-	743,296.67
Ending Investment Balance	<u>\$ 255,875,411.00</u>	<u>\$ 234,598,428.92</u>

Year Ended December 31, 1985

<u>Par Value</u>	<u>Current Book Value</u>
500,610,823.36 \$	570,726,629.26
163,325,000.00	15,937,559,971.70
162,662,297.10	15,852,197,399.25
-0-	2,722,397.20
-0-	659,603.51
<u>1,01,273,526.26 \$</u>	<u>658,151,995.40</u>

230,994,592.37 \$	227,738,807.56
141,075,875.00	16,429,222,372.08
133,006,344.41	16,421,751,639.54
-0-	553,988.75
-0-	108,670.37
<u>39,064,122.96 \$</u>	<u>235,654,858.48</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS

SCHEDULE OF INTEREST EARNINGS AND

NET GAIN ON SALE OF INVESTMENTS

	Year Ended December 31,	
	<u>1986</u> 87	<u>1985</u> 86
<u>Public Employees' Retirement System - 7635I</u>		
Beginning Interest Balance	\$ 17,953,001.24	\$ 16,873,396.57
Accrued Interest	<u>94,158,434.74</u>	<u>85,002,947.78</u>
	112,111,435.98	101,876,344.35
Less: Service Fees	706,188.26	637,522.11
Less: Withdrawals	-0-	-0-
Less: Interest Reinvested	<u>86,783,011.74</u>	<u>83,285,821.00</u>
Ending Interest Balance	<u>\$ 24,622,235.98</u>	<u>\$ 17,953,001.24</u>
<u>Teachers' Retirement System - 7640I</u>		
Beginning Interest Balance	\$ 6,206,228.29	(\$ 1,923,647.91)
Accrued Interest	<u>31,353,111.89</u>	<u>25,921,664.41</u>
	37,559,340.18	23,998,016.50
Less: Service Fees	235,148.34	194,412.49
Less: Withdrawals	30,554,631.75	17,597,375.72
Less: Interest Reinvested	<u>-0-</u>	<u>-0-</u>
Ending Interest Balance	<u>\$ 6,769,560.09</u>	<u>\$ 6,206,228.29</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS
 SCHEDULE OF INVESTMENT TRANSACTIONS

	<u>Year Ended December 31, 1986</u>	
	<u>Par Value</u>	<u>Current Book Value</u>
<u>Fund 100 - Consolidated Pool</u>		
<u>Unrestricted - 7600-05</u>		
Beginning Investment Balance	\$ 897,704,912.80	\$ 892,269,232.55
Add: Purchases	42,618,766,037.15	42,441,980,224.06
Less: Maturities	<u>42,693,120,681.16</u>	<u>42,561,278,322.46</u>
Ending Investment Balance	<u>\$ 823,350,268.79</u>	<u>\$ 772,971,134.15</u>
<u>Fund 110 - Consolidated Pension Pool -</u>		
<u>7645-12</u>		
Beginning Investment Balance	\$ 507,148,343.80	\$ 451,999,495.05
Add: Purchases	19,682,143,106.65	19,615,714,750.85
Less: Maturities	<u>19,748,499,123.88</u>	<u>19,628,548,020.25</u>
Ending Investment Balance	<u>\$ 440,792,326.57</u>	<u>\$ 439,166,225.65</u>

Year Ended December 31, 1985

<u>Par Value</u>	<u>Current</u>
	<u>Book Value</u>
187,681,202.80 \$	767,707,714.63
253,729,538.87	39,917,979,445.27
<u>343,705,828.87</u>	<u>39,793,417,927.35</u>
<u>197,704,912.80 \$</u>	<u>892,269,232.55</u>

197,590,045.83 \$	386,289,029.43
187,870,066.87	14,938,562,736.72
<u>178,311,768.90</u>	<u>14,872,852,271.10</u>
<u>107,148,343.80 \$</u>	<u>451,999,495.05</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS

SCHEDULE OF INTEREST EARNINGS AND

NET GAIN ON SALE OF INVESTMENTS

<u>Fund 100 - Consolidated Pool Unrestricted -</u> <u>500-05I</u>	<u>Year Ended December 31,</u>	
	<u>1986</u>	<u>1985</u>
Beginning Interest Balance	\$ 35,954,581.61	\$ 12,161,000.30
Interest Earned + <i>Net Gain on Sale of Investments</i>	<u>138,243,080.87</u>	<u>116,068,620.29</u>
	174,197,662.48	128,229,620.59
Less: Service Fees	1,036,823.10	870,514.65
Less: Withdrawals	<u>167,940,403.27</u>	<u>91,404,524.33</u>
Ending Interest Balance	<u>\$ 5,220,436.11</u>	<u>\$ 35,954,581.61</u>
<i>*</i> <u>Fund 110 - Consolidated Pension Pool -</u> <u>45-12I</u>		
Beginning Interest Balance	\$ 15,688,937.97	\$ 36,985,793.89
Interest Earned	<u>65,353,913.20</u>	<u>60,814,421.03</u>
	81,042,851.17	97,800,214.92
Less: Service Fees	490,154.34	456,108.16
Less: Withdrawals	<u>75,319,079.46</u>	<u>81,655,168.79</u>
Ending Interest Balance	<u>\$ 5,233,617.37</u>	<u>\$ 15,688,937.97</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS

SCHEDULE OF INVESTMENT TRANSACTIONS

	<u>Year Ended December 31, 1986</u>	
	<u>Par Value</u>	<u>Current Book Value</u>
* <u>Fund 115 - Local Government</u>		
<u>Pension - 7605-13</u>		
Beginning Investment Balance	\$ 51,485,978.15	\$ 38,689,952.57
Add: Purchases	4,357,466,535.07	4,334,710,538.41
Less: Maturities	<u>4,352,699,918.71</u>	<u>4,318,019,084.99</u>
Ending Investment Balance	<u>\$ 56,252,594.51</u>	<u>\$ 55,381,405.99</u>
* <u>Fund 120 - Highway Contruction and</u>		
<u>Huntington Toll Bridge - 6940-05</u>		
Beginning Investment Balance	\$ 7,850,000.00	\$ 7,732,928.13
Add: Purchases	-0-	-0-
Less: Maturities	<u>-0-</u>	<u>-0-</u>
Ending Investment Balance	<u>\$ 7,850,000.00</u>	<u>\$ 7,732,928.13</u>

Year Ended December 31, 1985

<u>Par Value</u>	<u>Current Book Value</u>
36,902,540.65	\$ 23,504,231.66
74,811,654.66	2,066,492,127.07
<u>60,228,217.16</u>	<u>2,051,306,406.16</u>
<u>51,485,978.15</u>	<u>\$ 38,689,952.57</u>

7,850,000.00	\$ 7,732,928.13
-0-	-0-
-0-	-0-
<u>7,850,000.00</u>	<u>\$ 7,732,928.13</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS

SCHEDULE OF INTEREST EARNINGS AND

NET GAIN ON SALE OF INVESTMENTS

<u>115 - Local Government Pension - 05-13I</u>	<u>Year Ended December 31,</u>	
	<u>1986</u>	<u>1985</u>
Beginning Interest Balance	\$ 618,387.43	\$ 373,326.81
Interest Earned	<u>9,120,068.70</u>	<u>5,911,495.79</u>
	9,738,456.13	6,284,822.60
Less: Service Fees	68,400.51	44,336.22
Less: Withdrawals	<u>9,670,055.62</u>	<u>5,622,098.95</u>
Ending Interest Balance	<u>\$ -0-</u>	<u>\$ 618,387.43</u>

<u>1120 - Highway Construction and Martinsburg Toll Bridge - 6940-05I</u>		
	Beginning Interest Balance	\$ -0-
Interest Earned	<u>628,150.00</u>	<u>628,150.00</u>
	628,150.00	628,150.00
Less: Service Fees	4,711.13	4,711.13
Less: Withdrawals	<u>623,438.87</u>	<u>623,438.87</u>
Ending Interest Balance	<u>\$ -0-</u>	<u>\$ -0-</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS
 SCHEDULE OF INVESTMENT TRANSACTIONS

	<u>Year Ended December 31, 1986</u>	
	<u>Par Value</u>	<u>Current Book Value</u>
<u>Fund 130 - The School Fund -</u>		
<u>7440-05</u>		
Beginning Investment Balance	\$ 998,000.00	\$ 1,003,188.44
Add: Purchases	-0-	-0-
Less: Maturities	-0-	-0-
Ending Investment Balance	<u>\$ 998,000.00</u>	<u>\$ 1,003,188.44</u>
<u>Fund 140 - Undistributed Restricted</u>		
<u>Pool - 7610-05</u>		
Beginning Investment Balance	\$ 607,244,667.50	\$ 542,741,412.86
Add: Purchases	25,518,736,008.21	25,392,006,378.60
Less: Maturities	<u>25,361,714,896.43</u>	<u>25,165,065,779.12</u>
Ending Investment Balance	<u>\$ 764,265,779.28</u>	<u>\$ 769,682,012.34</u>

Year Ended December 31, 1985

<u>Par Value</u>		<u>Current Book Value</u>
798,000.00	\$	803,438.44
200,000.00		202,440.22
-0-		2,690.22
<u>998,000.00</u>	<u>\$</u>	<u>1,003,188.44</u>

182,278,825.00	\$	258,377,361.56
119,578,975.94		18,723,564,916.20
<u>194,613,133.44</u>		<u>18,439,200,864.90</u>
<u>107,244,667.50</u>	<u>\$</u>	<u>542,741,412.86</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS

SCHEDULE OF INTEREST EARNINGS AND

NET GAIN ON SALE OF INVESTMENTS

<u>Fund 130 - The School Fund -</u> <u>40-05I</u>	<u>Year Ended December 31,</u>	
	<u>1986</u>	<u>1985</u>
Beginning Interest Balance	\$ -0-	\$ -0-
Interest Earned	89,781.26	80,514.95
	<u>89,781.26</u>	<u>80,514.95</u>
Less: Service Fees	673.35	603.86
Less: Withdrawals	89,107.91	79,911.09
	<u>89,107.91</u>	<u>79,911.09</u>
Ending Interest Balance	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>Fund 140 - Undistributed Restricted</u> <u>Capital - 7610-05I</u>		
Beginning Interest Balance	\$ 41,987,879.93	\$ 18,547,354.79
Interest Earned	75,756,255.00	47,198,300.28
	<u>117,744,134.93</u>	<u>65,745,655.07</u>
Less: Service Fees	568,171.91	353,987.25
Less: Withdrawals	35,079,960.43	23,403,787.89
	<u>35,079,960.43</u>	<u>23,403,787.89</u>
Ending Interest Balance	<u>\$ 82,096,002.59</u>	<u>\$ 41,987,879.93</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS

SCHEDULE OF INVESTMENT TRANSACTIONS

	<u>Year Ended December 31, 1986</u>	
	<u>Par Value</u>	<u>Current Book Value</u>
<u>Fund 150 - Municipal Bond Commission (Huntington Toll Bridge) - 7320-10A</u>		
Beginning Investment Balance	\$1,005,000.00	\$ 993,221.88
Add: Purchases	-0-	-0-
Less: Maturities	<u>-0-</u>	<u>-0-</u>
Ending Investment Balance	<u>\$1,005,000.00</u>	<u>\$ 993,221.88</u>
<u>Fund 152 - Municipal Bond Commission (County Revenue) - 7320-10H</u>		
Beginning Investment Balance	\$ -0-	\$ -0-
Add: Purchases	180,000.00	173,781.74
Less: Maturities	<u>11,000.00</u>	<u>15,107.50</u>
Ending Investment Balance	<u>\$ 169,000.00</u>	<u>\$ 158,674.24</u>

Year Ended December 31, 1985

<u>Car Value</u>	<u>Current Book Value</u>
105,000.00	\$ 993,221.88
-0-	-0-
-0-	-0-
<u>105,000.00</u>	<u>\$ 993,221.88</u>

-0-	\$ -0-
-0-	-0-
-0-	-0-
<u>-0-</u>	<u>\$ -0-</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS

SCHEDULE OF INTEREST EARNINGS AND

NET GAIN ON SALE OF INVESTMENTS

	Year Ended December 31,	
	<u>1986</u>	<u>1985</u>
X		
<u>rd 150 - Municipal Bond Commission</u> <u>(Martinsburg Toll Bridge) - 7320-10A I</u>		
Beginning Interest Balance	\$ -0-	\$ -0-
Interest Earned	<u>82,512.50</u>	<u>82,512.50</u>
	82,512.50	82,512.50
Less: Service Fees	618.84	618.84
Less: Withdrawals	<u>81,893.66</u>	<u>81,893.66</u>
Ending Interest Balance	<u>\$ -0-</u>	<u>\$ -0-</u>
X		
<u>rd 152 - Municipal Bond Commission</u> <u>(County Revenue) - 7320-10H I</u>		
Beginning Interest Balance	\$ -0-	\$ -0-
Interest Earned	<u>10,986.89</u>	<u>-0-</u>
	10,986.89	-0-
Less: Service Fees	82.40	-0-
Less: Withdrawals	<u>10,904.49</u>	<u>-0-</u>
Ending Interest Balance	<u>\$ -0-</u>	<u>\$ -0-</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS
 SCHEDULE OF INVESTMENT TRANSACTIONS

	<u>Year Ended December 31, 1986</u>	
	<u>Par Value</u>	<u>Current Book Value</u>
<u>Fund 160 - Municipal Bond Commission</u> <u>(WVU Project II Escrow) - 7320-10B</u>		
Beginning Investment Balance	\$2,630,000.00	\$2,548,939.00
Add: Purchases	-0-	-0-
Less: Maturities	<u>50,000.00</u>	<u>52,500.00</u>
Ending Investment Balance	<u>\$2,580,000.00</u>	<u>\$2,496,439.00</u>
 <u>Fund 162 - Municipal Bond Commission</u> <u>County Schools - 7320-10E</u>		
Beginning Investment Balance	\$8,898,200.00	\$9,129,126.88
Add: Purchases	1,024,000.00	1,142,627.28
Less: Maturities	<u>1,127,000.00</u>	<u>1,190,752.74</u>
Ending Investment Balance	<u>\$8,795,200.00</u>	<u>\$9,081,001.42</u>

Year Ended December 31, 1985

<u>Value</u>	<u>Current Book Value</u>
15,000.00	\$3,339,859.00
-0-	-0-
<u>15,000.00</u>	<u>790,920.00</u>
<u>10,000.00</u>	<u>\$2,548,939.00</u>

17,200.00	\$1,357,200.00
18,900.00	7,839,826.88
<u>17,900.00</u>	<u>67,900.00</u>
<u>18,200.00</u>	<u>\$9,129,126.88</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS

SCHEDULE OF INTEREST EARNINGS AND

NET GAIN ON SALE OF INVESTMENTS

id 160 - Municipal Bond Commission
(VU Project II Escrow) - 7320-10B I

Year Ended December 31,
1986 1985

Beginning Interest Balance	\$ -0-	\$ -0-
Interest Earned	<u>179,150.00</u>	<u>381,573.75</u>
	179,150.00	381,573.75
Less: Service Fees	1,343.62	2,861.80
Less: Withdrawals	<u>177,806.38</u>	<u>378,711.95</u>
Ending Interest Balance	<u>\$ -0-</u>	<u>\$ -0-</u>

id 162 - Municipal Bond Commission
County Schools - 7320-10E I

Beginning Interest Balance	\$ -0-	\$ -0-
Interest Earned	<u>858,503.45</u>	<u>210,201.18</u>
	858,503.45	210,201.18
Less: Service Fees	6,438.77	1,576.51
Less: Withdrawals	<u>852,064.68</u>	<u>208,624.67</u>
Ending Interest Balance	<u>\$ -0-</u>	<u>\$ -0-</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS
 SCHEDULE OF INVESTMENT TRANSACTIONS

	<u>Year Ended December 31, 1986</u>	
	<u>Par Value</u>	<u>Current Book Value</u>
<u>Fund 164 - Municipal Bond Commission (New Martinsville Tool Bridge) - 7320-10F</u>		
Beginning Investment Balance	\$ 300,000.00	\$ 56,655.00
Add: Purchases	-0-	-0-
Less: Maturities	-0-	-0-
Ending Investment Balance	<u>\$ 300,000.00</u>	<u>\$ 56,655.00</u>

<u>Fund 166 - Municipal Bond Commission (Escrow Account) - 7320-10G</u>		
Beginning Investment Balance	\$3,944,000.00	\$3,144,442.80
Add: Purchases	75,000.00	83,214.91
Less: Maturities	<u>169,000.00</u>	<u>161,683.40</u>
Ending Investment Balance	<u>\$3,850,000.00</u>	<u>\$3,065,974.31</u>

Year Ended December 31, 1985

<u>Value</u>	<u>Current Book Value</u>
10,000.00	\$ 56,655.00
-0-	-0-
-0-	-0-
<u>10,000.00</u>	<u>\$ 56,655.00</u>

3,000.00	\$ 459,915.15
1,000.00	2,735,138.97
<u>0,000.00</u>	<u>50,611.32</u>
<u>4,000.00</u>	<u>\$3,144,442.80</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS

SCHEDULE OF INTEREST EARNINGS AND

NET GAIN ON SALE OF INVESTMENTS

	Year Ended December 31,	
	<u>1986</u>	<u>1985</u>
<u>nd 164 - Municipal Bond Commission</u> <u>New Martinsville Toll Bridge) - 7320-10F I</u>		
Beginning Interest Balance	\$ -0-	\$ -0-
Interest Earned	-0-	-0-
	<u>-0-</u>	<u>-0-</u>
Less: Service Fees	-0-	-0-
Less: Withdrawals	-0-	-0-
	<u>-0-</u>	<u>-0-</u>
Ending Interest Balance	<u>\$ -0-</u>	<u>\$ -0-</u>

<u>nd 166 - Municipal Bond Commission</u> <u>Escrow Account) - 7320-10G I</u>		
Beginning Interest Balance	\$ -0-	\$ -0-
Interest Earned	225,789.34	48,925.08
	<u>225,789.34</u>	<u>48,925.08</u>
Less: Service Fees	1,693.42	366.94
Less: Withdrawals	224,095.92	48,558.14
	<u>224,095.92</u>	<u>48,558.14</u>
Ending Interest Balance	<u>\$ -0-</u>	<u>\$ -0-</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS
 SCHEDULE OF INVESTMENT TRANSACTIONS

	<u>Year Ended December 31, 1986</u>	
	<u>Par Value</u>	<u>Current Book Value</u>
<u>Fund 170 - Municipal Bond</u> <u>Commission - 7320-10C</u>		
Beginning Investment Balance	\$ 13,895,000.00	\$ 12,860,432.12
Add: Purchases	27,778,000.00	22,331,301.17
Less: Maturities	<u>20,620,000.00</u>	<u>19,342,166.50</u>
Ending Investment Balance	<u>\$ 21,053,000.00</u>	<u>\$ 15,849,566.79</u>

<u>Fund 3300 - Retirement System Operating</u> <u>Account - 7649-13</u>		
Beginning Investment Balance	\$ 234,310,468.75	\$ 210,141,818.04
Add: Purchases	13,462,328,411.38	13,407,334,260.64
Less: Maturities	<u>13,443,378,762.42</u>	<u>13,363,457,454.72</u>
Ending Investment Balance	<u>\$ 253,260,117.71</u>	<u>\$ 254,018,623.96</u>

Year Ended December 31, 1985

<u>Par Value</u>	<u>Current Book Value</u>
13,895,000.00 \$	12,860,432.12
-0-	-0-
-0-	-0-
<u>13,895,000.00 \$</u>	<u>12,860,432.12</u>

228,216,456.48 \$	139,865,802.45
63,808,115.74	7,162,477,119.81
<u>57,714,103.47</u>	<u>7,092,201,104.22</u>
<u>34,310,468.75 \$</u>	<u>210,141,818.04</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS
 SCHEDULE OF INTEREST EARNINGS AND
 NET GAIN ON SALE OF INVESTMENTS

<u>nd 170 - Municipal Bond Commission - 320-10C I</u>	<u>Year Ended December 31,</u>	
	<u>1986</u>	<u>1985</u>
Beginning Interest Balance	\$ -0-	\$ -0-
Interest Earned	<u>4,448,662.47</u>	<u>1,735,287.50</u>
	4,448,662.47	1,735,287.50
Less: Service Fees	33,364.96	13,014.66
Less: Withdrawals	<u>4,415,297.51</u>	<u>1,722,272.84</u>
Ending Interest Balance	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>nd 3300 - Retirement System Operating Account - 7649-13I</u>		
Beginning Interest Balance	\$14,175,168.38	\$ 4,630,385.73
Interest Earned	<u>37,330,962.29</u>	<u>25,637,617.78</u>
	51,506,130.67	30,268,003.51
Less: Service Fees	279,982.21	192,282.13
Less: Withdrawals	<u>48,211,397.89</u>	<u>15,900,553.00</u>
Ending Interest Balance	<u>\$ 3,014,750.57</u>	<u>\$14,175,168.38</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS
 SCHEDULE OF INVESTMENT TRANSACTIONS

	<u>Year Ended December 31, 1986</u>	
	<u>Par Value</u>	<u>Current Book Value</u>
<u>Fund 4900 - WCF-HDF Loan Fund - 7645-34</u>		
Beginning Investment Balance	\$ 54,633,612.06	\$ 54,633,612.06
Add: Purchases	3,193,816,738.01	3,193,816,738.01
Less: Maturities	<u>3,201,260,543.47</u>	<u>3,201,260,543.47</u>
Ending Investment Balance	<u>\$ 47,189,806.60</u>	<u>\$ 47,189,806.60</u>
<u>Fund 5100 - WCF-OECD Loan Fund - 7645-23</u>		
Beginning Investment Balance	\$ 9,833,905.26	\$ 9,833,905.26
Add: Purchases	5,271,000.00	5,271,000.00
Less: Maturities	<u>3,064,077.14</u>	<u>3,064,077.14</u>
Ending Investment Balance	<u>\$ 12,040,828.12</u>	<u>\$ 12,040,828.12</u>

Year Ended December 31, 1985

<u>Par Value</u>		<u>Current Book Value</u>
54,506,240.14	\$	54,506,240.14
79,764,331.37		2,179,764,331.37
<u>79,636,959.45</u>		<u>2,179,636,959.45</u>
<u>54,633,612.06</u>	\$	<u>54,633,612.06</u>

2,631,258.27	\$	2,631,258.27
7,250,000.00		7,250,000.00
<u>47,353.01</u>		<u>47,353.01</u>
<u>9,833,905.26</u>	\$	<u>9,833,905.26</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS
 SCHEDULE OF INTEREST EARNINGS AND
 NET GAIN ON SALE OF INVESTMENTS

¹⁸
id 4900 - WCF-HDF Loan Fund -
545-34I

	<u>Year Ended December 31,</u>	
	<u>1986</u>	<u>1985</u>
Beginning Interest Balance	\$ -0-	\$ -0-
Interest Earned	<u>5,073,968.04</u>	<u>5,895,236.45</u>
	5,073,968.04	5,895,236.45
Less: Service Fees	38,054.76	44,214.27
Less: Withdrawals	<u>5,035,913.28</u>	<u>5,851,022.18</u>
Ending Interest Balance	<u>\$ -0-</u>	<u>\$ -0-</u>

^{H6}
id 5100 - WCF-OECD Loan Fund -
545-23I

Beginning Interest Balance	\$ -0-	\$ -0-
Interest Earned	<u>766,799.05</u>	<u>250,700.08</u>
	766,799.05	250,700.08
Less: Service Fees	5,750.99	1,880.25
Less: Withdrawals	<u>761,048.06</u>	<u>248,819.83</u>
Ending Interest Balance	<u>\$ -0-</u>	<u>\$ -0-</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS
 SCHEDULE OF INVESTMENT TRANSACTIONS

	<u>Year Ended December 31, 1986</u>	
	<u>Par Value</u>	<u>Current Book Value</u>
<p><i>A</i> <u>Fund 9500 - Finance and Administration</u> <u>Certificate of Participation - 9500-20A</u></p>		
Beginning Investment Balance	\$ -0-	\$ -0-
Add: Purchases	170,344,028.20	170,344,028.20
Less: Maturities	<u>165,019,587.20</u>	<u>165,019,587.20</u>
Ending Investment Balance	<u>\$ 5,324,441.00</u>	<u>\$ 5,324,441.00</u>
<p><i>A</i> <u>Fund 9523 Finance and Administration</u> <u>Reserve Account - 9500-23A</u></p>		
Beginning Investment Balance	\$ -0-	\$ -0-
Add: Purchases	16,321,119.82	16,321,119.82
Less: Maturities	<u>14,761,119.82</u>	<u>14,761,119.82</u>
Ending Investment Balance	<u>\$ 1,560,000.00</u>	<u>\$ 1,560,000.00</u>

Year Ended December 31, 1985

<u>Car Value</u>		<u>Current Book Value</u>
-0-	\$	-0-
-0-		-0-
-0-		-0-
<u>-0-</u>		<u>-0-</u>
<u>-0-</u>	\$	<u>-0-</u>

-0-	\$	-0-
-0-		-0-
-0-		-0-
<u>-0-</u>		<u>-0-</u>
<u>-0-</u>	\$	<u>-0-</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS

SCHEDULE OF INTEREST EARNINGS AND

NET GAIN ON SALE OF INVESTMENTS

17

<u>Fund 9500 - Finance and Administration</u> <u>Certificate of Participation - 9500-20A I</u>	<u>Year Ended December 31,</u>	
	<u>1986</u>	<u>1985</u>
Beginning Interest Balance	\$ -0-	\$ -0-
Interest Earned	113,541.23	-0-
	<u>113,541.23</u>	<u>-0-</u>
Less: Service Fees	851.55	-0-
Less: Withdrawals	<u>112,689.68</u>	<u>-0-</u>
Ending Interest Balance	<u>\$ -0-</u>	<u>\$ -0-</u>

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<u>Fund 9523 - Finance and Administration</u> <u>Reserve Account - 9500-23A I</u>		
	Beginning Interest Balance	\$ -0-
Interest Earned	17,213.08	-0-
	<u>17,213.08</u>	<u>-0-</u>
Less: Service Fees	129.09	-0-
Less: Withdrawals	<u>17,083.99</u>	<u>-0-</u>
Ending Interest Balance	<u>\$ -0-</u>	<u>\$ -0-</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS

SCHEDULE OF INVESTMENT TRANSACTIONS

	<u>Year Ended December 31, 1986</u>	
	<u>Par Value</u>	<u>Current Book Value</u>
<i>A</i>		
<u>Fund 9524 - Finance and Administration</u>		
<u>Issuance Differential - 9500-24A</u>		
Beginning Investment Balance	\$ -0-	\$ -0-
Add: Purchases	2,432,000.00	2,432,000.00
Less: Maturities	<u>1,621,000.00</u>	<u>1,621,000.00</u>
Ending Investment Balance	<u>\$ 811,000.00</u>	<u>\$ 811,000.00</u>
<i>B</i>		
<u>Fund 9700 - Revenue Sharing - 9700-05</u>		
Beginning Investment Balance	\$ -0-	\$ -0-
Add: Purchases	221,954,142.15	221,849,662.84
Less: Maturities	<u>218,004,142.15</u>	<u>217,899,662.84</u>
Ending Investment Balance	<u>\$ 3,950,000.00</u>	<u>\$ 3,950,000.00</u>

Year Ended December 31, 1985

<u>Par Value</u>		<u>Current Book Value</u>
-0-	\$	-0-
-0-		-0-
-0-		-0-
<u>-0-</u>	<u>\$</u>	<u>-0-</u>

,842,700.00	\$	7,842,450.00
,785,442.34		867,766,267.14
<u>,628,142.34</u>	<u></u>	<u>875,608,717.14</u>
<u>-0-</u>	<u>\$</u>	<u>-0-</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS

SCHEDULE OF INTEREST EARNINGS AND

NET GAIN ON SALE OF INVESTMENTS

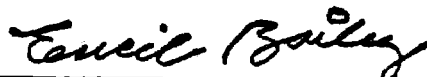
	<u>Year Ended December 31,</u>	
	<u>1986</u>	<u>1985</u>
<u>9</u> <u>Fund 9524 - Finance and Administration</u> <u>Issuance Differential - 9500-24A I</u>		
Beginning Interest Balance	\$ -0-	\$ -0-
Interest Earned	940.67	-0-
	<u>940.67</u>	<u>-0-</u>
Less: Service Fees	7.05	-0-
Less: Withdrawals	<u>933.62</u>	<u>-0-</u>
Ending Interest Balance	<u>\$ -0-</u>	<u>\$ -0-</u>
<u>20</u> <u>Fund 9700 - Revenue Sharing - 9700-05I</u>		
Beginning Interest Balance	\$ -0-	\$ -0-
Interest Earned	53,782.47	738,798.70
	<u>53,782.47</u>	<u>738,798.70</u>
Less: Service Fees	403.36	5,540.99
Less: Withdrawals	<u>53,379.11</u>	<u>733,257.71</u>
Ending Interest Balance	<u>\$ -0-</u>	<u>\$ -0-</u>

STATE OF WEST VIRGINIA

OFFICE OF LEGISLATIVE AUDITOR, TO WIT:

I, Encil Bailey, Legislative Auditor, do hereby certify that the report of audit appended hereto was made under my direction and supervision, under the provisions of the West Virginia Code, Chapter 12, Article 6, Section 15, as amended, and that the same is a true and correct copy of said report.

Given under my hand this 30th day of January, 1987.



Encil Bailey, Legislative Auditor

Copies forwarded to each member of the Legislature,
each member of the Board and the Attorney General.