

STATE OF WEST VIRGINIA

AUDIT REPORT

OF

WEST VIRGINIA STATE BOARD OF INVESTMENTS

FOR THE PERIOD

JANUARY 1, 1987 - DECEMBER 31, 1987



OFFICE OF LEGISLATIVE AUDITOR

CAPITOL BUILDING

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WEST VIRGINIA STATE BOARD OF INVESTMENTS

FOR THE PERIOD

JANUARY 1, 1987 - DECEMBER 31, 1987

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 1987.

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, 1987 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 9, 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 24 "pools" which are identified in our workpapers. Pool 0100 contains investments from agencies which are unrestricted by type, i.e., not restricted by instrument. Pool 0140 contains investments from agencies which may only be government instruments. The remaining 22 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

INVESTMENT 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 he 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 the 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

(1) West Virginia Code

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

(2) 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.

NOTE: 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 this new guideline:

"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 Pneumoconiosis Fund during calendar year 1987. The activities of the various funds were administered by the following advisors during calendar year 1987:

Investment Advisers, Inc.:
 Public Employees' Retirement System
 Workers' Compensation Fund

Charleston National Bank:
 Public Safety Retirement System
 Judges' Retirement System

Duff and Phelps Investment Management Company:
 Teachers' Retirement System

EVALUATION OF STATE BOARD OF INVESTMENTS

We obtained copies of the rating service's evaluation of the Consolidated Pension Funds' performance for the quarters ended December 31, 1986, March 31, 1987, June 30, 1987 and September 30, 1987 as prepared by SEI Funds Evaluation, Inc.. The rating service's evaluation of the quarter ended December 31, 1987 was not yet available at the conclusion of our current fieldwork (January 29, 1988). We reviewed the rating service's reports and noted the following observations:

<u>Fund</u>	<u>Time-Weighted Rate of Return for Quarter Ended</u>			
	<u>09/30/87</u>	<u>06/30/87</u>	<u>03/31/87</u>	<u>12/31/86</u>
Judges'	(2.9%)	(2.2%)	2.3%	3.2%
Public Safety	(3.4%)	(2.7%)	2.4%	3.3%
Workers' Compensation	(2.3%)	(2.2%)	2.1%	3.1%
Pneumoconiosis	(5.4%)	(5.6%)	3.3%	2.5%

Public Employees'	(1.1%)	(1.9%)	2.2%	2.5%
Teachers'	(3.6%)	(3.2%)	1.8%	3.4%

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 December 31, 1986, March 31, 1987, June 30, 1987 and September 30, 1987 were as follows:

Fund	Quarter Ended			
	<u>09/30/87</u>	<u>06/30/87</u>	<u>03/31/87</u>	<u>12/31/86</u>
Judges':				
Bonds	89.9%	92.5%	94.5%	81.3%
Cash Equivalents & Cash	10.1%	7.5%	5.5%	18.7%
Public Safety:				
Bonds	95.2%	95.5%	95.6%	83.2%
Cash Equivalents & Cash	4.8%	4.5%	4.4%	16.8%
Workers' Compensation:				
Bonds	85.5%	83.6%	83.7%	80.0%
Cash Equivalents & Cash	11.4%	13.1%	12.7%	15.9%
Private Placements	3.1%	3.3%	3.6%	4.1%
Pneumoconiosis:				
Bonds	97.4%	98.4%	99.0%	39.2%
Cash Equivalents & Cash	2.6%	1.6%	1.0%	50.2%
Private Placements	0.0%	0.0%	0.0%	10.6%
Public Employees':				
Bonds	87.0%	85.9%	89.0%	80.7%
Cash Equivalents & Cash	8.4%	10.5%	8.0%	16.1%
Private Placements	4.6%	3.7%	2.9%	3.1%
Teachers':				
Bonds	98.9%	97.1%	97.9%	97.1%
Cash Equivalents & Cash	1.1%	2.9%	2.1%	2.9%

Relative conditions in the financial markets are subject to change within the year. As a result, certain aspects of portfolio diversification while aiding overall performance of the fund in one quarter of the year may be detrimental to performance in another quarter of the year. The rating service made the following statements relative to the asset allocation of the various funds:

Judges'

For the quarter ended March 31, 1987, "Asset allocation had little effect on performance" and regarding marketable bonds, "High quality hurt performance". For the quarter ended June 30, 1987, "Asset allocation had little effect on performance". For the quarter ended September 30, 1987, "Asset allocation had little effect on performance" and regarding marketable bonds, "High quality helped performance".

Public Safety

For the quarter ended March 31, 1987, "Asset allocation had little effect on performance" and regarding marketable bonds, "High quality hurt performance". For the quarter ended June 30, 1987, "Asset allocation had little effect on performance". For the quarter ended September 30, 1987, "The high commitment to bonds hurt performance".

Workers' Compensation

For the quarter ended March 31, 1987, "Asset allocation had little effect on performance" and regarding marketable bonds, "High quality hurt performance". For the quarter ended June 30, 1987, "Asset allocation had little effect on performance" and regarding marketable bonds, "High quality helped performance". For the quarter ended September 30, 1987, "Asset allocation had little effect on performance".

Pneumoconiosis

For the quarter ended March 31, 1987 regarding marketable bonds, "High quality hurt performance". For the quarter ended June 30, 1987, "The high commitment to bonds hurt performance" and "The low commitment to cash equivalents hurt performance". In addition regarding marketable bonds, "High quality helped performance". For the quarter ended September 30, 1987, "The high commitment to bonds hurt performance" and "The low commitment to cash equivalents hurt performance". In addition regarding marketable bonds, "High quality helped performance".

Public Employees'

For the quarter ended March 31, 1987, "Asset allocation had little effect on performance" and regarding marketable bonds, "High quality hurt performance". For the quarter ended June 30, 1987, "Asset allocation had little effect on performance" and regarding marketable bonds, "Short maturity helped performance" and "High quality helped performance". For the quarter ended September 30, 1987, "Asset allocation had little effect on performance" and regarding marketable bonds, "High quality helped performance".

Teachers'

For the quarter ended March 31, 1987 regarding marketable bonds, "High quality hurt performance". For the quarter ended June 30, 1987, "The high commitment to bonds hurt performance" and regarding marketable bonds, "High quality helped performance". For the quarter ended September 30, 1987, "The high commitment to bonds hurt performance" and regarding marketable bonds, "High quality helped performance".

INVESTMENT ACTIVITIES

The following schedule is a comparative analysis of the activities of the State long-term trust funds for calendar years 1987 and 1986:

	<u>Judges'</u>	<u>Public Safety</u>	<u>Workers' Compensation</u>
Sales 1987:			
Number	9	8	16
Average Years Held	1.21	1.05	0.58
Average Years to Maturity from Sale Date	6.72	7.03	7.36
Average Rate of Return	14.378%	11.702%	4.723%
Average Approximate Yield at Maturity	9.291%	9.021%	8.351%
Par Value	\$ 5,583,487	\$ 7,943,952	\$267,500,000
Book Value	\$ 5,564,501	\$ 7,915,622	\$261,584,507
Sale Proceeds	\$ 5,675,073	\$ 8,001,934	\$264,456,679
Net Gain (Loss)	\$ 110,573	\$ 86,312	\$ 2,872,172
Interest Earnings	\$ 483,910	\$ 733,504	\$ 14,538,535
Total Earned	\$ 594,483	\$ 819,816	\$ 17,410,707
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 (Loss)	\$ 371,031	\$ 652,625	\$ 20,944,060
Interest Earnings	\$ 450,665	\$ 941,420	\$ 75,636,816
Total Earned	\$ 821,696	\$ 1,594,045	\$ 96,580,876
Purchases 1987:			
Number	10	10	28
Average Years to Maturity	9.19	9.72	7.58
Approximate Yield at Maturity	8.574%	8.607%	7.362%
Total:			
Par Value	\$ 4,509,615	\$ 8,973,631	\$374,700,000
Purchase Price	\$ 4,519,245	\$ 8,978,420	\$351,655,378
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>Pneumoconiosis</u>	<u>Public Employees'</u>	<u>Teachers'</u>
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71	24	2
0.07	1.28	1.59
10.17	4.87	4.27
0.313%	19.180%	4.881%
8.094%	9.018%	7.394%
\$534,199,111	\$306,096,375	\$ 16,870,000
\$513,976,409	\$300,295,655	\$ 17,356,236
\$513,052,739	\$307,821,557	\$ 17,430,204
(\$ 923,670)	\$ 7,525,901	\$ 73,968
\$ 965,131	\$ 17,728,758	\$ 685,236
\$ 41,461	\$ 25,254,660	\$ 759,204

68	63	87
0.12	2.88	0.26
7.63	13.92	4.49
0.994%	10.319%	3.256%
7.506%	8.623%	8.358%
\$353,800,000	\$708,514,416	\$758,150,000
\$359,400,652	\$675,636,560	\$751,964,232
\$361,585,582	\$706,274,977	\$764,781,606
\$ 2,184,931	\$ 30,638,416	\$ 12,817,374
\$ 1,386,292	\$ 39,276,257	\$ 11,659,238
\$ 3,571,223	\$ 69,914,673	\$ 24,476,612

71	40	4
10.84	7.60	22.21
8.379%	7.509%	8.638%
\$548,250,000	\$580,286,713	\$ 20,008,773
\$520,250,229	\$544,340,753	\$ 19,172,314

59	50	86
8.37	8.62	5.91
7.416%	7.898%	7.775%
\$357,604,913	\$746,225,813	\$831,750,000
\$361,329,923	\$743,859,994	\$807,115,101

ITEMS OF NOTE

The trust funds experienced net gains (losses) on sale of investments during 1987 as follows: Judges' \$110,573; Public Safety \$86,312; Workers' Compensation \$2,872,172; Pneumoconiosis (\$923,670); Public Employees' \$7,525,901; and, Teachers' \$73,968. The total net gain on sale of investments for all funds in 1987 was \$9,745,256.00.

Also, the trust funds achieved interest earnings from investments sold during 1987 as follows: Judges' \$483,910; Public Safety \$733,504; Workers' Compensation \$14,538,535; Pneumoconiosis \$965,131; Public Employees' \$17,728,758; and, Teachers' \$685,236. The total interest earnings for all funds in 1987 was \$35,135,074.00.

The total earnings generated by the sale of investments is the sum of the net gain on sale of investments and interest earnings. The trust funds had total earnings from investments sold during 1987 as follows: Judges' \$594,483; Public Safety \$819,816; Workers' Compensation \$17,410,707; Pneumoconiosis \$41,461; Public Employees' \$25,254,660; and, Teachers' \$759,204. The total earnings generated by the sale of investments for all funds in 1987 was \$44,880,331.00.

There were 130 investments sold during 1987 compared to 325 investments sold during 1986. The following is a comparative schedule of the number of investments sold during those years:

<u>Fund</u>	<u>1987</u>	<u>1986</u>	<u>Increase (Decrease)</u>
Judges'	9	24	(15)
Public Safety	8	24	(16)
Workers' Compensation	16	59	(43)
Pneumoconiosis	71	68	3
Public Employees'	24	63	(39)
Teachers'	2	87	(85)
	<u>130</u>	<u>325</u>	<u>(195)</u>

Overall, the sales activity decreased by 120% from 1986 levels.

There were 163 purchases during 1987 compared to 290 purchases during 1986. The total par value of 1987 purchases was \$1,536,728,732 while the total purchase price of 1987 purchases was \$1,448,916,339 resulting in a discount of \$87,812,393.00. The following is a comparative schedule of the number of investments purchased during those years:

<u>Fund</u>	<u>1987</u>	<u>1986</u>	<u>Increase (Decrease)</u>
Judges'	10	25	(15)
Public Safety	10	28	(18)
Workers' Compensation	28	42	(14)
Pneumoconiosis	71	59	12
Public Employees'	40	50	(10)
Teachers'	4	86	(82)
	<u>163</u>	<u>290</u>	<u>(127)</u>

Overall, the purchases activity decreased by 78% from 1986 levels.

We noted the following changes in the amount of repurchase agreements on hand at December 31, 1987:

<u>Fund</u>	<u>1987</u>	<u>1986</u>	<u>(Over) Under 1987</u>
Judges'	\$ 2,270,000	\$ 1,836,000	\$ 434,000
Public Safety	2,380,000	3,581,000	(1,201,000)
Workers' Compensation	44,770,000	88,396,000	(43,626,000)
Pneumoconiosis	6,650,000	11,754,000	(5,104,000)
Public Employees'	43,550,000	126,136,000	(82,586,000)
Teachers'	3,980,000	7,997,000	(4,017,000)
	<u>\$103,600,000</u>	<u>\$239,700,000</u>	<u>(\$136,100,000)</u>

The amount of repurchase agreements decreased by \$136,100,000 at December 31, 1987 over the amount invested on December 31, 1986.

AUDITORS' OPINION

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

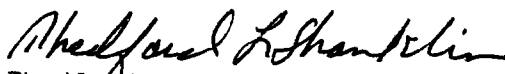
Sir:

We have examined the schedules of investment balances of the West Virginia State Board of Investments for the year ended December 31, 1987. 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, 1987 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 29, 1988

Auditors: Michael E. Sizemore, CPA, Supervisor
Lisa A. Ruble, CPA
Harvey Burke
Jerry M. Turner
Janet Scott

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, 1987</u>	
		<u>Par Value</u>	<u>Current Book Value</u>
7615	Judges' Retirement	\$ 10,267,358.59	\$ 10,283,255.84
7620	Department of Public Safety	20,353,486.92	20,391,117.73
7625	Workers' Compensation	600,032,213.51	567,025,708.88
7630	Pneumoconiosis Fund	32,687,500.00	22,653,016.40
7635	Public Employees' Retirement	857,228,441.45	817,750,892.09
7640	Teachers' Retirement	<u>253,710,930.21</u>	<u>229,791,808.17</u>
	Total Investment Balances	<u>\$1,774,279,930.68</u>	<u>\$1,667,895,799.11</u>

See Accompanying Note

As of December 31, 1986

<u>Par Value</u>	<u>Current Book Value</u>
\$ 9,436,000.00	\$ 9,426,111.25
20,581,000.00	20,586,716.20
548,732,846.79	531,974,137.09
26,319,104.37	22,768,276.12
763,709,528.47	747,076,911.95
<u>255,875,411.00</u>	<u>234,598,428.92</u>
<u>\$1,624,653,890.63</u>	<u>\$1,566,430,581.53</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS

SCHEDULE OF CONSOLIDATED FUND INVESTMENT

BALANCES BY POOL

<u>Description</u>	Pool (Fund) Account Number Number	<u>As of December 31, 1987</u>	
		<u>Par Value</u>	<u>Current Book Value</u>
Consolidated Pool Unrestricted	100 7600-05	\$ 630,247,319.99	\$ 574,166,271.16
Local Housing Development	105 7647-25	2,000,000.00	2,000,000.00
Consolidated Pension	110 7645-12	382,123,891.71	347,112,650.61
Local Government Pension	115 7605-13	59,856,909.07	56,699,445.08
Highway Construction and Huntington Toll Bridge	120 6940-05	7,410,000.00	7,306,678.13
The School Fund	130 7440-05	998,000.00	1,003,188.44
Undistributed Restricted	140 7610-05	451,539,829.57	437,988,979.41
National Credit Union Administration Fund	145 7648-46	1,000,000.00	1,000,000.00
Municipal Bond Commission (Huntington Toll Bridge)	150 7320-10A	1,005,000.00	993,221.88
Municipal Bond Commission (County Revenue)	152 7320-10H	159,000.00	148,577.36
Municipal Bond Commission (General Obligation)	156 7320-10K	196,000.00	163,905.42
Municipal Bond Commission (WVU Project II Escrow)	160 7320-10B	1,670,000.00	1,721,665.00
Municipal Bond Commission (County Schools)	162 7320-10E	8,011,100.00	8,232,872.91
Municipal Bond Commission (New Martinsville Toll Bridge)	164 7320-10F	350,000.00	94,932.83
Municipal Bond Commission (Escrow Account)	166 7320-10G	26,683,200.00	25,812,287.81
Municipal Bond Commission	170 7320-10C	18,322,000.00	13,190,573.75
Retirement System Operating Account	3300 7649-13	238,771,244.06	230,941,817.77
WCF-HDF Loan Fund	4900 7645-34	37,705,592.35	37,705,592.35
WCF-OECD Loan Fund	5100 7645-23	15,118,500.03	18,118,500.03
Lottery Defeasance	8013 7612-15	19,080,692.00	8,818,366.81
Finance and Administration Certificate of Participation	9500 9500-20A	-0-	-0-
Finance and Administration Reserve Account	9523 9500-23A	1,539,405.00	1,539,405.00
Finance and Administration Issuance Differential	9524 9500-24A	1,131,392.00	1,131,392.00
Revenue Sharing	9700 9700-05	3,000,000.00	3,000,000.00
Total Investment Balances		<u>\$1,907,919,075.78</u>	<u>\$1,778,890,323.75</u>

See Accompanying Note

As of December 31, 1986

<u>Par Value</u>	<u>Current Book Value</u>
\$ 823,350,268.79	\$ 772,971,134.15
-0-	-0-
440,792,326.57	439,166,225.65
56,252,594.51	55,381,405.99
7,850,000.00	7,732,928.13
998,000.00	1,003,188.44
764,265,779.28	769,682,012.34
-0-	-0-
1,005,000.00	993,221.88
169,000.00	158,674.24
-0-	-0-
2,580,000.00	2,496,439.00
8,795,200.00	9,081,001.42
300,000.00	56,655.00
3,850,000.00	3,065,974.31
21,053,000.00	15,849,566.79
253,260,117.71	254,018,623.96
47,189,806.60	47,189,806.60
12,040,828.12	12,040,828.12
-0-	-0-
5,324,441.00	5,324,441.00
1,560,000.00	1,560,000.00
811,000.00	811,000.00
3,950,000.00	3,950,000.00
<u>\$2,455,397,362.58</u>	<u>\$2,402,533,127.02</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 schedule of investment 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, 1987:

	<u>Carrying Amount</u>	<u>Bank Balance</u>	<u>Fund</u>
Insured (FDIC)	\$ 465,993	\$ 465,993	Consolidated
Uninsured:			
Collateral Held by Bank's Trust Department in State of West Virginia's Name	<u>248,561,303</u>	<u>248,561,303</u>	Consolidated
Total Deposits	<u>\$249,027,296</u>	<u>\$249,027,296</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 CD 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 on 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.

All 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, 1987 was \$249,027,296.

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 all 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 any deposits in excess of the \$100,000 limit consistent with FDIC insured accounts. At December 31, 1987, the compensating balance on deposit at Charleston National Bank was \$5,450,000.

Disbursement Account

Effective December 1, 1987, the disbursement account activity was transferred from Wheeling Dollar Bank to One Valley Bank, North America. This account must be awarded by competitive bid. As stated, One Valley Bank, North America currently has the contract for this account. The fees charged by this financial institution are paid for by a compensating balance.

The only funds on deposit in this account are those for the compensating balance. No 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, 1987 the compensating balance on deposit at One Valley Bank, North America was \$3,000,000 while the activity at Wheeling Dollar Bank is remaining to be closed and the compensating balance on deposit at Wheeling Dollar Bank was \$2,700,000.

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

	<u>Carrying Amount</u>	<u>Market Value</u>
Repurchase Agreements:		
Consolidated	\$ 177,020,797.00	\$ 177,020,797.00
Consolidated Pension	103,600,000.00	103,600,000.00
	<hr/>	<hr/>
Total Repurchase Agreements	280,620,797.00	280,620,797.00
	<hr/>	<hr/>
Other Investments:		
U.S. Treasury Notes/Bonds:		
Consolidated	585,962,634.64	560,682,088.52
Consolidated Pension	800,495,551.14	774,749,546.00
	<hr/>	<hr/>
	1,386,458,185.78	1,335,431,634.52
	<hr/>	<hr/>
U.S. Government Notes/Bonds:		
Consolidated Pension	4,747.67	4,747.67
	<hr/>	<hr/>
U.S. Agency Notes:		
Consolidated	3,721,665.00	3,612,915.00
Consolidated Pension	221,001,206.65	217,269,363.78
	<hr/>	<hr/>
	224,722,871.65	220,882,278.78
	<hr/>	<hr/>
State and Local Governmental Units:		
Consolidated	27,824,300.00	27,824,300.00
	<hr/>	<hr/>
Zero Coupon Bonds:		
Consolidated	174,119,153.94	174,119,153.94
Consolidated Pension	74,570,184.99	75,647,404.12
	<hr/>	<hr/>
	248,689,338.93	249,766,558.06
	<hr/>	<hr/>
Governmental National Mortgage Association:		
Consolidated	190,039,490.16	190,039,490.16
Consolidated Pension	65,140,425.67	59,832,614.36
	<hr/>	<hr/>
	255,179,915.83	249,872,104.52
	<hr/>	<hr/>
Farmers' Home Administration/Veterans' Administration Mortgages:		
Consolidated Pension	45,593,472.80	43,040,905.28
	<hr/>	<hr/>
Management Program One Mortgages:		
Consolidated Pension	11,567,531.08	11,567,531.08
	<hr/>	<hr/>
West Virginia Housing Development Fund Mortgages:		
Consolidated	35,172,225.76	35,172,225.76

	<u>Carrying Amount</u>	<u>Market Value</u>
Corporate Mortgage Obligation		
Earnings Pools:		
Consolidated	\$ 49,274,062.50	\$ 49,274,062.50
Consolidated Pension	24,963,476.66	24,546,750.00
	<u>74,237,539.16</u>	<u>73,820,812.50</u>
Various Mortgage Earnings Pools:		
Consolidated	102,190,466.17	102,190,466.17
Municipal Bonds:		
Consolidated	62,682.60	62,682.60
Corporate Bonds:		
Consolidated	194,243,909.26	194,243,909.26
Consolidated Pension	251,901,711.69	241,997,986.25
	<u>446,145,620.95</u>	<u>436,241,895.51</u>
Corporate Notes:		
Consolidated	14,963,440.15	14,963,440.15
Commercial Paper:		
Consolidated Pension	40,000,000.00	40,480,000.00
Industrial Loans:		
Consolidated Pension	29,057,490.76	29,057,490.76
Certificates of Deposit:		
Consolidated	<u>224,295,496.58</u>	<u>224,295,496.58</u>
Total Other Investments	<u>3,166,165,326.87</u>	<u>3,094,674,569.94</u>
Total Investments	<u>\$3,446,786,122.87</u>	<u>\$3,375,295,366.94</u>

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

Chapter 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, 1987, the carrying amount and bank balance of compensating balances and receipts account balances forming the State of West Virginia's deposits was \$249,027,296. Of this amount, \$465,993 was covered by Federal depository insurance and \$248,561,303 was covered by the collateral account.

Investments - Chapter 12, Article 6, Section 9 of the West Virginia Code describes the 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.)

WEST VIRGINIA STATE BOARD OF INVESTMENTS

SCHEDULES OF INVESTMENT TRANSACTIONS

	<u>Year Ended December 31, 1987</u>	
	<u>Par Value</u>	<u>Current Book Value</u>
<u>Judges' Retirement - 7615</u>		
Beginning Investment Balance	\$ 9,436,000.00	\$ 9,426,111.25
Add: Purchases	257,673,614.53	257,683,699.57
Less: Maturities	256,842,255.64	256,828,258.35
Add: Accretions - Gains	-0-	3,086.53
Less: Amortizations - Losses	-0-	1,383.16
Ending Investment Balance	<u>\$ 10,267,358.89</u>	<u>\$ 10,283,255.84</u>

Department of Public Safety - 7620

Beginning Investment Balance	\$ 20,581,000.00	\$ 20,586,716.20
Add: Purchases	332,689,632.01	332,694,419.80
Less: Maturities	332,917,145.09	332,889,416.68
Add: Accretions - Gains	-0-	5,678.25
Less: Amortizations - Losses	-0-	6,279.84
Ending Investment Balance	<u>\$ 20,353,486.92</u>	<u>\$ 20,391,117.73</u>

Year Ended December 31, 1986

<u>Par Value</u>	<u>Current Book Value</u>
\$ 8,460,000.00	\$ 8,434,490.94
262,316,000.00	261,478,051.26
261,340,000.00	260,527,341.80
-0-	41,559.07
-0-	648.22
<u>\$ 9,436,000.00</u>	<u>\$ 9,426,111.25</u>

\$ 20,812,449.47	\$ 20,733,393.72
620,088,000.00	619,500,346.25
620,319,449.47	619,745,446.71
-0-	100,012.04
-0-	1,589.10
<u>\$ 20,581,000.00</u>	<u>\$ 20,586,716.20</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS

SCHEDULES OF INVESTMENT EARNINGS

<u>Judges' Retirement - 7615I</u>	<u>Year Ended December 31,</u>	
	<u>1987</u>	<u>1986</u>
Beginning Investment Income Balance	\$ 248,209.70	\$ 271,058.92
Investment Income	<u>861,889.80</u>	<u>1,096,693.85</u>
	1,110,099.50	1,367,752.77
Less: Service Fees	6,464.17	8,225.20
Less: Withdrawals	-0-	-0-
Less: Reinvestment of Investment Income	<u>885,227.13</u>	<u>1,111,317.87</u>
Ending Investment Income Balance	<u>\$ 218,408.20</u>	<u>\$ 248,209.70</u>

<u>Department of Public Safety - 7620I</u>		
Beginning Investment Income Balance	\$ 569,746.20	\$ 596,411.45
Investment Income	<u>1,730,007.62</u>	<u>2,361,205.64</u>
	2,299,753.82	2,957,617.09
Less: Service Fees	12,975.06	17,709.05
Less: Withdrawals	1,886,824.30	2,370,161.84
Less: Reinvestment of Investment Income	<u>-0-</u>	<u>-0-</u>
Ending Investment Income Balance	<u>\$ 399,954.46</u>	<u>\$ 569,746.20</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS
 SCHEDULES OF INVESTMENT TRANSACTIONS

Year Ended December 31, 1987

Workers' Compensation - 7625

	<u>Par Value</u>	<u>Current Book Value</u>
Beginning Investment Balance	\$ 548,732,846.79	\$ 531,974,137.09
Add: Purchases	12,578,937,000.00	12,555,892,378.13
Less: Maturities	12,527,637,633.28	12,521,584,466.45
Add: Accretions - Gains	-0-	1,057,274.39
Less: Amortizations - Losses	-0-	313,614.28
Ending Investment Balance	<u>\$ 600,032,213.51</u>	<u>\$ 567,025,708.88</u>

Pneumoconiosis Fund - 7630

Beginning Investment Balance	\$ 26,319,104.37	\$ 22,768,276.12
Add: Purchases	1,413,264,616.95	1,385,210,721.33
Less: Maturities	1,406,896,221.32	1,385,320,128.53
Add: Accretions - Gains	-0-	613.81
Less: Amortizations - Losses	-0-	6,466.33
Ending Investment Balance	<u>\$ 32,687,500.00</u>	<u>\$ 22,653,016.40</u>

Year Ended December 31, 1986

<u>Par Value</u>	<u>Current Book Value</u>
\$ 582,147,504.10	\$ 511,226,871.14
12,013,135,000.00	12,018,022,667.50
12,046,549,657.31	11,999,880,255.05
-0-	2,796,673.26
-0-	191,819.76
<u>\$ 548,732,846.79</u>	<u>\$ 531,974,137.09</u>

\$ 20,727,500.00	\$ 19,075,263.25
1,037,583,912.69	1,041,308,923.42
1,031,992,308.32	1,037,596,113.40
-0-	31,502.87
-0-	51,300.02
<u>\$ 26,319,104.37</u>	<u>\$ 22,768,276.12</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS
SCHEDULES OF INVESTMENT EARNINGS

<u>Workers' Compensation - 7625I</u>	<u>Year Ended December 31,</u>	
	<u>1987</u>	<u>1986</u>
Beginning Investment Income Balance	\$ 16,594,481.45	\$ 14,090,441.51
Investment Income	<u>49,129,354.93</u>	<u>67,679,163.64</u>
	65,723,836.38	81,769,605.15
Less: Service Fees	368,470.15	507,593.73
Less: Withdrawals	11,679,432.16	45,673,570.62
Less: Reinvestment of Investment Income	<u>41,834,903.26</u>	<u>18,993,959.35</u>
Ending Investment Income Balance	<u>\$ 11,841,030.81</u>	<u>\$ 16,594,481.45</u>

<u>Pneumoconiosis Fund - 7630I</u>		
Beginning Investment Income Balance	\$ 817,415.23	\$ 662,095.44
Investment Income	<u>821,053.96</u>	<u>3,966,484.58</u>
	1,638,469.19	4,628,580.02
Less: Service Fees	6,157.90	29,748.63
Less: Withdrawals	462,116.58	-0-
Less: Reinvestment of Investment Income	<u>1,930,825.90</u>	<u>3,781,416.16</u>
Ending Investment Income Balance	<u>(\$ 760,631.19)</u>	<u>\$ 817,415.23</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS
 SCHEDULES OF INVESTMENT TRANSACTIONS

	<u>Year Ended December 31, 1987</u>	
	<u>Par Value</u>	<u>Current Book Value</u>
<u>Public Employees' Retirement - 7635</u>		
Beginning Investment Balance	\$ 763,709,528.47	\$ 747,076,911.95
Add: Purchases	15,161,285,712.65	15,134,478,072.00
Less: Maturities	15,067,766,799.67	15,063,015,117.56
Add: Accretions - Gains	-0-	773,403.76
Less: Amortizations - Losses	-0-	1,562,378.06
Ending Investment Balance	<u>\$ 857,228,441.45</u>	<u>\$ 817,750,892.09</u>
 <u>Teachers' Retirement - 7640</u>		
Beginning Investment Balance	\$ 255,875,411.00	\$ 234,598,428.92
Add: Purchases	1,331,820,773.09	1,330,984,314.49
Less: Maturities	1,333,985,253.88	1,334,414,856.19
Add: Accretions - Gains	-0-	83,891.88
Less: Amortizations - Losses	-0-	1,459,970.93
Ending Investment Balance	<u>\$ 253,710,930.21</u>	<u>\$ 229,791,808.17</u>

Year Ended December 31, 1986

<u>Par Value</u>	<u>Current Book Value</u>
\$ 701,273,526.26	\$ 658,151,995.40
10,865,355,000.00	10,861,303,343.75
10,802,918,997.79	10,772,803,679.28
-0-	2,096,709.88
-0-	1,671,457.80
<u>\$ 763,709,528.47</u>	<u>\$ 747,076,911.95</u>

\$ 239,064,122.96	\$ 235,654,858.48
5,011,369,062.50	4,986,692,116.67
4,994,557,774.46	4,987,892,100.93
-0-	886,851.37
-0-	743,296.67
<u>\$ 255,875,411.00</u>	<u>\$ 234,598,428.92</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS

SCHEDULES OF INVESTMENT EARNINGS

	Year Ended December 31,	
	1987	1986
<u>Public Employees' Retirement - 7635I</u>		
Beginning Investment Income Balance	\$ 24,622,235.98	\$ 17,953,001.24
Investment Income	<u>74,579,148.21</u>	<u>94,158,434.74</u>
	99,201,384.19	112,111,435.98
Less: Service Fees	559,343.61	706,188.26
Less: Withdrawals	-0-	-0-
Less: Reinvestment of Investment Income	<u>81,353,526.62</u>	<u>86,783,011.74</u>
Ending Investment Income Balance	<u>\$ 17,288,513.96</u>	<u>\$ 24,622,235.98</u>

Teachers' Retirement - 7640I

Beginning Investment Income Balance	\$ 6,769,560.09	\$ 6,206,228.29
Investment Income	<u>18,514,530.54</u>	<u>31,353,111.89</u>
	25,284,090.63	37,559,340.18
Less: Service Fees	138,858.98	235,148.34
Less: Withdrawals	21,446,335.18	30,554,631.75
Less: Reinvestment of Investment Income	<u>-0-</u>	<u>-0-</u>
Ending Investment Income Balance	<u>\$ 3,698,896.47</u>	<u>\$ 6,769,560.09</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS
 SCHEDULES OF INVESTMENT TRANSACTIONS

	<u>Year Ended December 31, 1987</u>	
	<u>Par Value</u>	<u>Current Book Value</u>
<u>Fund 100 - Consolidated Pool</u>		
<u>Unrestricted - 7600-05</u>		
Beginning Investment Balance	\$ 823,350,268.79	\$ 772,971,134.15
Add: Purchases	59,953,007,552.98	59,287,107,130.83
Less: Maturities	<u>60,146,110,501.78</u>	<u>59,485,911,993.82</u>
Ending Investment Balance	<u>\$ 630,247,319.99</u>	<u>\$ 574,166,271.16</u>
<u>Fund 105 - Local Housing</u>		
<u>Development Pool - 7647-25</u>		
Beginning Investment Balance	\$ -0-	\$ -0-
Add: Purchases	234,307,342.03	234,240,000.00
Less: Maturities	<u>232,307,342.03</u>	<u>232,240,000.00</u>
Ending Investment Balance	<u>\$ 2,000,000.00</u>	<u>\$ 2,000,000.00</u>

Year Ended December 31, 1986

<u>Par Value</u>	<u>Current Book Value</u>
\$ 897,704,912.80	\$ 892,269,232.55 ✓
42,618,766,037.15	42,441,980,224.06
<u>42,693,120,681.16</u>	<u>42,561,278,322.46</u>
<u>\$ 823,350,268.79</u>	<u>\$ 772,971,134.15</u> ✓

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

WEST VIRGINIA STATE BOARD OF INVESTMENTS
 SCHEDULES OF INVESTMENT TRANSACTIONS

<u>Fund 110 - Consolidated Pension</u> <u>Pool - 7645-12</u>	<u>Year Ended December 31, 1987</u>	
	<u>Par Value</u>	<u>Current Book Value</u>
Beginning Investment Balance	\$ 440,792,326.57	\$ 439,166,225.65
Add: Purchases	23,577,492,035.43	23,411,246,418.73
Less: Maturities	<u>23,636,160,470.29</u>	<u>23,503,299,993.77</u>
Ending Investment Balance	<u>\$ 382,123,891.71</u>	<u>\$ 347,112,650.61</u>
<u>Fund 115 - Local Government Pension -</u> <u>7605-13</u>		
Beginning Investment Balance	\$ 56,252,594.51	\$ 55,381,405.99
Add: Purchases	4,712,538,461.13	4,687,155,835.10
Less: Maturities	<u>4,708,934,146.57</u>	<u>4,685,837,796.01</u>
Ending Investment Balance	<u>\$ 59,856,909.07</u>	<u>\$ 56,699,445.08</u>

Year Ended December 31, 1986

<u>Par Value</u>	<u>Current Book Value</u>
\$ 507,148,343.80	\$ 451,999,495.05
19,682,143,106.65	19,615,714,750.85
<u>19,748,499,123.88</u>	<u>19,628,548,020.25</u>
<u>\$ 440,792,326.57</u>	<u>\$ 439,166,225.65</u>

\$ 51,485,978.15	\$ 38,689,952.57
4,357,466,535.07	4,334,710,538.41
<u>4,352,699,918.71</u>	<u>4,318,019,084.99</u>
<u>\$ 56,252,594.51</u>	<u>\$ 55,381,405.99</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS

SCHEDULES OF INVESTMENT EARNINGS

Fund 110 - Consolidated Pension Pool -
7645-12I

Year Ended December 31,
1987 1986

Beginning Investment Income Balance	\$ 5,233,617.37	\$ 15,688,937.97
Investment Income	<u>33,774,567.52</u>	<u>65,353,913.20</u>
	39,008,184.89	81,042,851.17
Less: Service Fees	253,309.25	490,154.34
Less: Withdrawals	<u>38,754,875.64</u>	<u>75,319,079.46</u>
Ending Investment Income Balance	<u>\$ -0-</u>	<u>\$ 5,233,617.37</u>

Fund 115 - Local Government Pension -
7605-13I

Beginning Investment Income Balance	\$ -0-	\$ 618,387.43
Investment Income	<u>6,492,479.44</u>	<u>9,120,068.70</u>
	6,492,479.44	9,738,456.13
Less: Service Fees	48,693.59	68,400.51
Less: Withdrawals	<u>6,443,785.85</u>	<u>9,670,055.62</u>
Ending Investment Income Balance	<u>\$ -0-</u>	<u>\$ -0-</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS
 SCHEDULES OF INVESTMENT TRANSACTIONS

	<u>Year Ended December 31, 1987</u>	
	<u>Par Value</u>	<u>Current Book Value</u>
<u>Fund 120 - Highway Construction and Huntington Toll Bridge - 6940-05</u>		
Beginning Investment Balance	\$ 7,850,000.00	\$ 7,732,928.13
Add: Purchases	-0-	13,750.00
Less: Maturities	440,000.00	440,000.00
Ending Investment Balance	<u>\$ 7,410,000.00</u>	<u>\$ 7,306,678.13</u>

<u>Fund 130 - The School Fund - 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>

Year Ended December 31, 1986

<u>Par Value</u>	<u>Current Book Value</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>

\$ 998,000.00	\$ 1,003,188.44
-0-	-0-
-0-	-0-
<u>\$ 998,000.00</u>	<u>\$ 1,003,188.44</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS

SCHEDULES OF INVESTMENT EARNINGS

Fund 120 - Highway Construction and
Huntington Toll Bridge - 6940-05I

Year Ended December 31,
1987 1986

Beginning Investment Income Balance	\$	-0-	\$	-0-
Investment Income		641,900.00		628,150.00
		<u>641,900.00</u>		<u>628,150.00</u>
Less: Service Fees		4,814.25		4,711.13
Less: Withdrawals		<u>528,891.12</u>		<u>623,438.87</u>
Ending Investment Income Balance	\$	<u>108,194.63</u>	\$	<u>-0-</u>

Fund 130 - The School Fund - 7440-05I

Beginning Investment Income Balance	\$	-0-	\$	-0-
Investment Income		89,781.26		89,781.26
		<u>89,781.26</u>		<u>89,781.26</u>
Less: Service Fees		673.35		673.35
Less: Withdrawals		<u>89,107.91</u>		<u>89,107.91</u>
Ending Investment Income Balance	\$	<u>-0-</u>	\$	<u>-0-</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS
 SCHEDULES OF INVESTMENT TRANSACTIONS

	<u>Year Ended December 31, 1987</u>	
	<u>Par Value</u>	<u>Current Book Value</u>
<u>Fund 140 - Undistributed Restricted Pool - 7610-05</u>		
Beginning Investment Balance	\$ 764,265,779.28	\$ 769,682,012.34
Add: Purchases	22,206,807,789.95	22,091,462,970.84
Less: Maturities	<u>22,519,533,739.66</u>	<u>22,423,156,003.77</u>
Ending Investment Balance	<u>\$ 451,539,829.57</u>	<u>\$ 437,988,979.41</u>
 <u>Fund 145 - National Credit Union Administration - 7648-46</u>		
Beginning Investment Balance	\$ -0-	\$ -0-
Add: Purchases	240,850,000.00	240,850,000.00
Less: Maturities	<u>239,850,000.00</u>	<u>239,850,000.00</u>
Ending Investment Balance	<u>\$ 1,000,000.00</u>	<u>\$ 1,000,000.00</u>

Year Ended December 31, 1986

<u>Par Value</u>	<u>Current Book Value</u>
\$ 607,244,667.50	\$ 542,741,412.86
25,518,736,008.21	25,392,006,378.60
<u>25,361,714,896.43</u>	<u>25,165,065,779.12</u>
<u>\$ 764,265,779.28</u>	<u>\$ 769,682,012.34</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

SCHEDULES OF INVESTMENT EARNINGS

Fund 140 - Undistributed Restricted
Pool - 7610-05I

Year Ended December 31,
1987 1986

Beginning Investment Income Balance	\$ 82,096,002.59	\$ 41,987,879.93
Investment Income	<u>50,429,174.63</u>	<u>75,756,255.00</u>
	132,525,177.22	117,744,134.93
Less: Service Fees	378,218.80	568,171.91
Less: Withdrawals	<u>132,146,609.94</u>	<u>35,079,960.43</u>
Ending Investment Income Balance	<u>\$ 348.48</u>	<u>\$ 82,096,002.59</u>

Fund 145 - National Credit Union
Administration - 7648-46I

Beginning Investment Income Balance	\$ -0-	\$ -0-
Investment Income	<u>79,944.27</u>	<u>-0-</u>
	79,944.27	-0-
Less: Service Fees	599.58	-0-
Less: Withdrawals	<u>79,344.69</u>	<u>-0-</u>
Ending Investment Income Balance	<u>\$ -0-</u>	<u>\$ -0-</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS
 SCHEDULES OF INVESTMENT TRANSACTIONS

<u>Fund 150 - Municipal Bond Commission</u> <u>(Huntington Toll Bridge) - 7320-10A</u>	<u>Year Ended December 31, 1987</u>	
	<u>Par Value</u>	<u>Current Book Value</u>
Beginning Investment Balance	\$ 1,005,000.00	\$ 993,221.88
Add: Purchases	-0-	-0-
Less: Maturities	-0-	-0-
Ending Investment Balance	<u>\$ 1,005,000.00</u>	<u>\$ 993,221.88</u>

<u>Fund 152 - Municipal Bond Commission</u> <u>(County Revenue) - 7320-10H</u>		
Beginning Investment Balance	\$ 169,000.00	\$ 158,674.24
Add: Purchases	-0-	-0-
Less: Maturities	10,000.00	10,096.88
Ending Investment Balance	<u>\$ 159,000.00</u>	<u>\$ 148,577.36</u>

Year Ended December 31, 1986

<u>Par Value</u>	<u>Current Book Value</u>
\$ 1,005,000.00	\$ 993,221.88
-0-	-0-
-0-	-0-
<u>\$ 1,005,000.00</u>	<u>\$ 993,221.88</u>

\$ -0-	\$ -0-
180,000.00	173,781.74
11,000.00	15,107.50
<u>\$ 169,000.00</u>	<u>\$ 158,674.24</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS

SCHEDULES OF INVESTMENT EARNINGS

Fund 150 - Municipal Bond Commission
(Huntington Toll Bridge) - 7320-10AI

Year Ended December 31,
1987 1986

Beginning Investment Income Balance	\$	-0-	\$	-0-
Investment Income		<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 Investment Income Balance	\$	<u>-0-</u>	\$	<u>-0-</u>

Fund 152 - Municipal Bond Commission
(County Revenue) - 7320-10HI

Beginning Investment Income Balance	\$	-0-	\$	-0-
Investment Income		<u>13,754.38</u>		<u>10,986.89</u>
		13,754.38		10,986.89
Less: Service Fees		103.15		82.40
Less: Withdrawals		<u>13,651.23</u>		<u>10,904.49</u>
Ending Investment Income Balance	\$	<u>-0-</u>	\$	<u>-0-</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS
 SCHEDULES OF INVESTMENT TRANSACTIONS

<u>Fund 156 - Municipal Bond Commission</u> <u>(General Obligation) - 7320-10K</u>	<u>Year Ended December 31, 1987</u>	
	<u>Par Value</u>	<u>Current Book Value</u>
Beginning Investment Balance	\$ -0-	\$ -0-
Add: Purchases	200,000.00	167,905.42
Less: Maturities	4,000.00	4,000.00
Ending Investment Balance	<u>\$ 196,000.00</u>	<u>\$ 163,905.42</u>

<u>Fund 160 - Municipal Bond Commission</u> <u>(WVU Project II Escrow) - 7320-10B</u>		
Beginning Investment Balance	\$ 2,580,000.00	\$ 2,496,439.00
Add: Purchases	-0-	-0-
Less: Maturities	910,000.00	774,774.00
Ending Investment Balance	<u>\$ 1,670,000.00</u>	<u>\$ 1,721,665.00</u>

Year Ended December 31, 1986

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

\$ 2,630,000.00	\$ 2,548,939.00
-0-	-0-
<u>50,000.00</u>	<u>52,500.00</u>
<u>\$ 2,580,000.00</u>	<u>\$ 2,496,439.00</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS

SCHEDULES OF INVESTMENT EARNINGS

Fund 156 - Municipal Bond Commission
(General Obligation) - 7320-10KI

Year Ended December 31,
1987 1986

Beginning Investment Income Balance	\$	-0-	\$	-0-
Investment Income		100.16		-0-
		<u>100.16</u>		<u>-0-</u>
Less: Service Fees		0.75		-0-
Less: Withdrawals		99.41		-0-
		<u>99.41</u>		<u>-0-</u>
Ending Investment Income Balance	\$	<u>-0-</u>	\$	<u>-0-</u>

Fund 160 - Municipal Bond Commission
(WVU Project II Escrow) - 7320-10BI

Beginning Investment Income Balance	\$	-0-	\$	-0-
Investment Income		289,671.00		179,150.00
		<u>289,671.00</u>		<u>179,150.00</u>
Less: Service Fees		2,172.53		1,343.62
Less: Withdrawals		287,498.47		177,806.38
		<u>287,498.47</u>		<u>177,806.38</u>
Ending Investment Income Balance	\$	<u>-0-</u>	\$	<u>-0-</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS
 SCHEDULES OF INVESTMENT TRANSACTIONS

	<u>Year Ended December 31, 1987</u>	
	<u>Par Value</u>	<u>Current Book Value</u>
<u>Fund 162 - Municipal Bond Commission</u> <u>(County Schools) - 7320-10E</u>		
Beginning Investment Balance	\$ 8,795,200.00	\$ 9,081,001.42
Add: Purchases	692,000.00	645,838.21
Less: Maturities	1,476,100.00	1,493,966.72
Ending Investment Balance	<u>\$ 8,011,100.00</u>	<u>\$ 8,232,872.91</u>
 <u>Fund 164 - Municipal Bond Commission</u> <u>(New Martinsville Toll Bridge) - 7320-10F</u>		
Beginning Investment Balance	\$ 300,000.00	\$ 56,655.00
Add: Purchases	50,000.00	39,379.11
Less: Maturities	-0-	1,101.28
Ending Investment Balance	<u>\$ 350,000.00</u>	<u>\$ 94,932.83</u>

Year Ended December 31, 1986

<u>Par Value</u>	<u>Current Book Value</u>
\$ 8,898,200.00	\$ 9,129,126.88
1,024,000.00	1,142,627.28
<u>1,127,000.00</u>	<u>1,190,752.74</u>
<u>\$ 8,795,200.00</u>	<u>\$ 9,081,001.42</u>

\$ 300,000.00	\$ 56,655.00
-0-	-0-
<u>-0-</u>	<u>-0-</u>
<u>\$ 300,000.00</u>	<u>\$ 56,655.00</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS

SCHEDULES OF INVESTMENT EARNINGS

Fund 162 - Municipal Bond Commission
(County Schools) - 7320-10EI

Year Ended December 31,
1987 1986

Beginning Investment Income Balance	\$	-0-	\$	-0-
Investment Income		987,400.89		858,503.45
		<u>987,400.89</u>		<u>858,503.45</u>
Less: Service Fees		7,405.50		6,438.77
Less: Withdrawals		<u>979,995.39</u>		<u>852,064.68</u>
Ending Investment Income Balance	\$	<u>-0-</u>	\$	<u>-0-</u>

Fund 164 - Municipal Bond Commission
(New Martinsville Toll Bridge) - 7320-10FI

Beginning Investment Income Balance	\$	-0-	\$	-0-
Investment Income		1,463.72		-0-
		<u>1,463.72</u>		<u>-0-</u>
Less: Service Fees		10.97		-0-
Less: Withdrawals		<u>1,452.75</u>		<u>-0-</u>
Ending Investment Income Balance	\$	<u>-0-</u>	\$	<u>-0-</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS
 SCHEDULES OF INVESTMENT TRANSACTIONS

<u>Fund 166 - Municipal Bond Commission</u> <u>(Escrow Account) - 7320-10G</u>	<u>Year Ended December 31, 1987</u>	
	<u>Par Value</u>	<u>Current Book Value</u>
Beginning Investment Balance	\$ 3,850,000.00	\$ 3,065,974.31
Add: Purchases	23,684,900.00	23,585,449.47
Less: Maturities	<u>851,700.00</u>	<u>839,135.97</u>
Ending Investment Balance	<u>\$ 26,683,200.00</u>	<u>\$ 25,812,287.81</u>

<u>Fund 170 - Municipal Bond Commission -</u> <u>7320-10C</u>		
Beginning Investment Balance	\$ 21,053,000.00	\$ 15,849,566.79
Add: Purchases	-0-	-0-
Less: Maturities	<u>2,731,000.00</u>	<u>2,658,993.04</u>
Ending Investment Balance	<u>\$ 18,322,000.00</u>	<u>\$ 13,190,573.75</u>

Year Ended December 31, 1986

<u>Par Value</u>	<u>Current Book Value</u>
\$ 3,944,000.00	\$ 3,144,442.80
75,000.00	83,214.91
<u>169,000.00</u>	<u>161,683.40</u>
<u>\$ 3,850,000.00</u>	<u>\$ 3,065,974.31</u>

\$ 13,895,000.00	\$ 12,860,432.12
27,778,000.00	22,331,301.17
<u>20,620,000.00</u>	<u>19,342,166.50</u>
<u>\$ 21,053,000.00</u>	<u>\$ 15,849,566.79</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS

SCHEDULES OF INVESTMENT EARNINGS

Fund 166 - Municipal Bond Commission
(Escrow Account) - 7320-10GI

Year Ended December 31,
1987 1986

Beginning Investment Income Balance	\$	-0-	\$	-0-
Investment Income		<u>809,835.73</u>		<u>225,789.34</u>
		809,835.73		225,789.34
Less: Service Fees		6,073.76		1,693.42
Less: Withdrawals		<u>803,761.97</u>		<u>224,095.92</u>
Ending Investment Income Balance	\$	<u>-0-</u>	\$	<u>-0-</u>

Fund 170 - Municipal Bond Commission - 7320-10CI

Beginning Investment Income Balance	\$	-0-	\$	-0-
Investment Income		<u>72,006.96</u>		<u>4,448,662.47</u>
		72,006.96		4,448,662.47
Less: Service Fees		540.05		33,364.96
Less: Withdrawals		<u>71,466.91</u>		<u>4,415,297.51</u>
Ending Investment Income Balance	\$	<u>-0-</u>	\$	<u>-0-</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS
 SCHEDULES OF INVESTMENT TRANSACTIONS

<u>Fund 3300 - Retirement System</u> <u>Operating Account - 7649-13</u>	<u>Year Ended December 31, 1987</u>	
	<u>Par Value</u>	<u>Current Book Value</u>
Beginning Investment Balance	\$ 253,260,117.71	\$ 254,018,623.96
Add: Purchases	20,479,936,096.10	20,396,721,745.71
Less: Maturities	<u>20,494,424,969.75</u>	<u>20,419,798,551.90</u>
Ending Investment Balance	<u>\$ 238,771,244.06</u>	<u>\$ 230,941,817.77</u>

Fund 4900 - WCF-HDF Loan Fund - 7645-34

Beginning Investment Balance	\$ 47,189,806.60	\$ 47,189,806.60
Add: Purchases	3,851,033,309.46	3,851,033,309.46
Less: Maturities	<u>3,860,517,523.71</u>	<u>3,860,517,523.71</u>
Ending Investment Balance	<u>\$ 37,705,592.35</u>	<u>\$ 37,705,592.35</u>

Year Ended December 31, 1986

<u>Par Value</u>	<u>Current Book Value</u>
\$ 234,310,468.75	\$ 210,141,818.04
13,462,328,411.38	13,407,334,260.64
<u>13,443,378,762.42</u>	<u>13,363,457,454.72</u>
<u>\$ 253,260,117.71</u>	<u>\$ 254,018,623.96</u>

\$ 54,633,612.06	\$ 54,633,612.06
3,193,816,738.01	3,193,816,738.01
<u>3,201,260,543.47</u>	<u>3,201,260,543.47</u>
<u>\$ 47,189,806.60</u>	<u>\$ 47,189,806.60</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS

SCHEDULES OF INVESTMENT EARNINGS

Fund 3300 - Retirement System Operating
Account - 7649-13I

Year Ended December 31,
1987 1986

Beginning Investment Income Balance	\$ 3,014,750.57	\$ 14,175,168.38
Investment Income	<u>20,760,680.19</u>	<u>37,330,962.29</u>
	23,775,430.76	51,506,130.67
Less: Service Fees	155,705.10	279,982.21
Less: Withdrawals	<u>23,619,725.66</u>	<u>48,211,397.89</u>
Ending Investment Income Balance	<u>\$ -0-</u>	<u>\$ 3,014,750.57</u>

Fund 4900 - WCF-HDF Loan Fund - 7645-34I

Beginning Investment Income Balance	\$ -0-	\$ -0-
Investment Income	<u>4,151,558.13</u>	<u>5,073,968.04</u>
	4,151,558.13	5,073,968.04
Less: Service Fees	31,136.68	38,054.76
Less: Withdrawals	<u>4,120,421.45</u>	<u>5,035,913.28</u>
Ending Investment Income Balance	<u>\$ -0-</u>	<u>\$ -0-</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS
 SCHEDULES OF INVESTMENT TRANSACTIONS

	<u>Year Ended December 31, 1987</u>	
	<u>Par Value</u>	<u>Current Book Value</u>
<u>Fund 5100 - WCF-OECD Loan Fund - 7645-23</u>		
Beginning Investment Balance	\$ 12,040,828.12	\$ 12,040,828.12
Add: Purchases	7,172,000.00	7,172,000.00
Less: Maturities	<u>1,094,328.09</u>	<u>1,094,328.09</u>
Ending Investment Balance	<u>\$ 18,118,500.03</u>	<u>\$ 18,118,500.03</u>
<u>Fund 8013 - West Virginia Lottery Defeasance - 7612-15</u>		
Beginning Investment Balance	\$ -0-	\$ -0-
Add: Purchases	19,332,692.00	9,070,366.81
Less: Maturities	<u>252,000.00</u>	<u>252,000.00</u>
Ending Investment Balance	<u>\$ 19,080,692.00</u>	<u>\$ 8,818,366.81</u>

Year Ended December 31, 1986

<u>Par Value</u>	<u>Current Book Value</u>
\$ 9,833,905.26	\$ 9,833,905.26
5,271,000.00	5,271,000.00
<u>3,064,077.14</u>	<u>3,064,077.14</u>
<u>\$ 12,040,828.12</u>	<u>\$ 12,040,828.12</u>

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

WEST VIRGINIA STATE BOARD OF INVESTMENTS

SCHEDULES OF INVESTMENT EARNINGS

Fund 5100 - WCF-OECD Loan Fund - 7645-23I

Year Ended December 31,
1987 1986

Beginning Investment Income Balance	\$ -0-	\$ -0-
Investment Income	1,009,912.90	766,799.05
	<u>1,009,912.90</u>	<u>766,799.05</u>
Less: Service Fees	7,574.34	5,750.99
Less: Withdrawals	1,002,338.56	761,048.06
	<u>1,002,338.56</u>	<u>761,048.06</u>
Ending Investment Income Balance	<u>\$ -0-</u>	<u>\$ -0-</u>

Fund 8013 - West Virginia Lottery
Defeasance - 7612-15I

Beginning Investment Income Balance	\$ -0-	\$ -0-
Investment Income	1,562.40	-0-
	<u>1,562.40</u>	<u>-0-</u>
Less: Service Fees	11.71	-0-
Less: Withdrawals	1,550.69	-0-
	<u>1,550.69</u>	<u>-0-</u>
Ending Investment Income Balance	<u>\$ -0-</u>	<u>\$ -0-</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS
 SCHEDULES OF INVESTMENT TRANSACTIONS

	<u>Year Ended December 31, 1987</u>	
	<u>Par Value</u>	<u>Current Book Value</u>
<u>Fund 9500 - Finance and Administration</u>		
<u>Certificate of Participation - 9500-20A</u>		
Beginning Investment Balance	\$ 5,324,441.00	\$ 5,324,441.00
Add: Purchases	133,205,082.00	133,205,082.00
Less: Maturities	<u>138,529,523.00</u>	<u>138,529,523.00</u>
Ending Investment Balance	<u>\$ -0-</u>	<u>\$ -0-</u>

<u>Fund 9523 - Finance and Administration</u>		
<u>Reserve Account - 9500-23A</u>		
Beginning Investment Balance	\$ 1,560,000.00	\$ 1,560,000.00
Add: Purchases	71,853,025.00	71,853,025.00
Less: Maturities	<u>71,873,620.00</u>	<u>71,873,620.00</u>
Ending Investment Balance	<u>\$ 1,539,405.00</u>	<u>\$ 1,539,405.00</u>

Year Ended December 31, 1986

<u>Par Value</u>	<u>Current Book Value</u>
\$ -0-	\$ -0-
170,344,028.20	170,344,028.20
<u>165,019,587.20</u>	<u>165,019,587.20</u>
<u>\$ 5,324,441.00</u>	<u>\$ 5,324,441.00</u>

\$ -0-	\$ -0-
16,321,119.82	16,321,119.82
<u>14,761,119.82</u>	<u>14,761,119.82</u>
<u>\$ 1,560,000.00</u>	<u>\$ 1,560,000.00</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS

SCHEDULES OF INVESTMENT EARNINGS

Fund 9500 - Finance and Administration
Certificate of Participation - 9500-20AI

Year Ended December 31,
1987 1986

Beginning Investment Income Balance	\$	-0-	\$	-0-
Investment Income		<u>80,274.57</u>		<u>113,541.23</u>
		80,274.57		113,541.23
Less: Service Fees		602.05		851.55
Less: Withdrawals		<u>79,672.52</u>		<u>112,689.68</u>
Ending Investment Income Balance	\$	<u>-0-</u>	\$	<u>-0-</u>

Fund 9523 - Finance and Administration
Reserve Account - 9500-23AI

Beginning Investment Income Balance	\$	-0-	\$	-0-
Investment Income		<u>91,441.14</u>		<u>17,213.08</u>
		91,441.14		17,213.08
Less: Service Fees		685.80		129.09
Less: Withdrawals		<u>90,755.34</u>		<u>17,083.99</u>
Ending Investment Income Balance	\$	<u>-0-</u>	\$	<u>-0-</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS
 SCHEDULES OF INVESTMENT TRANSACTIONS

	<u>Year Ended December 31, 1987</u>	
	<u>Par Value</u>	<u>Current Book Value</u>
<u>Fund 9524 - Finance and Administration</u>		
<u>Issuance Differential - 9500-24A</u>		
Beginning Investment Balance	\$ 811,000.00	\$ 811,000.00
Add: Purchases	56,370,947.00	56,370,947.00
Less: Maturities	<u>56,050,555.00</u>	<u>56,050,555.00</u>
Ending Investment Balance	<u>\$ 1,131,392.00</u>	<u>\$ 1,131,392.00</u>
 <u>Fund 9700 - Revenue Sharing - 9500-05</u>		
Beginning Investment Balance	\$ 3,950,000.00	\$ 3,950,000.00
Add: Purchases	433,961,140.47	433,961,140.47
Less: Maturities	<u>434,911,140.47</u>	<u>434,911,140.47</u>
Ending Investment Balance	<u>\$ 3,000,000.00</u>	<u>\$ 3,000,000.00</u>

Year Ended December 31, 1986

<u>Par Value</u>	<u>Current Book Value</u>
\$ -0-	\$ -0-
2,432,000.00	2,432,000.00
<u>1,621,000.00</u>	<u>1,621,000.00</u>
<u>\$ 811,000.00</u>	<u>\$ 811,000.00</u>

\$ -0-	\$ -0-
221,954,142.15	221,849,662.84
<u>218,004,142.15</u>	<u>217,899,662.84</u>
<u>\$ 3,950,000.00</u>	<u>\$ 3,950,000.00</u>

WEST VIRGINIA STATE BOARD OF INVESTMENTS

SCHEDULES OF INVESTMENT EARNINGS

	Year Ended December 31,	
	<u>1987</u>	<u>1986</u>
<u>Fund 9524 - Finance and Administration</u>		
<u>Issuance Differential - 9500-24AI</u>		
Beginning Investment Income Balance	\$ -0-	\$ -0-
Investment Income	67,909.91	940.67
	<u>67,909.91</u>	<u>940.67</u>
Less: Service Fees	509.32	7.05
Less: Withdrawals	67,400.59	933.62
	<u>67,400.59</u>	<u>933.62</u>
Ending Investment Income Balance	<u>\$ -0-</u>	<u>\$ -0-</u>
 <u>Fund 9700 - Revenue Sharing - 9700-05I</u>		
Beginning Investment Income Balance	\$ -0-	\$ -0-
Investment Income	221,499.52	53,782.47
	<u>221,499.52</u>	<u>53,782.47</u>
Less: Service Fees	1,661.24	403.36
Less: Withdrawals	219,838.28	53,379.11
	<u>219,838.28</u>	<u>53,379.11</u>
Ending Investment Income 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, 1988.

Encil Bailey

Encil Bailey, Legislative Auditor

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