

WEST VIRGINIA

BOARD OF TREASURY INVESTMENTS

A Component Unit of the State of West Virginia

Comprehensive Annual Financial Report

For the Fiscal Year Ended
June 30, 2006



WEST VIRGINIA

BOARD OF TREASURY INVESTMENTS

Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2006

A Component Unit of the State of West Virginia

Joe Manchin III
Governor

John D. Perdue, Chairman
West Virginia State Treasurer

Glen B. Gainer III
West Virginia State Auditor

Martin Glasser, Esquire
Attorney-at-Law
Appointed by the Governor

Jack Rossi, CPA
Appointed by the Governor

*Prepared by the Board of Treasury Investments Staff
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WEST VIRGINIA
**BOARD OF TREASURY
INVESTMENTS**

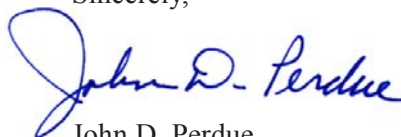
To: Members of the West Virginia Board of Treasury Investments,
Honorable Members of the Legislature,
And the Citizens of West Virginia

I am pleased to present you with the June 30, 2006, Comprehensive Annual Financial Report (CAFR) for the West Virginia Board of Treasury Investments (BTI). The report is a review of the financial and investment conditions of the State of West Virginia's Consolidated Fund. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, rests with the management of the BTI. An independent certified public accounting firm has audited the basic financial statements contained in this report.

The West Virginia Legislature created the BTI in the 2005 legislative session. The BTI began operations in July 2005. The BTI was created to oversee and manage the state's operating funds, also known as the Consolidated Fund. The CAFR demonstrates the BTI's commitment to financial accountability and conformance to the highest standards for preparation of state and local government financial reports.

The report is designed to provide a general overview of the State of West Virginia's Consolidated Fund investments. It was compiled with the assistance of employees of the BTI and with administrative services provided by the West Virginia State Treasurer's Office. These individuals are committed to providing reliable and credible information in conformance with accounting principles generally accepted in the United States of America.

Sincerely,



John D. Perdue
State Treasurer
Chairman of the Board

ACKNOWLEDGEMENTS

Report Prepared By:

West Virginia Board of Treasury Investments
State Capitol Complex
1900 Kanawha Boulevard East, Suite E-122
Charleston, West Virginia 25305

Staff:

Glenda Probst, Executive Director
Kara K. Brewer, Chief Financial Officer
Denise Baker, Director of Investment Operations
Patricia A. Brumfield, Investment Accountant
Ashley Smolder, Investment Accountant

A Special Thanks To:

Dave Thomas, CPA
Financial Director
West Virginia College Prepaid Tuition and Savings Program

Front Cover:

Cover photograph courtesy of
David Fattaleh
WV Division of Tourism

We invite you to visit our web site at www.wvbt.com

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INTRODUCTORY SECTION

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WEST VIRGINIA
**BOARD OF TREASURY
INVESTMENTS**

Investing Local, County and State Funds for West Virginia

Members of the West Virginia Board of Treasury Investments

Honorable Members of the West Virginia Legislature

Participants in the State of West Virginia's Consolidated Fund

Citizens of West Virginia

Ladies and Gentleman:

I am pleased to present you with the June 30, 2006, Comprehensive Annual Financial Report (CAFR) for the West Virginia Board of Treasury Investments (the "BTI"). The report is a complete review of the financial status of the State of West Virginia's short-term operating funds (the "Consolidated Fund"). Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, rests with the management of the BTI. The BTI's financial statements have been audited by Gibbons & Kawash, A.C. The independent audit provides reasonable assurance that the financial statements for the fiscal year ended June 30, 2006, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor rendered an unqualified opinion that the BTI's financial statements for the fiscal year ended June 30, 2006, are fairly presented in conformity with accounting principles generally accepted in the United States of America (GAAP). The independent auditor's report is presented as the first component of the financial section of this report.

Management is responsible for establishing and maintaining internal control designed to ensure that the investments of the Consolidated Fund are protected from loss, theft or misuse and that the preparation of the financial statements is in conformity with GAAP. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived from it, and (2) the evaluation of costs and benefits requires estimates and judgments by management. Management of the BTI has established a comprehensive internal control framework that is designed to provide a reasonable basis for making representations concerning the finances of the BTI. Because the cost of internal control should not outweigh its benefits, the BTI's comprehensive framework of internal control has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

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West Virginia Board of Treasury Investments

The CAFR is presented in four sections. (1) The Introductory Section contains this letter of transmittal, a list of principal officials, and an organizational chart. (2) The Financial Section contains management's discussion and analysis, basic financial statements, supplementary information, other financial information, and the independent auditor's opinion on the financial statements. (3) The Investment Section reports on investment activity, investment policies, investment results, and various investment information. (4) The Statistical Section includes selected financial and statistical data.

Generally accepted accounting principals (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. BTI's MD&A can be found immediately following the report of the independent auditors in the Financial Section.

Profile of the West Virginia Board of Treasury Investments

The 2005 West Virginia Legislature established the BTI, effective July 8, 2005, as a public corporation of the State of West Virginia, to make short-term operating funds of the state more accessible to state government.

The BTI employs a full-time staff. The West Virginia State Treasurer's Office provides various supplementary administrative services. A five-member Board of Directors governs the BTI. The State Governor, State Treasurer, and State Auditor serve as ex officio members of the Board. The Governor appoints the two remaining members subject to the advice and consent of the State Senate. Of the two members appointed by the Governor, one shall be a certified public accountant and one shall be an attorney, and both shall have experience in finance, investing and management. The State Treasurer is Chairman of the Board. The Board was established by the Legislature to provide prudent fiscal administration, investment, and management for the short-term operating funds of the State of West Virginia.

The Consolidated Fund provides for the investment of moneys not currently needed to fund state governmental operations, as well as providing the opportunity for local governments to participate in large investment pools, and for those funds statutorily required to be invested in the Consolidated Fund. As of June 30, 2006, the Consolidated Fund had \$2.5 billion in net assets. The Consolidated Fund is made up of ten legally separate investment pools and accounts: three external investment pools, two special-purpose internal investment pools, and five individual investment accounts. A more detailed description of the investment pools that make up the Consolidated Fund are found in Note 1 of the Notes to the Financial Statements.

In order to properly carry out the investment policy, as described in detail in the Investment Section, the Board has hired various outside service providers. Their roles as fiduciaries are clearly identified in the investment policy to ensure operational efficiency, clear lines of communication, and accountability in all aspects of operations. The Board contracts with Summit Strategies Group as the investment consultant. The Board requires the consultant to employ a chartered financial analyst or a certified treasury manager to work directly with the BTI. The consultant is responsible for performing investment manager evaluations, suggesting modifications to the investment policy, and performing other services requested by the Board. The Board also hires investment managers who have complete discretion over the timing, selection, and execution of investment trades. The managers are provided explicit written instructions detailing their particular duties and administer the portfolio consistent with the investment policy. The BTI currently contracts with JP Morgan Asset Management, UBS Global Asset Management, and Standish Mellon as the investment managers.

In accordance with *WV State Code §12-6C-19*, the Board may charge fees, which are subtracted from the total return on investments, for the reasonable and necessary expenses incurred by the Board in rendering services. All fees collected are deposited in a special account in the State Treasury. The Board annually adopts a budget and fee schedule, which describes how fees are charged to each pool.

Investment Activities

The investment policies and strategies for the Consolidated Fund can be found in the Investment Section of this report. The policies are designed to provide safeguards on assets while optimizing return based on each fund's risk parameters.

The return information presented in the Investment Section is calculated by the BTI with the assistance of our consultant, Summit Strategies and the individual investment managers. The investment return calculations were prepared using a monthly time-weighted rate of return methodology.

Strategic Plan

One of the greatest accomplishments during fiscal year 2006 was the development of a strategic plan. This plan has provided a framework for Board decisions and a timeline of what the BTI wants to accomplish over the next four years. The initial planning stages of the strategic plan began with the development of a vision statement. This vision statement has allowed the BTI to stretch its capabilities, enhance its professional image, and give direction to the organization's future:

Vision Statement

The Board of Treasury Investments will become a professional fund-manager actively seeking new shareholders and funds to manage. The Board of Treasury Investments will become one of the premier state fund managers, by consistently providing returns over its benchmarks, and being in the top 20% of its peer-group state-managed investment funds. The Board of Treasury Investments will utilize new technologies to the fullest extent possible, develop new investment products, and get certain pools rated to meet the needs of its current and potential shareholders. Extensive training initiatives will be developed and undertaken by the Board of Treasury Investments to improve and maintain the professionalism of its Staff, Board members, and the other financial professionals it works with. Funds under management are expected to exceed \$3.25 billion, by the end of 2009.

In the development of the strategic plan, management examined the BTI's core values. In this environment of great change, we needed to affirm what set BTI apart from other entities and what should drive our actions as employees of the BTI and our fiduciary duties to the citizens of West Virginia. After receiving input from staff members and management, the core values underlying the BTI operations and its relationships with its shareholders were defined as follows:

- Commitment and accountability,
- Innovation,
- High expectations for the results of our efforts,
- Efficiency,

West Virginia Board of Treasury Investments

- Professionalism, personal excellence and education,
- Willingness to take on challenges, and
- Protect and enhance the value of Shareholder assets.

Given the vision statement and core values of the BTI, management carefully came to conclusions about what the organization must do as a result of the major issues and opportunities facing the organization over the next four years. Management carefully considered various driving forces such as market environment changes, changing demographics, the economy, and shareholder needs. We also evaluated the various strengths, weaknesses, opportunities and threats regarding the BTI. With the Board's approval, the strategic direction and key strategies developed for the BTI over the next four years are as follows:

Strategic Direction 1: Improve investment returns.

Key Strategy: Improve investment returns by:

- Understanding the underlying investment climate;
- Developing new investment strategies and policies based upon the analysis of cash flows, investment advisor and consultant recommendations, and other states' experiences; and
- Utilizing active management oversight of all aspects of the investment process.

Strategic Direction 2: Determine the needs of current and potential Shareholders and establish processes and/or products to meet their expectations.

Key Strategy: Meet with and survey current and future Shareholders, and actively participate in their associations and professional organizations to gain an insight into Shareholder needs and their satisfaction with BTI performance.

Strategic Direction 3: Increase assets under management and increase the number of shareholders.

Key Strategy: Develop a comprehensive marketing program to solicit more participation of current Shareholders and new Shareholders through education, enhancement of current pools and the development of new investment products.

Strategic Direction 4: Expand investment products.

Key Strategy: Explore the development and expansion of investment products offered based on:

- The identified needs of current and potential Shareholders,
- The success of the BidWV CD Auction Program,
- Recommendations of the Investment Consultant and Advisors,
- Review of other states' products,
- Discussions with our banking partners, and
- An ongoing review of new investment products.

Strategic Direction 5: Enhance the knowledge and skills of Staff, Board members, Shareholders and other investment partners.

Key Strategy: Develop an extensive training initiative which provides educational guidelines and opportunities for Board members, Staff, other financial professionals, and Shareholders.

Strategic Direction 6: Maximize the use of technology and innovation.

Key Strategy: Cultivate a working environment that encourages creative and innovative solutions.

Strategic Direction 7: Minimize operating costs and reduce fees charged to Shareholders.

Key Strategy: Reduce Shareholder fees by increasing funds under management, reviewing fees charged by outside service providers and improving the efficiency of all phases of the BTI's operations

Economic Condition

Overall, the BTI experienced favorable returns for fiscal year 2006 thanks to rising short-term interest rates and a strengthening economy. During fiscal year 2006, the US economy continued to strengthen, although it was forced to absorb some rather significant blows during the late summer and early fall. Energy prices, which were high throughout the year, were exacerbated after Hurricanes Katrina and Rita hit the Gulf Coast, seriously impairing the country's oil refining capacity and causing an estimated \$100 billion in damage. Shortly after Labor Day, oil broke \$70 a barrel and gasoline topped an average of \$3.00 per gallon nationwide.

Beginning in October, however, economic data took a turn for the better. Unemployment figures — despite large numbers of dislocated workers in the wake of Katrina — improved throughout the year, finishing the period at 4.6%, down from 5.1% one year ago. Consumer confidence was particularly volatile during this period, but finished the year strong. Finally, GDP remained relatively solid throughout the period. Although final data put fourth quarter 2005 GDP growth at 1.7% — well behind the 3.7% growth rate during the first three quarters of the year — growth picked up again in 2006. Preliminary estimates put first-quarter GDP growth at 5.3%, the highest growth rate for the economy in nearly three years.

The Federal Reserve Bank (the "Fed"), led by its new chairman, Ben Bernanke, raised short-term interest rates eight times during the fiscal year, and once more after the reporting period ended, bringing the federal funds rate to 5.25%, the highest it has been since 2001. The market consensus seems to be that the Fed may be near the end of this current tightening policy (the Fed has raised rates during 17 consecutive meetings dating back to June 2004). The BTI and its investment managers believe it is unlikely that we will experience a full year of uninterrupted rate increases as we did in fiscal year 2006, evidenced by the inaction at the August 8, 2006 Federal Open-Market Committee meeting, where Fed left the federal funds rate unchanged at 5.25%.

Major Initiatives

- *BidWV CD Program*

On May 16, 2006, the BTI conducted its first online certificate of deposit auction with West Virginia Banks. The auction, known as BidWV, is the first system of its kind in the state's history. BidWV is an innovative and

West Virginia Board of Treasury Investments

efficient way to invest in State of West Virginia time deposits. The program is designed to provide approved state depositories the opportunity to interactively compete for State of West Virginia investment dollars every quarter. The program was initially approved by the Board at \$100 million. Quarterly auctions of \$25 million are held every third Tuesday of May, August, November, and February for six month CD's. BidWV has been extremely successful in West Virginia with over \$50 million bids received by competing banks during the second auction. BidWV is one step toward the achievement of our strategic plan to expand investment products and maximize the use of technology and innovation. The program ensures fairness, improves competitiveness in the placement of funds, and assists in our efforts to obtain the highest rates of return on public money.

- *Educational Forums*

In an effort to enhance the knowledge and skills of staff, Board members, shareholders, and other investment partners, the BTI conducted a series of educational forums for fiscal year 2006. The training sessions covered various investment topics such as advisor evaluation and review, portfolio benchmarks, and performance measurement. As part of our strategic plan, we will provide a series of educational sessions for the upcoming year as well as develop an all-day educational seminar for shareholders and other interested parties by December 31, 2007.

- *Investment Policy*

The development of an investment policy was the first step in creating a new management approach for the \$2.5 billion of state and local government funds. The BTI developed a new investment policy based upon input from management, the investment consultant, and investment managers. These outside service providers had direct input in the policy to allow for maximization of returns, while focusing on liquidity and safety.

- *Due Diligence Enhancements*

A new due diligence process was created to provide the Board with a meaningful "report card" for its investment managers. The BTI believes it is imperative to conduct a due diligence review from both a qualitative and quantitative approach. The due diligence process consisted of grading each manager on a 100 point scale with a substantial emphasis on performance. Although other factors such as a firm's organization, control risks, and client service were evaluated, the evaluation of a firm's performance over various time periods and lowest marginal fees were the major emphasis.

- *Reduction of Costs*

The BTI reduced the costs of managing the Consolidated Fund by 33% for fiscal year 2006 for a savings of over \$329,000. The Consolidated Fund had been managed by the West Virginia Investment Management Board in previous years.

Acknowledgments

We wish to express our appreciation to many individuals whose dedicated efforts have made this report possible. BTI's success would not be possible without the support and leadership of the Board members, the Legislature, the participants, and the citizens of West Virginia. The BTI's staff, Summit Strategies, JP Morgan, UBS Global Asset Management, Standish Mellon, and the staff of the Office of the State Treasurer provided diligent and dedicated service in building the BTI as a professional investment organization for the investment of short-term state funds.

West Virginia Board of Treasury Investments

Respectfully, I hereby submit the Comprehensive Annual Financial Report of the West Virginia Board of Treasury Investments for the Year Ended June 30, 2006.

Sincerely,

Kara K. Brewer

Kara K. Brewer
Chief Financial Officer
West Virginia Board of Treasury Investments

INVESTMENT PHILOSOPHY AND OBJECTIVES

INVESTMENT PHILOSOPHY

The Board was established by the legislature to provide prudent fiscal administration, investment, and management for the Consolidated Fund. It is the investment philosophy of the Board to invest assets in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity.

OBJECTIVES

All assets shall be invested with the following objectives and priorities:

- Safety of principal. Investments shall be undertaken in a manner that seeks preservation of capital with reasonable investment risk, in the overall portfolio.
- Liquidity requirements of anticipated and unanticipated expenditures.
- Maximization of the yield allocated to participant investments consistent with all investment objectives.
- Recognition of differing objectives and needs of various participants.
- Conformance with State law and other pertinent legal restrictions.
- Diversification of assets by investment in various Securities classifications and the use of various investment managers in order to smooth the volatility of returns.
- Realized gains and losses are recognized by the Funds as they occur.

PRINCIPAL OFFICIALS



John D. Perdue
*WV State Treasurer
Chairman*



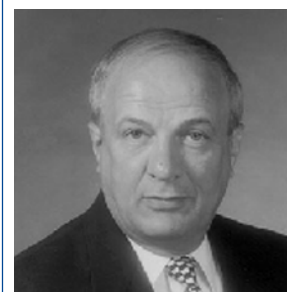
Joe Machin, III
*Governor,
State of West Virginia
Vice Chairman*



Glen B. Gainer, III
*WV State Auditor
Director*



Martin J. Glasser
Director



Jack Rossi
Director

WEST VIRGINIA
**BOARD OF TREASURY
INVESTMENTS**

Mission Statement

The Board of Treasury Investments' mission is to prudently invest the funds under its charge, for the benefit of its Shareholders, their constituents and citizens, and to achieve the best return possible for them, by providing focused investment management services, and utilizing financial professionals for the sound administration and oversight of its investment processes.

Administrative Staff



*Glenda Probst, CPA, CTP
Executive Director*



*Karl Shanholtzer, CPA, CIA
Internal Auditor*



*Kara K. Brewer, CPA, MBA
Chief Financial Officer*



*Denise R. Baker
Director of Investment Operations*



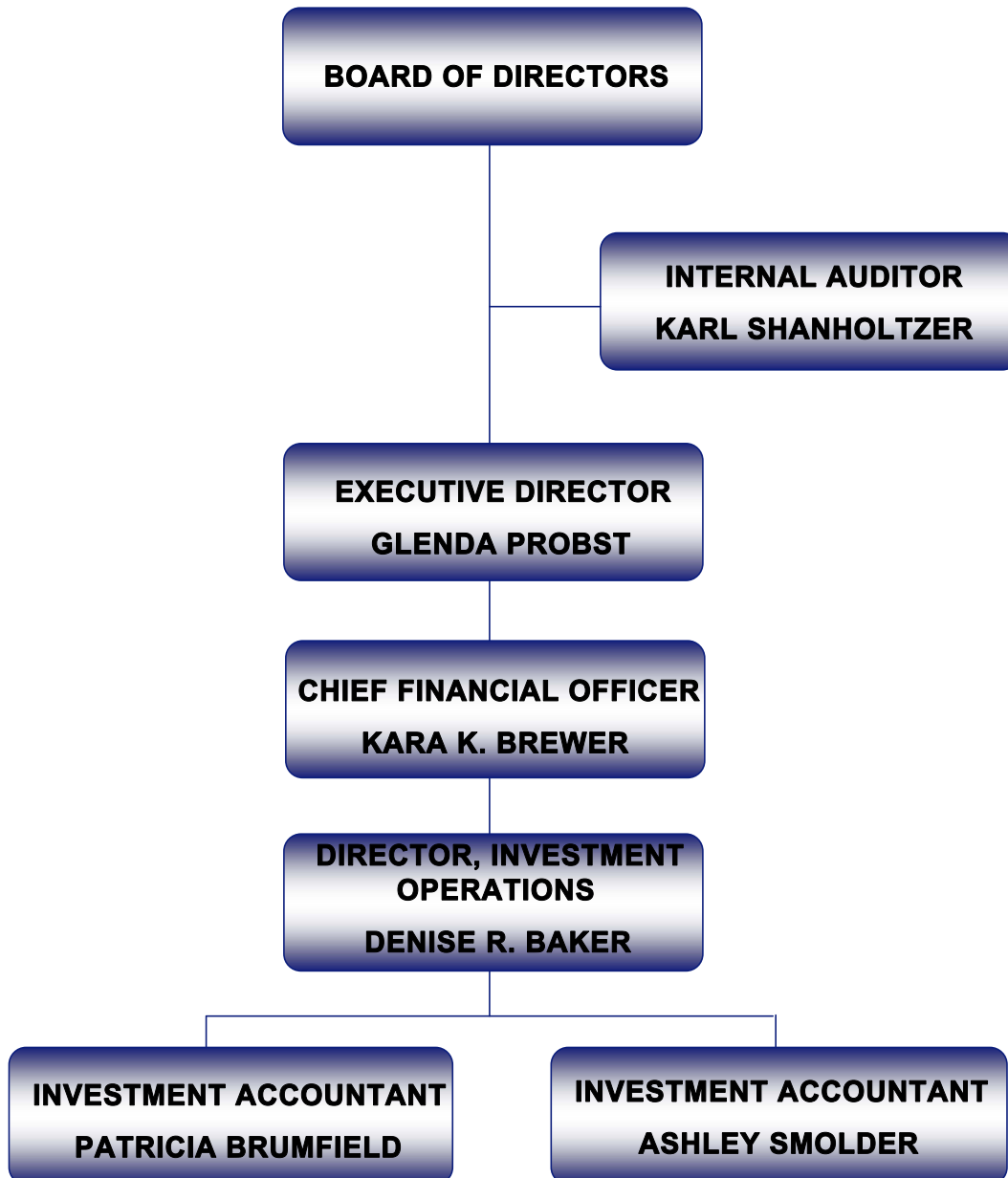
*Patricia A. Brumfield
Investment Accountant*



*Ashley Smolder
Investment Accountant*

WEST VIRGINIA
**BOARD OF TREASURY
INVESTMENTS**

June 30, 2006



NOTE: The following individuals provide professional support services to the Board on an as needed basis: Diana Stout, *Legal Counsel*; Blair Taylor, *Deputy Treasurer*; Dave Thomas, *Financial Director of WV College Prepaid Tuition and Savings Program*.

WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

**CONSULTING AND PROFESSIONAL SERVICES
AS OF JUNE 30, 2006**

INDEPENDENT AUDITOR

Gibbons & Kawash, A. C.
Charleston, West Virginia

LEGAL COUNSEL

West Virginia State Treasurer's Office
Charleston, West Virginia

INVESTMENT SYSTEM

Princeton Financial System
Princeton, New Jersey

MASTER CUSTODIAN

Mellon Bank
Pittsburgh, Pennsylvania

INVESTMENT CONSULTANT AND PERFORMANCE MEASUREMENT

Summit Strategies Group
St. Louis, Missouri

INVESTMENT MANAGERS

JP Morgan Asset Management
Columbus, Ohio

Standish Mellon
Pittsburgh, Pennsylvania

UBS Global Asset Management
Chicago, Illinois

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the West Virginia Board of Treasury Investments
Charleston, West Virginia

We have audited the accompanying financial statements of the proprietary and fiduciary funds of the West Virginia Board of Treasury Investments (the BTI), a component unit of the State of West Virginia, which collectively comprise the BTI's basic financial statements, the combining and individual fund financial statements, and the schedule of investments in securities as listed in the table of contents as of and for the year ended June 30, 2006, except for the proprietary fund which is for the period from July 8, 2005 (date of inception) through June 30, 2006. These financial statements are the responsibility of the BTI's management. Our responsibility is to express an opinion on these financial statements based on our audit.

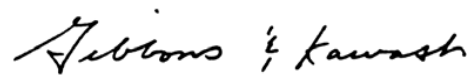
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the proprietary and fiduciary funds of the BTI as of June 30, 2006 and the respective results of their operations and changes in their net assets and cash flows, as applicable, for the year then ended, except for the proprietary fund which is for the period from July 8, 2005 (date of inception) through June 30, 2006, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the combining and individual fund financial statements and schedule of investments referred to above present fairly, in all material respects, the financial position of each of the individual funds and schedule of investments as of June 30, 2006, and the changes in net assets of such funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 5 to 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The other financial information included on pages 50-52 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

The introductory, investment, and statistical sections listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the financial statements of the West Virginia Board of Treasury Investments. Such additional information has not been subjected to the auditing procedures applied in our audit of the financial statements and accordingly, we express no opinion on it.

A handwritten signature in cursive script that reads "Gibbons & Kawash".

August 25, 2006

Management's Discussion and Analysis

June 30, 2006

As management of the West Virginia Board of Treasury Investments (the "BTI"), we offer readers of the financial statements of the BTI this discussion and analysis of the BTI's financial performance for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented in this section in conjunction with the BTI's financial statements, including notes to the financial statements, which follow this section.

The West Virginia Legislature, effective July 8, 2005, established the BTI to manage the short-term operating funds of the State. Prior to this date, the West Virginia Investment Management Board (the "IMB") was responsible for investment of both the short-term and long-term funds. The Legislature declared this transfer to ensure direct governmental oversight of state general and special revenue funds. The IMB continues to manage the retirement funds, the employment security funds, and other assets with longer time horizons.

The BTI serves as an investment vehicle for the operating cash of West Virginia State agencies and authorities, local governments such as cities and counties, and other political subdivisions throughout the State. The various investment pools and individual investment accounts managed by the BTI are collectively known as the Consolidated Fund. The Consolidated Fund's investment pools and accounts contain short-term fixed income instruments that are managed for the sole benefit of the participants.

Financial Highlights

Net Assets of the Consolidated Fund increased approximately \$113.9 million for the fiscal year ended June 30, 2006. The increase in net assets was the result of strong investment gains for the year due to rising short-term interest rates. The Federal Reserve raised the overnight lending rate during the year from 3.25% on June 30, 2005 to 5.25% on June 30, 2006. Performance for the Consolidated Fund has reflected the positive results of rising interest rates. In addition, the increase in net assets was due to approximately \$21.9 million increase in net contributions over redemptions for the year and approximately \$90.1 million in current year net investment earnings.

The investment portfolio of the Consolidated Fund's Cash Liquidity, Government Money Market, and Enhanced Yield Pool had a 4.17%, 4.11%, and 2.27% return, respectively, for the fiscal year ended June 30, 2006. The Cash Liquidity Pool is structured as a money market fund with the goal of preservation of principal. The portfolio outperformed its investment policy benchmark by 7 basis points for the fiscal year. The Government Money Market's objective is to preserve capital, maintain sufficient liquidity to meet the daily disbursements of participants, while earning a return above inflation. The portfolio outperformed its investment policy benchmark by 17 basis points for the fiscal year. Growth of both funds is attributable to the raising of interest rates by the Federal Reserve every time it met throughout fiscal year 2006. The Federal Reserve made these moves in response to continued economic expansion and reemerging inflation pressures.

The Enhanced Yield Pool is structured as a mutual fund with the objective of asset growth rather than current income. The portfolio outperformed its investment policy benchmark by 21 basis points for the fiscal year.

West Virginia Board of Treasury Investments

While rising interest rates increased the overall yield of the securities within the portfolio, this positive effect was partly offset by the negative price impact in the mark-to-market process.

Overview of the Financial Statements

This report presents the operating results and financial position of the BTI, which comprises a proprietary fund and fiduciary funds. The proprietary fund is an internal service fund, or operating fund, used to account for activities that provide investment and administrative services on behalf of the State and other participants in the Consolidated Fund. The fiduciary funds are used to account for the activities of the Consolidated Fund, which is made up of ten legally separate investment pools and accounts. There are three external investment pools, two special-purpose internal investment pools, and five individual investment accounts, all of which are included in the fiduciary fund. The BTI is the trustee, or fiduciary, for participants in the Consolidated Fund. Financial statements for the proprietary fund and the fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for governmental entities.

The Statement of Net Assets presents information on the proprietary fund’s assets and liabilities, with the difference between the two reported as net assets. This statement is categorized into current and non-current assets and liabilities. For purposes of the financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity or which are collectible or becoming due within 12 months of the statement’s date.

The Statement of Revenues, Expenses and Changes in Fund Net Assets reflects the operating and non-operating revenues and expenses of the proprietary fund for the operating year. Operating revenues primarily consist of investment service fees charged to the Consolidated Fund with significant operating expenses composed of salaries, investment advisor fees, investment management system expenses, professional service fees, and fiduciary bond fees.

The Statement of Cash Flows reflects the proprietary fund’s cash flows from operating, noncapital financing, and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash and cash equivalents for the year.

The Statement of Fiduciary Net Assets presents information on the fiduciary funds’ assets and liabilities, with the difference between the two reported as net assets held in trust for investment pool participants and individual investment account holders.

The Statement of Changes in Fiduciary Net Assets reports the additions and deductions to the fiduciary funds for the year. Additions are composed of investment income, such as interest, dividends, securities lending income, and accretion; investment expenses such as investment advisor fees, custodian bank fees, administrative fees, and securities lending activity fees; and purchases of pool units, reinvestments of pool distributions, and contributions to individual investment accounts. Deductions represent distributions to pool participants, redemption of units by pool participants, and withdrawals from individual investment accounts.

The State of West Virginia reports the proprietary fund as an internal service fund in its Comprehensive Annual Financial Report (“CAFR”). An internal service fund is used to report any activity that provides goods or services to other funds, departments, or agencies of the State and its component units, or to other governments,

on a cost-reimbursement basis. The State reports the portions of the Consolidated Fund pools and accounts held by state agencies and component units as investment holdings of those entities within the appropriate fund reporting categories for those entities. The State reports the portions of the Consolidated Fund held by local governments, municipalities, and other political subdivisions as investment trust funds, a type of fiduciary fund. Fiduciary fund reporting is used to account for resources held for the benefit of parties outside the governmental entity, and those resources are not available to support operations of that entity.

Financial Analysis of the Operating Fund

Net assets. The following is the condensed Statement of Net Assets of the proprietary fund, which represents the operating activities of the BTI, as of June 30, 2006 (in thousands).

Current assets	\$	817
Noncurrent assets		13
Total assets		<u>830</u>
Current liabilities		424
Noncurrent liabilities		28
Total liabilities		<u>452</u>
Net assets		
Invested in capital assets		13
Unrestricted		365
Total net assets	\$	<u><u>378</u></u>

Because the BTI began operations on July 8, 2005, there is no comparative data for prior fiscal years. The current fiscal year shows the majority of the proprietary fund's net assets consist primarily of current assets. Approximately \$606,000 of \$817,000 in current assets consists of cash and cash equivalents which will be used to pay investment advisor, custodian, and administrative costs. In addition, approximately \$211,000 of current assets consists of accounts receivable at June 30, 2006. The accounts receivable balance represents fees that have not been withdrawn from the investment pools at June 30, 2006 to pay investment advisor, custodian, and administrative costs. In accordance with *WV State Code §12-6C-19*, the Board may charge fees to the pools for reasonable and necessary expenses incurred for rendering services. The fees charged to the pools are categorized into direct expenses (investment advisor and custodian fees) and indirect expenses (administrative costs). As part of the BTI monthly operations, expenses are transferred from the pools to the BTI's operating fund to pay for all necessary and reasonable expenses. These transfers occur one month in arrears, resulting in an accounts receivable balance.

Approximately \$384,000 of current liabilities represents accounts payable at June 30, 2006. The majority of the accounts payable balance represents services received from investment advisors for the final quarter of fiscal year 2006, custodian fees for the month of June 2006, and administrative fees not yet paid. Approximately \$68,000 of current and noncurrent liabilities represent accrued compensated absences.

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Net assets of the BTI's proprietary fund are composed of investments in capital assets net of depreciation and unrestricted net assets. Capital asset expenditures of \$1,000 or more are capitalized at cost and reported net of accumulated depreciation. Unrestricted net assets represent net assets not restricted to their use by legal, contractual or enabling legislation constraints.

Changes in fund net assets. The following is a condensed Statement of Revenues, Expenses and Changes in Fund Net Assets of the operating fund for the period ended June 30, 2006 (in thousands).

Revenues	
Operating revenues:	
Management services	\$ 1,389
Advisor and custodian services	1,055
Total revenues	<u>2,444</u>
Expenses	
Operating expenses:	
General and administrative	1,005
Advisor and custodian fees	1,058
Depreciation	3
Total expenses	<u>2,066</u>
Increase in net assets	378
Net assets at beginning of year	-
Net assets at end of year	<u>\$ 378</u>

Operating revenues at June 30, 2006 consist of investment advisor, custodian, and administrative fees billed to the pools by the operating fund to cover the cost of providing investment management services. The fees charged to the pools are categorized into direct or indirect expenses. All direct fees, investment advisor and custodian, are charged directly to the pools as the fee is incurred. All indirect expenses, i.e. insurance, staff costs, and rent, are charged to the pools based upon a fixed basis point against the net asset value of the pool. The fees collected are deposited in a special account in the State Treasurer's Office created and designated the Board of Treasury Investments Fee Fund in accordance with *West Virginia Code §12-6C-19*. The BTI Board annually adopts a budget and fee schedule, which describes in detail how fees shall be charged to the pools.

The majority of BTI expenses represents investment advisor fees. The current investment advisors consist of JP Morgan Asset Management, Standish Mellon, and UBS Global Asset Management. All investment decisions and trade execution are performed by the investment advisors. Total investment advisor fees for fiscal year 2006 were \$960,448.

In accordance with *WV State Code §12-6C-7*, each Board director shall give a separate fiduciary or surety bond from a surety company qualified to do business within West Virginia in a penalty amount of \$1 million for the faithful performance of his or her duties as director. The fiduciary bond fee for fiscal year 2006 was \$118,800.

Professional service fees for fiscal year 2006 represent investment consulting services provided by Summit Strategies. Summit provided various consulting services for the investment pools in the Consolidated Fund including development of the Investment Policy, due diligence of investment advisors, evaluation of performance

West Virginia Board of Treasury Investments

compared to established benchmarks, participation in quarterly board meetings, and other services as requested by the Board. The professional service fees for fiscal year 2006 were \$160,000.

General and administrative expenses represent costs associated with operating the BTI but not considered directly applicable to investment management. Activities for the first year of operations show approximately \$383,653 in salary expense. The BTI employs a full-time staff consisting of an Executive Director, Chief Financial Officer, and three investment accountants/analysts. An Internal Auditor is employed on a part-time basis. Another significant expense categorized as general and administrative was the conversion to a new investment accounting system. Approximately \$225,309 was expensed for the system conversion as well as monthly maintenance fees. The West Virginia State Treasurer's Office provides certain administrative services at no cost.

Financial Analysis of the Consolidated Fund

Net assets. The following are combined, condensed Statements of Fiduciary Net Assets of the Consolidated Fund fiduciary funds as of June 30, 2006 and 2005 (in thousands). The 2005 balances were derived from the audited financial statements of the IMB, which was responsible for the Consolidated Fund operations that year.

	<u>2006</u>	<u>2005</u>
Assets		
Investments	\$ 2,505,839	\$ 2,349,593
Securities lending collateral	239,436	417,543
Receivables	13,631	30,206
Cash	-	30
Total assets	<u>2,758,906</u>	<u>2,797,372</u>
Liabilities		
Accrued expenses	211	138
Dividends and purchases payable	38,654	13,030
Securities lending payable	239,436	417,543
Total liabilities	<u>278,301</u>	<u>430,711</u>
Net Assets		
Held in trust for investment pool participants	2,448,949	2,311,082
Held in trust for individual investment account holders	31,656	55,579
Net assets	<u>\$ 2,480,605</u>	<u>\$ 2,366,661</u>

The Consolidated Fund's fiduciary total assets as of June 30, 2006 were more than \$2.7 billion and were composed mainly of investments and invested securities lending collateral. Total assets decreased over \$38.5 million or 1.4% from the prior year primarily due to a reduction in the amount of securities available for loan and collateralized at June 30, 2006.

West Virginia Board of Treasury Investments

Total liabilities as of June 30, 2006 were \$278.3 million and were composed mainly of securities lending collateral payable. Total liabilities decreased \$152.4 million or 35.4% from the prior year primarily due to the decrease in securities lending collateral at year-end.

Net assets are the excess of total assets over total liabilities. The Consolidated Fund's fiduciary fund had total net assets of nearly \$2.5 billion at the close of fiscal year 2006. The net assets consist of both funds held in trust for investment pool participants and individual account holders. Investment pool participants are those shareholders investing in the Cash Liquidity, Government Money Market, Enhanced Yield, Loan, and Loss Amortization Pools. Net assets for investment pool participants increased approximately 6.0% from the prior year primarily due to an increase in investments for the Cash Liquidity and Government Money Market Pool.

Net assets held in trust for individual account holders represent individual state agency accounts with specific investment needs. Each agency has 100% ownership of the underlying investments in its pool and is solely responsible for the investment decisions in accordance with the legal restrictions applicable to those assets. Net assets for individual account holders decreased 43.0% from the prior year primarily due to a decrease in investments for the Municipal Bond Commission during fiscal year 2006.

Changes in net assets. The following is a combined, condensed Statement of Changes in Fiduciary Net Assets of the Consolidated Fund fiduciary funds for the years ended June 30, 2006 and 2005 (in thousands). The 2005 amounts were derived from the audited financial statements of the IMB, which was responsible for the Consolidated Fund operations that year.

	Year Ended June 30,	
	2006	2005
Additions		
Net investment income	\$103,548	\$56,202
Net realized loss	(2,973)	(1,572)
Net (decrease) increase in fair value of investments	(10,470)	5,256
Unit purchases and contributions	8,584,988	7,923,624
Total additions	8,675,093	7,983,510
Deductions		
Distributions	95,962	48,864
Unit redemptions and withdrawals	8,465,187	7,825,743
Total deductions	8,561,149	7,874,607
Increase in net assets	113,944	108,903
Net assets at beginning of year	2,366,661	2,257,758
Net assets at end of year	<u>\$2,480,605</u>	<u>\$2,366,661</u>

Net investment income for the Consolidated Fund increased by \$47.3 million or 84.2% over the previous fiscal year. This significant increase was due to the increase in short-term interest rates during the fiscal year. The Federal Reserve made these moves in response to continued economic expansion and reemerging inflation pressures. Performance of the Consolidated Fund has reflected this favorable increase in interest rates.

A net realized loss of \$2.9 million was incurred, an increase of \$1.4 million from the prior year. This net realized loss was primarily due to sales of securities in the Enhanced Yield Pool during a market value decline. While rising interest rates increased the overall yield of the securities within the portfolio, this positive effect was partly offset by the negative price impact of valuing the Enhanced Yield Pool and certain other pools at fair value. The decline in the fair value of investments of \$10.5 million during fiscal year 2006 was the result of this mark-to-market process.

Contributions to the Consolidated Fund increased by \$661.4 million or 8.3% over the previous fiscal year while distributions to participants increased by \$686.5 million or 8.7%.

Economic Factors

The overall performance of the BTI Consolidated Fund was positive for fiscal year 2006. Short-term interest rates rose steadily over the past year. At the June 29, 2006 meeting, the Federal Reserve raised the overnight lending rate to 5.25%. At the end of the fiscal year, the Federal Reserve had raised rates a consecutive 17 times, the longest stretch of increases in more than 25 years. For the month ending June 30, 2006, yields rose across the entire yield curve with the exception of the 30-year Treasury yield.

The Consolidated Fund is designed to address the short-term liquidity needs of the participants which focus on safety of principal, maximization of yield, and conformance with state law and other pertinent legal restrictions. The Board recognizes that risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investments. However, the Investment Policy of the BTI invests assets in a manner that strives for maximum safety with the primary objectives of safety and liquidity. The securities of the Consolidated Fund are restricted to fixed income investments. These investments fluctuate in value as interest rates change, with higher quality shorter-term investments fluctuating far less than lower quality maturities. Based upon economic data gathered by the BTI, the Treasury market will remain especially sensitive to new economic data. Seasonal factors suggest lower rates and a steeper yield curve by the quarter ending September 30, 2007, although inflation concerns may dictate a different outcome.

Requests for Information

This financial report is designed to provide a general overview of the BTI's operations. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, West Virginia Board of Treasury Investments, 1900 Kanawha Boulevard East, Charleston WV 25305.

**West Virginia Board of Treasury Investments
Statement of Net Assets
Proprietary Fund**

June 30, 2006

(In Thousands)

Assets

Current assets:

Cash	\$	606
Receivables		211
Total current assets		<u>817</u>

Noncurrent assets:

Capital assets, net of accumulated depreciation		13
Total non current assets		<u>13</u>
Total assets		<u>830</u>

Liabilities

Current liabilities:

Accounts payable		384
Compensated absences		40
Total current liabilities		<u>424</u>

Noncurrent liabilities:

Compensated absences		28
Total noncurrent liabilities		<u>28</u>
Total liabilities		<u>452</u>

Net assets

Invested in capital assets		13
Unrestricted		365
Total net assets	\$	<u><u>378</u></u>

See accompanying notes to financial statements.

**West Virginia Board of Treasury Investments
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Fund**

For the Period July 8, 2005 (inception) through June 30, 2006

(In Thousands)

Operating revenues	
Management services	\$ 1,389
Advisor services	959
Custodian services	96
Total operating revenues	<u>2,444</u>
Operating expenses	
Advisor fees	960
Professional consultant fees	160
Fiduciary bond	119
Custodian fees	98
General and administrative	726
Depreciaion	3
Total operating expenses	<u>2,066</u>
Operating income	378
Change in net assets	378
Net assets at beginning of period	-
Net assets at end of period	<u><u>\$ 378</u></u>

See accompanying notes to financial statements.

**West Virginia Board of Treasury Investments
Statement of Cash Flows
Proprietary Fund**

For the Period July 8, 2005 (inception) through June 30, 2006

(In Thousands)

Cash flows from operating activities	
Cash received for services	\$ 2,233
Payments to employees	(383)
Payments to vendors	(1,228)
Net cash provided by operating activities	<u>622</u>
Cash flows from capital financing activities	
Purchase of capital equipment	<u>(16)</u>
Total cash used for capital financing activities	(16)
Net increase in cash and cash equivalents	606
Cash at beginning of period	-
Cash at end of period	<u><u>606</u></u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	378
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	3
Changes in assets and liabilities	
Receivables	(211)
Accounts payable	384
Compensated absences	68
Net cash provided by operating activities	<u><u>\$ 622</u></u>

See accompanying notes to financial statements.

**West Virginia Board of Treasury Investments
Combined Statement of Fiduciary Net Assets
Fiduciary Funds**

June 30, 2006

(In Thousands)

Assets

Investments:

At amortized cost	\$ 2,090,370
At fair value	415,469
Total Investments	<u>2,505,839</u>

Collateral for securities loaned, at fair value (Note 4) 239,436

Receivables:

Accrued interest	5,604
Investments sold	7,878
Dividends	93
Securities lending income	56
Total receivables	<u>13,631</u>
Total assets	<u>2,758,906</u>

Liabilities

Accrued expenses	211
Dividends payable	944
Payable for investments purchased	37,710
Payable upon return of securities loaned (Note 4)	239,436
Total liabilities	<u>278,301</u>

Net Assets

Held in trust for investment pool participants	2,448,949
Held in trust for individual investment account holders	31,656
Total net assets	<u>\$ 2,480,605</u>

See accompanying notes to financial statements.

West Virginia Board of Treasury Investments
Combined Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
June 30, 2006
(In Thousands)

Additions	
Investment income:	
Interest	\$ 46,477
Dividends	891
Securities lending income	19,430
Net accretion	58,808
Provision for uncollectible loans	(797)
Total investment income	<u>124,809</u>
Investment expenses:	
Investment advisor fees	976
Custodian bank fees	97
Administrative fees	1,441
Securities lending agent fees	293
Securities lending borrower rebates	18,454
Total investment expenses	<u>21,261</u>
Net investment income	103,548
Net realized loss from investments	(2,973)
Net decrease in fair value of investments	<u>(10,470)</u>
Net increases in net assets from operations	90,105
Participant transactions:	
Purchase of pool units by participants	8,476,495
Reinvestment of pool distributions	95,770
Contributions to individual investment accounts	12,723
Total participant transactions	<u>8,584,988</u>
Total additions	8,675,093
Deductions	
Distributions to pool participants:	
Net investment income	96,021
Net realized loss from investments	(59)
Total distributions to pool participants	<u>95,962</u>
Participant transactions:	
Redemption of pool units by participants	8,427,349
Withdrawals from individual investment accounts	37,838
Total participant transactions	<u>8,465,187</u>
Total deductions	<u>8,561,149</u>
Change in net assets	113,944
Net assets at beginning of period	<u>2,366,661</u>
Net assets at end of period	<u>\$ 2,480,605</u>

See accompanying notes to financial statements.

West Virginia Board of Treasury Investments

Notes to Financial Statements

June 30, 2006

1. Organization and Operations

The West Virginia Board of Treasury Investments (the “BTI”) is charged with managing the individual investment pools and accounts of the Consolidated Fund under authority of West Virginia State Code Chapter 12, Article 6C, West Virginia Treasury Investments Act. The 2005 West Virginia Legislature established the BTI, effective July 8, 2005, as a public corporation of the State of West Virginia, to make short-term operating funds of the state more accessible to state government and to allow the West Virginia Investment Management Board (the “IMB”), which had managed the Consolidated Fund, to focus on the state’s long-term trust investments. The BTI operates on a fiscal year that begins July 1 and ends June 30.

The accompanying financial statements include the operations of the BTI as well as investment balances and transactions of the individual investment pools and accounts of the Consolidated Fund under management of the BTI. The BTI’s only non-fiduciary activity is the administration and management of the Consolidated Fund. The BTI provides a business-type activity that charges fees on a cost-reimbursement basis and is shown in the separate proprietary fund financial statements. Investment activities of the Consolidated Fund are shown in the separate fiduciary fund financial statements.

The BTI employs a full-time staff. The West Virginia State Treasurer’s Office provides various supplementary administrative services. A five-member Board of Directors governs the BTI. The State Governor, State Treasurer, and State Auditor serve as ex officio members of the Board. The Governor appoints the two remaining members subject to the advice and consent of the State Senate. Of the two members appointed by the Governor, one shall be a certified public accountant and one shall be an attorney, and both shall have experience in finance, investing and management. The State Treasurer is Chairman of the Board.

The Consolidated Fund provides for the investment of moneys not currently needed to fund state governmental operations, as well as providing the opportunity for local governments to participate in large investment pools, and for those funds statutorily required to be invested in the Consolidated Fund. The following investment pools and accounts make up the Consolidated Fund:

Cash Liquidity – This pool consists of the operating funds of the State, funds held by State agencies, and funds from local governments who desire the opportunity to invest with the State. Its purpose is to provide for the investment of all surplus funds and to supply the daily cash needs of the State. The pool is co-managed by JP Morgan Asset Management and UBS Global Asset Management.

Government Money Market – This pool consists of investors who wish to invest in a pool that restricts its investments to U.S. Government Obligations, U.S. Government Agency Obligations, or repurchase agreements. The pool is managed by UBS Global Asset Management.

West Virginia Board of Treasury Investments

Enhanced Yield – This pool consists of the operating funds of the State that are not immediately needed to fund the State’s liquidity requirements. The pool is managed by Standish Mellon Asset Management.

Loss Amortization – This pool was created to account for those participant claims on the general operating funds of the State that exceeded the underlying assets of the other pools. This excess of participant claims on net assets over underlying assets occurred as a result of the distribution of earnings to participants in various BTI investment pools, principally the Unrestricted Pool (predecessor to the Cash Liquidity Pool), in excess of the true investment income experience of the pools, principally in 1987 and 1988.

Loans – This pool is composed of loans made by the State. The \$1 unit price is used for accounting purposes only. The State is the sole participant in this pool.

Participant Directed Accounts – The BTI also maintains pools for individual State agencies with specific investment needs. These pools are collectively referred to as Participant Directed Accounts, and include the following: Municipal Bond Commission, Lottery Defeasance, School Fund, Economic Development Authority Insurance (EDA Insurance), and EDA – American Woodmark (EDA – AW). Each agency is the sole owner of the investments in its pool and is responsible for the investment decisions in accordance with the legal restrictions applicable to those assets. The BTI serves as custodian of these pools and has no discretion over investment and financial decisions made for them.

The BTI is authorized by West Virginia Code Chapter 12, Article 6C, Section 9, to invest in United States government and agency obligations, commercial paper, corporate bonds, repurchase agreements, asset-backed securities, and investments in accordance with the Linked Deposit Program, which is a program using financial institutions in the state to reduce loan costs to small businesses by offsetting interest reductions on the loans with certificates of deposit, loans approved by the Legislature, and any other programs authorized by the Legislature. In addition to the restrictions in investment types, at no time shall more than seventy-five percent of the Consolidated Fund be invested in any bond, note, debenture, commercial paper or other evidence of indebtedness of any private corporation or association and at no time shall more than five percent be invested in securities issued by a single private corporation or association. Further, no less than fifteen percent of the Consolidated Fund shall be invested in any direct obligation of or obligation guaranteed by the United States government.

2. Significant Accounting Policies

Basis of Accounting

The financial statements of the BTI are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under this method of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

An internal service fund, which is a type of proprietary fund, is used to account for investment management services provided by the BTI on a cost-reimbursement basis. An investment trust fund, which is a type of fiduciary fund, is used to account for each of the investment pools and accounts of the Consolidated Fund. The Consolidated Fund is composed of three external investment pools (Cash Liquidity, Government Money Market

and Enhanced Yield), two internal investment pools (Loss Amortization, Loans) and five individual investment accounts (Municipal Bond Commission, Lottery Defeasance, School Fund, EDA Insurance, and EDA – AW).

Budgetary Information

The Board adopted an annual budget and fee schedule for services to be provided to the respective investment pools for Fiscal Year 2006. In subsequent fiscal years, the annual budget will be appropriated by the Legislature from fees collected by the BTI.

Cash Equivalents

Cash equivalents are short-term investments with maturities when acquired of 90 days or less.

Capital Assets

Capital asset expenditures of \$1,000 or more with a useful life greater than one year are capitalized at cost and reported net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are three years.

Compensated Absences, Including Postretirement Benefits

Employees fully vest in all earned but unused annual leave to maximum amounts ranging from 240 to 320 hours, and the BTI accrues for obligations that may arise in connection with compensated absences for vacation at the current rate of employee pay. In accordance with personnel policies of the State, employees vest in any remaining unused sick leave only upon retirement, at which time any unused sick leave time either can be converted into employer-paid premiums for post-retirement health care coverage through the West Virginia Public Employees Insurance Agency (“PEIA”), or can be converted into a greater retirement benefit under the State of West Virginia Public Employees Retirement System (“PERS”). The BTI accrues for obligations that may arise in connection with compensated absences for unused sick leave that may be converted to employer-paid premiums for post-retirement health care coverage.

Income Taxes

The BTI is a public corporation organized under laws of the State of West Virginia and, as such, is exempt from federal and state taxation. Accordingly, the financial statements have been prepared recognizing that the BTI is not subject to federal or state income taxes.

Revenues and expenses – Proprietary fund

Operating revenues of the BTI’s proprietary fund come from services provided to the investment pools and accounts of the Consolidated Fund. Revenues of the proprietary fund also are derived from vendor fees charged directly to the investment pools and accounts and paid by the proprietary fund, such as investment advisor fees and custodian fees. Operating expenses of the proprietary fund represent payments for services provided under contract, such as investment advisors and consultants, fiduciary bond fees, and custodian fees; general and administrative expenses of the BTI, such as wages and benefits, office equipment, office supplies, and office

West Virginia Board of Treasury Investments

space; and depreciation of capital assets. Revenues and expenses are recorded when earned and incurred in accordance with the economic resources measurement focus and the accrual basis of accounting.

Net Assets – Proprietary fund

Net assets of the BTI’s proprietary fund are composed of investments in capital assets net of depreciation, and unrestricted net assets, which represent net assets not restricted to their use by legal, contractual or enabling legislation constraints.

Use of Estimates

The preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Investment Accounting

Investment Valuation The BTI is an investment vehicle of the State and its component units, all of which are government entities. The investments of the Cash Liquidity, Government Money Market, Loans, Municipal Bond Commission, and EDA pools are, as permissible under Government Accounting Standards Board (“GASB”) Statement Number 31, carried at amortized cost. The Cash Liquidity and Government Money Market pools are considered “2a7-like” investment pools and, as such, are reported at amortized cost, which approximates fair value. A 2a7-like pool operates in a manner consistent with the Securities and Exchange Commission (the “SEC”) Rule 2a7 of the Investment Company Act of 1940, which allows money market mutual funds to use amortized cost to report net assets. A 2a7-like pool is not necessarily registered with the SEC as an investment company, but it would qualify as a money market fund should it be registered. The specific GASB 31 exceptions to fair value reporting for the other pools are as follows:

<u>Pool</u>	<u>Exception</u>
Loans	Loans receivable arising from real estate lending activities
Municipal Bond Commission	Irrevocable trust meeting the requirements of a legal or in-substance defeasance
EDA Insurance	Internal investment pool holding only money market investments with remaining maturities of one year or less

The investments of the remaining pools are reported at fair value, which is determined by a third party pricing service based on asset portfolio pricing models and other sources. Investments in commingled investment pools are valued at the reported unit values of the individual funds. Commissions on the purchases of securities by the BTI are a component of the security price quoted by the seller and are included in the investment cost.

As permitted by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the BTI has elected not to adopt Financial Accounting Standards Board (“FASB”) statements and interpretations issued after November 30, 1989, unless the GASB specifically adopts such FASB statements or interpretations.

Repurchase Agreements The BTI uses only tri-party repurchase agreements. Under the terms of a tri-party repurchase agreement, the seller transfers collateral securities to an account of the BTI’s manager/agent at the seller’s custodian bank. This arrangement perfects the BTI’s lien on the collateral and effectively protects the BTI from a default by the seller. The BTI requires sellers in repurchase transactions to pledge collateral of at least 102% of the cash borrowed from the BTI. If the seller defaults and the fair value of the collateral declines, realization of the collateral by the BTI may be delayed or limited.

Securities Lending GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, requires governmental entities to report securities loaned as assets in their statements of net assets. The statement also requires the costs of the securities lending transactions be reported as expenses separately from income received. The BTI Board has authorized the BTI securities lending program. The BTI through its custodial agent, Mellon Bank, loans U.S. securities to various brokers on a temporary basis. Each transaction for U.S. securities is secured by collateral of at least 102% of the market value of the securities loaned. The BTI will accept only the following as collateral: cash; U.S. Treasury obligations or U.S. Government Agency obligations; and irrevocable letters of credit issued by banks rated A1 or P1, independent of borrowers. Cash collateral received is invested in the Mellon GSL DBT II Collateral Fund. Neither the BTI nor Mellon matches maturities of investments made with cash collateral to maturities of securities loaned. Non-cash collateral cannot be pledged or sold unless the borrower defaults. The BTI receives a portion of the income from the investment of the collateral. The BTI also continues to receive interest or dividends on the securities loaned. Gains and losses in the fair value of the securities loaned that may occur during the term of the loans are reflected in the various investment pools. Mellon indemnifies the BTI against loss from borrower failure, which means that the BTI will receive contractual settlement regardless of whether the borrower returns securities loaned. Mellon also indemnifies the BTI against operational errors.

Asset-Backed Securities Certain pools invest in various asset-backed securities and structured corporate debt. The securities are reported at fair value. The pools invest in these securities to enhance yields on investments. Changes in market interest rates affect the cash flows of these securities and may result in changes in fair value. The overall return or yield on these securities depends on the changes in the interest and principal payment pattern and market value of the underlying assets.

Investment Transactions Investment transactions are accounted for on a trade date basis.

Investment Gains and Losses Gains and losses on the sale of investment securities are recognized at the time of sale by the average cost method. The calculation of realized gains and losses is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year.

Interest Income Interest income is recognized as earned on the accrual method with one exception. The cash received method of income recognition is used for the interest on the WVEDA Non-Recourse Loan held by the Loan Pool. Under this method, income is recognized when received.

West Virginia Board of Treasury Investments

Dividend Income Dividend income is recognized on the ex-dividend date.

Amortization Discounts and premiums on securities purchased are amortized over the life of the respective securities using the scientific method of amortization. This method maintains a constant book yield over the life of the security. The amortization of asset-backed securities considers the effect of prepayments on the life of the security. Historical prepayment speeds are obtained from market data vendors and are updated annually. The effect of changing prepayment assumptions is reported in the Combined Statement of Changes in Fiduciary Net Assets in the year of the change.

Allowance for Loan Losses The allowance for loan losses is available to absorb future loan losses. The allowance is increased by provisions charged against operations and reduced by charge-offs (losses), net of recoveries. The provision is based on several factors including: analytical reviews of loan loss experience in relationship to outstanding loans; a continuing review of problem loans and overall portfolio quality, including analysis of the quality of the underlying collateral; and management's judgment on the impact of current and expected economic conditions on the portfolio. At June 30, 2006, the Loan Pool had an allowance for uncollectible loans of \$3,835,016.

Distributions to Participants The monthly net income of the Enhanced Yield Pool is declared as a dividend on the last day of the month and distributed to the participants in the pool on the first day of the following month. Distributions are paid in the form of reinvestments in the pools and have been included in distributions to participants and reinvestment of distributions as presented on the Statement of Changes in Fiduciary Net Assets.

The net income of the Cash Liquidity and Government Money Market pools are declared as dividends and distributed daily to the participants based upon their pro rata participation in the pools. The distributions of net investment income are credited to the participants' accounts in the form of dividend reinvestments in the pool and have been included in distributions to participants and reinvestment of distributions as presented on the Statement of Changes in Fiduciary Net Assets.

The net income of the Loan Pool is determined monthly and distributed to the participant on the last day of the month. Distributions are paid in the form of reinvestments in the pool and have been included in distributions to participants and reinvestment of distributions as presented on the Statement of Changes in Fiduciary Net Assets.

The monthly net income of the Loss Amortization Pool is used to reduce the undistributed net losses recorded in the portfolio.

Expenses Each pool is charged for its direct investment-related cost and for its allocated share of other expenses. The other expenses are allocated to the pools based on asset size. Certain pools cannot be charged expenses or must be charged a reduced expense. The BTI pays all expenses on behalf of the pools.

3. Cash and Cash Equivalents

The internal service fund's cash on deposit with the State Treasurer's Office was \$606,000 at June 30, 2006. The cash is pooled with other deposits from the State's agencies, departments, boards and commissions and is subject to coverage by the Federal Deposit Insurance Corporation ("FDIC") or collateralized by securities held by the State or its agents in the State's name. Cash equivalents are short-term, highly liquid investments having

original maturities of 90 days or less. The internal service fund did not hold any cash equivalents at June 30, 2006.

Custodial credit risk of cash deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The BTI does not have a deposit policy for custodial credit risk. BTI management does not believe any of its deposits are exposed to custodial credit risk.

4. Investments

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

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Neither the BTI nor any of the Consolidated Fund pools or accounts has been rated for credit risk by any organization. Of the Consolidated Fund pools and accounts, five are subject to credit risk: Cash Liquidity Pool, Government Money Market Pool, Enhanced Yield Pool, Loan Pool, and School Fund Account.

The BTI limits the exposure to credit risk in the Cash Liquidity Pool by requiring all corporate bonds to be rated AA- by Standard & Poor’s (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor’s and P1 by Moody’s. The pool must have at least 15% of its assets in U.S. Treasury issues. The following table provides information on the credit ratings of the Cash Liquidity Pool’s investments (in thousands):

West Virginia Board of Treasury Investments

Security Type	Credit Rating*		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
Commercial Paper	P1	A-1	\$ 943,057	54.14%
Corporate bonds and notes	Aaa	AAA	61,992	3.56
	Aa	AA	55,063	3.16
	Aa	A	12,000	0.69
			<u>129,055</u>	<u>7.41</u>
U. S. agency bonds	Aaa	AAA	43,663	2.51
U. S. Treasury bills	Aaa	AAA	306,279	17.58
Certificates of deposit	P1	A-1	99,000	5.68
	NR	NR	23,800	1.37
			<u>122,800</u>	<u>7.05</u>
U. S. agency discount notes	P1	A-1	93,851	5.39
Money market funds	Aaa	AAA	758	0.04
Repurchase agreements (underlying securities):				
U.S. Treasury notes	Aaa	AAA	73,000	4.19
U.S. agency notes	Aaa	AAA	29,339	1.69
			<u>102,339</u>	<u>5.88</u>
			<u>\$1,741,802</u>	<u>100.00%</u>

*NR = Not Rated

The BTI limits the exposure to credit risk in the Government Money Market Pool by limiting the pool to U.S. Treasury issues, U.S. government agency issues, money market funds investing in U.S. Treasury issues and U.S. government agency issues, and repurchase agreements collateralized by U.S. Treasury issues and U.S. government agency issues. The pool must have at least 15% of its assets in U.S. Treasury issues. The following table provides information on the credit ratings of the Government Money Market Pool's investments (in thousands):

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
U. S. agency bonds	Aaa	AAA	\$ 21,420	11.76%
U. S. Treasury bills	Aaa	AAA	28,346	15.56
U. S. agency discount notes	P1	AA-1	112,399	61.70
Money market funds	Aaa	AAA	109	0.06
Repurchase agreements (underlying securities):				
U.S. Treasury notes	Aaa	AAA	15,602	8.56
U.S. agency notes	Aaa	AAA	4,298	2.36
			<u>19,900</u>	<u>10.92</u>
			<u>\$ 182,174</u>	<u>100.00%</u>

The BTI limits the exposure to credit risk in the Enhanced Yield Pool by requiring all corporate bonds to be rated A- by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P1 by Moody's. The following table provides information on the credit ratings of the Enhanced Yield Pool's investments:

Security Type	<u>Credit Rating</u>		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
Corporate asset backed securities	P1	A-1	\$ 46,963	17.70%
Corporate bonds and notes	Aaa	AAA	2,448	0.92
	Aa	AA	3,790	1.43
	Aa	A	15,660	5.90
	A	AA	3,048	1.15
	A	A	46,847	17.65
			71,793	27.05
U.S. agency bonds	Aaa	AAA	87,215	32.86
U.S. Treasury Bills	Aaa	AAA	58,067	21.88
Repurchase agreements (underlying securities):				
U.S. agency mortgage backed securities	Aaa	AAA	1,346	0.51
			\$ 265,384	100.00%

The Loan Pool is composed of loans made by the State. The pool holds intergovernmental loans and an interest in a money market mutual fund in the amount of \$20,928,000. The mutual fund is rated AAA by Standard & Poor's and Aaa by Moody's. The loans are not rated; however, because there is the potential for defaults on the loans, the pool is subject to credit risk related to the loans. The BTI addresses this credit risk by establishing and regularly evaluating a reserve for uncollectible loans.

The School Fund Account holds only an interest in a money market mutual fund valued at \$1,879,000. The mutual fund is rated AAA by Standard & Poor's and Aaa by Moody's. The BTI does not have a policy specifically addressing credit risk in the School Fund Account.

Interest Rate Risk

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

The overall weighted average maturity of the investments of the Cash Liquidity Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase. The following table provides information on the weighted average maturities for the various asset types in the Cash Liquidity Pool:

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Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 102,339	3
U.S. Treasury bills	306,279	32
Commercial paper	943,057	25
Certificates of deposit	122,800	105
U.S. agency discount notes	93,851	89
Corporate notes	129,055	77
U.S. agency bonds/notes	43,663	208
Money market funds	758	1
	<u>\$ 1,741,802</u>	<u>42</u>

The overall weighted average maturity of the investments of the Government Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase. The following table provides information on the weighted average maturities for the various asset types in the Government Money Market Pool:

Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 19,900	3
U.S. Treasury bills	28,346	42
U.S. agency discount notes	112,399	39
U.S. agency bonds/notes	21,420	152
Money market funds	109	1
	<u>\$ 182,174</u>	<u>49</u>

The overall weighted average maturity of the investments of the Enhanced Yield Pool cannot exceed 731 days. Maximum maturity of individual securities cannot exceed 1,827 days (five years) from date of purchase. The following table provides information on the weighted average maturities for the various asset types in the Enhanced Yield Pool:

Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 1,346	3
U.S. Treasury bonds/notes	58,067	894
Corporate notes	71,793	588
Corporate asset backed securities	46,963	688
U.S. agency bonds/notes	87,215	594
	<u>\$ 265,384</u>	<u>672</u>

West Virginia Board of Treasury Investments

The Loss Amortization Pool holds a U.S. Treasury strip valued at \$145,943,000 that matures on August 15, 2011. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in this pool arising from increasing interest rates. However, it is the intent of the BTI to hold this security to maturity.

The Loan Pool holds an interest in a money market mutual fund in the amount of \$20,928,000 with a weighted average maturity of one day. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in this pool arising from increasing interest rates.

The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in the Municipal Bond Commission Account arising from increasing interest rates. The following table provides information on the weighted average maturities for the various asset types in the Municipal Bond Commission Account:

Security Type	Carrying Value (In Thousands)	WAM (Days)
U.S. Treasury bills	\$ 459	77
U.S. Treasury strips	7,657	1,952
U.S. Treasury bonds/notes	7,056	3,518
State and local government securities	11,578	702
	<u>\$ 26,750</u>	<u>1,792</u>

The Lottery Defeasance Account holds only U.S. Treasury securities and U.S. agency bonds and notes with maturities timed to match lottery winner payouts. It is the intent to hold these securities to maturity. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in the Lottery Defeasance Account arising from increasing interest rates. The following table provides information on the weighted average maturities for the various asset types in the Lottery Defeasance Account:

Security Type	Carrying Value (In Thousands)	WAM (Days)
U.S. Treasury bills	\$ 368	398
U.S. agency bonds/notes	301	200
	<u>\$ 669</u>	<u>309</u>

The School Fund Account holds only an interest in a money market mutual fund valued at \$1,879,000 with a weighted average maturity of one day. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in this pool arising from increasing interest rates.

The EDA Insurance Account holds only a U.S. Treasury bill in the amount of \$450,000 that matures December 14, 2006. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in this pool arising from increasing interest rates.

The EDA-AW Account holds only a U.S. Treasury bond valued at \$1,594,000 that matures August 15, 2023. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in this pool arising from increasing interest rates.

Other Investment Risks

Other investment risks include concentration of credit risk, custodial credit risk, and foreign currency risk. None of the Consolidated Fund’s investment pools or accounts is exposed to these risks as described below.

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

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. Securities lending collateral that is reported on the Statement of Fiduciary Net Assets is invested in the lending agent’s money market fund in the BTI’s name. In all transactions, the BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

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

Securities Lending

At June 30, 2006, the fair value of securities on loan and the collateral held by the pools of the BTI are as follows. Of the collateral held, \$239,435,940 was received as cash. The collateral received as cash is invested in the Mellon GSL DBT II Collateral Fund. For securities loaned at June 30, 2006, the BTI has no credit risk exposure to borrowers because the amount the BTI owes the borrowers exceeds the amounts the borrowers owe the BTI. There were no losses during the year resulting from borrower default, and there were no significant violations of legal or contractual provisions.

	Fair Value of Securities on Loan	Collateral Held
Cash Liquidity Pool	\$ 292,400,158	\$ 298,223,109
Government Money Market Pool	33,839,603	34,512,885
Enhanced Yield Pool	122,910,589	125,291,469
BTI Total	<u>\$ 449,150,350</u>	<u>\$ 458,027,463</u>

5. Capital Assets

During this first year of operations, the BTI purchased and capitalized \$15,775 in office equipment. During the year, the equipment was depreciated \$3,135. At June 30, 2006, these capital assets are carried at \$12,640 net of accumulated depreciation of \$3,135.

6. Liabilities

The accruals for compensated absences in the proprietary fund represent obligations that may arise for earned but unused annual and sick leave as of June 30, 2006. Current liabilities of \$40,000 represent obligations for compensated absences that will become due within a year from June 30, 2006. Noncurrent liabilities of \$28,000 represent obligations for compensated absences that will become due more than a year after June 30, 2006. Since this was the first year of operation for the BTI, changes in liabilities from the beginning of the fiscal year are the same as the liability balances at the end of the year.

7. Employee Benefit Plans

Plan Description

The BTI contributes to the PERS, a cost-sharing multiple-employer defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board (“CPRB”) pursuant to Chapter 5, Article 10D of the West Virginia Code. The PERS provides retirement, disability and death benefits to plan members and beneficiaries. The CPRB issues a publicly available financial report that includes financial statements and required supplementary information for the PERS. That report can be obtained by writing to CPRB, Capitol Complex, Building 5, Room 1000, Charleston, WV 25305.

Funding Policy

Eligible employees are required to contribute 4.5% of their annual covered salary, and the BTI is required to contribute 10.5% of covered employees’ salaries to the PERS. The contribution requirements of eligible employees and the BTI are established and may be amended by the CPRB. The BTI’s contributions to the PERS were \$31,428 for the first year of operations ended June 30, 2006, equal to the required contributions for the period.

8. Related Party Transactions

Intergovernmental Investments

The BTI is required by law to enter into certain investment transactions with other state entities. At June 30, 2006, the BTI’s intergovernmental investments included the following:

- a. The “Tax Reappraisal Loan” represents an obligation of the West Virginia Property Valuation Training and Procedures Commission. The original loan was \$5,701,896 and was used to fund property reappraisals by various counties. The loan’s interest rate may be renegotiated every three years until paid. The outstanding principal balance and accrued interest at June 30, 2006, was \$41,296. The current note bears an annual rate of interest at 1.69%.
- b. The “WVEDA Revolving Loan” is an obligation of the West Virginia Economic Development Authority (WVEDA). The terms of the loan program require the BTI to make available on a revolving basis up to \$175,000,000 for the WVEDA to use to fund economic development initiatives. The interest rate is reset on July 1 of each year and is based on the twelve month return of the Cash Liquidity Pool. The rate for the year ending June 30, 2006, is 2.48%. The rate has a 1% annual adjustment cap. The WVEDA makes monthly principal and interest payments calculated on a one hundred twenty month amortization of the outstanding balance. At June 30, 2006, the outstanding balance was \$104,974,277.

West Virginia Board of Treasury Investments

- c. The “WVEDA Non-recourse Loan” represents an obligation of the WVEDA. The BTI assumed the loan as of July 8, 2005. The loan was originally entered into with the West Virginia Investment Management Board on April 9, 2002. The terms of the loan allow for the WVEDA to borrow through June 29, 2012, up to \$25,000,000 from the BTI. The funds borrowed by the WVEDA are to be loaned, without recourse, to the West Virginia Enterprise Advancement Corporation (WVEAC), for investment in the West Virginia Enterprise Capital Fund, to fund certain venture capital initiatives. The loan earns interest at 3%, which is fixed for the term of the loan. The WVEDA is required to make annual principal payments of \$10,000 plus accrued interest for the first ten years. However, in the event the WVEDA has not received any returns from the investment with the WVEAC, these payments may be deferred through June 30, 2012. Beginning June 30, 2013, the WVEDA is expected to make principal and interest payments sufficient to repay all outstanding principal and accrued interest in full by June 30, 2022. At June 30, 2006, \$16,970,000 of principal was outstanding.

Because of the uncertain collectibility of this loan, the BTI has elected to use the cash received method income recognition for this loan. Under this method, income is recognized when it is collected. Additionally, a valuation reserve of \$3,835,016 has been accrued at June 30, 2006.

The following progression details the amount of interest that has not been recognized as income and the expected receipt of which has been deferred in accordance with the provisions of the loan.

Fiscal Year 2004 interest deferred	\$ 214,995
Fiscal Year 2005 interest deferred	449,410
Fiscal Year 2006 interest deferred	464,716
Total interest deferred	<u>\$ 1,129,121</u>

Transactions with State Treasurer’s Office

The State Treasurer’s Office provides various services at no cost to the BTI and pays certain costs on behalf of the BTI. Such administrative services and costs approximated \$88,000 for the year ended June 30, 2006.

9. Risk Management

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

Board members are covered by a \$5 million blanket bond and general liability and property coverage of \$1 million per occurrence through the West Virginia State Board of Risk and Insurance Management (“BRIM”). The Board has obtained additional coverage of \$45 million faithful performance bond through an outside underwriter. There have been no claims since the inception of the BTI.

The BTI has obtained health coverage for its employees through PEIA, which provides the following basic employee benefit coverage to all participants: hospital, surgical, group major medical, basic group life, accidental death, and prescription drug coverage for active and retired employees of the State of West Virginia and various related State and non-State agencies. Additionally, the BTI has obtained coverage for job-related injuries through its participation in the private, employer-owned mutual insurance company BrickStreet Insurance.

10. Effect of New Accounting Pronouncements

The GASB has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which provides guidance on all aspects of other postemployment benefit reporting by employers. The requirements of this statement will be effective for the BTI in the fiscal year beginning July 1, 2006. BTI management does not believe these new requirements will significantly affect the BTI's financial position or results of operations for the next fiscal year.

The GASB also has issued Statement No. 47, *Accounting for Termination Benefits*, which provides guidance on how employers should account for benefits associated with either voluntary or involuntary terminations. The requirements of this statement will be effective for the BTI in the fiscal year beginning July 1, 2006. BTI management does not believe these new requirements will significantly affect the BTI's financial position or results of operations for the next fiscal year.

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SUPPLEMENTARY INFORMATION

West Virginia Board of Treasury Investments

**West Virginia Board of Treasury Investments
Combining Statement of Fiduciary Net Assets
Fiduciary Funds**

June 30, 2006

(In Thousands)

	Cash Liquidity Pool	Government Money Market Pool	Enhanced Yield Pool	Loss Amortization Pool
Assets				
Investments:				
At amortized cost	\$ 1,741,802	\$ 182,174	\$ -	\$ -
At fair value	-	-	265,384	145,943
Collateral for securities loaned, at fair value (Note 4)	87,242	26,903	125,291	-
Receivables:				
Accrued interest	2,714	99	2,224	-
Investments sold	-	-	7,878	-
Dividends	2	-	-	-
Securities lending income	43	4	9	-
Total receivables	<u>2,759</u>	<u>103</u>	<u>10,111</u>	<u>-</u>
Total assets	<u>1,831,803</u>	<u>209,180</u>	<u>400,786</u>	<u>145,943</u>
Liabilities				
Accrued expenses	160	14	30	-
Dividends payable	-	-	944	-
Payable for investments purchased	24,778	4,956	7,976	-
Payable upon return of securities loaned (Note 4)	87,242	26,903	125,291	-
Total liabilities	<u>112,180</u>	<u>31,873</u>	<u>134,241</u>	<u>-</u>
Net Assets				
Held in trust for investment pool participants	1,719,623	177,307	266,545	145,943
Held in trust for individual investment account holders	-	-	-	-
Total net assets	<u>\$ 1,719,623</u>	<u>\$ 177,307</u>	<u>\$ 266,545</u>	<u>\$ 145,943</u>

See accompanying notes to financial statements.

<u>Loan Pool</u>	<u>Municipal Bond Commission Account</u>	<u>Lottery Defeasance Account</u>	<u>School Fund Account</u>	<u>Economic Development Authority Insurance Account</u>	<u>Economic Development Authority - American Woodmark Account</u>	<u>Total</u>
\$ 139,194	\$ 26,750	\$ -	\$ -	\$ 450	\$ -	\$ 2,090,370
-	-	669	1,879	-	1,594	415,469
-	-	-	-	-	-	239,436
259	274	-	-	-	34	5,604
-	-	-	-	-	-	7,878
84	-	-	7	-	-	93
-	-	-	-	-	-	56
<u>343</u>	<u>274</u>	<u>-</u>	<u>7</u>	<u>-</u>	<u>34</u>	<u>13,631</u>
139,537	27,024	669	1,886	450	1,628	2,758,906
6	1	-	-	-	-	211
-	-	-	-	-	-	944
-	-	-	-	-	-	37,710
-	-	-	-	-	-	239,436
<u>6</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>278,301</u>
139,531	-	-	-	-	-	2,448,949
-	27,023	669	1,886	450	1,628	31,656
<u>\$ 139,531</u>	<u>\$ 27,023</u>	<u>\$ 669</u>	<u>\$ 1,886</u>	<u>\$ 450</u>	<u>\$ 1,628</u>	<u>\$ 2,480,605</u>

West Virginia Board of Treasury Investments

**West Virginia Board of Treasury Investments
Combining Statement of Changes in Fiduciary Net Assets**

Fiduciary Funds

June 30, 2006

(In Thousands)

	Cash Liquidity Pool	Government Money Market Pool	Enhanced Yield Pool	Loss Amortization Pool
Additions				
Investment income				
Interest	\$ 28,557	\$ 2,913	\$ 10,365	\$ -
Dividends	62	9	-	-
Securities lending income	12,592	2,057	4,781	-
Net accretion (amortization)	48,484	4,651	(295)	6,077
Provision for uncollectible loans	-	-	-	-
Total investment income	<u>89,695</u>	<u>9,630</u>	<u>14,851</u>	<u>6,077</u>
Investment expenses				
Investment advisor fees	720	65	191	-
Custodian bank fees	70	13	14	-
Administrative fees	1,091	105	151	-
Securities lending agent fees	213	27	53	-
Securities lending borrower rebates	11,882	1,967	4,605	-
Total investment expenses	<u>13,976</u>	<u>2,177</u>	<u>5,014</u>	<u>-</u>
Net investment income	75,719	7,453	9,837	6,077
Net realized gain (loss) from investments	62	9	(3,044)	-
Net increase (decrease) in fair value of investments	<u>-</u>	<u>-</u>	<u>(871)</u>	<u>(9,339)</u>
Net increase (decrease) in net assets from operations	75,781	7,462	5,922	(3,262)
Participant transactions				
Purchase of pool units by participants	8,054,370	421,522	603	-
Reinvestment of pool distributions	75,641	7,464	9,655	-
Contributions to individual investment accounts	-	-	-	-
Total participant transactions	<u>8,130,011</u>	<u>428,986</u>	<u>10,258</u>	<u>-</u>
Total additions	8,205,792	436,448	16,180	(3,262)
Deductions				
Distributions to pool participants				
Net investment income	75,720	7,454	9,837	-
Net realized gain (loss) from investments	(69)	10	-	-
Total distributions to pool participants	<u>75,651</u>	<u>7,464</u>	<u>9,837</u>	<u>-</u>
Participant transactions				
Redemption of pool units by participants	8,016,236	406,697	816	-
Withdrawals from individual investment accounts	-	-	-	-
Total participant transactions	<u>8,016,236</u>	<u>406,697</u>	<u>816</u>	<u>-</u>
Total deductions	<u>8,091,887</u>	<u>414,161</u>	<u>10,653</u>	<u>-</u>
Change in net assets	113,905	22,287	5,527	(3,262)
Net assets at beginning of period	<u>1,605,718</u>	<u>155,020</u>	<u>261,018</u>	<u>149,205</u>
Net assets at end of period	<u>\$ 1,719,623</u>	<u>\$ 177,307</u>	<u>\$ 266,545</u>	<u>\$ 145,943</u>

See accompanying notes to financial statements.

<u>Loan Pool</u>	<u>Municipal Bond Commission Account</u>	<u>Lottery Defeasance Account</u>	<u>School Fund Account</u>	<u>Economic Development Authority Insurance Account</u>	<u>Economic Development Authority - American Woodworks Account</u>	<u>Total</u>
\$ 3,137	\$ 1,415	\$ -	\$ -	\$ -	\$ 90	\$ 46,477
751	-	1	68	-	-	891
-	-	-	-	-	-	19,430
-	(208)	90	-	17	(8)	58,808
(797)	-	-	-	-	-	(797)
<u>3,091</u>	<u>1,207</u>	<u>91</u>	<u>68</u>	<u>17</u>	<u>82</u>	<u>124,809</u>
-	-	-	-	-	-	976
-	-	-	-	-	-	97
81	11	1	-	-	1	1,441
-	-	-	-	-	-	293
-	-	-	-	-	-	18,454
<u>81</u>	<u>11</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>21,261</u>
3,010	1,196	90	68	17	81	103,548
-	-	-	-	-	-	(2,973)
-	-	(61)	-	-	(199)	(10,470)
<u>3,010</u>	<u>1,196</u>	<u>29</u>	<u>68</u>	<u>17</u>	<u>(118)</u>	<u>90,105</u>
-	-	-	-	-	-	8,476,495
3,010	-	-	-	-	-	95,770
-	11,739	1	982	-	1	12,723
<u>3,010</u>	<u>11,739</u>	<u>1</u>	<u>982</u>	<u>-</u>	<u>1</u>	<u>8,584,988</u>
6,020	12,935	30	1,050	17	(117)	8,675,093
3,010	-	-	-	-	-	96,021
-	-	-	-	-	-	(59)
<u>3,010</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,962</u>
3,600	-	-	-	-	-	8,427,349
-	36,107	1,026	594	21	90	37,838
<u>3,600</u>	<u>36,107</u>	<u>1,026</u>	<u>594</u>	<u>21</u>	<u>90</u>	<u>8,465,187</u>
6,610	36,107	1,026	594	21	90	8,561,149
(590)	(23,172)	(996)	456	(4)	(207)	113,944
140,121	50,195	1,665	1,430	454	1,835	2,366,661
<u>\$ 139,531</u>	<u>\$ 27,023</u>	<u>\$ 669</u>	<u>\$ 1,886</u>	<u>\$ 450</u>	<u>\$ 1,628</u>	<u>\$ 2,480,605</u>

**Schedule of Investments in Securities
June 30, 2006**

(Dollars in thousands, except for Share Data)

CASH LIQUIDITY POOL

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Government Agency Bonds</i>							
Federal Home Loan Bank	4.250 %		4.252 %	10/23/2006	\$ 10,000	\$ 10,000	\$ 9,963
Federal National Mortgage Assn	2.875		4.792	12/15/2006	10,000	9,915	9,885
Federal National Mortgage Assn	5.500		5.506	07/03/2007	8,000	8,000	7,986
Federal Home Loan Mort Corp	4.998	F	5.021	07/06/2007	7,000	6,998	6,998
Federal Home Loan Mort Corp	5.500		5.504	07/09/2007	8,750	8,750	8,731
Total U. S. Government Agency Bonds	2.5%					43,663	43,563
<i>Corporate Bonds</i>							
Wells Fargo & Company	5.189	F	3.906	10/13/2006	15,000	15,057	15,002
Toyota Motor Credit Corp	5.300	F	5.300	11/09/2006	10,000	10,000	10,000
Bank of Ireland	5.237	F	5.294	11/17/2006	12,000	12,000	12,000
Links Finance LLC	4.945		4.945	02/07/2007	10,000	10,000	9,953
CC USA Inc	5.315		5.320	04/30/2007	12,000	11,995	11,957
Beta Finance Inc	5.310	F	5.320	05/17/2007	15,000	14,999	14,998
Dorada Finance Inc	5.175	F	5.187	05/25/2007	15,000	14,998	14,998
HSBC Finance Corp	5.271	F	5.208	06/01/2007	15,000	15,009	15,005
Wachovia Bank	5.251	F	5.303	06/04/2007	10,000	9,998	9,997
Total Corporate Bonds	6.5%					114,056	113,910
<i>Short Term Issues</i>							
Morgan Stanley Repurchase Agreement	4.650		4.650	07/03/2006	73,000	73,000	73,000
Goldman Sachs Repurchase Agreement	5.230		5.230	07/03/2006	29,339	29,339	29,339
Abbey National North America	0.000		5.091	07/03/2006	30,000	29,992	29,992
CBA Finance	0.000		5.010	07/05/2006	15,000	14,992	14,992
Alpine Securitization	0.000		5.175	07/06/2006	25,000	24,982	24,982
Barton Capital Corp	0.000		5.101	07/06/2006	23,400	23,384	23,384
Deutsche Bank Finl LLC	0.000		5.273	07/06/2006	10,000	9,993	9,993
Nordea NA Inc	0.000		5.095	07/06/2006	30,000	29,979	29,979
Societe Generale NA	0.000		5.257	07/06/2006	40,000	39,971	39,971
Fortis Bank	3.930		3.930	07/07/2006	10,000	10,000	10,000
Fairway Finance Corp	0.000		5.143	07/07/2006	17,000	16,986	16,986
Bear Stearns Company Inc	0.000		5.191	07/10/2006	12,000	11,985	11,985
Chariot Funding LLC	0.000		5.194	07/10/2006	15,000	14,981	14,981
Nestle Finance France SA	0.000		5.240	07/10/2006	20,750	20,723	20,723
Dexia Delaware LLC	0.000		5.128	07/11/2006	35,000	34,951	34,951
Falcon Asset Sec Corp	0.000		5.195	07/11/2006	10,000	9,986	9,986
Credit Suisse First Boston NY	5.075		5.075	07/12/2006	10,000	10,000	10,000
Federal Home Loan Bank	0.000		5.191	07/12/2006	29,000	28,955	28,955
Galaxy Funding Inc	0.000		5.146	07/12/2006	20,000	19,969	19,969
Solitaire Funding LLC	0.000		5.224	07/12/2006	15,000	14,976	14,976

F - Floating rate note security.

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See accompanying notes to financial statements.

Schedule of Investments in Securities June 30, 2006

(Dollars in thousands, except for Share Data)

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
Thunder Bay Funding Inc	0.000		5.293	07/12/2006	15,000	14,976	14,976
First Tennessee Bank	5.160		5.160	07/13/2006	15,000	15,000	15,000
Chariot Funding LLC	0.000		5.244	07/13/2006	11,423	11,403	11,403
United States Treasury Bill	0.000		4.620	07/13/2006	20,000	19,970	19,970
Goldman Sachs Group Inc	5.190	<i>F</i>	5.148	07/14/2006	10,000	10,000	10,000
Kitty Hawk Funding Corp	0.000		5.091	07/17/2006	14,178	14,146	14,146
Merrill Lynch & Company Inc	0.000		5.249	07/17/2006	45,000	44,897	44,897
Regency Markets No 1	0.000		5.316	07/17/2006	15,000	14,965	14,965
CBA Finance	0.000		5.276	07/18/2006	15,000	14,963	14,963
Charta LLC	0.000		5.172	07/18/2006	25,000	24,940	24,940
Sheffield Receivables	0.000		5.315	07/18/2006	17,500	17,457	17,457
Federal Home Loan Bank	0.000		4.995	07/19/2006	10,000	9,975	9,975
Societe Generale NA	0.000		5.083	07/19/2006	30,000	29,925	29,925
American Express Centurion	5.030		5.030	07/20/2006	10,000	10,000	10,000
Amsterdam Funding Corp	0.000		5.222	07/20/2006	20,000	19,946	19,946
Barton Capital Corp	0.000		5.316	07/20/2006	25,000	24,931	24,931
Beta Finance Inc	0.000		5.105	07/20/2006	15,000	14,960	14,960
Bryant Park Funding LLC	0.000		5.346	07/20/2006	15,000	14,958	14,958
Preferred Receivables Funding	0.000		5.336	07/20/2006	16,446	16,400	16,400
United States Treasury Bill	0.000		4.692	07/20/2006	155,000	154,622	154,622
Regency Markets No 1	0.000		5.375	07/21/2006	10,000	9,971	9,971
Sheffield Receivables	0.000		5.382	07/21/2006	15,000	14,956	14,956
Amsterdam Funding Corp	0.000		5.216	07/24/2006	15,000	14,951	14,951
Dresdner US Finance Inc	0.000		5.171	07/25/2006	10,000	9,966	9,966
ANZ Inc	0.000		5.124	07/26/2006	15,000	14,947	14,947
Falcon Asset Sec Corp	0.000		5.378	07/27/2006	15,000	14,943	14,943
Bear Stearns Company Inc	0.000		5.379	07/28/2006	13,750	13,696	13,696
Toyota Motor Credit Corp	0.000		5.356	07/28/2006	20,000	19,921	19,921
Calyon North America	0.000		5.200	08/01/2006	35,000	34,846	34,846
Galaxy Funding Inc	0.000		5.166	08/01/2006	20,000	19,913	19,913
Nordea NA Inc	0.000		5.252	08/01/2006	18,000	17,920	17,920
Deutsche BankAG	4.170		4.170	08/03/2006	10,000	10,000	10,000
United States Treasury Bill	0.000		4.766	08/03/2006	22,500	22,403	22,403
Unicredit Delaware Inc	0.000		5.206	08/07/2006	11,000	10,942	10,942
Barclays US Funding Corp	0.000		5.187	08/09/2006	24,500	24,365	24,365
Federal National Mortgage Assn	0.000		4.816	08/09/2006	20,000	19,898	19,898
United States Treasury Bill	0.000		4.756	08/10/2006	45,000	44,767	44,767
Galaxy Funding Inc	0.000		5.277	08/11/2006	9,000	8,947	8,947
Unicredit Delaware Inc	0.000		5.194	08/11/2006	9,200	9,146	9,146
United States Treasury Bill	0.000		4.827	08/17/2006	25,000	24,845	24,845
United States Treasury Bill	0.000		4.853	08/24/2006	15,000	14,893	14,893

F - Floating rate note security.

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**Schedule of Investments in Securities
June 30, 2006**

(Dollars in thousands, except for Share Data)

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
CC USA Inc	0.000		5.466	08/29/2006	10,000	9,912	9,912
Citibank NA	5.195		5.195	08/31/2006	15,000	15,000	15,000
United States Treasury Bill	0.000		4.951	09/07/2006	25,000	24,778	24,769
CIT Group Inc	0.000		5.278	09/29/2006	10,000	9,872	9,815
Federal Home Loan Mort Corp	0.000		4.445	09/29/2006	15,000	14,837	14,800
Rabobank USA Financial Corp	0.000		5.194	09/29/2006	4,000	3,949	3,904
Goldman Sachs Group LP	0.000		4.981	10/02/2006	17,000	16,787	16,516
Alliance & Leicester PLC	0.000		4.750	10/13/2006	15,000	14,800	14,489
Greenwich Capital Holdings Inc	5.310	F	5.301	10/31/2006	30,000	30,000	30,000
BB&T - Charleston	4.990		4.988	11/22/2006	2,000	2,000	2,000
Citizens Natl Bk - Berkeley Sp	4.990		4.988	11/22/2006	500	500	500
Capon Valley Bk - Wardensville	4.990		4.988	11/22/2006	500	500	500
First Natl Bk of Williamson	4.990		4.988	11/22/2006	1,000	1,000	1,000
First State Bk - Barboursville	4.990		4.988	11/22/2006	800	800	800
Harrison County Bk - Lost Crk	4.990		4.988	11/22/2006	1,700	1,700	1,700
Jefferson Security Bank	4.990		4.988	11/22/2006	2,500	2,500	2,500
Freedom Bank Inc - Belington	5.000		4.998	11/22/2006	500	500	500
First State Bk - Barboursville	5.000		4.998	11/22/2006	200	200	200
BB&T - Charleston	5.010		5.008	11/22/2006	1,000	1,000	1,000
Huntington Natl Bk -Charleston	5.010		5.008	11/22/2006	5,000	5,000	5,000
First National Bank - Spencer	5.020		5.018	11/22/2006	100	100	100
BB&T - Charleston	5.040		5.038	11/22/2006	1,000	1,000	1,000
Freedom Bank Inc - Belington	5.050		5.048	11/22/2006	500	500	500
BB&T - Charleston	5.070		5.068	11/22/2006	1,000	1,000	1,000
Main Street Bank Wheeling	5.150		5.148	11/22/2006	500	500	500
United Bank Inc - Parkersburg	5.160		5.158	11/22/2006	5,000	5,000	5,000
ABN Amro Bank	4.850		4.850	01/24/2007	10,000	10,000	10,000
Nordea NA Inc	0.000		5.347	02/26/2007	12,000	11,590	11,540
Deutsche BankAG	5.090		5.090	03/06/2007	10,000	10,000	10,000
Federal National Mortgage Assn	0.000		5.250	03/30/2007	17,000	16,355	16,321
Federal Home Loan Mort Corp	0.000		5.248	05/01/2007	4,000	3,831	3,824
HBOS Treasury Services	5.360		5.360	05/31/2007	9,000	9,000	9,000
Suntrust Bank	5.089	F	5.089	06/05/2007	15,000	15,000	15,000
JP Morgan Capital Prime Money Market					232,967	233	233
Dreyfus Cash Management Money Market					525,334	525	525
Total Short Term Issues	<u>90.9%</u>					<u>1,584,083</u>	<u>1,583,262</u>
Total Cash Liquidity	<u>100.0%</u>					<u>\$ 1,741,802</u>	<u>\$ 1,740,735</u>

F - Floating rate note security.

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Schedule of Investments in Securities

June 30, 2006

(Dollars in thousands, except for Share Data)

GOVERNMENT MONEY MARKET POOL

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Government Agency Bonds</i>							
Federal Home Loan Bank	5.169 %	F	5.169 %	08/21/2006	\$ 2,000	\$ 2,000	\$ 2,000
Federal Home Loan Mort Corp	4.250		4.252	10/23/2006	2,000	2,000	1,993
Federal Home Loan Bank	5.190	F	5.246	12/13/2006	900	900	900
Federal Home Loan Bank	5.380	F	5.405	12/29/2006	3,000	3,000	3,000
Federal Farm Credit Bank	5.004	F	5.228	02/01/2007	2,000	2,000	2,000
Federal Home Loan Mort Corp	3.750		5.263	03/15/2007	2,800	2,771	2,766
Federal Home Loan Mort Corp	5.375		5.378	06/18/2007	2,000	2,000	1,995
Federal Home Loan Bank	5.240	F	5.249	06/27/2007	2,000	2,000	2,000
Federal Home Loan Mort Corp	5.500		5.506	07/03/2007	1,500	1,500	1,497
Federal Home Loan Bank	4.998	F	5.021	07/06/2007	2,000	2,000	1,999
Federal Home Loan Mort Corp	5.500		5.504	07/09/2007	1,250	1,250	1,247
Total U. S. Government Agency Bonds	11.8%					21,421	21,397
<i>Short-term Issues</i>							
Deutsche Bank Repurchase Agreement	4.500		4.500	07/03/2006	19,900	19,900	19,900
Federal Farm Credit Bank	0.000		5.021	07/03/2006	20,000	19,994	19,994
Federal Home Loan Mort Corp	0.000		5.084	07/03/2006	5,000	4,999	4,999
Tennessee Valley Authority	0.000		5.021	07/03/2006	5,500	5,498	5,498
Federal Home Loan Bank	0.000		5.053	07/05/2006	1,856	1,855	1,855
Federal Home Loan Mort Corp	0.000		5.160	07/11/2006	2,500	2,496	2,496
Federal Home Loan Bank	0.000		5.116	07/12/2006	5,500	5,492	5,492
United States Treasury Bill	0.000		4.620	07/13/2006	5,000	4,992	4,992
Federal Home Loan Bank	0.000		5.239	07/14/2006	5,000	4,991	4,991
Federal Home Loan Mort Corp	0.000		5.198	07/18/2006	4,050	4,040	4,040
Federal Home Loan Bank	0.000		5.083	07/19/2006	5,000	4,987	4,987
Federal Home Loan Mort Corp	0.000		5.010	07/25/2006	4,616	4,601	4,601
Federal Home Loan Bank	0.000		5.284	07/26/2006	5,049	5,031	5,031
Federal Farm Credit Bank	0.000		5.259	07/27/2006	3,514	3,501	3,501
Federal Home Loan Mort Corp	0.000		5.298	08/01/2006	5,000	4,978	4,978
Federal Home Loan Bank	0.000		5.074	08/02/2006	3,000	2,987	2,987
United States Treasury Bill	0.000		4.760	08/03/2006	4,500	4,481	4,481
Federal Home Loan Mort Corp	0.000		5.289	08/04/2006	1,850	1,841	1,841
United States Treasury Bill	0.000		4.751	08/10/2006	6,500	6,466	6,466
Federal Home Loan Mort Corp	0.000		5.067	08/15/2006	6,189	6,151	6,151
United States Treasury Bill	0.000		4.826	08/17/2006	5,000	4,969	4,969
United States Treasury Bill	0.000		4.853	08/24/2006	2,500	2,482	2,482
Federal Home Loan Mort Corp	0.000		5.021	08/29/2006	2,500	2,480	2,480
Federal Home Loan Bank	0.000		5.381	09/01/2006	2,500	2,477	2,477
Federal Home Loan Mort Corp	0.000		5.349	09/01/2006	2,769	2,744	2,744
Federal Home Loan Mort Corp	0.000		4.985	09/05/2006	8,000	7,928	7,921

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**Schedule of Investments in Securities
June 30, 2006**

(Dollars in thousands, except for Share Data)

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
United States Treasury Bill		0.000	4.951	09/07/2006	5,000	4,956	4,954
Federal Home Loan Mort Corp		0.000	5.075	09/12/2006	2,625	2,599	2,597
Federal Home Loan Mort Corp		0.000	5.091	09/19/2006	3,824	3,782	3,778
Federal Home Loan Mort Corp		0.000	4.812	01/19/2007	2,500	2,435	2,427
Federal Home Loan Mort Corp		0.000	4.920	02/06/2007	2,650	2,573	2,564
Federal Home Loan Mort Corp		0.000	5.006	02/16/2007	2,000	1,938	1,932
Dreyfus Cash Management Money Market					109	109	109
Total Short-term Issues	88.2%					160,753	160,715
Total Government Money Market	100.0%					\$ 182,174	\$ 182,112

ENHANCED YIELD POOL

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
United States Treasury Note		3.500 %	4.995 %	05/31/2007	\$ 10,000	\$ 9,868	\$ 9,844
United States Treasury Bond		3.625	5.196	06/30/2007	2,675	2,635	2,633
United States Treasury Note		2.750	2.860	08/15/2007	2,550	2,547	2,482
United States Treasury Note		3.000	2.797	02/15/2008	1,500	1,505	1,450
United States Treasury Note		3.750	4.179	05/15/2008	3,761	3,732	3,667
United States Treasury Note		4.750	5.170	11/15/2008	16,775	16,619	16,631
United States Treasury Note		5.500	4.857	05/15/2009	4,950	5,034	5,001
United States Treasury Note		4.000	5.129	06/15/2009	7,145	6,926	6,928
United States Treasury Note		4.500	4.815	02/28/2011	9,670	9,544	9,432
Total U. S. Treasury Issues	21.9%					58,410	58,068
<i>U. S. Government Agency Bonds</i>							
Federal National Mortgage Assn		2.375	2.879	02/15/2007	1,640	1,635	1,610
Federal Farm Credit Bank		3.250	3.049	06/15/2007	7,970	7,985	7,806
Federal Home Loan Bank		3.625	3.863	06/20/2007	7,120	7,104	6,995
Federal National Mortgage Assn		3.000	3.142	08/15/2007	10,045	10,029	9,772
Federal Home Loan Mort Corp		4.375	4.633	11/16/2007	1,205	1,201	1,187
Federal National Mortgage Assn		3.125	3.908	12/15/2007	3,500	3,462	3,386
Federal National Mortgage Assn		3.250	4.553	01/15/2008	10,055	9,862	9,743
Federal National Mortgage Assn		5.750	3.827	02/15/2008	5,070	5,222	5,095
Federal Home Loan Mort Corp		4.625	4.777	02/21/2008	11,050	11,024	10,905
Federal Home Loan Mort Corp		3.875	4.566	06/15/2008	19,355	19,107	18,798
Federal Home Loan Mort Corp		4.625	4.669	12/19/2008	3,560	3,556	3,493
Federal Home Loan Mort Corp		4.875	5.363	02/17/2009	8,540	8,439	8,423
Total U. S. Government Agency Bonds	32.9%					88,626	87,213
<i>Corporate Issues</i>							

F - Floating rate note security.

* The fair value is not determined for loans. The fair value reported equals amortized cost.

See accompanying notes to financial statements.

Schedule of Investments in Securities

June 30, 2006

(Dollars in thousands, except for Share Data)

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
U. S. Corporate Bonds							
First National Bank of Boston	7.375		5.570	09/15/2006	200	201	201
Verizon Wireless Capital	5.375		3.075	12/15/2006	3,650	3,688	3,646
Washington Mutual Inc	5.625		3.248	01/15/2007	3,765	3,812	3,761
Nationwide Building Society	2.625		2.689	01/30/2007	3,450	3,449	3,392
FPL Group Capital	4.086		4.681	02/16/2007	1,361	1,356	1,348
Pfizer Inc	2.500		2.534	03/15/2007	2,500	2,499	2,448
Countrywide Home Loan	5.625		4.300	05/15/2007	2,000	2,022	1,998
John Deere Capital Corp	3.625		3.719	05/25/2007	2,575	2,573	2,528
Praxair Inc	4.750		4.021	07/15/2007	2,650	2,669	2,625
Comerica Bank	5.410		5.410	11/26/2007	1,875	1,875	1,875
Credit Suisse FB USA Inc	4.625		3.885	01/15/2008	2,000	2,022	1,972
Goldman Sachs Group Inc	4.125		4.269	01/15/2008	1,580	1,577	1,546
HBOS Treasury Services	3.800		3.810	01/30/2008	1,170	1,170	1,138
Bear Stearns Companies Inc	4.000		3.930	01/31/2008	3,050	3,053	2,974
AMSouth Bank of Alabama	6.450		4.892	02/01/2008	1,400	1,433	1,415
Textron Financial Corp	4.125		5.336	03/03/2008	1,605	1,574	1,564
PNC Funding Corp	4.200		4.326	03/10/2008	2,500	2,495	2,438
HSBC Finance Corp	4.125		4.437	03/11/2008	1,720	1,711	1,679
Morgan Stanley Dean Witter Co	3.625		4.213	04/01/2008	1,385	1,371	1,340
National City Corporation	3.200		4.428	04/01/2008	1,425	1,396	1,368
Lehman Brothers Inc	6.500		4.527	04/15/2008	2,240	2,315	2,266
Alabama Power Co	3.125		5.437	05/01/2008	900	864	860
Peco Energy	3.500		5.480	05/01/2008	650	628	625
Household Finance	3.750		5.555	05/15/2008	300	290	287
Prudential Funding	6.600		5.603	05/15/2008	1,600	1,628	1,624
Gannett Company Inc	4.125		4.259	06/15/2008	2,385	2,379	2,313
American Honda Finance	4.200		4.904	07/14/2008	1,055	1,041	1,027
Canadian Imperial Bank	4.375		4.799	07/28/2008	1,135	1,126	1,124
Regions Financial Corp	4.500		4.540	08/08/2008	2,520	2,518	2,463
Wells Fargo & Company	3.120		4.441	08/15/2008	1,270	1,236	1,209
Hartford Finl Services Group	5.550		5.475	08/16/2008	875	877	872
Caterpillar Financial Services	4.500		4.525	09/01/2008	1,850	1,849	1,806
Merrill Lynch & Company Inc	4.831		4.831	10/27/2008	3,565	3,565	3,501
Chemical Bank	6.125		5.410	11/01/2008	590	599	596
Hancock John Financial Srvc	5.625		5.134	12/01/2008	745	753	746
Fleet National Bank	5.750		5.381	01/15/2009	1,150	1,160	1,152
National City Corporation	5.750		5.481	02/01/2009	1,395	1,404	1,401
Pepsi Bottling Group	5.625		5.365	02/17/2009	1,050	1,057	1,050
CIT Group Holdings	3.375		5.458	04/01/2009	2,060	1,952	1,941
AFLAC Inc	6.500		5.456	04/15/2009	1,250	1,283	1,278
US Bancorp	5.300		5.332	04/28/2009	950	949	942
Abbott Laboratories	5.375		5.466	05/15/2009	680	678	678
American General Finance Corp	4.625		5.416	05/15/2009	800	783	777
Total U. S. Corporate Bonds						72,880	71,794

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Schedule of Investments in Securities
June 30, 2006

(Dollars in thousands, except for Share Data)

<u>SECURITY NAME</u>	<u>% of</u> <u>POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE</u> <u>or SHARES</u>	<u>AMORTIZED</u> <u>COST</u>	<u>FAIR</u> <u>VALUE*</u>
Corporate Asset Backed Issues							
Volkswagen Auto Loan Trust		2.270	2.281	10/22/2007	711	711	708
Nissan Auto Rec Owner Trust		2.010	2.024	11/15/2007	886	886	881
Whole Auto Loan Trust		2.960	4.894	06/15/2008	307	305	304
M&I Auto Loan Trust		2.970	3.198	04/20/2009	1,500	1,498	1,465
Wachovia Auto Owner Trust		4.060	4.098	09/21/2009	1,250	1,250	1,232
Ford Credit Auto Owner Trust		4.380	4.887	01/15/2010	2,535	2,514	2,481
Daimler Chrysler Auto Trust		3.740	5.247	02/08/2010	2,250	2,197	2,184
Capital One Auto Finance Trust		4.610	4.657	07/15/2010	2,620	2,620	2,586
USAA Auto Owner Trust		5.320	5.380	09/15/2010	1,870	1,870	1,862
Household Automotive Trust		4.800	4.865	10/18/2010	700	700	692
Capital One Auto Finance Trust		5.330	5.393	11/15/2010	545	545	542
Honda Auto Rec Owner Trust		4.600	5.302	11/22/2010	1,000	984	974
Harley Davidson Motorcycle		2.760	2.779	05/15/2011	5,236	5,236	5,183
GS Auto Loan Trust		2.650	3.253	05/16/2011	3,185	3,168	3,099
Citibank Credit Card Issuance		5.300	5.339	05/20/2011	1,300	1,299	1,291
Government National Mort Assoc		4.175	5.874	06/16/2011	1,075	1,032	1,032
Housing Automotive Trust		5.430	5.495	06/17/2011	1,195	1,195	1,188
Nissan Auto Receivables Owner		4.770	5.396	07/15/2011	900	886	878
WFS Financial Owner Trust		2.810	4.039	08/22/2011	1,350	1,339	1,304
Volkswagen Auto Loan Trust		4.860	5.329	04/20/2012	1,555	1,539	1,521
Advanta Business Card Master		5.300	5.422	05/21/2012	915	913	907
Chase Manhattan Auto Owner Tr		4.880	4.933	06/15/2012	1,250	1,250	1,224
Credit-Based Asset Servicing		3.490	3.834	12/25/2033	189	189	189
Popular ABS Mortgage Trust		5.097	5.122	11/25/2035	1,370	1,370	1,359
Renaissance Home Equity Loan		4.723	5.614	11/25/2035	1,550	1,529	1,526
Opteum Mortgage Acceptance Co		5.640	6.194	12/25/2035	1,116	1,100	1,101
American General Mortgage Loan		5.750	5.446	02/25/2036	1,558	1,557	1,554
Chaseflex Trust		5.535	5.535	06/25/2036	1,188	1,187	1,183
JP Morgan Alternative Loan Tr		5.630	5.697	07/25/2036	750	750	750
Renaissance Home Equity Loan		5.999	5.603	08/25/2036	2,275	2,275	2,275
Credit Based Asset Servicing		5.717	5.210	12/25/2036	700	700	698
Bear Stearns CMBS		5.546	5.431	09/11/2038	850	852	859
JPM Chase Commercial Mortgage		4.745	5.365	06/12/2043	955	936	929
JP Morgan Chase CMBS		5.834	5.679	04/15/2045	1,000	1,002	1,002
Total Corporate Asset Backed Issues						47,384	46,963
Total Corporate Issues	44.7%					120,264	118,757
Short-term Issues							
Goldman Sachs Repurchase Agreement		5.280	5.280	07/03/2006	1,346	1,346	1,346
Total Short-term Issues	<u>0.5%</u>					1,346	1,346
Total Enhanced Yield	<u>100.0%</u>					\$ 268,646	\$ 265,384

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See accompanying notes to financial statements.

Schedule of Investments in Securities June 30, 2006

(Dollars in thousands, except for Share Data)

LOSS AMORTIZATION POOL

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
U. S. Treasury Strip - Prin		0.000 %	4.087 %	08/15/2011	\$ 188,557	\$ 153,267	\$ 145,943
Total U. S. Treasury Issues	<u>100.0%</u>					<u>153,267</u>	<u>145,943</u>
Total Loss Amortization	<u>100.0%</u>					<u>\$ 153,267</u>	<u>\$ 145,943</u>

LOAN POOL

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Loans and Mortgages</i>							
Intergovernmental Loans							
Tax Reappraisal		1.690 %		06/30/2007	\$ 41	\$ 41	\$ 41
WVEDA Revolving Loan	2.480			12/31/2013	104,974	104,974	104,974
WVEDA Non-Recourse Loan	3.000			06/30/2022	16,970	16,970	16,970
Total Intergovernmental Loans						<u>121,985</u>	<u>121,985</u>
FHA/VA Mortgages							
Charleston NB	8.000			04/01/2007	2	2	2
Charleston NB	8.500			03/01/2008	15	15	15
Charleston NB	9.500			09/01/2008	9	9	9
Kissell	8.000			09/01/2007	16	16	16
Kissell	8.500			01/01/2008	7	7	7
OVB Mortgages	8.500			07/01/2008	2	2	2
OVB Mortgages	9.500			10/01/2008	9	9	9
Home (Atlantic)	8.000			04/01/2007	12	12	12
Home (Atlantic)	8.500			08/01/2014	25	25	25
Home (Atlantic)	8.750			05/01/2008	18	18	18
Mason (Peoples)	8.500			12/01/2006	1	1	1
Total FHA/VA Mortgages						<u>116</u>	<u>116</u>
Total Loans and Mortgages						<u>122,101</u>	<u>122,101</u>
Reserve for uncollectable loans						<u>(3,835)</u>	<u>(3,835)</u>
Loans and Mortgages, net of reserve for uncollectable loans	85.0%					<u>118,266</u>	<u>118,266</u>
<i>Short-term Issues</i>							
Dreyfus Cash Management Money Market					20,928	20,928	20,928
Total Short-term Issues	<u>15.0%</u>					<u>20,928</u>	<u>20,928</u>
Total Loans	<u>100.0%</u>					<u>\$ 139,194</u>	<u>\$ 139,194</u>

F - Floating rate note security.

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Schedule of Investments in Securities
June 30, 2006

(Dollars in thousands, except for Share Data)

MUNICIPAL BOND COMMISSION

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
State & Local Government	6.260 %		6.260 %	07/01/2006	\$ 1,362	\$ 1,362	\$ 1,362
State & Local Government	5.570		5.570	11/01/2006	16	16	16
United States Treasury Strip - Int	0.000		8.486	11/15/2006	9	9	9
State & Local Government	4.420		4.420	12/01/2006	3	3	3
State & Local Government	6.270		6.270	01/01/2007	13	13	13
State & Local Government	5.560		5.560	05/01/2007	3,971	3,971	3,971
United States Treasury Strip - Int	0.000		7.469	05/15/2007	57	53	55
United States Treasury Note	6.625		0.001	05/15/2007	894	946	904
State & Local Government	4.410		4.410	06/01/2007	43	43	43
State & Local Government	6.280		6.280	07/01/2007	1,464	1,464	1,464
United States Treasury Strip - Int	0.000		8.823	11/15/2007	8	7	7
State & Local Government	4.400		4.400	12/01/2007	3	3	3
State & Local Government	6.270		6.270	01/01/2008	10	10	10
United States Treasury Strip - Int	0.000		7.529	05/15/2008	59	51	54
United States Treasury Strip - Int	0.000		0.000	05/15/2008	924	924	840
State & Local Government	4.390		4.390	06/01/2008	44	44	44
State & Local Government	6.230		6.230	07/01/2008	1,571	1,571	1,571
United States Treasury Strip - Int	0.000		9.018	11/15/2008	6	5	5
State & Local Government	4.360		4.360	12/01/2008	4	4	4
State & Local Government	6.160		6.160	01/01/2009	6	6	6
United States Treasury Strip - Int	0.000		0.000	05/15/2009	927	927	801
State & Local Government	4.360		4.360	06/01/2009	44	44	44
State & Local Government	6.090		6.090	07/01/2009	1,686	1,686	1,686
State & Local Government	4.360		4.360	12/01/2009	4	4	4
United States Treasury Strip - Int	0.000		0.000	05/15/2010	932	932	768
State & Local Government	4.360		4.360	06/01/2010	49	49	49
State & Local Government	4.360		4.360	12/01/2010	4	4	4
United States Treasury Strip - Int	0.000		0.000	05/15/2011	934	934	737
State & Local Government	4.360		4.360	06/01/2011	49	49	49
State & Local Government	4.360		4.360	12/01/2011	4	4	4
United States Treasury Strip - Int	0.000		0.000	05/15/2012	938	938	701
State & Local Government	4.370		4.370	06/01/2012	49	49	49
State & Local Government	4.370		4.370	12/01/2012	4	4	4
United States Treasury Strip - Int	0.000		0.000	05/15/2013	941	941	665
State & Local Government	4.380		4.380	06/01/2013	1,174	1,174	1,174
United States Treasury Strip - Int	0.000		0.000	05/15/2014	963	963	644
United States Treasury Strip - Int	0.000		0.000	05/15/2015	973	973	617
United States Treasury Bond	7.250		0.001	05/15/2016	980	1,681	1,135
United States Treasury Bond	8.750		0.001	05/15/2017	1,055	2,059	1,362
United States Treasury Bond	9.125		0.001	05/15/2018	1,138	2,371	1,524
Total U. S. Treasury Issues	98.3%					26,291	22,405

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Schedule of Investments in Securities June 30, 2006

(Dollars in thousands, except for Share Data)

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Short Term Issues</i>							
United States Treasury Bill		0.000	0.000	08/10/2006	124	124	124
United States Treasury Bill		0.000	5.455	09/28/2006	339	335	335
Total Short Term Issues	<u>1.7%</u>					<u>459</u>	<u>459</u>
Total Municipal Bond Commission	<u>100.0%</u>					<u>\$ 26,750</u>	<u>\$ 22,864</u>

LOTTERY DEFEASANCE

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
Treasury Investment Growth		0.000 %	8.179 %	08/15/2006	\$ 130	\$ 129	\$ 129
United States Treasury Strip - Int		0.000	8.927	08/15/2006	27	27	27
United States Treasury Strip - Int		0.000	8.895	11/15/2006	167	162	164
United States Treasury Strip - Int		0.000	9.388	02/15/2007	63	60	61
Treasury Investment Growth		0.000	8.169	08/15/2007	130	119	123
United States Treasury Strip - Int		0.000	8.927	08/15/2007	27	24	26
United States Treasury Strip - Int		0.000	9.288	11/15/2007	25	22	23
Coupon Treasury Receipt		0.000	8.160	08/15/2008	130	110	116
Total U. S. Treasury Issues	<u>100.0%</u>					<u>653</u>	<u>669</u>
Total Lottery Defeasance	<u>100.0%</u>					<u>\$ 653</u>	<u>\$ 669</u>

SCHOOL FUND

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Short-term Issues</i>							
Dreyfus Cash Management Money Market					1,879,018	\$ 1,879	\$ 1,879
Total Short-term Issues	<u>100.0%</u>					<u>1,879</u>	<u>1,879</u>
Total School Fund	<u>100.0%</u>					<u>\$ 1,879</u>	<u>\$ 1,879</u>

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**Schedule of Investments in Securities
June 30, 2006**

(Dollars in thousands, except for Share Data)

EDA INSURANCE

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Short-term Issues</i>							
United States Treasury Bill		0.000 %	4.989 %	12/14/2006	\$ 460	\$ 450	\$ 449
Total Short-term Issues	<u>100.0%</u>					<u>450</u>	<u>449</u>
Total EDA Insurance	<u>100.0%</u>					<u>\$ 450</u>	<u>\$ 449</u>

EDA INSURANCE - AW

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
United States Treasury Bond		6.250 %	4.929 %	08/15/2023	\$ 1,445	\$ 1,664	\$ 1,594
Total U. S. Treasury Issues	<u>100.0%</u>					<u>1,664</u>	<u>1,594</u>
Total EDA-AW	<u>100.0%</u>					<u>\$ 1,664</u>	<u>\$ 1,594</u>

F - Floating rate note security.

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See accompanying notes to financial statements.

OTHER FINANCIAL INFORMATION

**SCHEDULE OF NET ASSETS
JUNE 30, 2006**

(In Thousands Except for Investment Unit Data)

	<u>Cash Liquidity</u>	<u>Government Money Market</u>	<u>Enhanced Yield</u>	<u>Loss Amortization</u>	<u>Loans</u>
Paid-in capital	\$ 1,719,623	\$ 177,307	\$ 269,808	\$ 183,415	\$ 139,531
Accumulated undistributed net investment income (loss)	-	-	-	-	-
Accumulated undistributed net realized gain (loss)	-	-	-	(30,148)	-
Unrealized net appreciation (depreciation) of investments	-	-	(3,263)	(7,324)	-
Net assets at value	<u>\$ 1,719,623</u>	<u>\$ 177,307</u>	<u>\$ 266,545</u>	<u>\$ 145,943</u>	<u>\$ 139,531</u>
Investment unit data:					
Units outstanding	1,719,622,060	177,307,558	2,718,069	183,415,000	139,531,646
Net asset value, unit price	\$ 1.00	\$ 1.00	\$ 98.06	\$ 0.80	\$ 1.00

PORTFOLIO STATISTICS

JUNE 30, 2006

	<u>Cash Liquidity</u>	<u>Government Money Market</u>	<u>Enhanced Yield</u>
Weighted Average Days to Maturity	42	49	672
Maximum Weighted Average Investment Maturity Term Per Board Guidelines	60 days	60 days	731 days
Money Market Yield	4.93%	4.89%	

The money market yield represents the rate of income, net of expenses, earned over the past month and is not intended to indicate future performance. The return is annualized over a 365-day year, assuming no reinvestment of earnings.

PARTICIPANT NET ASSET VALUES
JUNE 30, 2006

(In Thousands)

Cash Liquidity Pool	Government Money Market Pool
State Agencies:	State Agencies:
WV State Treasurer's Office - State Participation \$ 565,234	Municipal Bond Commission \$ 139,313
WV State Treasurer's Office - Veteran's Lottery 2,410	WV Economic Development Authority 8,384
WV State Treasurer's Office - Banking Services 60,351	Other 6,072
WV Lottery Commission 177,372	153,769
Department of Environmental Protection 164,075	Local Governments:
Higher Education Policy Commission 153,701	Kanawha County Sheriff 10,393
Public Employees Insurance Agency 108,101	Doddridge County Board of Education 7,878
Department of Transportation 102,138	Other 5,267
Department of Revenue 100,297	23,538
Board of Risk and Insurance Management 41,523	Total paid in capital \$ 177,307
WV Economic Development Authority 34,860	\$ 177,307
Department of Health and Human Resources 24,829	
Regional Jail Authority 19,338	
Department of Administration 18,942	
Division of Natural Resources 14,525	
Water Development Authority 12,203	
Performance and wage bond accounts 13,981	
Other 36,909	
1,650,789	
Local Governments:	Enhanced Yield Pool
Mercer County Board of Education 9,381	State Agencies:
WV Housing Development Fund 9,340	WV State Treasurer's Office - State Participation \$ 205,306
Fayette County Board of Education 9,208	Higher Education Policy Commission 52,664
Logan County Board of Education 7,019	WV Court of Claims 6,192
Boone County Commission 6,793	Other 2,302
Mason County Board of Education 5,185	266,464
Braxton County Board of Education 4,099	Local Governments 81
Lewis County Board of Education 2,806	Total net assets \$ 266,545
City of Parkersburg 2,720	\$ 266,545
Parkersburg Utility Board 2,652	
Roane County Board of Education 2,227	
Putnam County Board of Education 1,437	
Other 5,967	
68,834	
Total net assets \$ 1,719,623	
\$ 1,719,623	

GLOSSARY OF FINANCIAL AND INVESTMENT TERMS

Agency Securities – Securities issued by U.S. Government agencies, such as the Federal Home Loan Bank. These securities have high credit ratings but are not backed by the full faith and credit of the U.S. Government.

Asset-Backed Notes – Financial instruments collateralized by one or more types of assets including real property, mortgages, and receivables.

Banker's Acceptance – A high quality, short-term negotiable discount note drawn on and accepted by banks that are obligated to pay the face amount at maturity.

Basis Point – The smallest measure used in quoting yields or returns. One basis point is 0.01% of yield. One hundred basis points equals 1%. For example, a yield that changed from 8.75% to 9.50% increased by 75 basis points.

Benchmark – A standard unit used as the basis of comparison; a universal unit that is identified with sufficient detail so that other similar classifications can be compared as being above, below, or comparable to the benchmark.

Capital Gain (Loss) – Also known as capital appreciation (depreciation), capital gain (loss) measures the increase (decrease) in value of an asset over time.

Certificates of Deposit (CDs) – A debt instrument issued by banks, usually paying interest, with maturities ranging from seven days to several years.

Commercial Paper – Short-term obligations with maturities ranging from one to 270 days. They are issued by banks, corporations, and other borrowers to investors with temporarily idle cash.

Compounded Annual Total Return – Compounded annual total return measures the implicit annual percentage change in value of an investment, assuming reinvestment of dividends, interest, and realized capital gains, including those attributable to currency fluctuations. In effect, compounded annual total return smoothes fluctuations in long-term investment returns to derive an implied year-to-year annual return.

Consumer Price Index (CPI) – A measure of change in consumer prices, as determined by a monthly survey of the U.S. Bureau of Labor Statistics. Components of the CI include housing costs, food, transportation, electricity, etc.

Cumulative Rate of Return – A measure of the total return earned for a particular time period. This calculation measures the absolute percentage change in value of an investment over a specified period, assuming reinvestment of dividends, interest income, and realized capital gains. For example, if a \$100 investment grew to \$120 in a two-year period, the cumulative rate of return would be 20%.

West Virginia Board of Treasury Investments

Derivative – Derivatives are generally defined as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. For example, an option is a derivative instrument because its value derives from an underlying stock, stock index, or future.

Discount Rate – The interest rate that the Federal Reserve charges banks for loans, using government securities or eligible paper as collateral.

Expense Ratio – The amount, expressed as a percentage of total investment, that shareholders pay for mutual fund operating expenses and management fees.

Federal Funds Rate – The interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. The federal funds rate is one of the most sensitive indicators of the direction of interest rates because it is set daily by the market.

Federal Reserve Board – The governing body of the Federal Reserve System (twelve regional Federal banks monitoring the commercial and savings banks in their regions). The board establishes FRS policies on such key matters as reserve requirements and other regulations, sets the discount rate, and tightens or loosens the availability of credit in the economy.

Gross Domestic Product (GDP) – Total final value of goods and services produced in the United States over a particular period or time, usually one year. The GDP growth rate is the primary indicator of the health of the economy.

Index – A benchmark used in executing investment strategy which is viewed as an independent representation of market performance. An index implicitly assumes cost-free transactions; some assume reinvestment of income. Examples: S&P Index, Lehman Brothers Aggregate Index, Russell 2000 Index.

Inflation – A measure of the rise in price of goods and services, as happens when spending increases relative to the supply of goods on the market, i.e. too much money chasing too few goods.

Investment Income – The equity dividends, bond interest, and/or cash interest paid on an investment.

Market Value – Also known as fair value. The price at which buyers and sellers trade similar items in an open marketplace. Stocks and bonds are valued at a market price. Real estate is valued on an appraised basis.

Maturity Date – The date on which the principal amount of a bond or other debt instrument becomes payable or due.

Money Market Fund – An open-ended mutual fund that invests in commercial paper, bankers' acceptances, repurchase agreements, government securities, certificates of deposit, and other highly liquid and safe securities and pays money market rates of interest. The fund's net asset value remains a constant \$1 per share – only the interest rate goes up or down.

Net Asset Value (NAV) – The total assets minus total liabilities, including any valuation gains or losses on investments or currencies, and any accrued income or expense.

Par Value – The stated or face value of a stock or bond. It has little significance for common stocks; however, for bonds it specifies the payment amount at maturity.

Principal – Face value of an obligation, such as a bond or a loan, that must be repaid at maturity.

Realized Gain (Loss) – A gain (loss) that has occurred financially. The difference between the principal amount received and the cost basis of an asset realized at sale.

Repurchase Agreements (Repos) – An agreement to purchase securities from an entity for a specified amount of cash and to resell the securities to the entity at an agreed upon price and time. Repos are widely used as a money market instrument.

Reverse Repurchase Agreements (Reverse Repos) – An agreement to sell securities to an entity for a specified amount of cash and to repurchase the securities from the entity at an agreed upon price and time.

Treasury Bill (T-Bill) – Short-term, highly liquid government securities issued at a discount from the face value and returning the face amount at maturity.

Treasury Bond or Note – Debt obligations of the Federal government that make semi-annual coupon payments and are sold at or near par value in denominations of \$1,000 or more.

Turnover – The minimum of security purchases or sales divided by the fiscal year's beginning and ending market value for a given portfolio.

Unrealized Gain (Loss) – A profit (loss) that has not been realized through the sale of a security. The gain (loss) is realized when a security or futures contract is actually sold or settled.

Variable Rate Note – Floating rate notes with a coupon rate adjusted at set intervals, such as daily, weekly, or monthly, based on different interest rate indices, such as LIBOR, Fed Funds, and Treasury Bills.

Volatility – A statistical measure of the tendency of a market price or yield to vary over time. Volatility is said to be high if the price, yield, or return typically changes dramatically in a short period of time.

Yield – The return on an investor's capital investment.

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INVESTMENT SECTION

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CONSOLIDATED FUND OVERVIEW AT JUNE 30, 2006

Investment Philosophy: It is the investment philosophy of the Board of Treasury Investments (the “BTI”) to invest assets in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity.

Investment Objective: It is the investment objective of the BTI to provide focused investment services for the Consolidated Fund, reduce costs for and increase returns to its participants.

Total Net Assets at June 30, 2006: \$ 2,480,605,000.

Description of the Consolidated Fund: The Consolidated Fund under the management of the BTI consists of 10 investment pools and single participant accounts. The 2005 West Virginia Legislature established the BTI, effective July 8, 2005, as a public corporation of the State of West Virginia to make short-term operating funds of the state more accessible to state government. The BTI employs a top-down approach to developing its investment strategy for the management of its funds. Starting with the objectives of the fund, the BTI considers constraints outlined in its investment policy, which includes among other parameters: safety, liquidity, and maximization of rate of return. The Investment Policy is described on Pages 89-93 of this Investment Section.

The Consolidated Fund provides for the investment of moneys not currently needed to fund state governmental operations, as well as providing the opportunity for local governments to participate in large investment pools, and for those funds statutorily required to be invested in the Consolidated Fund. The Consolidated Fund pools and accounts are described in detail following this overview.

Expense Ratios: The Board annually adopts a budget and fee schedule, which describes how fees are charged to each pool and account. The fees charged to the Consolidated Fund are categorized into direct or indirect expenses as follows:

- (a). Direct Expenses - All investment advisor and custodian expenses will be charged directly to the pools and accounts as they are incurred.
- (b). Indirect Expenses - All indirect expenses such as insurance, staff costs, investment consultant fees, and rent shall be allocated based upon the percentage of net assets under management.

Expense ratios for the pools and accounts are detailed in Table 2: Financial Highlights on Page 100 in the Statistical Section.

Economic Environment: The Federal Reserve Bank (the “Fed”) increased the overnight lending rate to 5.25% at the June 29, 2006 meeting. The Fed has raised rates a consecutive seventeen times, the longest stretch of increases in more than 25 years. For the month of June, yields rose across the entire curve with the exception of the 30-year Treasury yield which fell 4 basis points to 5.19%. The 2-year Treasury rose 12 basis points to 5.15% while the 5-year Treasury only rose 6 basis points to yield 5.09%, inverting the curve. Additionally, the 6-month T-bill rose the most, up 17 basis points to 5.23%, yielding 8 basis points more than the 2-year Treasury. The U.S. unemployment rate held at 4.6% in June, but fewer jobs were added than expected. The U.S. economy

West Virginia Board of Treasury Investments

added 121,000 jobs in June, which followed a revised 92,000 increase in May. The economy grew at a final 5.6% rate in the first quarter, the fastest growth in more than two years.

Pool and Account Overviews: The following pages present overviews of the investment pools and accounts of the Consolidated Fund.

The Schedule of Investments in Securities and Participant Net Asset Values are presented in the Financial Section on pages 38-48 and page 52, respectively.

CASH LIQUIDITY POOL

Investment Objectives and Policy Guidelines

Objectives

The Cash Liquidity Pool was created to invest participants' operating funds. The objective of the pool is to maintain sufficient liquidity to meet the daily disbursements of participants while striving to earn a return above inflation. The pool is structured as a money market fund with the goal of preservation of principal. The pool risk factor is low, and managed through numerous maturity restrictions, diversification guidelines, and credit limits. Net investment income and realized gains and losses are declared as dividends and distributed daily to the participants.

Participants include state agencies and local governments throughout the state.

Benchmarks

The performance of the Cash Liquidity Pool (net of external investment manager fees) will be measured against:

- iMoney Net Money Market Index, and
- Citigroup 90-day T-bill Index + 15 basis points.

Investment Managers

The Cash Liquidity Pool is managed by JP Morgan Asset Management and UBS Global Asset Management.

Maturity Restrictions, Diversification Guidelines and Credit Limits

All restrictions are based upon total dollar percentages of pool holdings using an amortized cost basis. Securities that fall out of compliance may be held to maturity unless they violate the State Code or other regulatory requirement. The Board may require the Investment Manager to sell non-compliant Securities when they change the Investment Guidelines of the pool.

- Weighted average maturity of the Cash Liquidity Pool shall not exceed 90 days.
- Maximum maturity of individual securities cannot exceed 397 days from the date of purchase.
- Minimum 15% of the pool must be in U.S. Treasury Obligation.
- Maximum 5% of the pool may be invested in any one corporate name.
- Maximum 10% of the pool may be invested in U.S. dollar denominated issues of non-U.S. issuers.
- Maximum 3% of the pool may be invested in any one issuer of U.S. dollar denominated non-U.S. issued securities.
- Maximum 75% of the pool may be invested in notes with floating rates.

West Virginia Board of Treasury Investments

- All domestic corporate securities and U.S. dollar denominated issues of non-U.S. issuers must be rated AA- or higher (or its equivalent).
- Floating rate notes shall be based on a money market index and shall not have a final maturity longer than 731 days if U.S. Government backed, or 397 days if not U.S. Government backed.
- Maximum of 37.5% of the pool may be invested in asset-backed corporate debt and asset-backed commercial paper combined, with a maximum of 20% of the pool invested in asset-backed commercial debt securities.
- The pool may not hold private placements, or inverse floaters, or be leveraged in any manner.
- The pool may not hold unregistered securities or private placements with the exception of securities issued pursuant to the SEC Rule 144A and commercial paper issued pursuant to Rule 4(2) of the Securities Act of 1933. Maximum of 37.5% of the pool will be invested in these types of securities combined.

BTI Role

The role of the BTI for the Cash Liquidity Pool is as follows:

- Develop investment guidelines.
- Select and oversee investment managers.
- Prohibit commingling of funds with any other account in the Consolidated Fund.
- Distribute daily earnings to participants.
- Calculate monthly net income and net asset value.
- Prepare monthly a statement of net assets, statement of operations, a statement of changes in net assets, and a detailed list of securities.

Income Allocation

Net investment income and realized gains and losses are declared as dividends and distributed daily to the participants. If the pool incurs an extraordinary loss and distributing the loss would decrease the share value below one dollar (\$1), the Investment Committee would be notified immediately for development of an action plan.

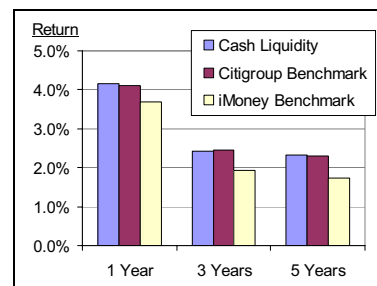
Asset Allocation – Permissible vs. Actual

Permissible Allocation	Maximum Percent of Pool	Actual Allocation June 30, 2006	
		Carrying Value (Thousands)	Percent of Pool
U. S. Treasury Obligations	100%	\$ 306,279	17.6%
U. S. Government Agency Obligations	85%	137,514	7.9
Commercial Paper and Corporate Debt (Combined)	75%	1,195,670	68.6
Repurchase Agreements	85%	102,339	5.9
Asset-Backed Securities	10%	-	-
		<u>\$ 1,741,802</u>	<u>100.0%</u>

Actual Returns

Actual Annualized Returns for Periods Ended June 30, 2006

	1 Year	3 Years	5 Years
Returns by Investment Manager:			
JP Morgan	4.21%	2.46%	2.35%
UBS Global	4.25%	2.47%	2.39%
BTI CD Program	N/A	N/A	N/A
Total pool returns	4.17%	2.42%	2.33%
Benchmarks:			
Citygroup 90 Day T-Bill + 15bps	4.10%	2.46%	2.31%
iMoney Net Money Market Index	3.69%	1.92%	1.74%



Returns are calculated on a time-weighted basis.
 Manager returns are net of manager fees.
 Total pool returns are net of all fees.
 The BTI CD Program was begun May 16, 2006

Investments

For a detailed list of investments in the Cash Liquidity Pool, see the Schedule of Investments in Securities in the Supplementary Information on Pages 38-40.

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GOVERNMENT MONEY MARKET POOL

Investment Objectives and Policy Guidelines

Objectives

The Government Money Market Pool was created to invest restricted moneys of participants in U.S. Treasury and U.S. Government Agency Obligations. The investment objective of the pool is to preserve capital and maintain sufficient liquidity to meet the daily disbursements of participants, while earning a return above inflation. The pool is structured as a money market fund with an emphasis of maintaining a stable dollar value. The risk factor on this pool is low and managed through maturity restrictions. The default risk is minimal due to the types of securities held. Net investment income and realized gains and losses are declared as dividends and distributed daily to the participants.

Participants include state agencies and local governments throughout the state.

Benchmarks

The performance of the Government Money Market Pool (net of external investment manager fees) will be measured against:

- iMoney Net Money Market Index, and
- Citigroup 90-day T-bill Index.

Investment Manager

The Government Money Market Pool is managed by UBS Global Asset Management.

Maturity Restrictions, Diversification Guidelines and Credit Limits

All restrictions are based upon total dollar percentages of the pool holdings using an amortized cost basis. Securities that fall out of compliance may be held to maturity unless it violates the State Code or other regulatory requirement. The Board may require the investment manager to sell non-compliant securities when they change the Investment Guidelines of the pool.

- Weighted average maturity of the pool shall not exceed 60 days.
- Maximum maturity of individual securities cannot exceed 397 days from the date of purchase.
- Minimum 15% of the pool must be in Treasury Obligations.
- The pool may not hold private placements, or inverse floaters, or be leveraged in any manner.

BTI Role

The role of the BTI for the Government Money Market Pool is as follows:

- Develop investment guidelines.
- Select and oversee investment managers.
- Prohibit commingling of funds with any other account in the Consolidated Fund.
- Distribute daily earnings to participants.
- Calculate monthly net income and net asset value.
- Prepare monthly a statement of net assets, statement of operations, a statement of changes in net assets, and a detailed list of securities.

Income Allocation

Net investment income and realized gains and losses are declared as dividends and distributed daily to the participants. If the pool incurs an extraordinary loss and distributing the loss would decrease the share value below one dollar (\$1), the Investment Committee would be notified immediately for development of an action plan.

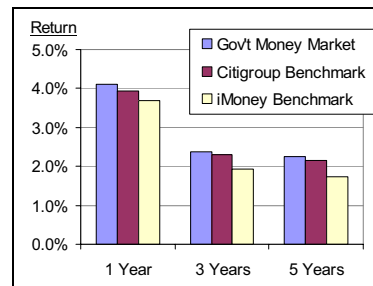
Asset Allocation – Permissible vs. Actual

Permissible Allocation		Actual Allocation June 30, 2006	
Security Type	Maximum Percent of Pool	Carrying Value <i>(Thousands)</i>	Percent of Pool
U. S. Treasury Obligations	100%	\$ 28,346	15.5%
U. S. Government Agency Obligations	85%	133,819	73.5
Repurchase Agreements	85%	19,900	10.9
Government money market funds	40%	109	0.1
Depository accounts	5%	-	-
		<u>\$ 182,174</u>	<u>100.0%</u>

Actual Returns

Actual Annualized Returns for Periods Ended June 30, 2006

	1 Year	3 Years	5 Years
Returns by Investment Manager:			
UBS Global	4.14%	2.42%	2.31%
Total pool returns	4.11%	2.37%	2.26%
Benchmarks:			
Citygroup 90 Day T-Bill	3.94%	2.31%	2.16%
iMoney Net Money Market Index	3.69%	1.92%	1.74%



Returns are calculated on a time-weighted basis.
 Manager returns are net of manager fees.
 Total pool returns are net of all fees.

Investments

For a detailed list of investments in the Government Money Market Pool, see the Schedule of Investments in Securities in the Supplementary Information on Pages 41-42.

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ENHANCED YIELD POOL

Investment Objectives and Policy Guidelines

Objectives

The Enhanced Yield Pool was created to invest restricted moneys of the State which have a longer term investment horizon. The goal of the pool is to earn an incremental return over the Cash Liquidity Pool with an objective of asset growth rather than current income. The pool is structured as a mutual fund and is limited to monthly withdrawals and deposits by participants. The risk factor on this pool is higher than the Cash Liquidity Pool. Net investment income and realized gains and losses are declared as dividends on the last day of the month and distributed to participants on the first day of the following month.

Participants include state agencies and local governments throughout the state.

Benchmark

The performance of the Enhanced Yield Pool (net of external Investment Manager fees) will be measured against the Citigroup 1-3 Year Government/Corporate Index + 10 basis points.

Investment Manager

The Enhanced Yield Pool is managed by Standish Mellon Asset Management.

Maturity Restrictions, Diversification Guidelines and Credit Limits

All restrictions are based upon percentage of the pool holdings on a market value basis at the time of the securities purchase. Securities that fall out of compliance may be held to maturity unless they violate the State Code or other regulatory requirement. The Board may require the investment manager to sell securities when they become non-compliant or when the Investment Guidelines of the pool are changed.

- Weighted average maturity of the Enhanced Yield Pool shall not exceed 731 days. For purposes of calculating the weighted average maturity of the pool, the average life of an asset-backed security shall be used.
- Maximum maturity of securities cannot exceed five years (1,827 days) from the date of purchase. For an asset-backed security, the maximum maturity shall be defined as the average life of the security.
- Maximum 5% of the pool may be invested in any one corporate name or one corporate issue.
- Minimum 20% of the pool may be invested in U.S dollar denominated issues of non-U.S. issuers.
- Maximum 3% of the pool may be invested in any one issuer of U.S. dollar denominated, non-U.S. dollar issuer securities.

West Virginia Board of Treasury Investments

- All domestic corporate and U.S. dollar denominated issues of non-U.S. dollar issuer securities must be rated A- or higher (or its equivalent).
- Maximum 75% of the pool may be invested in floating rate notes.
- Floating rate notes shall be based on a money market index and shall not have a final maturity longer than five years (at the date of purchase).
- Maximum final maturity of commercial paper will be 397 days or less from the date of purchase.
- Maximum of 37.5% of the pool may be invested in asset-backed corporate debt, and asset-backed commercial paper combined, with a maximum of 20% of the pool invested in asset-backed commercial debt securities.
- The pool may not hold unregistered securities or private placements with the exception of securities issued pursuant to the SEC Rule 144A and commercial paper issued pursuant to Rule 4(2) of the Securities Act of 1933. Maximum of 37.5% of the pool will be invested in these type of Securities combined.
- The pool may not invest in inverse floaters or be leveraged in any manner.

BTI Role

The role of the BTI for the Enhanced Yield Pool is as follows:

- Develop investment guidelines.
- Select and oversee investment managers.
- Prohibit commingling of funds with any other account in the Consolidated Fund.
- Distribute monthly earnings to participants.
- Calculate monthly net income and net asset value.
- Prepare monthly a statement of net assets, statement of operations, a statement of changes in net assets, and a detailed list of securities.

Income Allocation

Net investment income and realized gains and losses are declared as dividends on the last day of the month and distributed to the participants in the pool on the first day of the following month. Gains and losses (realized and unrealized) are reflected in the net asset value calculated each month.

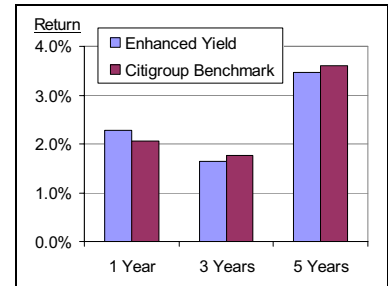
Asset Allocation – Permissible vs. Actual

Permissible Allocation		Actual Allocation June 30, 2006	
Security Type	Maximum Percent of Pool	Carrying Value (Thousands)	Percent of Pool
U. S. Treasury Obligations	100.0%	\$ 58,067	21.9%
U. S. Government Agency Obligations	85.0%	87,215	32.9
Commercial Paper and Corporate Debt (Combined)	75.0%	71,793	27
Repurchase Agreements	85.0%	1,346	0.5
Asset-Backed Securities	37.5%	46,963	17.7
Money market funds	25.0%	-	-
Certificates of deposit	50.0%	-	-
Depository accounts	5.0%	-	-
		\$ 265,384	100.0%

Actual Returns

Actual Annualized Returns for Periods Ended June 30, 2006

	1 Year	3 Years	5 Years
Returns by Investment Manager:			
Standish Mellon *	2.34%	1.70%	3.52%
Total pool returns	2.27%	1.65%	3.47%
Benchmark:			
Citygroup 1-3 Yr. Gov' t/Corp. + 10 bps	2.06%	1.76%	3.61%



* Standish Mellon was manager from May 21, 2002 to current period. JP Morgan was manager prior to May 21, 2002

Returns are calculated on a time-weighted basis.
 Manager returns are net of manager fees.
 Total pool returns are net of all fees.

Investments

For a detailed list of investments in the Enhanced Yield Pool, see the Schedule of Investments in Securities in the Supplementary Information on Pages 42-44.

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LOSS AMORTIZATION POOL

Investment Objectives and Policy Guidelines

Objectives

The Loss Amortization Pool was created to account for participant claims on the general operating funds of the State. These participant claims occurred as a result of the distribution of earnings to participants in various investment pools, principally the Unrestricted Pool (predecessor to the Cash Liquidity Pool), in excess of the true investment income experience of the pools in 1987 and 1988.

Benchmarks

None.

Investment Manager

None.

Maturity Restrictions, Diversification Guidelines and Credit Limits

None.

BTI Role

The role of the BTI for the Loss Amortization Pool is as follows:

- Open an account for the Loss Amortization Pool.
- Develop investment guidelines.
- Prohibit commingling of funds with any other account in the Consolidated Fund.
- Calculate monthly net income and net asset value.
- Prepare monthly a statement of net assets, statement of operations, a statement of changes in net assets, and a detailed list of securities.

Income Allocation

Net accretion or amortization is posted to the account monthly.

Asset Allocation – Permissible vs. Actual

Permissible Allocation		Actual Allocation June 30, 2006	
Security Type	Maximum Percent of Pool	Carrying Value <i>(Thousands)</i>	Percent of Pool
U. S. Treasury Obligations	100%	\$ 145,943	100.0%
Money market funds	15%	-	-
Depository accounts	5%	-	-
		<u>\$ 145,943</u>	<u>100.0%</u>

Actual Returns

The BTI does not maintain rates of return for the Loss Amortization Pool.

Investments

For a detailed list of investments in the Loss Amortization Pool, see the Schedule of Investments in Securities in the Supplementary Information on Page 45.

LOAN POOL

Investment Objectives and Policy Guidelines

Objectives

The State Loan Pool is composed of loans made to/by the West Virginia Economic Development Authority (the “EDA”), West Virginia Property Valuation Training and Procedures Commission (the “PVTPC”), and certain FHA/VA housing loans for single-family homes. The State is the sole participant in this pool. The Directors of the BTI Board shall bear no fiduciary responsibility with regard to any of these loans.

Under the State Code, the BTI is required to make available to EDA, subject to a liquidity determination, the following:

- A revolving loan up to \$175 million to fund economic development initiatives, and
- A non-revolving loan up to \$25 million through June 29, 2012, to fund loans for certain venture capital initiatives.

The PVTPC Program and the FHA/VA Mortgage Loan Program are not open to make additional loans.

Benchmarks

None.

Investment Manager

None.

Maturity Restrictions, Diversification Guidelines and Credit Limits

None.

BTI Role

The role of the BTI for the overall Loan Pool is as follows:

- Receive and post loan payments.
- Open an account on behalf of the Loan Pool.
- Develop investment guidelines.
- Prohibit commingling of funds with any other account in the Consolidated Fund.
- Provide cash flow information regarding securities held by the pool.
- Record contributions and withdrawals.
- Provide monthly statements regarding pool activity.
- Calculate monthly net income and net asset value.
- Prepare monthly a statement of net assets, statement of operations, a statement of changes in net assets, and a detailed list of securities.

West Virginia Board of Treasury Investments

The role of the BTI for the EDA Revolving Loan is as follows:

- Monitor to see that no more than \$15 million is loaned for any one business or industrial development project.
- Provide EDA with the annual rate to be charged on the loan.
- Monitor outstanding principal balance of the loan so that it does not exceed 103% of the aggregate outstanding principal balance of the loans pledged as collateral.
- Facilitate the transfer of funds to EDA via the State Treasurer's Office.

The role of the BTI for the EDA Non-Revolving Loan is as follows:

- Structure the loan at 3% per year with interest collected annually on or before the 30th day of June of each year, and the principal repaid no later than the 30th day of June 2022 in annual installments due on or before the 30th day of June of each year.
- Establish the valuation of the loan on the financial statements.
- Facilitate the transfer of funds to EDA via the State Treasurer's Office.

The role of the BTI for the FHA/VA loans is as follows:

- Reconcile servicer reports on FHA/VA to BTI records.
- Request release of FHA/VA mortgage documents from the master servicer for loan payoffs.

Income Allocation

Net investment income and realized gains and losses are posted to the account monthly.

Asset Allocation – Permissible vs. Actual

Permissible Allocation	Maximum Percent of Pool	Actual Allocation June 30, 2006	
		Carrying Value (Thousands)	Percent of Pool
Other investments	100%	\$ 118,266	85%
Money market funds	20%	20,928	15
Depository accounts	5%	-	-
		<u>\$ 139,194</u>	<u>100%</u>

Actual Returns

The BTI does not maintain rates of return for the Loan Pool.

Investments

For a detailed list of investments in the Loan Pool, see the Schedule of Investments in Securities in the Supplementary Information on Page 45.

MUNICIPAL BOND COMMISSION

Investment Objectives and Policy Guidelines

Objectives

The Municipal Bond Commission Account is governed by West Virginia State Code §13-3-7 as it relates to permissible securities, limitations on purchase, sale or exchange of securities, interest, and custody of securities.

Benchmarks

None.

Investment Manager

None.

Maturity Restrictions, Diversification Guidelines and Credit Limits

- No security shall be purchased, sold or exchanged without the concurrence or ratification of a majority of all members of the Municipal Bond Commission (the “Commission”).
- No security shall be purchased at a price above, nor sold or exchanged at a price below, its prevailing fair market value.
- No security shall be purchased, sold or exchanged for the purpose of aiding any individual, firm or corporation by the payment of brokerage commissions or fees thereto.
- No security purchased, sold or exchanged shall benefit any member or employee of the commission.

BTI Role

The role of the BTI for the Municipal Bond Commission Account is as follows:

- Open an account on behalf of the Commission.
- Develop investment guidelines.
- Prohibit commingling of funds with any other account in the Consolidated Fund.
- Provide cash flow information regarding securities held by the account.
- Provide securities information to the custodian.
- Review signature authorization from the Commission for trade activity.
- Record contributions and withdrawals based upon Commission authorization.
- Provide detailed fee invoice.
- Charge fees for management of the account.

West Virginia Board of Treasury Investments

- Calculate monthly net income and net asset value.
- Prepare monthly a statement of net assets, statement of operations, a statement of changes in net assets, and a detailed list of securities.

Income Allocation

Net investment income and realized gains and losses are posted to the account monthly.

Asset Allocation – Permissible vs. Actual

Asset allocations have not been established for the Municipal Bond Commission Account. Permissible securities are as follows:

- Securities of the United States or any agency thereof which are guaranteed by or for which the full faith and credit of the United States is pledged for the payment of the principal and interest.
- General obligations of the State or any of its agencies, boards or commissions, or any county, municipality or school district in the state.
- Repurchase agreements or similar banking arrangements with a member bank of banks of the Federal Reserve System or a bank, the deposits of which are insured by the Federal Deposit Insurance Corporation (the “FDIC”), or its successor, provided that such investments shall only be made to the extent insured by the FDIC or to the extent that the principal amount thereof shall be fully collateralized by direct obligations of or obligations guaranteed by the United States.

Actual Returns

The BTI does not maintain rates of return for the Municipal Bond Commission Account.

Investments

For a detailed list of investments in the Municipal Bond Commission Account, see the Schedule of Investments in Securities in the Supplementary Information on Pages 46-47.

LOTTERY DEFEASANCE ACCOUNT

Investment Objectives and Policy Guidelines

Objectives

The West Virginia Lottery (the “Lottery”) purchased long-term investments consisting principally of zero coupon government U.S. Treasury obligations to fund deferred jackpot prize award obligations. Such investments are maintained in the Lottery Defeasance Account administered by the BTI on behalf of the Lottery and the jackpot prize winners, with investment maturities approximating deferred prize obligation installment due dates.

Benchmarks

None.

Investment Manager

None.

Maturity Restrictions, Diversification Guidelines and Credit Limits

None.

BTI Role

The role of the BTI for the Lottery Defeasance Account is as follows:

- Open an account on behalf of the Lottery.
- Develop investment guidelines.
- Prohibit commingling of funds with any other account in the Consolidated Fund.
- Provide cash flow information regarding securities held by the account.
- Record contributions and withdrawals based upon Lottery authorization.
- Charge fees for management of the account.
- Calculate monthly net income and net asset value.
- Prepare monthly a statement of net assets, statement of operations, a statement of changes in net assets, and a detailed list of securities.

Income Allocation

Net investment income and realized gains and losses are posted to the account monthly. Unrealized gains and losses are reflected in the net asset value calculated each month.

Asset Allocation – Permissible vs. Actual

Permissible Allocation		Actual Allocation June 30, 2006	
Security Type	Maximum Percent of Account	Carrying Value (Thousands)	Percent of Account
U.S. Treasury obligations	100%	\$ 669	100.0%

Actual Returns

The BTI does not maintain rates of return for the Lottery Defeasance Account.

Investments

For a detailed list of investments in the Lottery Defeasance Account, see the Schedule of Investments in Securities in the Supplementary Information on Page 47.

SCHOOL FUND ACCOUNT

Investment Objectives and Policy Guidelines

Objectives

The School Fund was established by State Code §18-9-5 to contribute toward supporting state public schools. The investment objective is to maintain the irreducible \$1 million principal.

Benchmarks

None.

Investment Manager

None.

Maturity Restrictions, Diversification Guidelines and Credit Limits

Minimum 15% of the investments of the School Fund must be invested in U.S. Treasury obligations.

BTI Role

The role of the BTI for the School Fund Account is as follows:

- Open an account on behalf of the School Fund Board.
- Develop investment guidelines.
- Prohibit commingling of funds with any other account in the Consolidated Fund.
- Provide monthly statements regarding School Fund activity.
- Calculate monthly net income and net asset value.
- Prepare monthly a statement of net assets, statement of operations, a statement of changes in net assets, and a detailed list of securities.

Income Allocation

Net investment income and realized gains and losses are posted to the account monthly. Unrealized gains and losses are reflected in the net asset value calculated each month.

Asset Allocation – Permissible vs. Actual

The School Fund shall be invested in interest-bearing securities of the United States, or securities, the payment of which as to both principal and interest, has been guaranteed by the United States, or of West Virginia, or of any county, city, town or village, or school district of West Virginia, or if such interest-bearing securities cannot be obtained, then such fund shall be invested in such other solvent interest-bearing securities as shall be approved by the School Fund Board. At June 30, 2006, 100% of the School Fund Account's securities, totaling \$1,879,000, were invested in a money market fund.

Actual Returns

The BTI does not maintain rates of return for the School Fund Account.

Investments

For a detailed list of investments in the School Fund Account, see the Schedule of Investments in Securities in the Supplementary Information on Page 47.

ECONOMIC DEVELOPMENT AUTHORITY INSURANCE ACCOUNT

Investment Objectives and Policy Guidelines

Objectives

In accordance with State Code §31-15-23, the Economic Development Authority (the “EDA”) Insurance Account invests funds received by appropriation, or other funds which the EDA directs to be invested.

Benchmarks

None.

Investment Manager

None.

Maturity Restrictions, Diversification Guidelines and Credit Limits

None

BTI Role

The role of the BTI for the EDA Insurance Account is as follows:

- Open an account on behalf of the EDA.
- Develop investment guidelines.
- Prohibit commingling of funds with any other account in the Consolidated Fund.
- Provide cash flow information regarding securities held by the account.
- Review signature authorization from the EDA for trade activity.
- Unless the BTI receives prior notice from the EDA, automatically reinvest all interest and principal proceeds received in permissible securities.
- Record contributions and withdrawals based upon EDA authorization.
- Provide monthly statements regarding EDA activity.
- Charge fees for management of the account.
- Calculate monthly net income and net asset value.
- Prepare monthly a statement of net assets, statement of operations, a statement of changes in net assets, and a detailed list of securities.

Income Allocation

Net investment income and realized gains and losses are posted to the account monthly.

Asset Allocation – Permissible vs. Actual

Permissible securities for the EDA Insurance Account are as follows:

- U.S. Treasury obligations which mature on or before the business day which most closely precedes the 24th day of December and the 24th day of June of each year.
- Government money market funds having a maturity of seven days or less, the investments of which are held in U.S. Treasury obligations.

At June 30, 2006, 100% of the EDA Insurance Account's securities, totaling \$450,000, were invested in U.S. Treasury Bills.

Actual Returns

The BTI does not maintain rates of return for the EDA Insurance Account.

Investments

For a detailed list of investments in the EDA Insurance Account, see the Schedule of Investments in Securities in the Supplementary Information on Page 48.

ECONOMIC DEVELOPMENT AUTHORITY

AMERICAN WOODMARK ACCOUNT

Investment Objectives and Policy Guidelines

Objectives

In accordance with West Virginia Code Section §31-15-23, the Economic Development Authority (the “EDA”) – American Woodmark Account invests excess funds received by appropriation or other funds which the EDA directs to be invested.

Benchmarks

None.

Investment Manager

None.

Maturity Restrictions, Diversification Guidelines and Credit Limits

None

BTI Role

The role of the BTI for the EDA – American Woodmark Account is as follows:

- Open an account on behalf of the EDA.
- Develop investment guidelines.
- Prohibit commingling of funds with any other account in the Consolidated Fund.
- Provide cash flow information regarding securities held by the account.
- Invest earned interest not withdrawn by the EDA.
- Review signature authorization from the EDA for trade activity.
- Record contributions and withdrawals based upon EDA authorization.
- Provide monthly statements regarding EDA activity.
- Charge fees for management of the account.
- Calculate monthly net income and net asset value.
- Prepare monthly a statement of net assets, statement of operations, a statement of changes in net assets, and a detailed list of securities.

West Virginia Board of Treasury Investments

Income Allocation

Net investment income and realized gains and losses are posted to the account monthly. Unrealized gains and losses are reflected in the net asset value calculated each month.

Asset Allocation – Permissible vs. Actual

Permissible securities for the EDA – American Woodmark Account are as follows:

- A U.S. Treasury obligation that matures August 15, 2023.
- Money market funds

At June 30, 2006, 100% of the EDA Insurance Account's securities, totaling \$1,594,000, were invested in a U.S. Treasury Bond maturing August 15, 2023.

Actual Returns

The BTI does not maintain rates of return for the EDA – American Woodmark Account.

Investments

For a detailed list of investments in the EDA – American Woodmark Account, see the Schedule of Investments in Securities in the Supplementary Information on Page 48.

**Schedule of Investment Management Fees
Consolidated Fund**

For the Fiscal Year Ended June 30, 2006
(In Thousands)

External fees:		
Investment advisors:		
Cash Liquidity Pool	\$	720
Government Money Market Pool		65
Enhanced Yield Pool		191
		<hr/>
		976
Custodians		97
Securities lending agents		293
Securities lending borrower rebates		18,454
Total external fees		<hr/>
		19,820
		<hr/>
Internal fees:		
Investment consultant		157
Fiduciary bond		111
Administration		1,173
Total internal fees		<hr/>
		1,441
Total investment management fees	\$	<hr/>
		21,261
		<hr/>

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INVESTMENT POLICY SUMMARY

A. Purpose

The BTI investment policy is adopted pursuant to Article 6C of Chapter 12 of the State Code and specifically outlines the investment philosophy and practices of the BTI. It has been developed to provide a fiscal administration, investment, and management plan for the Assets entrusted to the Board.

B. Investment Philosophy

The BTI was established by the State Legislature to provide prudent fiscal administration, investment, and management for the assets entrusted to the BTI. It is the investment philosophy of the BTI to invest Assets in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity. Due to the short-term nature of the funds, the BTI believes it is imperative to review and adjust the policy in reaction to interest rate market fluctuations/trends on a regular basis. In order to accomplish this, the BTI has adopted the following formal review schedule:

Agenda Item	Review Schedule
Investment Performance	Quarterly
Asset Allocation	Annually
Investment Policy	Annually
Fee Schedule and Budget	Annually

Additionally, the BTI may react to trends in the market more quickly through actions of its Investment Committee, when required.

The BTI will employ investment managers to implement the policy. The BTI shall monitor the performance of, and supervise all investment managers.

In determining its philosophy towards risk, the BTI considers its fiduciary obligations, statutory requirements, and current market conditions. Additionally, the BTI will consider the participants' purposes and characteristics, financial conditions, liquidity needs, sources and level of contributions, income and general business conditions. Based upon these many factors, the BTI identifies when either a more conservative or more aggressive investment approach is warranted.

C. Investment Objectives

The BTI's objective is to provide focused investment services for the funds, and reduce costs for, and increase returns to its participants. Realizing the majority of the funds are for operating expenses, the policy was designed to address the short-term liquidity needs of the participants and limit risk, but still permitting for a better rate of return, than participants may be able to obtain on their own.

All available funds shall be invested with the following objectives and priorities:

- Safety of principal. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
- Liquidity requirements of anticipated and unanticipated expenditures.
- Maximization of the yield allocated to participants' investments consistent with all investment objectives.
- Recognition of differing objectives and needs of various participants.
- Conformance with state law and other pertinent legal restrictions.
- Diversification of assets by investment in various securities classifications and the use of various investment managers in order to smooth the volatility of returns.

D. Investment/Administrative Responsibilities

The BTI is responsible for the prudent investment and administration of the funds. In order to properly carry out the policy, the BTI will rely on staff and outside service providers. Due to the number of parties involved, their roles as fiduciaries must be clearly identified to ensure operational efficiency, clear lines of communication, and accountability in all aspects of operations. The following describes the parties and the roles they assume.

Board of Directors

The Board has the responsibility of establishing and maintaining the policy and determining the objectives for all aspects of BTI operations.

The Board shall adopt by-laws and delegate the implementation of the policy to the Investment Committee and staff. The Board shall focus on important policy level issues, maintaining the proper fiduciary perspective and time horizon for analysis of the progress of the policy, and the investment returns on the funds.

The Board shall develop, adopt, review or modify the asset allocation plan, investment policy, fee schedule, and budget for the funds at least annually.

The Board shall establish committees of its members as required to provide input to the Board to effectively implement the policy. Currently the Board has established the Investment, Audit, and Personnel Committees as described below. Committees shall be briefed as required on any topic or issue pertinent to the Board's operations, and shall make reports regarding those topics to the Board at its meetings.

Investment Committee

The primary objective of the Investment Committee is to ensure the achievement of an optimum level of return on the funds, within specified risk and liquidity parameters and to do so effectively, prudently and in a cost efficient manner, in full compliance with the policy and applicable laws and regulations.

Audit Committee

The Audit Committee is designated by and acts on behalf of the Board. The Audit Committee's primary objectives shall include:

- Adopting and implementing an audit charter for the BTI.
- Providing oversight of the integrity of the financial statements;
- Ensuring compliance with legal and regulatory requirements;
- Overseeing the performance of the internal audit function; and
- Assessing the performance of the external auditors

Personnel Committee

The Personnel Committee's responsibility is to ensure the BTI has the staff it needs to fulfill its mission and implement the policy. The Personnel Committee recommends staffing levels for the BTI, and assures the professional qualifications of the Board and staff are maintained by providing continuing educational programs.

Investment Consultant

The Investment Consultant will be selected by and serve at the will and pleasure of the Board, based upon recommendations from the Investment Committee. The Consultant must have and assign an employee, to work directly with the BTI, who has a Chartered Financial Analyst or a Certified Treasury Manager designation. The Consultant works with the Board and staff to implement the policy. This requires regular meetings with staff, the Investment Committee and/or the Board, to provide an independent perspective on various issues and make recommendations as appropriate.

Investment Managers

Investment Managers (the "Managers") will be selected by and serve at the will and pleasure of the Board, based upon recommendations from the Investment Committee. The Managers will have a demonstrated expertise with the type of portfolio in their charge. The Managers will be provided explicit written instructions detailing their particular assignment, and will construct and manage the portfolio consistent with the policy.

Custodian

The Custodian holds directly, through its agents, its sub-custodians, or designated clearing systems, securities held as investments by the BTI. The Custodian is accountable for registration of those securities in good delivery form, collection of income generated, and any corporate action notification. The Custodian is responsible for delivery and receipt of securities and cash when notified by the BTI, and tracking and the reporting of securities transactions. The BTI may opt to delegate other duties to the Custodian.

Internal Auditor

The Board shall retain an Internal Auditor. As minimum qualifications, the Internal Auditor shall be a certified public accountant with at least three year's experience as an auditor. The Internal Auditor shall develop an internal audit plan, and work directly through the Audit Committee. The Internal Auditor shall evaluate the adequacy of the internal controls established by management and provide quarterly reports to the Audit Committee.

External Auditor

The BTI shall be audited annually by an independent certified public accounting firm selected by the Board. The certified public accounting firm must have a minimum staff of ten certified public accountants, be a member of the American Institute of Certified Public Accountants and, if doing business in West Virginia, a member of the West Virginia Society of Certified Public Accountants. The Board shall have financial and compliance audits of the Board's books, accounts and records with respect to its receipts, disbursements, investments, contracts and all other matters relating to its financial operations.

E. Standard of Care

Any investment made pursuant to this policy shall be made in accordance with the "Uniform Prudent Investor Act." Under the "prudent investor rule," investments shall be made with the care, skill, prudence, and diligence that prudent persons acting in like capacities and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. Furthermore, investments shall be made subject to the following:

- The Directors shall diversify the investment of the funds so as to minimize the risk of large losses unless, under the circumstances, it is clearly prudent not to do so;
- The Directors shall defray reasonable expenses of investing and managing the Funds by charging fees; and
- The Directors shall discharge their duties in accordance with the documents and instruments consistent with the State Code.

F. Investment Guidelines

The BTI recognizes that risk (i.e., the uncertainty of future events), volatility (i.e., the potential for variability of asset values), and the possibility of loss in purchasing power (due to inflation) are present to some degree in all types of investments. Due to the short-term nature of the funds, high levels of risk should be avoided, but the assumption of risk may be warranted if it is compensated in order to allow the Investment Managers the opportunity to achieve satisfactory results consistent with the policy, and the investment guidelines for the pool/portfolio they manage.

All securities must have a readily attainable market value, and must be readily marketable. Listed within the investment guidelines for each pool and account are the securities specifically permitted by the policy.

G. Conflict of Interest and Ethics

The Directors, staff, and any outside service provider shall refrain from those circumstances that could be considered a conflict of interest with BTI operations and transactions. A conflict of interest is a circumstance that creates an actual conflict with any fiduciary duty owed and a personal or business activity that could

conflict with, could give the appearance of a conflict with, or could impair their ability to make impartial decisions in matters affecting BTI operations and transactions.

Additionally, the Directors and staff shall maintain knowledge of, and shall comply with, all applicable laws, rules and regulations of any governmental or regulatory entity governing the management of state and local government funds and shall not knowingly participate in, assist or fail to report to the BTI any acts in violation of those laws, rules and regulations. This requirement includes, but is not limited to, compliance with the “West Virginia Governmental Ethics Act” in the Code. Any actual or perceived violation of the Ethics Act shall be reported in writing to the Personnel Committee of the Board.

H. Repurchase Agreement Policy

The policy establishes guidelines that govern repurchase agreements purchased by, or on behalf of, the BTI. Repurchase agreements may be subject to, or structured as, a tri-party repurchase agreement or a repurchase agreement with collateral delivered to the Custodian. The BTI requires repurchase agreements to have collateral pledged of at least 102% of the principal amount of the repurchase agreement. Collateral pledged must comply with securities permitted by the investment guidelines for an individual pool/portfolio investing in the repurchase agreement.

I. Securities Lending Program Guide Lines

The policy establishes the guidelines that govern the Securities Lending Program administered by the BTI. The objective of the Securities Lending Program is to use a conservative management approach to earn incremental income above that already generated from securities as permitted under the Code. The income earned from the Securities Lending Program is not assigned in assessing the performance of the individual Investment Managers.

J. Required Reporting

In an effort to provide effective management of the Consolidated Fund and meet the reporting requirements of the Code, the Board requires reports of various outside service providers and staff. The Board may request a report for any topic it deems necessary for the prudent administration of the Fund.

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STATISTICAL SECTION

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INTRODUCTION TO STATISTICAL SECTION

The Statistical Section of the BTI's CAFR presents information as a historical perspective and a context for understanding what the information in the financial statements, note disclosures, supplementary information, and other financial information says about the BTI's overall financial health. Prior year information was obtained from the West Virginia Investment Management Board, the former manager of the Consolidated Fund.

Table 1: Schedules of Additions, Deductions and Changes in Net Assets – Consolidated Fund

This table presents historical information showing trends in the changes in Consolidated Fund net assets and the components of those changes. The table goes back ten years, but the BTI has managed the fund for only the latest fiscal year, 2006. The fund was managed by the West Virginia Investment Management Board in the remaining nine years.

Table 2: Financial Highlights – Consolidated Fund State Operating Pools

This table presents historical information showing per share data and ratios for the state operating pools of the Consolidated Fund for the past five years. Complete information was not available before the past five years. The BTI has managed the fund for only the latest fiscal year, 2006. The fund had been managed by the West Virginia Investment Management Board since 2001. The ratio of expenses to average net assets represents the percentage of net assets used to operate the pool. The ratio of net investment income to average net assets represents financial performance of the pool, or the extent to which operations have resulted in changes in net assets. The portfolio turnover rate is a measurement of how frequently assets within a fund are bought and sold by the managers.

Table 3: Rates of Return – Consolidated Fund State Operating Pools

This table presents historical information showing the rates of return for the Consolidated Fund State Operating Pools for the past ten years.

Table 4: Participation in Consolidated Fund State Operating Pools

This table presents historical information for the past seven years showing the participation in the Consolidated Fund State Operating Pools that are open to all state agencies and local governments in the state. Many state agencies and local governments have multiple accounts. Complete information was not available before the past seven years.

Table 5: Net Assets – Consolidated Fund

This table presents historical information showing the total net assets of the Consolidated for the past ten years.

West Virginia Board of Treasury Investments

Table 1: Schedules of Additions, Deductions and Changes in Net Assets - Consolidated Fund

Fiscal Year Ended June 30

(In Thousands)

	2006	2005	2004	2003
Additions				
Investment income:				
Interest	\$ 46,477	\$ 35,181	\$ 31,054	\$ 41,243
Dividends	891	398	3,625	9,034
Securities lending income	19,430	7,464	4,542	5,876
Net accretion (amortization)	58,808	24,368	7,587	5,077
Provision for uncollectible loans	(797)	(2,326)	(713)	-
Total investment income	<u>124,809</u>	<u>65,085</u>	<u>46,095</u>	<u>61,230</u>
Investment expenses:				
Investment advisor fees	976	900	804	733
Custodian bank fees	97	69	47	23
Administrative fees	1,441	952	910	936
Securities lending agent fees	293	165	220	151
Securities lending borrower rebates	18,454	6,798	3,547	5,150
Total investment expenses	<u>21,261</u>	<u>8,884</u>	<u>5,528</u>	<u>6,993</u>
Net investment income	103,548	56,201	40,567	54,237
Net realized gain (loss) from investments	(2,973)	(1,572)	34,929	909
Net increase (decrease) in fair value of investments	<u>(10,470)</u>	<u>5,256</u>	<u>(55,494)</u>	<u>14,647</u>
Net increase in net assets from operations	90,105	59,885	20,002	69,793
Participant transactions:				
Purchase of pool units by participants	8,476,495	7,857,676	7,529,037	6,761,069
Reinvestment of pool distributions	95,770	48,103	34,892	40,093
Contributions to individual investment accounts	12,723	17,846	114,258	18,630
Total participant transactions	<u>8,584,988</u>	<u>7,923,625</u>	<u>7,678,187</u>	<u>6,819,792</u>
Total additions	8,675,093	7,983,510	7,698,189	6,889,585
Deductions				
Distributions to pool participants:				
Net investment income	96,021	48,867	30,777	39,176
Net realized gain (loss) from investments	(59)	(3)	4,115	917
Total distributions to pool participants	<u>95,962</u>	<u>48,864</u>	<u>34,892</u>	<u>40,093</u>
Participant transactions:				
Redemption of pool units by participants	8,427,349	7,781,659	7,184,866	6,794,155
Withdrawals from individual investment accounts	37,838	44,084	172,256	106,156
Total participant transactions	<u>8,465,187</u>	<u>7,825,743</u>	<u>7,357,122</u>	<u>6,900,311</u>
Total deductions	<u>8,561,149</u>	<u>7,874,607</u>	<u>7,392,014</u>	<u>6,940,404</u>
Change in net assets	<u>\$ 113,944</u>	<u>\$ 108,903</u>	<u>\$ 306,175</u>	<u>\$ (50,819)</u>

West Virginia Board of Treasury Investments

2002	2001	2000	1999	1998	1997
\$ 67,330	\$ 82,590	\$ 81,859	\$ 73,139	\$ 67,837	\$ 65,530
6,016	-	-	-	-	-
4,009	-	-	-	-	-
3,829	35,043	29,630	23,879	17,118	16,606
-	2,335	(64)	296	-	-
81,184	119,968	111,425	97,314	84,955	82,136
648	603	524	586	541	88
34	52	46	46	56	18
1,341	1,247	1,120	1,056	1,061	-
45	-	-	-	-	-
3,400	-	-	-	-	-
5,468	1,902	1,690	1,688	1,658	106
75,716	118,066	109,735	95,626	83,297	82,030
5,903	(859)	(919)	286	324	146
4,118	14,416	(4,056)	(8,932)	13,675	2,411
85,737	131,623	104,760	86,980	97,296	84,587
6,367,904	5,281,713	5,301,781	4,865,744	3,737,184	3,494,936
63,506	94,505	82,829	70,166	66,681	65,399
126,473	136,236	143,337	276,627	450,706	175,610
6,557,883	5,512,454	5,527,947	5,212,537	4,254,571	3,735,945
6,643,620	5,644,077	5,632,707	5,299,517	4,351,867	3,820,532
57,347	96,007	83,130	70,726	66,524	64,694
6,159	(1,500)	(301)	(560)	156	131
63,506	94,507	82,829	70,166	66,680	64,825
6,350,694	5,320,794	5,294,416	4,644,014	3,807,553	3,581,356
145,448	242,533	231,237	202,349	357,681	165,565
6,496,142	5,563,327	5,525,653	4,846,363	4,165,234	3,746,921
6,559,648	5,657,834	5,608,482	4,916,529	4,231,914	3,811,746
\$ 83,972	\$ (13,757)	\$ 24,225	\$ 382,988	\$ 119,953	\$ 8,786

Table 2: Financial Highlights - Consolidated Fund State Operating Pools

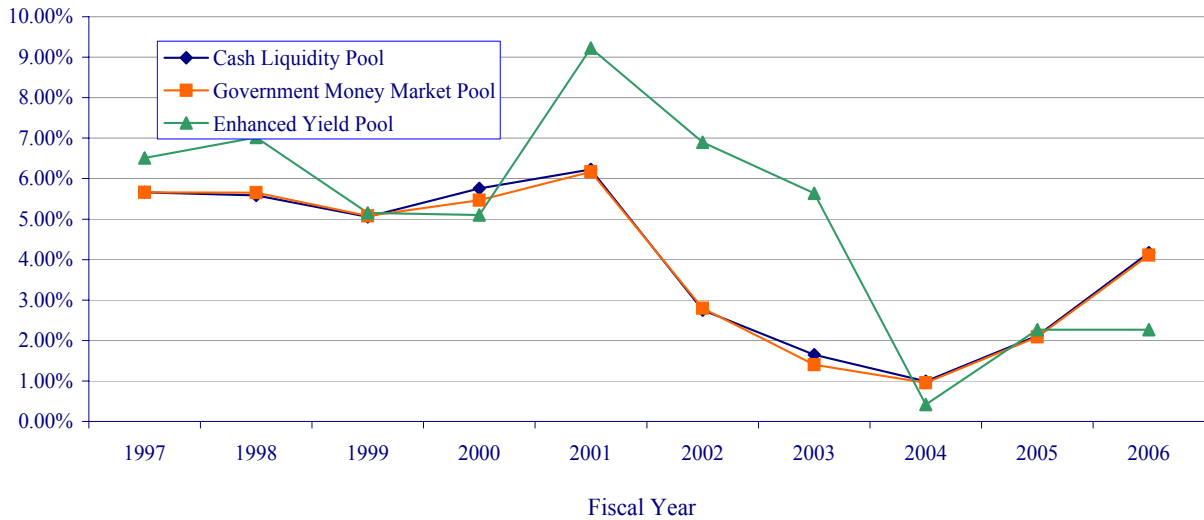
	Fiscal Year Ended June 30				
	2006	2005	2004	2003	2002
<u>Cash Liquidity Pool</u>					
Per share data:					
Net asset value at beginning of year	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Net investment income (loss)	0.04	0.02	0.01	0.02	0.03
Net realized gain (loss) from investments	-	-	-	-	-
Net increase (decrease) in fair value of investments	-	-	-	-	-
Net increase (decrease) from operations	0.04	0.02	0.01	0.02	0.03
Distributions to participants	0.04	0.02	0.01	0.02	0.03
Net asset value at end of year	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>
Shares outstanding (in thousands)	1,719,623	1,605,847	1,395,951	1,021,086	1,065,380
Ratio of expenses to average net assets	0.10%	0.08%	0.09%	0.09%	0.12%
Ratio of net investment income to average net assets	4.22%	2.21%	1.06%	1.57%	2.81%
<u>Government Money Market Pool</u>					
Per share data:					
Net asset value at beginning of year	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Net investment income (loss)	0.04	0.02	0.01	0.01	0.03
Net realized gain (loss) from investments	-	-	-	-	-
Net increase (decrease) in fair value of investments	-	-	-	-	-
Net increase (decrease) from operations	0.04	0.02	0.01	0.01	0.03
Distributions to participants	0.04	0.02	0.01	0.01	0.03
Net asset value at end of year	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>
Shares outstanding (in thousands)	177,307	155,019	151,118	137,967	145,218
Ratio of expenses to average net assets	0.10%	0.09%	0.09%	0.10%	0.12%
Ratio of net investment income to average net assets	3.94%	2.06%	0.95%	1.34%	2.38%
<u>Enhanced Yield Pool</u>					
Per share data:					
Net asset value at beginning of year	\$ 99.53	\$ 100.31	\$ 104.16	\$ 103.11	\$ 103.06
Net investment income (loss)	3.69	2.79	2.99	4.43	5.37
Net realized gain (loss) from investments	(1.14)	(0.53)	0.77	0.23	1.25
Net increase (decrease) in fair value of investments	<u>(0.33)</u>	<u>(0.05)</u>	<u>(3.45)</u>	<u>1.05</u>	<u>0.27</u>
Net increase (decrease) from operations	2.22	2.21	0.31	5.71	6.89
Distributions to participants	3.69	2.99	4.16	4.66	6.84
Net asset value at end of year	<u>\$ 98.06</u>	<u>\$ 99.53</u>	<u>\$ 100.31</u>	<u>\$ 104.16</u>	<u>\$ 103.11</u>
Shares outstanding (in thousands)	2,718	2,622	3,520	3,678	3,265
Ratio of expenses to average net assets	0.14%	0.13%	0.11%	0.12%	0.13%
Ratio of net investment income to average net assets	3.85%	2.74%	2.91%	4.25%	5.16%
Portfolio turnover rate	4.01%	77.85%	88.15%	10.50%	50.59%

Note: Complete information is not available prior to Fiscal Year 2002

Table 3: Rates of Return - Consolidated Fund State Operating Pools

	Fiscal Year Ended June 30									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Cash Liquidity Pool	4.17%	2.12%	0.99%	1.65%	2.75%	6.23%	5.75%	5.05%	5.59%	5.66%
Government Money Market Pool	4.11%	2.09%	0.95%	1.40%	2.80%	6.17%	5.46%	5.08%	5.65%	5.66%
Enhanced Yield Pool	2.27%	2.27%	0.42%	5.64%	6.90%	9.23%	5.10%	5.15%	7.02%	6.51%

Rates of return are time weighted, annualized, and net of all fees



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Table 4: Participation in Consolidated Fund State Operating Pools

Fiscal Year Ended June 30
 (Net Asset Values Expressed in Thousands)

	2006		2005		2004	
	Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value
Cash Liquidity Pool:						
State agency accounts	927	\$1,650,789	781	\$1,535,812	821	\$1,319,615
Local government accounts	181	68,834	184	69,906	188	76,335
	<u>1,108</u>	<u>\$1,719,623</u>	<u>965</u>	<u>\$1,605,718</u>	<u>1,009</u>	<u>\$1,395,950</u>
Government Money Market Pool:						
State agency accounts	15	\$ 153,769	17	\$ 132,197	17	\$ 118,906
Local government accounts	39	23,538	38	22,823	39	32,212
	<u>54</u>	<u>\$ 177,307</u>	<u>55</u>	<u>\$ 155,020</u>	<u>56</u>	<u>\$ 151,118</u>
Enhanced Yield Pool:						
State agency accounts	7	\$ 266,464	8	\$ 260,933	13	\$ 352,992
Local government accounts	6	81	6	85	6	83
	<u>13</u>	<u>\$ 266,545</u>	<u>14</u>	<u>\$ 261,018</u>	<u>19</u>	<u>\$ 353,075</u>

Note: Complete information is not available prior to Fiscal Year 2000

2003		2002		2001		2000	
Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value
797	\$ 928,263	822	\$ 964,338	796	\$ 932,212	783	\$ 874,082
201	92,823	206	101,038	204	59,706	204	54,871
998	\$1,021,086	1,028	\$1,065,376	1,000	\$ 991,918	987	\$ 928,953
<hr/>							
18	\$ 122,165	18	\$ 118,381	18	\$ 123,456	18	\$ 110,341
37	15,807	36	26,854	35	17,598	31	13,498
55	\$ 137,972	54	\$ 145,235	53	\$ 141,054	49	\$ 123,839
<hr/>							
12	\$ 382,984	10	\$ 336,586	12	\$ 341,746	12	\$ 341,543
6	83	6	83	6	78	6	80
18	\$ 383,067	16	\$ 336,669	18	\$ 341,824	18	\$ 341,623

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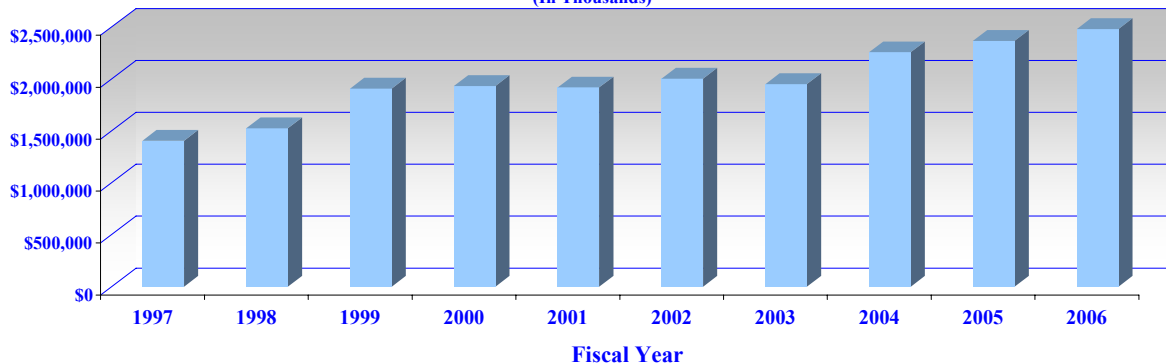
Table 5: Net Assets - Consolidated Fund

Fiscal Year Ended June 30
(In Thousands)

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Cash Liquidity Pool	\$ 1,719,623	\$ 1,605,718	\$ 1,395,950	\$ 1,021,086
Government Money Market Pool	177,307	155,020	151,118	137,972
Enhanced Yield Pool	266,545	261,018	353,075	383,067
Loss Amortization Pool	145,943	149,205	137,969	141,734
Loan Pool	139,531	140,121	140,080	133,768
Municipal Bond Commission Account	27,023	50,195	74,681	92,842
Department of Transportation Account	-	-	-	34,400
Lottery Defeasance Account	669	1,665	3,043	4,449
School Fund Account	1,886	1,430	1,385	1,807
EDA Insurance Account	450	454	457	458
EDA-AW Account	1,628	1,835	-	-
	<u>\$ 2,480,605</u>	<u>\$ 2,366,661</u>	<u>\$ 2,257,758</u>	<u>\$ 1,951,583</u>

Total Consolidated Fund Net Assets

(In Thousands)



<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
\$ 1,065,376	\$ 991,918	\$ 928,953	\$ 759,597	\$ 566,777	\$ 609,274
145,235	141,054	123,839	286,599	138,430	134,757
336,669	341,824	341,623	245,778	268,573	231,223
121,953	110,956	98,814	93,275	93,157	76,786
118,329	109,853	124,920	140,005	168,000	168,021
118,343	158,905	175,412	193,998	278,724	173,144
89,007	55,351	129,289	178,396	-	-
5,581	6,568	7,357	8,404	9,439	9,891
1,453	1,548	1,533	1,460	1,413	1,476
456	453	447	450	461	449
-	-	-	-	-	-
<u>\$ 2,002,402</u>	<u>\$ 1,918,430</u>	<u>\$ 1,932,187</u>	<u>\$ 1,907,962</u>	<u>\$ 1,524,974</u>	<u>\$ 1,405,021</u>

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