

WEST VIRGINIA
**BOARD OF TREASURY
INVESTMENTS**

**Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2012**

A Component Unit of the State of West Virginia

Earl Ray Tomblin
Governor

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West Virginia State Treasurer

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Appointed by the Governor

*Prepared by the Board of Treasury Investments Staff
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October 11, 2012

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, 2012, Comprehensive Annual Financial Report (“CAFR”) for the West Virginia Board of Treasury Investments (the “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 BTI was created to oversee and manage the state’s operating funds, also known as the Consolidated Fund. Many milestones were achieved this year including reaffirmation of the AAAM rating by Standard & Poor’s for the WV Money Market and WV Government Money Market pools, the closing of the Securities Lending program, closing the Loss Amortization Pool, implementing stress tests for the WV Money Market and WV Government Money Market pools, and operating under budget. The CAFR demonstrates the BTI’s commitment to financial accountability and conformity 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 West Virginia State Treasurer’s Office. These individuals are committed to providing reliable and credible information in conformity with accounting principles generally accepted in the United States of America.

Sincerely,

John D. Perdue
State Treasurer
Chairman of the Board

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ACKNOWLEDGEMENTS

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A Special Thanks To:

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

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

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Introductory Section

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October 11, 2012

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 Gentlemen:

I am pleased to present you with the June 30, 2012, 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, 2012, 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, 2012, 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.

GAAP requires 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 auditor in the Financial Section.

Profile of the West Virginia Board of Treasury Investments

The 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 West Virginia State Treasurer's Office provides a full time staff for the BTI as well as 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, 2012, the Consolidated Fund had \$3.9 billion in net assets. The Consolidated Fund is made up of ten legally separate investment pools and accounts: three external investment pools, four special-purpose internal investment pools, and three 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 NEPC, LLC 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 Federated Investors 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, NEPC, LLC, and the individual investment managers. The investment return calculations were prepared using a monthly time-weighted rate of return methodology.

Economic Review & Other Financial Information

Economic growth during fiscal year 2012 was anemic with GDP hovering around 2 percent, notwithstanding a spike up to 4.1 percent during the last quarter of calendar year 2011. Sluggish economic growth and new record lows in Treasury yields during fiscal year 2012 were reflected in the returns of the Consolidated Fund. Rates for the Consolidated Fund's WV Money Market, WV Government Money Market, and WV Short Term Bond Pools were 0.11%, 0.08%, and 0.62%, respectively, for the year ended June 30, 2012. One-month T-bills started the year at 1 basis point before falling to zero and then ending the year at 4 basis points. The 3-year Treasury, which began the year at a yield of 85 basis points, fell to 29 basis points before closing out the year at 41 basis points.

Fiscal year 2012 continued a string of difficult years in money market and fixed income investments. The fiscal year started out with serious concerns about whether the U.S. Congress and President could reach a compromise regarding the raising of the U.S. statutory debt ceiling. The debt ceiling had been reached in May 2011 and the U.S. Treasury had declared a debt issuance suspension period and was utilizing a number of "extraordinary measures" to meet federal obligations without issuing new debt. Treasury Secretary Timothy Geithner had projected that the borrowing authority for the U.S. would be exhausted by August 2, 2011. On July 31, 2011, President Obama announced that an agreement had been reached by the leaders of both parties in both chambers to raise the limit and avoid default. Under the agreement reached, the Budget Control Act of 2011, the debt ceiling was raised by \$900 million. The Act also created a Congressional Joint Select Committee to develop debt reduction legislation by late November 2011 with a goal of cutting at least \$1.5 trillion in spending over the next ten years. To create an incentive for Congress to act, the Act also specified that if Congress failed to produce a deficit reduction bill, with at least \$1.2 trillion in cuts, then mandatory and discretionary spending would be automatically cut by at least \$1.2 trillion, minus any amount of deficit reduction enacted into law through the Joint Committee process. Equity markets responded by losing up to four percent, with commodity markets also posting significant losses. On August 5, 2011, Standard & Poor's credit rating agency downgraded the long-term debt of the U.S. government to AA+ from AAA for the first time in its history. The Treasury market was unfazed with the downgrade, with yields on Treasury issues plummeting to 1 basis point and then remaining in the zero to 2 basis point range for the remainder of 2011.

During the summer in 2011, the quantitative easing program initiated by the Federal Reserve in November of 2010, dubbed "QE2", had ended. QE2 had involved the purchase of \$600 billion in long-dated Treasury bonds by the Federal Reserve, with the intent of pushing down long-term interest rates in order to spur economic activity. As QE2 drew to a close, economic activity was still subdued, unemployment was stuck at elevated levels and consumer spending was still sluggish. Since QE2 did not have the desired effect, the Fed announced the implementation of a maturity extension program in September 2011. The program, referred to by many as "Operation Twist", was initiated to put further downward pressure on long-term interest rates in order to spur economic growth. Under Operation Twist,

the Fed purchased, in the open market, longer dated Treasury securities while at the same time selling shorter dated Treasury holdings. The program is intended to “twist” the yield curve by raising prices on the long end of the curve (decreasing long-term rates) and lowering prices on the short end (increasing short-term rates). The \$400 billion program, as originally announced, was slated to run through June of 2012. Interest rates, which had begun the year with the 90 day T-bill at 4 basis points and the ten year Treasury at 3.2 percent, trended lower through December 2011. Subsequent to the end of 2011, the 90 day T-bill rate rose steadily, ending the year at 9 basis points. The ten year Treasury, on the other hand, reached historic lows in early 2012, and ended the year down at 1.67 percent.

Unemployment, which had been stuck at over 9 percent at the beginning of the fiscal year, generally trended down during the year, although not as fast as the Fed and policy makers desired. Beginning the year at 9.1 percent, unemployment lowered gradually to 8.2 percent by the end of the fiscal year. Weekly initial unemployment claims also showed a downward trend during the year, falling below 400,000 and remaining under 400,000 for the first time since 2008.

GDP growth remained sluggish during the year, averaging just a 2.2 percent increase. The fourth quarter of 2011 provided a positive surprise, with GDP growth coming in at 4.1 percent. However, growth fell back to 2 percent in the first quarter of 2012 and dropped further in the second quarter, coming in at 1.3 percent. Growth in consumer spending remained anemic during the year, with some tightening of consumer credit being seen in early in 2012. The housing market showed some signs of improvement, with housing prices showing increases in some areas towards the end of fiscal year 2012. However, the increases were modest, representing a 1.2 percent increase over the same period one year ago. Home sales were modestly improved over the prior year, increasing optimism that the market has found its bottom.

Major Initiatives

- *Standard and Poor’s AAAM Rating*

For the fifth consecutive year, Standard and Poor’s re-affirmed the BTI’s AAAM rating on the WV Money Market and WV Government Money Market Pools. The BTI’s AAAM rating was unaffected by the downgrade of the long-term rating on the United States of America to AA+ on August 5, 2011. Funds with Principal Stability Fund ratings (“PSFRs”), such as the BTI, seek to maintain a stable net asset value. PSFRs are closely linked to the short-term ratings on the U.S. government. For a fund to be eligible for an investment-grade rating, all investments must carry a Standard & Poor’s short-term rating of A-1+ or A-1. Because Standard & Poor’s affirmed the A-1+ short-term rating on the U.S., the lowering of the long-term rating does not directly affect ratings on the PSFRs.

The PSFR rating is the highest money market rating assigned by Standard and Poor’s. The AAAM rating is based on Standard and Poor’s analysis of the fund’s credit quality, investment policies, market price exposure, and conservative management. The rating signifies that the safety of the invested principal is excellent, and that there is superior capacity to maintain a stable net asset value at all times. This is achieved through conservative investment practices and strict internal controls.

- *Securities Lending Exit*

In July 2011, the BTI completed the wind-down of its securities lending program. Outstanding loans were recalled and all remaining securities in the collateral reinvestment pool were liquidated with minimal losses. The losses were covered using excess reserves that were previously set aside to cover potential losses in the BTI’s securities lending program.

After ending the securities lending program, the BTI had \$632,000 remaining in securities lending loss reserves. Management determined that the best course of action was to return these reserves to the Consolidated Fund through reduction of the administrative fees for fiscal year 2013. As a result, the BTI will be able to reduce the fees to be charged by almost half for fiscal year 2013.

- *Loss Amortization Pool Closed*

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

On August 15, 2011, the US Treasury Principal Strip held in the pool matured. At maturity, the proceeds from the investment, approximately \$188,557,000, were transferred to the State Participation Account in the WV Money Market Pool in satisfaction of the amounts provided from general operating funds of the State. With this transfer, the Loss Amortization Pool was closed.

- *Certificate of Achievement for Excellence in Financial Reporting*

The BTI received the Certificate of Achievement for Excellence in Financial Reporting for the June 30, 2011 Comprehensive Annual Financial Report (CAFR). The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment. This is the sixth year that the BTI has received this award.

- *Budget Surplus*

For fiscal year 2012, actual fee collections exceeded estimated collections by \$61,000. Management's practice of taking extreme caution to ensure the BTI consistently operates under budget resulted in the BTI ending the fiscal year with a budget surplus of \$163,000. With this surplus, the BTI operated in surplus territory for the seventh consecutive year.

One half of the 2012 surplus was used to reduce administrative fees for fiscal year 2013. The goal is to continue to manage the budget closely and pass any resulting savings on to the participants.

- *Stress Testing*

Stress testing is a simulation technique used on investment portfolios to determine their reactions to different financial situations. Stress tests are also used to gauge how sensitive a pool is to certain stressors, such as changes in interest rates or participant redemption activity. In addition to being a useful method for determining how a portfolio will fare during a period of financial crisis, stress testing is required by Standard & Poor's for money market funds that are rated by them. Both the WV Money Market and WV Government Money Market Pools are rated AAAM by Standard & Poor's.

During fiscal year 2012, the BTI designed and implemented weekly and monthly stress tests for its rated pools. Both the WV Money Market and WV Government Money Market Pools are tested to determine how scenarios of differing rate increases and rates of redemption affect the pools' net asset values. The results of the weekly stress test are monitored internally and the monthly stress test results are provided to both Standard & Poor's and the BTI board. The report provided to the board presents the stress test results on a rolling twelve month basis.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (the “GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the BTI for its comprehensive annual financial report for the fiscal year ended June 30, 2011. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program’s requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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, NEPC, LLC Investment Consulting, JP Morgan, UBS Global Asset Management, Federated Investors, 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.

Respectfully, I hereby submit the Comprehensive Annual Financial Report of the West Virginia Board of Treasury Investments for the Year Ended June 30, 2012.

Sincerely,



Karl V. Shanholtzer III, CIA, CPA
Acting Chief Financial Officer
West Virginia Board of Treasury Investments

Certificate of Achievement for Excellence in Financial Reporting

Presented to

West Virginia Board of Treasury Investments

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Davison

President

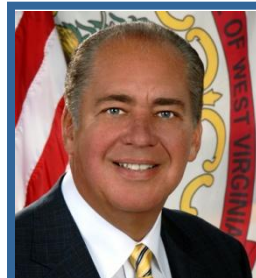
Jeffrey R. Emer

Executive Director

PRINCIPAL OFFICIALS



John D. Perdue
WV State Treasurer
Chairman



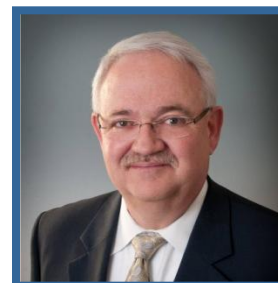
Earl Ray Tomblin
Governor, State of WV
Vice Chairman



Glen B. Gainer III
WV State Auditor
Director



Martin J. Glasser
Director



Richard C. Donovan
Director

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.

WEST VIRGINIA

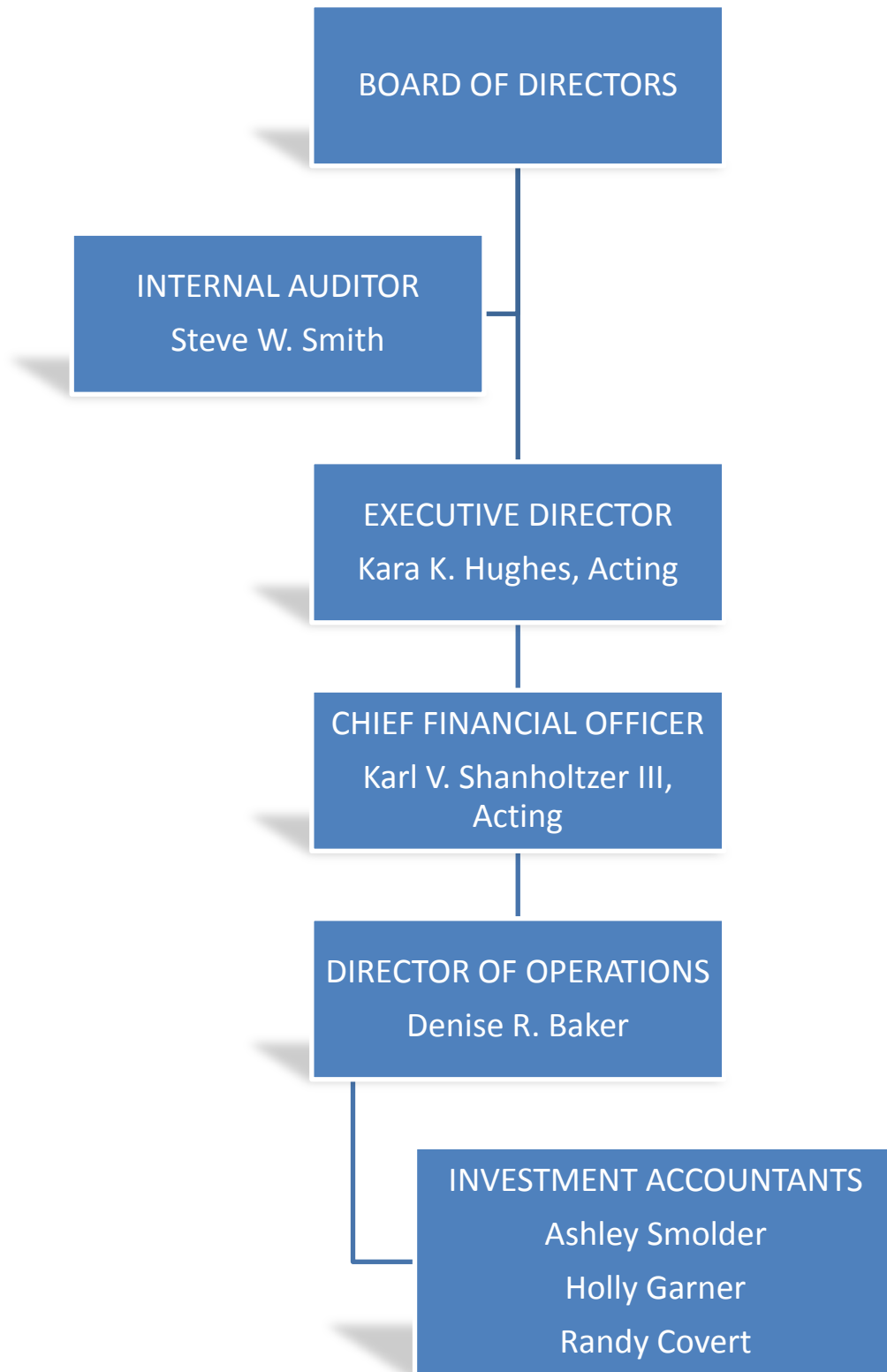
BOARD OF TREASURY INVESTMENTS

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.



The BTI staff (from top left to bottom right) is Denise Baker, Steve Smith, Ashley Smolder, Randy Covert, Kara Hughes, Karl Shanholtzer, and Holly Garner.



The following Treasurer’s Office employees provide professional support services to the Board as needed: Diana Stout, *General Counsel*, Bryan Archer, *Acting Deputy Treasurer of Administration*, and Dave Thomas, *Financial Director of WV College Prepaid Tuition and Savings Program*.

**CONSULTING AND PROFESSIONAL SERVICES
AS OF JUNE 30, 2012**

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

BNY Mellon
Pittsburgh, Pennsylvania

INVESTMENT CONSULTANT AND PERFORMANCE MEASUREMENT

NEPC, LLC Investment Consultants
Atlanta, Georgia

INVESTMENT MANAGERS

Federated Investors
Pittsburgh, Pennsylvania

JP Morgan Asset Management
Columbus, Ohio

UBS Global Asset Management
Chicago, Illinois

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Financial Section

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INDEPENDENT AUDITOR'S 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 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, 2012. 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended 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 in securities referred to above present fairly, in all material respects, the financial position of each of the individual funds and schedule of investments in securities as of June 30, 2012, and the respective changes in financial position of such funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 16 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the BTI's financial statements as a whole. The introductory, investment, and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The introductory, investment, and statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Gibbons & Kawash, A.C.

August 16, 2012

West Virginia Board of Treasury Investments

Management's Discussion and Analysis

June 30, 2012

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, 2012. 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 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 decreased \$252 million for the year ended June 30, 2012. This decline was primarily associated with decreases in the amounts invested in the WV Money Market Pool as state agencies reversed the prior year trend of accumulating funds. Rates continued to remain at all-time lows with Treasury yields setting record lows during the year. One-month T-bills started the year at 1 basis point before falling to zero and then ending the year at 4 basis points. The 3-year Treasury, which began the year at a yield of 85 basis points, fell to 29 basis points before closing out the year at 41 basis points.

Average rates of return for the Consolidated Fund's WV Money Market, WV Government Money Market, and WV Short Term Bond Pools were 0.11%, 0.08%, and 0.62%, respectively, for the year ended June 30, 2012. Short term interest rates remained at all-time low levels as the Federal Reserve continued its ultra-accommodative monetary policy. Several security types performed well during the period, including select credit card and auto loan asset-backed securities, government agency floaters, and Treasury Inflation Protected securities. Corporate bonds and other asset-backed securities subtracted from returns as the spread to Treasuries widened.

The WV Money Market Pool is structured as a money market fund with the goal of preservation of principal. The benchmark for the WV Money Market Pool is the Merrill Lynch 3-Month T-Bill plus 15 basis points. The portfolio underperformed its investment policy benchmark for the fiscal year. However, it should be noted that in the current rate environment, attempting to meet or exceed the policy benchmark would likely require the managers to take on additional risk by venturing lower down the credit spectrum or farther out the yield curve. Taking these additional risks would be inconsistent with the objectives of the pool. Looking ahead, the pool will likely maintain an investment profile similar to fiscal year 2012. Unless there is resolution on many of the key concerns with Europe coupled with the impending "fiscal cliff" in the US, the next 6-12 months will likely continue to be a challenging investment environment.

The WV Government Money Market Pool's objective is to preserve capital and maintain sufficient liquidity to meet the daily disbursements of participants, while earning a return above inflation. The

benchmark for the WV Government Money Market Pool is the Merrill Lynch 3-Month T-Bill. The portfolio outperformed its investment policy benchmark for the fiscal year by 4 basis points. Record low yields in Treasuries, along with a tactical allocation to overnight repo, helped the pool beat its benchmark for the year. As with the WV Money Market Pool, the WV Government Money Market Pool faces a challenging investment environment over the next fiscal year.

The WV Short Term Bond Pool is structured as a mutual fund with the objective of asset growth rather than current income. The benchmark for the WV Short Term Bond Pool is the Merrill Lynch U.S. Corporate & Government, 1-3 Years, A Rated and Above Index plus 10 basis points. The portfolio underperformed its investment policy benchmark for the fiscal year. For the fiscal year, the benchmark return was 1.3% versus the pool return of 0.62%. In November 2010, Federated Investors, the pool's manager, repositioned the pool to lower its interest rate risk (duration) in anticipation of a rising interest rate environment. That did not occur during 2012 with rates instead falling during the first part of the fiscal year before rising and ending the year almost flat. The benchmark, with a duration of 1.88 versus a pool duration of 0.49, experienced more price appreciation as Treasury bond yields in the 1 to 3 year maturity range fell sharply. Several asset-backed securities experienced significant price declines, that reflect a weakening economy and thus weakening consumer balance sheets.

On August 15, 2011, the US Treasury Principal Strip held in the Loss Amortization Pool matured. The Loss Amortization Pool was created in the late 1980s to account for participant claims against the general operating funds of the State which resulted when participant deposits exceeded the underlying assets of certain funds in the former West Virginia Board of Investments (the "BOI"). At maturity, the proceeds from the investment, approximately \$188,557,000, were transferred to the State Participation Account in the WV Money Market Pool in satisfaction of the amounts provided from general operating funds of the State.

Overview of the Financial Statements

This report presents the operating results and financial position of the BTI, which is composed of a proprietary fund and fiduciary fund. 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 fund is 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, four special-purpose internal investment pools, and three 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 and benefits, 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 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 fund’s 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 fund for the year. Additions are composed of investment income, such as interest, dividends, and accretion; investment expenses such as investment advisor fees, custodian bank fees, administrative 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 assets, liabilities, and net assets generated by the operating activities of the BTI, as of June 30, 2012 and 2011 (in thousands).

	<u>2012</u>	<u>2011</u>
Current assets	\$ 1,006	\$ 1,176
Noncurrent assets	<u>7</u>	<u>6</u>
Total assets	1,013	1,182
Current liabilities	<u>478</u>	<u>421</u>
Total liabilities	<u>478</u>	<u>421</u>
Net assets:		
Invested in capital assets	7	6
Unrestricted	<u>528</u>	<u>755</u>
Total net assets	<u>\$ 535</u>	<u>\$ 761</u>

Net assets of the Operating Fund decreased \$226,000 from the prior year. The decrease primarily resulted from a decrease of \$165,000 in cash and an increase of \$57,000 in current liabilities. The remaining \$4,000 decrease was a result of a decline in accounts receivable as of year-end and the purchase of capital assets.

The majority of the proprietary fund's net assets consist of current assets. Current assets comprise cash and accounts receivable that will be used to pay investment advisor, custodian, and administrative costs. The current asset balance of \$1,006,000 is composed of \$563,000 in cash and \$443,000 in accounts receivable. Both cash and accounts receivable decreased from the prior year. The cash balance fell \$165,000 and accounts receivable was down by \$5,000.

The decline in the cash balance was a result of the BTI's policy of utilizing excess cash balances to reduce the administrative fees charged to the pools. Since its inception, the BTI has expended considerable effort to ensure operations remain within budget. At June 30, 2011, the BTI had built up excess cash balances of \$728,000. The administrative operating budget forecast for fiscal year 2012 predicted the same level of expenditures as in prior years. Accordingly, the BTI applied one-half of the excess cash remaining at June 30, 2011 to reduce administrative fees for participants in fiscal year 2012. The reduction in the administrative fee resulted in a decrease in cash collections in fiscal year 2012.

The accounts receivable balance of \$443,000 represents fees that have been accrued but not withdrawn from the investment pools at June 30, 2012 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, administrative and custodial fees accrued in the prior month are transferred from the pools to the BTI's operating fund in the following month to pay for all necessary and reasonable expenses. Investment advisor fees are accrued daily or monthly and transferred to the Operating Fund quarterly to coincide with the receipt of advisor invoices. The periodic nature of these transfers results in the accounts receivable balance. The \$5,000 decline in accounts receivable was related to a decrease in net assets under management during the month of June, 2012 and the aforementioned reduction in administrative fees.

Capital assets, net of accumulated depreciation, increased by \$1,000. The net increase resulted from the acquisition of new computer equipment totaling approximately \$3,000, the retirement of \$6,000 in fully depreciated obsolete computer equipment and annual depreciation expense totaling approximately \$2,000. The new computer equipment was purchased to replace a portion of the equipment being retired.

The balance of \$478,000 in current liabilities represents \$422,000 in accounts payable and \$56,000 reimbursements due the West Virginia State Treasurer's Office (the "STO") at June 30, 2012. The majority of the accounts payable balance represents services received from the BTI's investment advisors for the quarter ending June 30, 2012, custodian fees and investment consultant fees for the month of June 2012, and maintenance costs due for the investment management system for June 2012. The \$56,000 in reimbursements due to the STO was for staffing services provided to the BTI and server software maintenance fees. The increase in current liabilities from June 30, 2011 is primarily composed of reimbursements due to the STO as of June 30, 2012.

Net assets of the BTI's proprietary fund are composed of investments in capital assets net of accumulated depreciation and unrestricted net assets. Capital asset expenditures of \$1,000 or more (\$500 or more for certain computer equipment) 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 periods ended June 30, 2012 and 2011 (in thousands).

	2012	2011
Revenues		
Operating revenues:		
Management services	\$ 1,004	\$ 1,052
Advisor and custodian services	1,561	1,533
Total revenues	2,565	2,585
Expenses		
Operating expenses:		
General and administrative	1,228	1,217
Advisor and custodian fees	1,561	1,533
Depreciation	2	2
Total expenses	2,791	2,752
Decrease in net assets	(226)	(167)
Net assets at beginning of year	761	928
Net assets at end of year	\$ 535	\$ 761

Operating revenues at June 30, 2012 consist of investment advisor, custodian, and management 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*.

Operating revenues for fiscal year 2012 decreased by \$20,000. This decrease in revenue consisted of an increase of \$21,000 in advisor fee revenues, an increase of \$7,000 in custodial fees, and a decrease of \$48,000 in management (administrative) fees charged to the pools.

Advisor fees are computed based upon market values of the pools. Although investment manager contract fees did not increase during the year, the average market value of assets under management was higher during fiscal year 2012 resulting in higher fees. A portion of custodian fees are based upon the market value of assets. Since the average balance of assets was higher during fiscal year 2012, the custodian fees also increased. The significant decrease in management fee revenue was due to the reduction in administrative fees charged to the pool during fiscal year 2012.

Total operating expenses for the year increased by \$39,000. This includes an increase in general and administrative expenses of \$11,000 and an increase in advisor and custodian fees of \$28,000.

General and administrative expenses represent costs associated with operating the BTI that are not considered directly applicable to investment management. Salaries, investment consulting fees charged by NEPC Investment Consulting and fiduciary bond expenses make up the overwhelming majority of this expenses line item. Staff salaries increased by \$24,000 over the prior year. The increase was due to across the board salary increases granted by the Legislature that became effective July 1, 2011 and salary increases granted by the Treasurer's Office over and above the across-the-board increases. This increase in expense was offset by a decrease in investment consulting fees of approximately \$10,000 and a net decrease in other expenses of \$3,000. The decrease in investment consulting fees was largely a result of the BTI ending its securities lending program in July 2011.

A large portion of BTI expenses represent investment advisor fees. The current investment advisors are JP Morgan Asset Management, Federated Investors, and UBS Global Asset Management. All investment decisions and trade executions are performed by the investment advisors. Total investment advisor fees for fiscal year 2012 were \$1,420,000, representing a \$21,000 increase from the previous year. Although net assets under management were down as of fiscal year end, the average balance of assets under management during the year was slightly higher, resulting in an increase in the fees incurred.

Custodian fees increased \$7,000 during fiscal year 2012. As with investment advisor fees, the custodian fees are based on the market value of the assets of the Consolidated Fund. During 2012, the average value held in custody was higher than in 2011, resulting in an increase in the fees.

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, 2012 and 2011 (in thousands).

	2012	2011
Assets		
Investments	\$ 3,917,245	\$ 4,168,034
Securities lending collateral	-	10,692
Receivables	3,290	11,696
Total assets	3,920,535	4,190,422
Liabilities		
Accrued expenses	443	448
Dividends and purchases payable	415	7,099
Securities lending payable	-	10,692
Total liabilities	858	18,239
Net Assets		
Held in trust for investment pool participants	3,770,839	4,158,934
Held in trust for individual investment account holders	148,838	13,249
Net assets	\$ 3,919,677	\$ 4,172,183

As of June 30, 2012, the Consolidated Fund's total assets were at \$3.9 billion and consisted mainly of investments in securities. Over the course of 2012, total assets decreased by approximately 6.4%, or

\$269.9 million. The decrease in assets was caused by increases in participant redemptions, the BTI's exit from securities lending and a decline in receivables.

As more fully discussed below, the BTI experienced a net reduction in invested funds due to a net increase of participant redemptions over contributions during fiscal year 2012. This resulted in a net decrease in investments of \$250.8 million over the course of the fiscal year. Investments held by the WV Money Market, Loss Amortization, WV Bank, and Loan pools declined by a total of \$452.9 million while the WV Government Money Market, WV Short Term Bond and Municipal Bond Commission pools increased their investments by \$201.8 million. The remaining pools experience modest increases totaling approximately \$0.3 million.

Total assets were also reduced by the BTI ending its securities lending program. When the BTI exited securities lending in July 2011, the balance of securities lending collateral was returned to the borrowers and that line item was reduced from \$10.7 million to zero. See Note 2 to the audited financial statements for more information on the exit from securities lending.

Receivables declined from the prior year by a net amount of \$8.4 million. The decline was composed of a decrease in receivables of investments sold from \$8.7 million to zero as of June 30, 2012 and an increase in interest receivable of \$0.3 million from June 30, 2011. At June 30, 2011, the manager of the WV Short Term Bond Pool had sold securities, totaling \$8.7 million, with a settlement date in July 2011. At the end of fiscal year 2012, there were no pending sales. The increase in the interest receivable was due to increases in base rates for floating rate securities and the managers purchasing securities bearing higher interest rates (albeit at lower yields).

Total liabilities as of June 30, 2012 were \$0.8 million and were almost evenly composed of accrued expenses and dividends payable. The primary cause of the approximately 95%, or \$17.4 million, decrease in liabilities from the prior year was the BTI ending its securities lending program. The exit from securities lending and the return of collateral to borrowers reduced the securities lending collateral payable from \$10.7 million to zero. See Note 2 to the audited financial statements for further details on the exit from securities lending. The remaining \$6.7 million decrease in liabilities was a result of a decrease in the payables for purchased securities and a decrease in dividends payable.

As of June 30, 2011, the WV Short Term Bond Pool had an outstanding payable for securities purchased of \$5.0 million for a purchase transaction that settled in July 2011. There were no outstanding trades as of June 30, 2012. Dividends payable decreased from \$2.1 million as of June 30, 2011 to \$0.4 million at the end of fiscal year 2012. The decrease was due to a significant drop in dividends payable for the WV Short Term Bond Pool. During June 2011, the manager of the pool sold securities with realized gains of \$1.7 million. The realized gains were declared as dividends to pool investors to be distributed in July 2011. There were no such gains realized and declared as dividends during June 2012.

Net assets are the excess of total assets over total liabilities. The Consolidated Fund had total net assets of \$3.9 billion at the close of fiscal year 2012. The net assets consist of funds held in trust for investment pool participants and individual account holders. Investment pool participants are those participants investing in the WV Money Market, WV Government Money Market, WV Short Term Bond, WV Bank, Reserve, and Loan pools. Net assets for investment pool participants decreased approximately 6% from the prior year primarily due to the closing of the Loss Amortization pool and decreases in investments in the WV Money Market, WV Bank and Loan pools. These decreases were partially offset by increases in investments in the WV Government Money Market and WV Short Term Bond pools.

In August 2011, the security held in the Loss Amortization Pool matured and the pool was closed. The proceeds from the maturity were transferred to the State Participation Account in the WV Money Market Pool (see Note 1 to the audited financial statements). Although this initially increased the balance of the WV Money Market Pool, the balance of general state agency investments in the pool declined through the year as agencies drew against their invested funds or transferred funds to higher yielding investments. The WV Money Market Pool ended the year down by approximately \$231.8 million from the prior year. The State Loan Pool and WV Bank Pool also experienced decreases in their balances. Loans to the WV Economic Development Authority decreased during the year by approximately \$25 million as they continue to pay down their loan balances. The WV Bank Pool was down from the prior year by approximately \$7.5 million as bank participation in the program decreased due to other lower cost sources of funds that are available to banks. The decreases in the WV Money Market, State Loan and WV Bank pools were moderated by increases in other investment pools.

During the year, the WV Short Term Bond and the WV Government Money Market pools experienced increases in their balances. The WV Short Term Bond Pool increased by \$28.1 million as state agencies sought a rate of return higher than that available in the WV Money Market Pool. Local governments and state agency trusts increased their investments in the WV Government Money Market Pool by \$37.1 million over the course of fiscal year 2012. The WV Government Money Market pool attracts investors that have contractual or statutory investment restrictions that limit investments to securities issued or guaranteed by the U.S. government.

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 increased \$135.6 million or 1,024% from the prior year. Nearly the entire amount of this increase was related to new investments made by the Municipal Bond Commission in their account totaling \$135.1 million, net of maturities. The net assets of the School Fund and West Virginia Economic Development Authority accounts increased during the year by approximately \$0.3 million in total.

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, 2012 and 2011 (in thousands).

	Year Ended June 30,	
	2012	2011
Additions		
Net investment income	\$ 10,059	\$ 23,930
Net realized (loss) gain	(12)	6,527
Net decrease in fair value of investments	(1,946)	(11,329)
Unit purchases and contributions	11,161,335	10,618,371
Total additions	11,169,436	10,637,499
Deductions		
Distributions	8,748	22,791
Unit redemptions and withdrawals	11,413,194	10,367,731
Total deductions	11,421,942	10,390,522
Change in net assets	(252,506)	246,977
Net assets at beginning of year	4,172,183	3,925,206
Net assets at end of year	\$ 3,919,677	\$ 4,172,183

Net investment income for the Consolidated Fund decreased by 58% from the prior fiscal year. Declines in net investment income were experienced by all pools except for the Municipal Bond Commission and West Virginia Economic Development Authority accounts. More than half of the \$13.9 million decrease was directly attributable to the closing of the Loss Amortization Pool. The remaining decrease resulted from lower short-term yields on the declining net assets during fiscal year 2012.

The lone holding of the Loss Amortization pool was a U.S. Treasury Principal Strip. Strips are zero-coupon bonds whose sole source of income, apart from changes in market value, is derived from the accretion of the discount from face value at time of purchase. With the maturity of the Strip in August, 2011, accretion income fell by \$6.5 million from fiscal year 2011.

Fiscal year 2012 was another challenging year in the fixed income and money markets. Over the course of the year the markets experienced the U.S. Congressional debates on the Federal government debt ceiling, the downgrade of the United States' credit rating by Standard and Poor's, the continued concerns over debt levels of peripheral European countries, increasing concerns regarding the health of European banks, and a softening world economy. The Federal Reserve maintained short-term interest rates in the 0 to 25 basis point range and has committed to keeping rates at these levels until at least late 2014. In this environment, pool yields fell during the year, resulting in a decrease in net investment income. Against this backdrop, the WV Money Market Pool experienced a decrease of \$2.1 million in investment income from fiscal year 2011. A part of this decline is attributable to the \$231.8 million decrease in net assets of the pool, but a majority of it is related to the decline in yields in the short end of the yield curve during 2012 and a shortening of the weighted average maturity of the pool. The pool was managed with a majority of the credit exposure inside three months, with U.S. Treasuries and Agencies used for longer duration purchases. Exposure to European bank credits were kept short and limited to healthier banks in the core European countries (e.g. Germany, United Kingdom, and the Netherlands). The weighted average maturity of the pool was in the mid to low 40's for the year, reflecting investment managers' preferences for mostly shorter credit exposure and maintaining a high liquidity position.

While the WV Government Money Market Pool experienced an increase in net assets, this could not overcome the low yields available on government securities. Net assets were up by \$37.1 million but net investment income was down by \$0.2 million. The pool maintained a slightly longer weighted average maturity over the year as compared to the WV Money Market Pool, staying between 45 to 55 days. The investment manager kept the weighted average maturity in this range in an effort to lock in higher interest rates further out the curve. The language from the Federal Reserve regarding their short-term rate policy helped keep rates at the short end of the yield curve relatively flat for the year. A higher balance of repos, representing 30% to 40% of the pool at times, was also utilized to take advantage of movements in overnight rates. At times during the year, overnight repos had higher yields than some shorter-term Treasuries in the one month to one year maturity range.

Net investment income for the WV Short Term Bond Pool fell \$3.0 million from the prior fiscal year. The pool also experienced an increase in net assets, rising \$28.1 million over the year, but this was not enough to overcome the flat interest rate environment. During fiscal year 2011, the investment manager shortened the duration of the pool in anticipation of rising interest rates. Fixed rate securities were sold off and replaced with floating rate corporate debt, floating rate U.S. agency mortgage-backed securities and floating rate asset-backed securities. Base rates for the floating rate securities, typically 1-month or 3-month U.S. Dollar LIBOR, began the fiscal year well below fiscal year 2011 levels before recovering to end the year relatively flat. Overall, however, interest income for the year was down by almost \$3.3 million. An increase in amortization/accretion income of \$0.3 million offset some of the decline in interest income.

The State Loan Pool experienced a \$1.9 million decrease in net investment income due to the rate on the WV Revolving Loan program falling from 2.17% in fiscal year 2011 to 1.17% in fiscal year 2012. Declines in the balance of the WV Revolving Loan program and additional write-downs on the WV Non-Recourse Loan also contributed to the decline in income for the pool. See Note 6 to the audited financial statements for more information on the loan programs of the State Loan Pool. The remaining \$0.2 million decrease in net investment income is attributable to declines in the income for the WV Reserve Pool and the WV Bank Pool.

Realized gains in the Consolidated Fund declined by \$6.5 million from fiscal year 2011. The realized gains from fiscal year 2011 were primarily due to the sale of securities in the WV Short Term Bond Pool as the manager repositioned holdings in the pool to reduce duration in anticipation of increases in interest rates. There were no significant sales of investments during the year and those that were sold realized minimal losses.

The fair value of investments decreased by \$1.9 million due to declines in the value of securities held in the WV Short Term Bond Pool and the closing of the Loss Amortization Pool. Fair value of investments in the WV Short Term Bond Pool alone fell by \$1.3 million. Yield spreads on corporate and asset-backed bonds widened during the year, resulting in price declines relative to last fiscal year. The pool also continued to hold several asset-backed securities whose ratings had previously fallen out of compliance with the Investment Policy and Code during the financial meltdown. Values on several of these holdings were down sharply for the year, reflecting the weakening economy. BTI management and Federated Investors monitor these securities on an ongoing basis. Federated has continued to maintain the position to “hold” the securities as opposed to liquidating them in a “fire sale.” The fair value of investments in the Loss Amortization Pool fell by \$0.9 million as the lone holding in the pool matured. These decreases in fair value were offset by a \$0.3 million increase in the fair value of investments in the EDA-AW Account. This account is invested in a Treasury issue which experienced an increase in fair value as Treasury yields plummeted during the year.

Unit purchases and contributions to the Consolidated Fund increased nearly \$543 million from the previous fiscal year, while unit redemptions and withdrawals to participants increased nearly \$1,045.5 million.

Economic Factors

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 minimize risks with the primary objectives of safety and liquidity.

Concerns over debt levels in peripheral European countries captured most of the market's attention over the past fiscal year. As concerns moved from Greece to larger countries such as Italy and Spain, European policymakers were forced to intervene once again. The European Central Bank instituted a three-year loan facility whereby banks could borrow against collateral on their balance sheets. This was meant to help ensure that European banks had access to short-term funding. The program was viewed favorably by the market and alleviated some immediate fears about the ability of European banks to roll over short-term funding in the marketplace. Still, the first half of 2012 saw a further deterioration in the economic outlook for many European Union countries, due in part to austerity measures meant to curb high debt levels.

U.S. economic growth during the year was mixed, with continued signs of weakness present throughout the economy. Real GDP during the fourth quarter of 2011 increased to 3.0%, but that was the only quarter to post above 2% growth over the past fiscal year, demonstrating the sluggishness of the current economic recovery. To help stimulate the economy and ensure that interest rates, especially long-term rates, remained low, the Federal Reserve conducted another round of quantitative easing and also a new "Twist" operation which had the Fed selling shorter term Treasuries in favor of purchasing longer dated Treasuries. The Federal Reserve also extended its short term rate policy of maintaining the federal funds target rate between 0% - 0.25% from mid-2013 to late-2014.

Looking forward, finding attractive yields in relatively safe assets will continue to be a challenge for some time to come. The Federal Reserve has said it will keep short term interest rates near zero through the end of 2014, and is likely to implement further quantitative easing if the unemployment rate remains above 8%. The potential for additional quantitative easing, the demand in an investor community desperate for yield and a large amount of un-invested cash are likely to keep high-quality spread products in sectors such as corporates, mortgage-backed securities and asset-backed securities well-bid in the coming months.

In 2012, West Virginia experienced its fifth consecutive year with a budget surplus. The budget surplus was smaller in fiscal year 2012, falling from \$330 million in 2011 to nearly \$100 million in 2012. While West Virginia continues to be one of the few states to experience a budget surplus, future budget years are likely to prove challenging. The major keys to both West Virginia economic growth and fiscal health over the past three years were a strong energy sector with higher coal prices and higher natural gas production and growing foreign exports of both manufactured goods and steam and metallurgical coal. However, record natural gas production has resulted in both significantly lower natural gas prices and significant competition for domestic steam coal. A very slow-growing national economy in combination with slower worldwide economic growth poses significant challenges for both coal markets and export markets. Coal production is falling and export trade is slowing. In addition, another important sector of the State's economy, the gaming sector, is facing new competition from the State of Ohio. Overall growth

rates for personal income and gross state product are anticipated to slow significantly from the higher than average growth rates of the past two years. State revenue growth is anticipated to be minimal in this environment. Flat or declining state revenues could result in decreases in assets under management as the state draws against invested funds to meet cash needs.

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 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, 2012

(In Thousands)

Assets	
Current assets:	
Cash	\$ 563
Receivables	443
Total current assets	1,006
Noncurrent assets:	
Capital assets, net of accumulated depreciation	7
Total assets	1,013
 Liabilities	
Current liabilities:	
Accounts payable	478
Total liabilities	478
 Net assets	
Invested in capital assets	7
Unrestricted	528
Total net assets	\$ 535

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 Year Ended June 30, 2012

(In Thousands)

Operating revenues	
Management services	\$ 1,004
Advisor services	1,420
Custodian services	<u>141</u>
Total operating revenues	2,565
Operating expenses	
Advisor fees	1,420
Management fees	647
Professional service fees	212
Fiduciary bond	155
Custodian fees	141
General and administrative	214
Depreciation	<u>2</u>
Total operating expenses	<u>2,791</u>
Operating loss	<u>(226)</u>
Change in net assets	(226)
Net assets at beginning of period	<u>761</u>
Net assets at end of period	<u><u>\$ 535</u></u>

See accompanying notes to financial statements

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

For the Year Ended June 30, 2012

(In Thousands)

Cash flows from operating activities	
Cash received for services	\$ 2,570
Payments to vendors	<u>(2,732)</u>
Net cash used for operating activities	<u>(162)</u>
 Cash flows from capital and related financing activities	
Purchase of capital equipment	<u>(3)</u>
Total cash used for capital and related financing activities	<u>(3)</u>
 Cash at beginning of period	 <u>728</u>
Cash at end of period	<u>\$ 563</u>
 Reconciliation of operating loss to net cash used for operating activities	
Operating loss	\$ (226)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	2
Changes in assets and liabilities:	
Receivables	5
Accounts payable	<u>57</u>
Net cash used for operating activities	<u>\$ (162)</u>

See accompanying notes to financial statements

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

June 30, 2012

(In Thousands)

Assets	
Investments:	
At amortized cost	\$3,409,974
At fair value	<u>507,271</u>
Total investments	3,917,245
Receivables:	
Accrued interest	3,249
Dividends	<u>41</u>
Total receivables	<u>3,290</u>
Total assets	<u>3,920,535</u>
Liabilities	
Accrued expenses	443
Dividends payable	<u>415</u>
Total liabilities	<u>858</u>
Net Assets	
Held in trust for investment pool participants	3,770,839
Held in trust for individual investment account holders	<u>148,838</u>
Total net assets	<u><u>\$3,919,677</u></u>

See accompanying notes to financial statements

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

For the Year Ended June 30, 2012

(In Thousands)

Additions	
Investment income:	
Interest	\$ 17,094
Dividends	461
Net amortization	(3,986)
Provision for uncollectible loans	(945)
Total investment income	12,624
Investment expenses:	
Investment advisor fees	1,420
Custodian bank fees	141
Administrative fees	1,004
Total investment expenses	2,565
Net investment income	10,059
Net realized loss from investments	(12)
Net decrease in fair value of investments	(1,946)
Net increase in net assets from operations	8,101
Participant transaction additions:	
Purchase of pool units by participants	10,994,105
Reinvestment of pool distributions	10,918
Contributions to individual investment accounts	156,312
Total participant transaction additions	11,161,335
Total additions	11,169,436
Deductions	
Distributions to pool participants:	
Net investment income	8,862
Net realized loss from investments	(114)
Total distributions to pool participants	8,748
Participant transaction deductions:	
Redemption of pool units by participants	11,391,935
Withdrawals from individual investment accounts	21,259
Total participant transaction deductions	11,413,194
Total deductions	11,421,942
Change in net assets	(252,506)
Net assets at beginning of period	4,172,183
Net assets at end of period	\$ 3,919,677

See accompanying notes to financial statements

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West Virginia Board of Treasury Investments

Notes to Financial Statements

June 30, 2012

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 West Virginia Legislature established the BTI 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 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 West Virginia State Treasurer’s Office provides direct administrative and management services to the BTI. The BTI does not employ a staff, but reimburses the Treasurer’s Office for all personnel expenses of Treasury employees assigned to administer and manage the BTI. The Treasurer’s Office also 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:

WV Money Market – 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.

WV 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.

WV Short Term Bond – This pool consists of the operating funds of the State that are not needed immediately to fund the State’s liquidity requirements. The pool is managed by Federated Investors.

WV Bank – This pool consists of certificates of deposit purchased by the State through the BidWV auction program. The program purchases CDs from state banks and depositories to make state investment funds available for consumer and business loans within the state.

Loss Amortization – This pool was closed during the fiscal year. It had been 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 State investment pools, principally the Unrestricted Pool (predecessor to the WV Money Market Pool), in excess of the true investment income experience of the pools, principally in 1987 and 1988. On August 15, 2011, the US Treasury Principal Strip held in the pool matured. At maturity, the proceeds from the investment, approximately \$188,557,000, were transferred to the State Participation Account in the WV Money Market Pool in satisfaction of the amounts provided from general operating funds of the State.

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. Within the Loan Pool is a non-recourse loan made by the West Virginia Economic Development Authority (the “WVEDA”) to the West Virginia Enterprise Advancement Corporation (the “WVEAC”), which in turn invests the funds in the West Virginia Enterprise Capital Fund, LLC (the “WVECF”), which then invests the money in venture capital funds. The WVEAC is a non-profit corporation that has a common board of directors with the WVEDA. The non-recourse loan program was authorized pursuant to WV Code §12-6-9, which requires the BTI to transfer up to \$25,000,000 in State funds to the WVEDA. The funds transferred by the BTI are to be repaid with proceeds received by the WVEDA from the WVEAC, which will make repayment to the WVEDA from the proceeds it receives from the WVECF. The Loan Pool is restricted by statute to receiving 3% earnings on the funds transferred to the WVEDA. Although the non-recourse loan made by the WVEDA may earn an excess of 3%, only 3% will be given to the Loan Pool, and the WVEDA will retain the rest. The BTI is not responsible for exercising any discretion over or making any decisions in regard to the lending, investing and repayment activities of the non-recourse loan program, or for any other loans in the Loan Pool. The WVEDA provides all bookkeeping and accounting records of the non-recourse loan program. The BTI’s role is to transfer the funds to the WVEDA when requested and to maintain an accounting for the loans within the Loan Pool based on information provided by the WVEDA.

Reserve – This pool is composed of an interest-bearing depository account with BB&T. The pool was created to provide an added layer of security for the WV Money Market and WV Government Money Market Pools. The objective of this pool is to provide support for the WV Money Market and WV Government Money Market Pools to ensure their unit net asset levels do not fall below \$0.9975. The State is the sole participant in this pool. Other funds are transferred to this pool as management deems necessary.

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, School Fund, and Economic Development Authority – 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 (WV Money Market, WV Government Money Market, and WV Short Term Bond), four internal investment pools (WV Bank, Loss Amortization, Loans, and Reserve) and three individual investment accounts (Municipal Bond Commission, School Fund, and Economic Development Authority – American Woodmark).

Budgetary Information

The Board's annual operating budget is 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 (\$500 in the case of certain computer equipment) 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.

Wages, Compensated Absences, Retirement Plan and Other Postemployment Benefits

The BTI has no employees. The State Treasurer's Office provides administrative and management services to the BTI. As a result, the BTI does not accrue for compensated absences and other

postemployment benefits or directly contributes to the state retirement plan. Management services provided are recorded as management fees paid to the State Treasurer's Office.

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 administrative and management services, office equipment, office supplies, and office 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 WV Money Market, WV Government Money Market, WV Bank, Loan, Reserve, and Municipal Bond Commission pools or accounts are carried at amortized cost, as permissible under Government Accounting Standards Board ("GASB") Statement Number 31, as amended by GASB Statement Number 59. The WV Money Market and WV 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 conformity 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 pool must satisfy all SEC requirements of Rule 2a7 to qualify as a 2a7-like pool. 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 exceptions to fair value reporting for the other pools as defined in professional standards are as follows:

Pool	Exception
WV Bank	Nonnegotiable certificates of deposit with redemption terms that do not consider market rates
Loan	Loans receivable arising from real estate lending activities
Reserve	Nonparticipating investment contract with redemption terms that do not consider market rates
Municipal Bond Commission	Irrevocable trust meeting the requirements of a legal or in-substance defeasance

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. The BTI determines fair value at the end of each month. 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.

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 The BTI closed its securities lending program in July 2011. The BTI does not believe the increased risk of a securities lending program justifies its continuing participation in the program. Since fiscal year 2009, the BTI wound down its securities lending program in a controlled withdrawal from the program to reduce risk and minimize losses. This strategy allowed the BTI to incorporate a more conservative collateral reinvestment policy, cap the program at a more manageable level, and raise cash for liquidity. In July 2011, the BTI directed its securities lending agent, Clearlend Securities (a division of Wells Fargo), to liquidate the collateral reinvestment pool and recall all loans with the securities lending program. The BTI was required to fund the difference between the sale proceeds and the amount of cash collateral received from the borrowers. The realized loss on the transaction was \$215,000 for the year ended June 30, 2012. In planning for the exit from securities lending activities, the BTI had approximately \$1.7 million of reserves set aside to cover potential losses from the securities lending program.

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.

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, 2012, the Loan Pool had an allowance for uncollectible loans of \$18,615,620.

Distributions to Participants The net income of the WV Money Market and WV 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 monthly net income of the WV Short Term Bond 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 WV Bank Pool is determined monthly and reinvested in the pool. The earnings are transferred periodically to the State Participation Account which represents invested cash of the state not specifically allocated to individual agencies.

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.

The net income of the Reserve Pool is declared as a dividend and distributed on the last day of the month. If the pool incurs a loss resulting in negative income, the loss will be distributed on the last day of the month.

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 proprietary fund pays all expenses on behalf of the pools and is subsequently reimbursed by the pools.

3. Cash and Cash Equivalents

The internal service fund's cash on deposit with the State Treasurer's Office was approximately \$563,000 at June 30, 2012. 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, 2012.

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 operating fund's deposits are exposed to custodial credit risk.

4. Investments and deposits

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 is 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. Two of the BTI's pools, the WV Money Market and WV Government Money Market Pools, have been rated AAAM by Standard & Poor's. A fund rated "AAAM" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAM" is the highest principal stability fund rating assigned by Standard & Poor's. Neither the BTI itself nor any of the other 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: WV Money Market Pool, WV Government Money Market Pool, WV Short Term Bond Pool, Loan Pool, and School Fund Account.

The BTI limits the exposure to credit risk in the WV Money Market 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 P-1 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 WV Money Market Pool's investments (in thousands):

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
Commercial paper	P-1	A-1	\$ 853,470	30.62%
Corporate bonds and notes	Aa2	AA-	15,000	0.54
	Aa3	AA-	13,000	0.47
	Aa3	A+	8,000	0.29
Total corporate bonds and notes			36,000	1.30
U.S. agency bonds	Aaa	AA+	189,691	6.80
U.S. Treasury notes *	Aaa	AA+	330,865	11.87
U.S. Treasury bills *	Aaa	AA+	237,978	8.54
Negotiable certificates of deposit	P-1	A-1	110,000	3.95
U.S. agency discount notes	P-1	A-1+	738,706	26.50
Money market funds	Aaa	AAAm	200,054	7.18
Repurchase agreements (underlying securities):				
U.S. Treasury notes *	Aaa	AAA	90,204	3.24
			<u>\$ 2,786,968</u>	<u>100.00%</u>

* U.S. Treasury issues are explicitly guaranteed by the United States government and are not subject to credit risk.

The BTI limits the exposure to credit risk in the WV 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 WV 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	AA+	\$ 23,004	7.68%
U.S. Treasury notes *	Aaa	AA+	103,324	34.48
U.S. Treasury bills *	Aaa	AA+	4,999	1.67
U.S. agency discount notes	P-1	A-1+	76,397	25.50
Money market funds	Aaa	AAAm	5	0.00
Repurchase agreements (underlying securities):				
U.S. Treasury notes	Aaa	AAA	46,900	15.65
U.S. agency notes	Aaa	AAA	45,000	15.02
Total repurchase agreements			91,900	30.67
			<u>\$ 299,629</u>	<u>100.00%</u>

* U.S. Treasury issues are explicitly guaranteed by the United States government and are not subject to credit risk.

The BTI limits the exposure to credit risk in the WV Short Term Bond 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 P-1 by Moody's. The following table provides information on the credit ratings of the WV Short Term Bond Pool's investments (in thousands):

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets	
	Moody's	S&P			
Corporate asset backed securities	Aaa	AAA	\$ 95,628	18.99%	
	Aaa	NR*	38,524	7.64	
	NR	AA+	3,900	0.77	
	**	B1	CCC	896	0.18
	**	B3	BB	311	0.06
	**	B3	BBB-	53	0.01
	**	B3	CCC	280	0.06
	**	Caa2	CCC	186	0.04
	**	Caa3	CCC	243	0.05
	**	Caa3	D	26	0.01
	**	Ca	CCC	586	0.12
	**	NR	NR	3,786	0.75
Total corporate asset backed securities			144,419	28.68	
Corporate bonds and notes	Aa2	AA+	9,025	1.79	
	Aa3	AA-	15,666	3.11	
	Aa3	A	23,032	4.57	
	A1	AA	12,145	2.41	
	A1	A+	30,684	6.09	
	A2	A	39,064	7.76	
	A3	A-	7,755	1.54	
	A3	BBB+	3,006	0.60	
	Baa1	A-	4,162	0.83	
	Baa2	A-	6,709	1.33	
Total corporate bonds and notes			151,248	30.03	
U.S. agency bonds	Aaa	AA+	45,024	8.94	
U.S. Treasury notes ***	Aaa	AA+	44,251	8.79	
U.S. agency mortgage backed securities ****	Aaa	AA+	77,065	15.30	
Money market funds	Aaa	AAAm	41,610	8.26	
			<u>\$ 503,617</u>	<u>100.00%</u>	

* NR = Not Rated

** These securities were not in compliance with BTI Investment Policy at June 30, 2012. The securities were in compliance when originally acquired, but were subsequently downgraded. BTI management and its investment advisors have determined that it is in the best interests of the participants to hold the securities for optimal outcome.

*** U.S. Treasury issues are explicitly guaranteed by the United States government and are not subject to credit risk.

**** U.S. agency mortgage backed securities are explicitly guaranteed by the United States government and are not subject to credit risk.

The Loan Pool is composed of loans made by the State. The pool holds intergovernmental loans and an investment in a money market mutual fund of approximately \$60,000. The mutual fund is rated AAAM 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 approximately \$1,555,000. The mutual fund is rated AAAM 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 WV Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 731 days. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool:

Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 90,204	3
U.S. Treasury notes	330,865	122
U.S. Treasury bills	237,978	37
Commercial paper	853,470	35
Certificates of deposit	110,000	10
U.S. agency discount notes	738,706	44
Corporate bonds and notes	36,000	48
U.S. agency bonds and notes	189,691	68
Money market funds	200,054	1
	\$ 2,786,968	46

The overall weighted average maturity of the investments of the WV Government Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 731 days. The following table provides information on the weighted average maturities for the various asset types in the WV Government Money Market Pool:

Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 91,900	3
U.S. Treasury notes	103,324	111
U.S. Treasury bills	4,999	62
U.S. agency discount notes	76,397	52
U.S. agency bonds and notes	23,004	9
Money market funds	<u>5</u>	1
	<u>\$ 299,629</u>	54

The overall effective duration of the investments of the WV Short Term Bond Pool cannot exceed 731 days. Maximum effective duration of individual securities cannot exceed 1,827 days (five years) from date of purchase. The following table provides information on the effective duration for the various asset types in the WV Short Term Bond Pool:

Security Type	Carrying Value (In Thousands)	Effective Duration (Days)
U.S. Treasury bonds and notes	\$ 44,251	366
Corporate notes	151,248	242
Corporate asset backed securities	144,419	250
U.S. agency bonds and notes	45,024	23
U.S. agency mortgage backed securities	77,065	13
Money market funds	<u>41,610</u>	1
	<u>\$ 503,617</u>	180

The West Virginia Bank Pool holds nonnegotiable certificates of deposit totaling \$52,500,000 with maturity dates ranging from October 2012 to March 2013. 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 Loan Pool holds an interest in a money market mutual fund in the amount of approximately \$60,000 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 Reserve Pool maintains funds totaling approximately \$19,034,000 in a bank depository account. 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 strips	\$ 2,909	683
U.S. Treasury bonds and notes	4,508	1,821
State and local government securities	137,688	614
	\$ 145,105	653

The School Fund Account holds only an interest in a money market mutual fund valued at approximately \$1,555,000 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-AW Account holds only a U.S. Treasury bond valued at approximately \$2,099,000 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 Risks of Investing

Other risks of investing can 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. 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.

Deposits

Custodial credit risk of 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. Deposits include nonnegotiable certificates of deposit. The WV Bank Pool contains nonnegotiable certificates of deposit valued at \$52,500,000. The Reserve Pool

contains funds totaling approximately \$19,034,000 in a bank depository account. The BTI does not have a deposit policy for custodial credit risk.

5. Capital Assets

Capital asset activity in the proprietary fund was as follows (in thousands):

	June 30, 2011	Increases	Decreases	June 30, 2012
Equipment, at cost	\$ 38	\$ 3	\$ (6)	\$ 35
Accumulated depreciation	(32)	(2)	6	(28)
Equipment, net of accumulated depreciation	\$ 6	\$ 1	\$ -	\$ 7

6. Related Party Transactions

Intergovernmental Investments

The BTI is required by law to enter into certain investment transactions with other state entities. At June 30, 2012, the BTI's intergovernmental investments, which are assets of the Loan Pool, included the following:

- a. 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 WV Money Market Pool. The rate for the year ending June 30, 2012, was 1.17%. The rate has a 1% annual adjustment cap. The WVEDA makes monthly principal and interest payments calculated on a 120-month amortization of the outstanding balance. At June 30, 2012, the outstanding balance was \$100,425,076.
- b. 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 up to \$25,000,000 from the BTI through June 29, 2012. As of March 2010, the WVEDA had borrowed the maximum amount. 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, 2012, \$24,862,000 of principal was outstanding.

Because of the uncertain collectability of this loan, the BTI has elected to recognize income when the cash is received. Additionally, a valuation reserve of \$18,615,620 has been accrued at June 30, 2012.

The following table 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 2008 interest deferred	\$ 290,672
Fiscal Year 2009 interest deferred	657,953
Fiscal Year 2010 interest deferred	702,859
Fiscal Year 2011 interest deferred	747,600
Fiscal Year 2012 interest deferred	<u>747,110</u>
Total interest deferred	<u>\$ 3,146,194</u>

Interpool Investments

Reserve Pool assets totaling \$17,127,000 have been redeemed from the Reserve Pool and invested in the WV Short Term Bond Pool. These assets and the Reserve Pool assets of \$19,041,000 provide \$36,168,000 to support unit net asset values in the WV Money Market Pool and the WV Government Money Market Pool.

Transactions with State Treasurer’s Office

The State Treasurer’s Office provides various services to the BTI, some of which are reimbursed by the BTI, and others of which the Treasurer provides at no cost to the BTI. During the year ended June 30, 2012, the BTI reimbursed the Treasurer’s Office \$615,000 for services, which includes \$596,000 for management services provided by Treasurer’s Office employees. As of June 30, 2012, the BTI had a payable to the Treasurer’s Office totaling \$56,000, of which \$52,000 was for management services provided by Treasurer’s Office employees. Also during the year, the Treasurer’s Office provided services valued at approximately \$19,000 at no cost to the BTI.

7. 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; 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 BTI 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.

8. Effect of New Accounting Pronouncements

The GASB has issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The Statement also amends net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. BTI Management has not determined the effect, if any, this statement will have on its financial statements.

The GASB has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses or expenditures) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. BTI Management has not determined the effect, if any, this statement will have on its financial statements.

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

June 30, 2012

(In Thousands)

	WV Money Market Pool	WV Government Money Market Pool	WV Short Term Bond Pool	WV Bank Pool	Loss Amortization Pool *
Assets					
Investments:					
At amortized cost	\$ 2,786,968	\$ 299,629	\$ -	\$ 52,507	\$ -
At fair value	-	-	503,617	-	-
Receivables:					
Accrued interest	1,325	452	1,212	84	-
Dividends	31	-	3	-	-
Total receivables	<u>1,356</u>	<u>452</u>	<u>1,215</u>	<u>84</u>	<u>-</u>
Total assets	<u>2,788,324</u>	<u>300,081</u>	<u>504,832</u>	<u>52,591</u>	<u>-</u>
Liabilities					
Accrued expenses	280	34	125	1	-
Dividends payable	-	-	415	-	-
Total liabilities	<u>280</u>	<u>34</u>	<u>540</u>	<u>1</u>	<u>-</u>
Net Assets					
Held in trust for investment pool participants	2,788,044	300,047	504,292	52,590	-
Held in trust for individual investment account holders	-	-	-	-	-
Total net assets	<u>\$ 2,788,044</u>	<u>\$ 300,047</u>	<u>\$ 504,292</u>	<u>\$ 52,590</u>	<u>\$ -</u>

* The Loss Amortization Pool was closed in August 2011

See accompanying notes to financial statements.

Loan Pool	Reserve Pool	Municipal Bond Commission Account	School Fund Account	Economic Development Authority - American Woodmark Account	Total
\$ 106,731	\$ 19,034	\$ 145,105	\$ -	\$ -	\$3,409,974
-	-	-	1,555	2,099	507,271
96	-	45	-	35	3,249
-	7	-	-	-	41
<u>96</u>	<u>7</u>	<u>45</u>	<u>-</u>	<u>35</u>	<u>3,290</u>
<u>106,827</u>	<u>19,041</u>	<u>145,150</u>	<u>1,555</u>	<u>2,134</u>	<u>3,920,535</u>
2	-	-	-	1	443
-	-	-	-	-	415
<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>858</u>
106,825	19,041	-	-	-	3,770,839
-	-	145,150	1,555	2,133	148,838
<u>\$ 106,825</u>	<u>\$ 19,041</u>	<u>\$ 145,150</u>	<u>\$ 1,555</u>	<u>\$ 2,133</u>	<u>\$3,919,677</u>

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

For the Year Ended June 30, 2012

(In Thousands)

	WV Money Market Pool	WV Government Money Market Pool	WV Short Term Bond Pool	WV Bank Pool	Loss Amortization Pool *
Additions					
Investment income:					
Interest	\$ 6,708	\$ 1,306	\$ 6,642	\$ 154	\$ -
Dividends	346	-	39	-	-
Net (amortization) accretion	(1,944)	(928)	(1,895)	-	937
Provision for uncollectible loans	-	-	-	-	-
Total investment income	5,110	378	4,786	154	937
Investment expenses:					
Investment advisor fees	871	107	442	-	-
Custodian bank fees	101	18	22	-	-
Administrative fees	764	77	117	12	-
Total investment expenses	1,736	202	581	12	-
Net investment income	3,374	176	4,205	142	937
Net realized gain (loss) from investments	2	1	(15)	-	-
Net (decrease) increase in fair value of investments	-	-	(1,298)	-	(924)
Net increase in net assets from operations	3,376	177	2,892	142	13
Participant transaction additions:					
Purchase of pool units by participants	10,099,676	825,475	67,414	-	-
Reinvestment of pool distributions	3,376	177	5,935	142	-
Contributions to individual investment accounts	-	-	-	-	-
Total participant transaction additions	10,103,052	825,652	73,349	142	-
Total additions	10,106,428	825,829	76,241	284	13
Deductions					
Distributions to pool participants:					
Net investment income	3,374	176	4,205	142	-
Net realized gain (loss) from investments	2	1	(117)	-	-
Total distributions to pool participants	3,376	177	4,088	142	-
Participant transaction deductions:					
Redemption of pool units by participants	10,342,505	788,503	44,048	-	188,557
Withdrawals from individual investment accounts	-	-	-	-	-
Total participant transaction deductions	10,342,505	788,503	44,048	-	188,557
Total deductions	10,345,881	788,680	48,136	142	188,557
Net (decrease) increase in net assets from operations	(239,453)	37,149	28,105	142	(188,544)
Inter-pool transfers in	100,119	-	-	92,500	-
Inter-pool transfers out	(92,500)	-	-	(100,119)	-
Net inter-pool transfers in (out)	7,619	-	-	(7,619)	-
Change in net assets	(231,834)	37,149	28,105	(7,477)	(188,544)
Net assets at beginning of period	3,019,878	262,898	476,187	60,067	188,544
Net assets at end of period	\$ 2,788,044	\$ 300,047	\$ 504,292	\$ 52,590	\$ -

* The Loss Amortization Pool was closed in August 2011

See accompanying notes to financial statements.

<u>Loan Pool</u>	<u>Reserve Pool</u>	<u>Municipal Bond Commission Account</u>	<u>School Fund Account</u>	<u>Economic Development Authority - American Woodmark Account</u>	<u>Total</u>
\$ 1,863	\$ -	\$ 330	\$ -	\$ 91	\$ 17,094
-	76	-	-	-	461
-	-	(145)	-	(11)	(3,986)
(945)	-	-	-	-	(945)
<u>918</u>	<u>76</u>	<u>185</u>	<u>-</u>	<u>80</u>	<u>12,624</u>
-	-	-	-	-	1,420
-	-	-	-	-	141
29	-	4	-	1	1,004
<u>29</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>1</u>	<u>2,565</u>
889	76	181	-	79	10,059
-	-	-	-	-	(12)
-	-	-	-	276	(1,946)
<u>889</u>	<u>76</u>	<u>181</u>	<u>-</u>	<u>355</u>	<u>8,101</u>
1,539	1	-	-	-	10,994,105
1,212	76	-	-	-	10,918
-	-	155,747	565	-	156,312
<u>2,751</u>	<u>77</u>	<u>155,747</u>	<u>565</u>	<u>-</u>	<u>11,161,335</u>
3,640	153	155,928	565	355	11,169,436
889	76	-	-	-	8,862
-	-	-	-	-	(114)
<u>889</u>	<u>76</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,748</u>
28,107	215	-	-	-	11,391,935
-	-	20,775	395	89	21,259
<u>28,107</u>	<u>215</u>	<u>20,775</u>	<u>395</u>	<u>89</u>	<u>11,413,194</u>
<u>28,996</u>	<u>291</u>	<u>20,775</u>	<u>395</u>	<u>89</u>	<u>11,421,942</u>
(25,356)	(138)	135,153	170	266	(252,506)
-	-	-	-	-	192,619
-	-	-	-	-	(192,619)
-	-	-	-	-	-
(25,356)	(138)	135,153	170	266	(252,506)
<u>132,181</u>	<u>19,179</u>	<u>9,997</u>	<u>1,385</u>	<u>1,867</u>	<u>4,172,183</u>
<u>\$ 106,825</u>	<u>\$ 19,041</u>	<u>\$ 145,150</u>	<u>\$ 1,555</u>	<u>\$ 2,133</u>	<u>\$ 3,919,677</u>

West Virginia Board of Treasury Investments
Schedule of Investments in Securities
June 30, 2012
(In thousands)

WEST VIRGINIA MONEY MARKET POOL

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
United States Treasury Note		0.625 %	0.086 %	06/30/2012	25,000	\$ 25,000	\$ 25,000
United States Treasury Note		1.500	0.111	07/15/2012	20,000	20,010	20,009
United States Treasury Note		0.625	0.105	07/31/2012	25,000	25,010	25,010
United States Treasury Note		0.375	0.145	08/31/2012	26,000	26,010	26,011
United States Treasury Note		1.375	0.110	09/15/2012	20,000	20,052	20,051
United States Treasury Note		0.375	0.143	09/30/2012	25,000	25,014	25,015
United States Treasury Note		1.375	0.150	10/15/2012	20,000	20,070	20,070
United States Treasury Note		0.375	0.171	10/31/2012	20,000	20,013	20,015
United States Treasury Note		3.875	0.166	10/31/2012	7,000	7,085	7,086
United States Treasury Note		1.375	0.173	11/15/2012	15,000	15,067	15,067
United States Treasury Note		0.500	0.192	11/30/2012	20,000	20,025	20,027
United States Treasury Note		1.125	0.173	12/15/2012	25,000	25,108	25,107
United States Treasury Note		0.625	0.160	12/31/2012	20,000	20,046	20,044
United States Treasury Note		1.375	0.183	02/15/2013	25,000	25,185	25,184
United States Treasury Note		0.625	0.192	02/28/2013	25,000	25,072	25,072
United States Treasury Note		1.375	0.208	03/15/2013	12,000	12,098	12,099
Total U. S. Treasury Issues	11.9%					330,865	330,867
<i>U. S. Government Agency Bonds</i>							
Federal Home Loan Bank		0.260 %	0.264 %	07/16/2012	14,000	14,000	14,001
Federal Home Loan Bank		0.175	<i>F</i> 0.175	07/19/2012	15,000	15,000	15,000
Federal Farm Credit Bank		0.300	<i>F</i> 0.280	07/23/2012	4,000	4,000	4,000
Federal Home Loan Bank		0.130	0.168	08/08/2012	4,000	4,000	4,000
Federal National Mortgage Assn		1.750	0.144	08/10/2012	25,000	25,042	25,042
Federal Home Loan Mort Corp		1.000	0.143	08/28/2012	7,000	7,009	7,009
Federal Home Loan Mort Corp		2.125	0.163	09/21/2012	11,000	11,047	11,048
Federal National Mortgage Assn		0.625	0.148	09/24/2012	10,000	10,011	10,012
Federal Home Loan Bank		0.140	0.148	09/25/2012	18,000	18,000	18,000
Federal Home Loan Bank		0.195	<i>F</i> 0.215	10/26/2012	10,000	9,999	10,002
Federal Home Loan Bank		0.160	0.174	11/13/2012	8,000	8,000	8,000
Federal National Mortgage Assn		4.750	0.179	11/19/2012	9,000	9,157	9,157
Federal Farm Credit Bank		0.150	0.194	02/06/2013	4,925	4,924	4,921
Federal Home Loan Bank		0.310	<i>F</i> 0.330	03/01/2013	4,000	3,999	4,004
Federal Home Loan Bank		0.280	<i>F</i> 0.280	03/26/2013	15,000	15,000	15,015
Federal Home Loan Bank		0.230	0.248	04/05/2013	6,000	5,999	5,999
Federal Home Loan Bank		0.230	0.233	04/26/2013	7,000	7,000	6,998
Federal Home Loan Mort Corp		0.189	<i>F</i> 0.168	05/03/2013	12,500	12,502	12,503
Federal Farm Credit Bank		0.209	<i>F</i> 0.184	08/01/2013	5,000	5,002	5,002
Total U. S. Government Agency Bonds	6.8%					189,691	189,713

(Continued on Next Page)

West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)
June 30, 2012
(In thousands)

WEST VIRGINIA MONEY MARKET POOL (Continued)								
<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>	
<i>Corporate Bonds</i>								
Svenska Handelsbanken AB		0.508 %	F	0.506 %	09/07/2012	13,000	13,000	12,998
JP Morgan Chase Bank		0.498	F	0.507	10/09/2012	8,000	8,000	8,000
Total Corporate Bonds	0.7%						21,000	20,998
<i>Short Term Issues</i>								
Deutsche Bank Securities Inc		0.150 %		0.150 %	07/02/2012	34,800	34,800	34,800
Merrill Lynch PFS Inc		0.140		0.140	07/02/2012	55,404	55,404	55,404
Federal Home Loan Mort Corp		0.000		0.081	07/02/2012	7,000	7,000	7,000
Federal National Mortgage Assn		0.000		0.152	07/02/2012	9,000	9,000	9,000
Variable Funding Capital		0.000		0.172	07/02/2012	15,000	15,000	15,000
Credit Suisse First Boston NY		0.300		0.200	07/05/2012	20,000	20,000	20,000
Federal Home Loan Bank		0.000		0.101	07/05/2012	28,000	28,000	28,000
Federal National Mortgage Assn		0.000		0.071	07/05/2012	28,000	28,000	28,000
Market Street Funding LLC		0.000		0.172	07/05/2012	10,166	10,166	10,166
Mizuho Corporate Bank		0.180		0.180	07/05/2012	20,000	20,000	20,000
Norinchukin Bank, NY		0.170		0.170	07/05/2012	30,000	30,000	30,000
Jupiter Securitization Co LLC		0.000		0.172	07/06/2012	11,400	11,400	11,400
Bryant Park Funding LLC		0.000		0.193	07/09/2012	20,000	19,999	19,999
Massachusetts Mutal Life Insurance		0.000		0.172	07/09/2012	10,000	10,000	10,000
Mizuho Corporate Bank		0.180		0.180	07/09/2012	10,000	10,000	10,000
Bank of Toykyo Mitsubishi UFJ		0.000		0.172	07/10/2012	44,000	43,998	43,998
Credit Suisse First Boston		0.000		0.294	07/10/2012	10,000	9,999	9,999
Jupiter Securitization Co LLC		0.000		0.203	07/10/2012	10,000	10,000	10,000
Federal Home Loan Bank		0.000		0.106	07/11/2012	81,310	81,308	81,308
Market Street Funding LLC		0.000		0.233	07/11/2012	15,000	14,999	14,999
Oversea-Chinese Banking Corp		0.000		0.254	07/11/2012	10,000	9,999	9,999
Salisbury Receivables Co LLC		0.000		0.203	07/11/2012	15,000	14,999	14,999
Sheffield Receivables		0.000		0.223	07/11/2012	15,000	14,999	14,999
Sheffield Receivables		0.000		0.223	07/12/2012	15,000	14,999	14,999
United States Treasury Bill		0.000		0.063	07/12/2012	35,000	34,999	34,999
Victory Receivables Corp		0.000		0.193	07/12/2012	15,000	14,999	14,999
Bank of Nova Scotia		0.000		0.137	07/13/2012	45,000	44,998	44,998
Federal Home Loan Bank		0.000		0.101	07/13/2012	45,000	44,999	44,999
Regency Markets No 1 LLC		0.000		0.223	07/13/2012	20,000	19,999	19,999
Chariot Funding LLC		0.000		0.183	07/16/2012	25,000	24,998	24,998
Gotham Funding Corp		0.000		0.213	07/16/2012	14,000	13,999	13,999
Variable Funding Capital		0.000		0.193	07/16/2012	10,000	9,999	9,999
Federal Home Loan Mort Corp		0.000		0.122	07/17/2012	10,000	9,999	9,999
Nestle Finance Intl. LTD		0.000		0.193	07/17/2012	15,000	14,999	14,999
Victory Receivables Corp		0.000		0.213	07/17/2012	15,000	14,999	14,999
Federal Home Loan Bank		0.000		0.117	07/18/2012	27,000	26,999	26,999
Oversea-Chinese Banking Corp		0.000		0.264	07/18/2012	13,000	12,998	12,998
Sumitomo Mitsui Banking Corp		0.350		0.350	07/19/2012	30,000	30,000	30,000
Toronto Dominion Holdings USA		0.000		0.172	07/19/2012	20,000	19,998	19,998
United States Treasury Bill		0.000		0.060	07/19/2012	55,000	54,998	54,998
Bryant Park Funding LLC		0.000		0.193	07/20/2012	15,000	14,999	14,999
Federal Home Loan Bank		0.000		0.085	07/20/2012	45,000	44,998	44,998
Regency Markets No 1 LLC		0.000		0.223	07/20/2012	10,000	9,999	9,999

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West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)
June 30, 2012
(In thousands)

WEST VIRGINIA MONEY MARKET POOL (Continued)							
<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
Jupiter Securitization Co LLC	0.000	0.193	0.193	07/23/2012	13,000	12,999	12,999
Federal Home Loan Bank	0.000	0.117	0.117	07/25/2012	23,000	22,998	22,998
Gotham Funding Corp	0.000	0.223	0.223	07/25/2012	10,000	9,999	9,999
United States Treasury Bill	0.000	0.081	0.081	07/26/2012	50,000	49,997	49,997
Federal Home Loan Bank	0.000	0.122	0.122	07/27/2012	23,000	22,998	22,998
Federal Home Loan Bank	0.000	0.115	0.115	08/01/2012	45,000	44,996	44,996
Salisbury Receivables Co LLC	0.000	0.233	0.233	08/01/2012	15,000	14,997	14,997
Commonwealth Bank of Australia	0.000	0.178	0.178	08/02/2012	15,000	14,998	14,998
United States Treasury Bill	0.000	0.081	0.081	08/02/2012	10,000	9,999	9,999
Atlantis One Funding	0.000	0.264	0.264	08/06/2012	27,000	26,993	26,993
Fairway Finance Corp	0.000	0.193	0.193	08/06/2012	28,240	28,235	28,235
Federal Home Loan Mort Corp	0.000	0.122	0.122	08/06/2012	22,000	21,997	21,997
Thunder Bay Funding Inc	0.000	0.223	0.223	08/06/2012	15,000	14,997	14,997
National Australia Funding	0.000	0.203	0.203	08/07/2012	20,000	19,996	19,996
Federal Home Loan Bank	0.000	0.117	0.117	08/08/2012	15,000	14,998	14,998
Federal Home Loan Mort Corp	0.000	0.127	0.127	08/08/2012	25,000	24,997	24,997
Oversea-Chinese Banking Corp	0.000	0.213	0.213	08/08/2012	12,000	11,997	11,997
United States Treasury Bill	0.000	0.094	0.094	08/09/2012	40,000	39,996	39,996
Federal Home Loan Mort Corp	0.000	0.071	0.071	08/10/2012	14,000	13,999	13,999
Liberty Street Funding LLC	0.000	0.203	0.203	08/10/2012	15,000	14,997	14,997
UOB Funding LLC	0.000	0.203	0.203	08/10/2012	10,000	9,998	9,998
Federal Home Loan Bank	0.000	0.118	0.118	08/17/2012	30,000	29,996	29,996
Toyota Motor Credit Corp	0.000	0.203	0.203	08/17/2012	10,000	9,997	9,997
JP Morgan Chase & Co	0.000	0.203	0.203	08/20/2012	15,000	14,996	14,996
Liberty Street Funding LLC	0.000	0.193	0.193	08/20/2012	20,000	19,995	19,995
Caisse Centrale DesJardn	0.000	0.193	0.193	08/21/2012	15,000	14,996	14,996
Federal Home Loan Mort Corp	0.000	0.106	0.106	08/21/2012	20,000	19,997	19,997
Federal Home Loan Mort Corp	0.000	0.102	0.102	08/27/2012	43,000	42,993	42,997
DBS Bank LTD	0.000	0.244	0.244	08/28/2012	20,000	19,992	19,990
Federal Home Loan Bank	0.000	0.107	0.107	08/29/2012	30,000	29,995	29,998
United States Treasury Bill	0.000	0.139	0.139	08/30/2012	25,000	24,994	24,998
Federal Home Loan Bank	0.000	0.101	0.101	08/31/2012	29,000	28,995	28,998
Federal Home Loan Mort Corp	0.000	0.096	0.096	09/04/2012	13,000	12,998	12,998
PNC Bank NA	0.000	0.233	0.233	09/04/2012	20,000	19,992	19,993
Thunder Bay Funding Inc	0.000	0.203	0.203	09/04/2012	15,000	14,995	14,993
Commonwealth Bank of Australia	0.000	0.243	0.243	09/06/2012	10,000	9,996	9,996
United States Treasury Bill	0.000	0.077	0.077	09/06/2012	13,000	12,998	12,998
Coca-Cola Company	0.000	0.193	0.193	09/07/2012	26,850	26,841	26,841
Federal Home Loan Bank	0.000	0.127	0.127	09/07/2012	15,000	14,997	14,998
Rabobank USA Fin Corp	0.000	0.590	0.590	09/07/2012	15,000	14,984	14,984
State Street Bank & Trust	0.000	0.223	0.223	09/07/2012	15,000	14,994	14,995
Commonwealth Bank of Australia	0.000	0.243	0.243	09/10/2012	10,000	9,995	9,996
Coca-Cola Company	0.000	0.203	0.203	09/13/2012	10,000	9,996	9,997
Toronto Dominion Holdings USA	0.000	0.223	0.223	09/17/2012	10,000	9,995	9,996
Toyota Motor Credit Corp	0.000	0.406	0.406	09/24/2012	14,000	13,987	13,987
Federal Home Loan Mort Corp	0.000	0.101	0.101	09/26/2012	15,000	14,997	14,997
Federal National Mortgage Assn	0.000	0.132	0.132	10/01/2012	30,000	29,990	29,990

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F – Floating rate note security.

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** Rate represents last business day of the month.

See accompanying notes to financial statements.

West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)
June 30, 2012
(In thousands)

WEST VIRGINIA MONEY MARKET POOL (Continued)							
<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
General Electric Capital Corp		0.000	0.294	10/09/2012	15,000	14,988	14,991
General Electric Capital Corp		0.000	0.355	10/15/2012	15,000	14,985	14,989
Westpac Trust Securities NZ		0.393	<i>F</i> 0.393	10/16/2012	15,000	15,000	15,000
Federal Home Loan Bank		0.000	0.183	10/17/2012	7,500	7,496	7,498
Federal Home Loan Bank		0.000	0.162	10/31/2012	30,000	29,984	29,991
United States Treasury Bill		0.000	0.152	11/15/2012	10,000	9,995	9,996
Federal Home Loan Bank		0.000	0.162	11/16/2012	15,000	14,991	14,994
Federal National Mortgage Assn		0.000	0.152	11/21/2012	14,000	13,992	13,994
UBS Select Prime Preferred Fund		0.170	**		200,000	200,000	200,000
Dreyfus Cash Management Institutional Fund		0.080	**		54	54	54
Total Short Term Issues	<u>80.6%</u>					<u>2,245,412</u>	<u>2,245,450</u>
Total Money Market Pool	<u>100.0%</u>					<u>\$ 2,786,968</u>	<u>\$ 2,787,028</u>

WEST VIRGINIA GOVERNMENT MONEY MARKET POOL							
<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
United States Treasury Note		0.625 %	0.086 %	06/30/2012	5,000	\$ 5,000	\$ 5,000
United States Treasury Note		0.625	0.105	07/31/2012	5,000	5,002	5,002
United States Treasury Note		4.625	0.153	07/31/2012	5,000	5,018	5,018
United States Treasury Note		1.750	0.142	08/15/2012	5,000	5,010	5,010
United States Treasury Note		4.375	0.130	08/15/2012	5,000	5,026	5,026
United States Treasury Note		0.375	0.162	08/31/2012	5,000	5,002	5,002
United States Treasury Note		1.375	0.110	09/15/2012	5,000	5,013	5,013
United States Treasury Note		0.375	0.145	09/30/2012	10,000	10,006	10,006
United States Treasury Note		1.375	0.151	10/15/2012	13,000	13,046	13,046
United States Treasury Note		0.375	0.149	10/31/2012	10,000	10,007	10,007
United States Treasury Note		1.375	0.168	11/15/2012	10,000	10,045	10,045
United States Treasury Note		0.500	0.192	11/30/2012	5,000	5,006	5,007
United States Treasury Note		1.125	0.178	12/15/2012	5,000	5,021	5,021
United States Treasury Note		1.375	0.214	01/15/2013	5,000	5,031	5,032
United States Treasury Note		2.875	0.196	01/31/2013	5,000	5,077	5,078
United States Treasury Note		0.625	0.187	02/28/2013	5,000	5,014	5,014
Total U. S. Treasury Issues	34.5%					103,324	103,327
<i>U. S. Government Agency Bonds</i>							
Federal National Mortgage Assn		0.235 %	<i>F</i> 0.094 %	07/26/2012	5,000	5,000	5,001
Federal Home Loan Bank		0.280	<i>F</i> 0.280	03/26/2013	3,000	3,000	3,003
Federal Home Loan Mort Corp		0.189	<i>F</i> 0.168	05/03/2013	5,000	5,001	5,001
Federal Home Loan Mort Corp		0.189	<i>F</i> 0.178	06/03/2013	5,000	5,001	5,001
Federal Farm Credit Bank		0.209	<i>F</i> 0.184	08/01/2013	5,000	5,002	5,002
Total U. S. Government Agency Bonds	7.7%					23,004	23,008

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F – Floating rate note security.

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*** Rate represents last business day of the month.*

See accompanying notes to financial statements.

West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)
June 30, 2012
(In thousands)

WEST VIRGINIA GOVERNMENT MONEY MARKET POOL (Continued)

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Short Term Issues</i>							
Deutsche Bank Securities Inc		0.150 %	0.150 %	07/02/2012	46,900	46,900	46,900
Goldman, Sachs & Co		0.140	0.140	07/02/2012	45,000	45,000	45,000
Federal Home Loan Bank		0.000	0.112	07/05/2012	7,100	7,100	7,100
Federal National Mortgage Assn		0.000	0.122	07/11/2012	5,000	5,000	5,000
Federal National Mortgage Assn		0.000	0.122	07/16/2012	3,200	3,200	3,200
Federal National Mortgage Assn		0.000	0.122	07/18/2012	3,300	3,300	3,300
Federal Home Loan Bank		0.000	0.112	07/27/2012	10,000	9,999	9,999
Federal National Mortgage Assn		0.000	0.132	08/01/2012	5,000	4,999	4,999
Federal Home Loan Bank		0.000	0.234	08/03/2012	2,500	2,499	2,499
Federal Home Loan Mort Corp		0.000	0.127	08/08/2012	5,000	4,999	4,999
Federal Home Loan Mort Corp		0.000	0.132	08/20/2012	3,000	2,999	2,999
United States Treasury Bill		0.000	0.139	08/30/2012	5,000	4,999	5,000
Federal Home Loan Bank		0.000	0.112	09/05/2012	5,000	4,999	4,999
Federal Home Loan Bank		0.000	0.132	09/12/2012	5,000	4,999	4,999
Federal National Mortgage Assn		0.000	0.132	09/20/2012	5,000	4,999	4,999
Federal Home Loan Bank		0.000	0.127	09/21/2012	5,000	4,999	4,998
Federal National Mortgage Assn		0.000	0.142	10/02/2012	6,000	5,998	5,999
Federal Home Loan Mort Corp		0.000	0.132	10/03/2012	2,311	2,310	2,310
Federal Home Loan Bank		0.000	0.167	11/02/2012	4,000	3,998	3,998
Dreyfus Cash Management Treasury Institutional Fund		0.010 **			5	5	5
Total Short Term Issues	<u>57.8%</u>					<u>173,301</u>	<u>173,302</u>
Total Government Money Market Pool	<u>100.0%</u>					<u>\$ 299,629</u>	<u>\$ 299,637</u>

WEST VIRGINIA SHORT TERM BOND POOL

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
United States Treasury Inflation Index Note		0.625 %	0.400 %	04/15/2013	21,769	\$ 22,013	\$ 21,805
United States Treasury Inflation Index Note		1.250	0.400	04/15/2014	21,742	<u>22,635</u>	<u>22,446</u>
Total U. S. Treasury Issues	8.8%					44,648	44,251
<i>U. S. Government Agency Bonds</i>							
Federal Farm Credit Bank		0.260 % F	0.260 %	09/07/2012	10,000	10,000	10,002
Federal National Mortgage Assn		0.290 F	0.320	12/03/2012	10,000	9,999	10,007
Federal National Mortgage Assn		0.231 F	0.261	08/12/2013	25,000	<u>24,992</u>	<u>25,015</u>
Total U. S. Government Agency Bonds	8.9%					44,991	45,024

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F – Floating rate note security.

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See accompanying notes to financial statements.

West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)
June 30, 2012
(In thousands)

WEST VIRGINIA SHORT TERM BOND POOL (Continued)

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
Federal Home Loan Mort Corp	0.492 %	F	0.585 %	03/15/2021	631	628	630
Federal Home Loan Mort Corp	0.492	F	0.583	06/15/2021	1,132	1,127	1,131
Federal Home Loan Mort Corp	0.542	F	0.876	06/15/2023	1,031	1,028	1,031
Federal National Mortgage Assn	1.100	F	0.888	01/25/2024	2,076	2,101	2,111
Federal Home Loan Mort Corp	0.742	F	0.739	04/15/2027	567	567	571
Federal Home Loan Mort Corp	0.742	F	0.739	04/15/2028	622	622	626
Federal Home Loan Mort Corp	0.442	F	0.508	10/15/2028	974	970	971
Federal Home Loan Mort Corp	0.592	F	0.634	04/15/2029	892	889	893
Federal Home Loan Mort Corp	0.442	F	0.494	05/15/2030	1,918	1,909	1,912
Federal Home Loan Mort Corp	0.842	F	0.829	08/15/2030	242	242	244
Federal Home Loan Mort Corp	0.492	F	0.547	09/15/2030	628	626	628
Federal Home Loan Mort Corp	0.742	F	0.791	09/15/2030	154	153	155
Federal Home Loan Mort Corp	0.592	F	0.652	09/15/2030	5,476	5,447	5,476
Federal Home Loan Mort Corp	0.542	F	0.593	04/15/2031	1,033	1,029	1,032
Federal Home Loan Mort Corp	0.642	F	0.639	06/15/2031	372	372	373
Federal Home Loan Mort Corp	0.642	F	0.643	07/15/2031	177	177	177
Federal Home Loan Mort Corp	0.642	F	0.639	09/15/2031	1,480	1,481	1,485
Federal National Mortgage Assn	0.645	F	0.642	09/25/2031	2,236	2,237	2,237
Federal National Mortgage Assn	0.545	F	0.555	09/25/2031	1,078	1,077	1,079
Federal Home Loan Mort Corp	0.692	F	0.690	11/15/2031	1,181	1,182	1,187
Federal Home Loan Mort Corp	0.542	F	0.579	11/15/2031	2,499	2,490	2,500
Federal Home Loan Mort Corp	0.692	F	0.690	12/15/2031	395	395	397
Federal Home Loan Mort Corp	0.692	F	0.690	12/15/2031	522	522	525
Federal Home Loan Mort Corp	0.792	F	0.790	02/15/2032	605	605	610
Federal Home Loan Mort Corp	0.693	F	0.691	02/17/2032	941	941	945
Federal National Mortgage Assn	0.595	F	0.600	02/25/2032	1,988	1,988	1,992
Federal Home Loan Mort Corp	0.692	F	0.690	03/15/2032	433	433	434
Federal Home Loan Mort Corp	0.742	F	0.740	03/15/2032	456	456	459
Federal Home Loan Mort Corp	0.742	F	0.740	03/15/2032	1,306	1,306	1,315
Federal Home Loan Mort Corp	0.742	F	0.740	04/15/2032	597	597	601
Federal Home Loan Mort Corp	0.742	F	0.740	07/15/2032	993	993	999
Federal National Mortgage Assn	0.593	F	0.596	08/17/2032	1,300	1,299	1,303
Federal Home Loan Mort Corp	0.642	F	0.640	10/15/2032	811	812	815
Federal National Mortgage Assn	0.593	F	0.596	10/18/2032	882	881	883
Federal Home Lone Mort Corp	0.692	F	0.690	11/15/2032	433	433	435
Federal Home Loan Mort Corp	0.642	F	0.640	01/15/2033	843	843	845
Federal Home Loan Mort Corp	0.642	F	0.640	01/15/2033	2,302	2,302	2,309
Federal Home Loan Mort Corp	0.642	F	0.640	02/15/2033	1,582	1,583	1,585
Federal Home Loan Mort Corp	0.542	F	0.583	02/15/2033	4,533	4,515	4,532
Federal National Mortgage Assn	0.645	F	0.640	03/25/2033	836	837	837
Federal Home Loan Mort Corp	0.552	F	0.605	04/15/2033	1,735	1,727	1,735
Federal National Mortgage Assn	0.645	F	0.640	07/25/2033	3,033	3,035	3,035
Federal Home Loan Mort Corp	0.692	F	0.701	06/15/2034	755	754	758
Federal Home Loan Mort Corp	0.642	F	0.887	10/15/2034	1,317	1,312	1,318
Federal Home Loan Mort Corp	0.542	F	0.614	09/15/2035	2,641	2,628	2,640
Federal National Mortgage Assn	0.495	F	0.818	03/25/2036	3,126	3,120	3,118

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F – Floating rate note security.

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See accompanying notes to financial statements.

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Schedule of Investments in Securities (Continued)
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(In thousands)

WEST VIRGINIA SHORT TERM BOND POOL (Continued)								
<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>	
Government National Mort Assn		0.639	F	0.688	12/20/2060	4,762	4,715	4,722
Government National Mort Assn		0.739	F	0.749	03/20/2061	6,684	6,678	6,670
Government National Mort Assn		0.839	F	0.848	10/20/2061	4,785	4,782	4,799
Total U.S. Agency Issues	15.3%						76,846	77,065
<i>Corporate Issues</i>								
<i>Corporate Bonds</i>								
Proctor & Gamble Company		1.375 %		0.421 %	08/01/2012	2,000	2,002	2,001
Bear Stearns Co Inc		2.216	F	0.937	08/10/2012	1,000	1,001	1,002
Hewlett-Packard Company		2.950		1.349	08/15/2012	3,000	3,006	3,006
Deutsche Bank London		5.375		2.441	10/12/2012	3,000	3,024	3,038
General Electric Capital Corp		5.250		0.727	10/19/2012	1,800	1,824	1,825
duPont EI de Nemours Co		5.000		2.482	01/15/2013	334	338	342
Barclays Bank PLC		2.500		2.446	01/23/2013	3,000	3,001	3,022
American Honda Finance		4.625		0.533	04/02/2013	1,500	1,546	1,546
Morgan Stanley		1.446	F	1.446	04/29/2013	2,000	2,000	1,972
International Business Machs		2.100		1.900	05/06/2013	2,000	2,003	2,027
Credit Suisse		5.000		1.939	05/15/2013	2,000	2,053	2,062
Texas Instruments Inc		0.647	F	0.623	05/15/2013	2,500	2,500	2,508
BlackRock Inc		0.767	F	0.767	05/24/2013	4,250	4,250	4,264
Wachovia Corp		5.700		0.950	08/01/2013	3,000	3,153	3,153
HSBC Bank		1.117	F	1.014	08/12/2013	1,100	1,101	1,103
Berkshire Hathaway Finance		5.000		0.560	08/15/2013	3,001	3,150	3,146
US Bancorp		1.375		0.690	09/13/2013	2,000	2,016	2,017
Caterpillar Financial Services		6.200		1.367	09/30/2013	2,656	2,814	2,839
American Honda Finance		6.700		1.666	10/01/2013	2,000	2,124	2,146
US Bancorp		1.125		0.957	10/30/2013	3,000	3,007	3,014
BP Capital Markets PLC		5.250		0.777	11/07/2013	2,000	2,120	2,119
BP Capital Markets PLC		1.092	F	1.092	12/06/2013	5,000	5,000	5,041
MassMutual Global Funding		0.627	F	0.867	12/06/2013	3,000	2,990	2,993
Caterpillar Financial Services		1.550		0.554	12/20/2013	1,000	1,015	1,014
Credit Suisse NY		2.200		1.656	01/14/2014	1,250	1,260	1,258
Credit Suisse NY		1.427	F	1.427	01/14/2014	2,000	2,000	2,002
HSBC Bank		1.266	F	1.266	01/17/2014	3,700	3,700	3,708
PNC Funding Corp		0.666	F	1.175	01/31/2014	4,000	3,968	3,981
Wyeth LLC		5.500		0.529	02/01/2014	4,000	4,313	4,305
BHP Billiton Finance USA		0.737	F	0.737	02/18/2014	1,500	1,500	1,505
Citigroup Inc		0.593	F	1.971	03/07/2014	4,000	3,908	3,879
Cisco Systems Inc		0.718	F	0.718	03/14/2014	3,700	3,700	3,719
Coca-Cola Company		0.418	F	0.418	03/14/2014	2,950	2,950	2,955
Bottling Group LLC		6.950		0.730	03/15/2014	4,750	5,249	5,249
Coca-Cola Company		3.625		0.576	03/15/2014	2,000	2,103	2,102
BHP Billiton Finance USA		5.500		1.717	04/01/2014	4,000	4,259	4,333
Caterpillar Financial Services		0.758	F	0.758	04/01/2014	1,000	1,000	1,003
Metlife Institutional Fund		1.368	F	1.368	04/04/2014	4,000	4,000	4,019
Northern Trust Corp		4.625		2.475	05/01/2014	2,000	2,077	2,140
International Business Machs		1.250		0.606	05/12/2014	2,778	2,811	2,807
Schwab Charles Corp		4.950		2.238	06/01/2014	5,000	5,252	5,362

(Continued on Next Page)

F – Floating rate note security.

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** Rate represents last business day of the month.

See accompanying notes to financial statements.

West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)
June 30, 2012
(In thousands)

WEST VIRGINIA SHORT TERM BOND POOL (Continued)							
<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
Target Corp	0.636	F	0.636	07/18/2014	2,350	2,350	2,357
Bank of New York Mellon	0.736	F	0.736	07/28/2014	4,000	4,000	4,004
Berkshire Hathaway Inc	1.167	F	1.167	08/15/2014	2,850	2,850	2,886
General Electric Capital Corp	0.728	F	1.558	09/15/2014	3,000	2,945	2,964
US Bank NA	0.747	F	1.115	10/14/2014	3,000	2,975	2,987
General Electric Capital Corp	2.150		1.275	01/09/2015	3,000	3,065	3,051
Goldman Sachs Group Inc	0.969	F	1.669	01/12/2015	3,000	2,947	2,830
Merrill Lynch & Company Inc	0.927	F	2.423	01/15/2015	3,000	2,888	2,830
JP Morgan Chase & Co	3.700		1.542	01/20/2015	1,000	1,054	1,043
Bank of New York Mellon	1.200		1.231	02/20/2015	700	699	704
BlackRock Inc	1.375		1.414	06/01/2015	2,000	1,998	2,014
American Honda Finance	2.500		1.594	09/21/2015	1,150	1,183	1,186
Wells Fargo & Company	0.666	F	1.427	10/28/2015	4,000	3,900	3,917
Bank of America	0.748	F	2.389	06/15/2016	1,000	937	883
Morgan Stanley Dean Witter	0.916	F	2.096	10/18/2016	1,500	1,426	1,307
Bear Stearns Co Inc	0.857	F	1.831	11/21/2016	4,000	3,834	3,813
National City Bank	0.818	F	2.186	12/15/2016	1,000	941	945
Total U. S. Corporate Bonds	30.0%					151,080	151,248
Corporate Asset Backed Issues							
GE Equipment Small Ticket LLC	0.880 %	F	0.888	08/21/2013	787	786	787
Smart Trust	0.991	F	0.993	11/14/2013	2,652	2,652	2,656
Nissan Auto Lease Trust	0.422	F	0.422	01/15/2014	1,803	1,803	1,805
BMW Floorplan Master Owner Trust	1.392	F	0.757	09/15/2014	10,000	10,072	10,023
Chase Issuance Trust	0.312	F	0.442	12/15/2014	7,254	7,242	7,256
Ford Credit Floorplan Master	1.892	F	1.028	12/15/2014	10,000	10,109	10,070
Ally Master Owner Trust	1.992	F	2.000	01/15/2015	5,000	5,000	5,040
Nissan Master Owner Trust Receivables	1.392	F	0.755	01/15/2015	10,000	10,083	10,057
Discover Card Master Trust	1.542	F	0.797	02/17/2015	5,000	5,052	5,008
GE Equipment Small Ticket LLC	1.370		1.383	06/22/2015	3,500	3,499	3,514
GE Equipment Midticket LLC	1.470		1.305	07/14/2015	5,000	5,013	5,035
Bank of America Credit Card Trust	0.542	F	0.514	09/15/2015	4,000	4,002	4,008
Capital One Multi Asset Trust	0.322	F	0.511	09/15/2015	5,000	4,985	4,999
Americredit Automobile Receivables	0.910		0.914	10/08/2015	800	800	802
MBNA Credit Card Master Note	0.302	F	0.538	10/15/2015	5,000	4,980	5,000
American Express Credit Acct	0.492	F	0.473	11/16/2015	5,425	5,427	5,434
Ally Master Owner Trust	1.112	F	1.114	01/15/2016	4,100	4,100	4,127
Ally Master Owner Trust	1.810		1.662	05/15/2016	5,590	5,607	5,672
Discover Card Master Trust	0.592	F	0.592	08/15/2016	3,000	3,000	3,013
Ally Master Owner Trust	1.042	F	1.044	09/15/2016	2,000	2,000	2,010
World Omni Automobile Lease	1.780		1.370	09/15/2016	5,945	5,997	6,013
Navistar Financial Dealer Note	1.395	F	1.399	10/25/2016	2,000	2,000	2,016
GE Dealer Floorplan Master Trust	0.814	F	0.815	02/20/2017	3,000	3,000	3,006
Citibank Omni Master Trust	4.900		2.477	11/15/2018	5,000	5,403	5,459
New Hampshire Higher Education	0.966	F	1.041	10/25/2021	3,937	3,923	3,900
SLM Student Loan Trust	1.242	F	1.245	10/15/2024	2,372	2,372	2,371
Equity One ABS Inc	4.140		4.253	04/25/2034	377	373	372
Opteum Mortgage Acceptance Corp	5.640		5.805	12/25/2035	319	315	310

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See accompanying notes to financial statements.

West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)
June 30, 2012
(In thousands)

WEST VIRGINIA SHORT TERM BOND POOL (Continued)

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
Citigroup Mortgage Loan Trust		5.850	5.885	05/25/2036	164	164	93
Banc of America Funding Corp		5.790	5.818	10/25/2036	38	38	26
Bank of America Alternative Loan		5.710	5.740	10/25/2036	290	290	186
Morgan Stanley Mortgage Loan Trust		5.800	5.832	10/25/2036	1,119	1,119	526
CSAB Mortgage Backed Trust		6.000	6.005	11/25/2036	109	109	60
Renaissance Home Equity Loan		5.575	5.655	11/25/2036	528	526	280
Credit Suisse Mortgage Capital		5.940	5.959	02/25/2037	260	261	151
Credit-Based Asset Servicing		5.541	F 5.678	02/25/2037	56	56	53
Countrywide Certificates		5.530	5.561	04/25/2047	1,000	999	895
CSFB Mortgage Securities		5.230	5.262	12/15/2040	478	478	491
Wells Fargo RBS		1.192	F 1.018	03/15/2044	4,000	4,000	3,786
Holmes Master Issuer PLC		1.867	F 1.718	10/15/2054	3,000	3,004	3,014
Holmes Master Issuer PLC		1.817	F 1.821	10/15/2054	3,000	3,000	3,014
Holmes Master Issuer PLC		2.117	F 2.070	10/15/2054	8,000	8,077	8,061
Fosse Master Issuer PLC		1.727	F 1.870	10/18/2054	1,500	1,500	1,501
Silverstone Master Trust		2.016	F 2.021	01/21/2055	2,500	2,500	2,519
Total Corporate Asset Backed Issues	28.7%					145,716	144,419
Total Corporate Issues	58.7%					296,796	295,667
<i>Short Term Issues</i>							
Dreyfus Cash Management Institutional Fund		0.080	**		41,610	41,610	41,610
Total Short Term Issues	8.3%					41,610	41,610
Total Short Term Bond Pool	100.00%					\$ 504,891	\$ 503,617

WEST VIRGINIA BANK POOL

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Short Term Issues</i>							
Harrison County Bank		0.500 %	0.499 %	10/11/2012	3,000	\$ 3,000	\$ 3,000
Jefferson Security Bank		0.500	0.499	10/11/2012	5,000	5,000	5,000
Jefferson Security Bank		0.200	0.200	10/11/2012	5,000	5,000	5,000
WesBanco Bank		0.500	0.499	10/11/2012	5,000	5,000	5,000
WesBanco Bank		0.200	0.200	10/11/2012	5,000	5,000	5,000
BB&T		0.170	0.170	12/13/2012	5,000	5,000	5,000
WesBanco Bank		0.170	0.170	12/13/2012	5,000	5,000	5,000
Huntington National Bank		0.400	0.400	01/10/2013	4,500	4,500	4,500
Jefferson Security Bank		0.400	0.400	01/10/2013	5,000	5,000	5,000
WesBanco Bank		0.400	0.400	01/10/2013	5,000	5,000	5,000
Jefferson Security Bank		0.300	0.300	03/14/2013	5,000	5,000	5,000
Dreyfus Cash Management Treasury Institutional Fund		0.010	**		7	7	7
Total Short Term Issues	100.0%					52,507	52,507
Total West Virginia Bank Pool	100.0%					\$ 52,507	\$ 52,507

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See accompanying notes to financial statements.

West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)
June 30, 2012
(In thousands)

STATE LOAN POOL

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Loans and Mortgages</i>							
Intergovernmental Loans							
WVEDA Revolving Loan		1.170 %		12/31/2013	100,425	\$ 100,425	\$ 100,425
WVEDA Non-Recourse Loan		3.000		06/30/2022	24,862	24,862	24,862
Total Intergovernmental Loans						125,287	125,287
Reserve for uncollectable loans					18,616	18,616	18,616
Loans and Mortgages, net of reserve for uncollectable loans	99.9%					106,671	106,671
<i>Short Term Issues</i>							
Dreyfus Cash Management Treasury Institutional Fund		0.010	**		60	60	60
Total Short Term Issues	0.1%					60	60
Total State Loan Pool	100.0%					\$ 106,731	\$ 106,731

RESERVE POOL

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Short Term Issues</i>							
Reserve Pool Depository Account		0.400 %	0.400 %		19,034	\$ 19,034	\$ 19,034
Total Short Term Issues	100.0%					19,034	19,034
Total Reserve Pool	100.0%					\$ 19,034	\$ 19,034

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West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)
June 30, 2012
(In thousands)

MUNICIPAL BOND COMMISSION

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
State & Local Government		0.080 %	0.080 %	10/01/2012	3,028	\$ 3,028	\$ 3,028
State & Local Government		2.690	2.690	10/01/2012	40	40	40
United States Treasury Strip-Interest		0.000	0.000	11/15/2012	32	32	32
State & Local Government		4.370	4.370	12/01/2012	4	4	4
State & Local Government		0.150	0.150	04/01/2013	2,949	2,949	2,949
United States Treasury Strip-Interest		0.000	0.000	05/15/2013	941	941	940
State & Local Government		4.380	4.380	06/01/2013	1,175	1,175	1,175
State & Local Government		0.190	0.190	10/01/2013	2,952	2,952	2,952
State & Local Government		0.250	0.250	04/01/2014	127,540	127,540	127,540
United States Treasury Strip-Interest		0.000	0.000	05/15/2014	963	963	957
United States Treasury Strip-Interest		0.000	0.000	05/15/2015	973	973	960
United States Treasury Bond		7.250	0.001	05/15/2016	980	1,255	1,229
United States Treasury Bond		8.750	0.001	05/15/2017	1,055	1,505	1,459
United States Treasury Bond		9.125	0.001	05/15/2018	1,138	1,748	1,674
Total U. S. Treasury Issues	<u>100.0%</u>					<u>145,105</u>	<u>144,939</u>
Total Municipal Bond Commission Pool	<u>100.0%</u>					<u>\$ 145,105</u>	<u>\$ 144,939</u>

SCHOOL FUND

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Short Term Issues</i>							
Dreyfus Cash Management Treasury Institutional Fund		0.010 **			1,555	\$ 1,555	\$ 1,555
Total Short Term Issues	<u>100.0%</u>					<u>1,555</u>	<u>1,555</u>
Total School Fund	<u>100.0%</u>					<u>\$ 1,555</u>	<u>\$ 1,555</u>

EDA - AW

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</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	\$ 1,607	\$ 2,099
Total U. S. Treasury Issues	<u>100.0%</u>					<u>1,607</u>	<u>2,099</u>
Total EDA-AW	<u>100.0%</u>					<u>\$ 1,607</u>	<u>\$ 2,099</u>

Investment Section

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Consolidated Fund Overview at June 30, 2012

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 Objectives: 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, 2012: \$ 3,919,677,000.

Description of the Consolidated Fund: The Consolidated Fund under the management of the BTI consisted of 9 investment pools and single participant accounts during the year. 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 summarized on Pages 83-87 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 94 in the Statistical Section.

Economic Environment: Fiscal year 2012 started and ended with many of the same concerns being present, the Eurozone in crisis and global economic and political issues propelling financial market returns. Each of the four quarters were driven by this “risk on / risk off” environment where asset prices fluctuated significantly. The first quarter of the fiscal year was characterized by declining equity values, a sell-off of the credit sectors in the bond market, and declining US Treasury yields which pushed these prices to near record levels. Markets rebounded in the second and third quarters of the fiscal year driven in large part by improvements in US economic data, which included declining unemployment figures, an increase in consumer spending and confidence. The market rally continued into the New Year and was highlighted by most equity market indices registering double digit returns near the end of the third

quarter. The final quarter of fiscal year 2012 ended much the same way it began some nine months earlier, with global equity markets selling off and US Treasury yields dropping to all-time lows.

Investment returns, as a result of this uncertain and ever changing economic environment, deviated greatly. The broad US equity market, as measured by the Russell 3000 Index, generated a small positive return, increasing 3.8% during fiscal year 2012. Developed international equity markets, measured by the MSCI EAFE Index (net), fell 13.8% during the fiscal year. Smaller or emerging markets, represented by the MSCI Emerging Markets Index (net), fell even further, declining 18.2% over the course of the fiscal year. The domestic bond market, as measured by the Barclays Aggregate Bond Index, returned 7.5% in fiscal year 2012 easily besting all of the major asset classes considered by institutional investors.

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

The reports on the investment activities of each pool and account are prepared by staff of the BTI with assistance from pool and account managers and the BTI's investment consultant.

The Schedule of Investments in Securities is presented in the Financial Section on Pages 44-54, and Participant Net Asset Values are presented in the Statistical Section on Page 105.

West Virginia Money Market Pool

❑ Investment Objectives and Policy Guidelines

Objectives

The West Virginia Money Market 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 the pool is managed under numerous maturity restrictions, diversification guidelines, and credit limits.

Participants include state agencies and local governments throughout the state.

Benchmarks

The performance of the West Virginia Money Market Pool (net of external investment manager fees) will be measured against the Merrill Lynch US 3-Month Treasury Bill Index + 15 basis points.

Investment Managers

The West Virginia Money Market 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. Where noted, the date of purchase shall mean the settlement date.

- Weighted average maturity of the West Virginia Money Market Pool shall not exceed 60 days.
- Weighted average final maturity of the 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 (inclusive of U.S. Treasury collateralized repurchase agreements).
- Maximum 5% of the pool may be invested in any one corporate name.
- Maximum 3% of the pool may be invested in any one issuer of U.S. dollar denominated non-U.S. issuer securities.
- Maximum 75% of the pool may be invested in notes with floating rates.
- All domestic corporate securities and U.S. dollar denominated issues of non-U.S. issuers must be rated AA- or higher (or its equivalent) if long term and A-1 or higher (or its equivalent) if short term.
- Floating rate notes shall be based on a money market index and shall not have a final maturity longer than 762 days if U.S. Government backed, or 397 days if not U.S. Government backed.

- Maximum of 50% 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 corporate 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 50% of the pool will be invested in these types of securities combined.
- The pool shall not acquire any illiquid security if, after acquisition, more than 5% of the pool would be invested in illiquid securities.
- The pool shall not acquire any other security other than daily liquid assets if the fund would have less than 10% of its total assets in daily liquid assets.
- The pool shall not acquire any other security other than weekly liquid assets if the fund would have less than 30% of its total assets in weekly liquid assets.

❑ BTI Role

The role of the BTI for the West Virginia 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 will be notified immediately for development of an action plan.

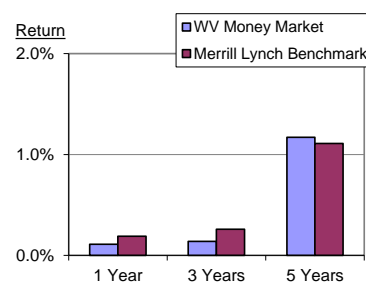
□ Asset Allocation – Permissible vs. Actual

Permissible Allocation	Maximum Percent of Pool	Actual Allocation June 30, 2012	
		Carrying Value (Thousands)	Percent of Pool
U.S. Treasury Obligations	100.0%	\$ 568,843	20.4%
U.S. Government Agency Obligations & FDIC guaranteed Obligations	85.0%	928,397	33.3%
Commercial paper and corporate debt (Combined)	75.0%	889,470	31.9%
Repurchase agreements	85.0%	90,204	3.2%
Asset-backed & mortgage-backed securities	50.0%	-	-
Certificates of deposit	75.0%	110,000	4.0%
Money market funds	30.0%	200,054	7.2%
Municipal securities	15.0%		
Depository accounts	5.0%	-	-
		\$ 2,786,968	100.0%

□ Actual Returns

Actual Annualized Returns for Periods Ended June 30, 2012

	1 Year	3 Years	5 Years
Returns by Investment Manager:			
JP Morgan	0.09%	0.12%	1.09%
UBS Global	0.17%	0.19%	1.20%
Total pool returns	0.11%	0.14%	1.17%
Benchmark:			
Merrill Lynch 3-Month T-Bill + 15 bps	0.19%	0.26%	1.11%



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 West Virginia Money Market Pool, see the Schedule of Investments in Securities in the Supplementary Information on Pages 44-47.

West Virginia Government Money Market Pool

❑ Investment Objectives and Policy Guidelines

Objectives

The West Virginia 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 maintain sufficient liquidity to meet the daily disbursement needs 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 risk factor on this pool is low and managed through maturity restrictions. The default risk is minimal due to the types of securities held.

Participants include state agencies and local governments throughout the state.

Benchmarks

The performance of the West Virginia Government Money Market Pool (net of external investment manager fees) will be measured against the Merrill Lynch US 3-Month Treasury Bill Index.

Investment Manager

The West Virginia 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 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. Where noted, the date of purchase shall mean the settlement date.

- Weighted average maturity of the pool shall not exceed 60 days.
- Weighted average final maturity of the pool shall not exceed 90 days.
- Maximum maturity of individual securities held cannot exceed 397 days from the date of purchase.
- Minimum 15% of the pool must be in U.S. Treasury Obligations (inclusive of U.S. Treasury collateralized repurchase agreements).
- The pool may not hold private placements, or inverse floaters, or be leveraged in any manner.
- Floating rate notes shall be based on a money market index and shall not have a final maturity longer than 762 days if U.S. Government backed, or 397 days if not U.S. Government backed.
- The pool shall not acquire any illiquid security if, after acquisition, more than 5% of the pool would be invested in illiquid securities.
- The pool shall not acquire any other security other than daily liquid assets if the fund would have less than 10% of its total assets in daily liquid assets.
- The pool shall not acquire any other security other than weekly liquid assets if the fund would have less than 30% of its total assets in weekly liquid assets.

□ **BTI Role**

The role of the BTI for the West Virginia 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 will be notified immediately for development of an action plan.

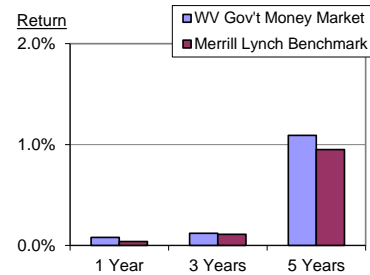
□ **Asset Allocation – Permissible vs. Actual**

Permissible Allocation		Actual Allocation June 30, 2012	
Security Type	Maximum Percent of Pool	Carrying Value <i>(Thousands)</i>	Percent of Pool
U.S. Treasury Obligations	100.0%	\$ 108,323	36.1%
U.S. Government Agency Obligations & FDIC guaranteed Obligations	85.0%	99,401	33.2%
Repurchase agreements	85.0%	91,900	30.7%
Government money market funds	40.0%	5	0.0%
Depository accounts	5.0%	-	-
		\$ 299,629	100.0%

☐ Actual Returns

Actual Annualized Returns for Periods Ended June 30, 2012

	1 Year	3 Years	5 Years
Total pool returns	0.08%	0.12%	1.09%
Benchmark:			
Merrill Lynch 3-Month T-Bill	0.04%	0.11%	0.95%



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 West Virginia Government Money Market Pool, see the Schedule of Investments in Securities in the Supplementary Information on Pages 47-48.

West Virginia Short Term Bond Pool

❑ Investment Objectives and Policy Guidelines

Objectives

The West Virginia Short Term Bond 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 West Virginia Money Market 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 West Virginia Money Market Pool.

Participants include state agencies and local governments throughout the state.

Benchmark

The performance of the West Virginia Short Term Bond Pool (net of external Investment Manager fees) will be measured against the Merrill Lynch US Corporate & Government, 1-3 Years, A Rated and Above Index + 10 basis points.

Investment Manager

The West Virginia Short Term Bond Pool is managed by Federated Investors.

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. Where noted, the date of purchase shall mean the settlement date.

- Effective duration of the West Virginia Short Term Bond Pool shall not exceed 731 days.
- Effective duration of securities cannot exceed five years (1,827 days).
- Maximum 5% of the pool may be invested in any one corporate name or one corporate issue.
- Maximum 3% of the pool may be invested in any one issuer of U.S. dollar denominated, non-U.S. dollar issuer securities.
- 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 an effective duration longer than five years.
- Effective duration of commercial paper will not exceed 397 days.
- Maximum of 50% 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 50% 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 West Virginia Short Term Bond 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.

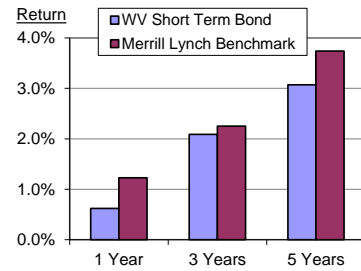
Asset Allocation – Permissible vs. Actual

Security Type	Permissible Allocation Maximum Percent of Pool	Actual Allocation June 30, 2012	
		Carrying Value (Thousands)	Percent of Pool
U.S. Treasury Obligations	100.0%	\$ 108,323	36.1%
U.S. Government Agency Obligations & FDIC guaranteed Obligations	85.0%	99,401	33.2%
Repurchase agreements	85.0%	91,900	30.7%
Government money market funds	40.0%	5	0.0%
Depository accounts	5.0%	-	-
		<u>\$ 299,629</u>	<u>100.0%</u>

☐ **Actual Returns**

Actual Annualized Returns for Periods Ended June 30, 2012

	1 Year	3 Years	5 Years
Total pool returns *	0.62%	2.09%	3.07%
Benchmark **	1.23%	2.25%	3.74%



* Federated Investors became manager October 1, 2008. Standish Mellon was manager from May 21, 2002 to September 30, 2008. JP Morgan was manager prior to May 21, 2002

** Merrill Lynch US Corporate & Government, 1-3 Years, A Rated and Above Index + 10 bps. Prior to May 1, 2009, Citigroup 1-3Year Government/Corporate + 10 bps

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 West Virginia Short Term Bond Pool, see the Schedule of Investments in Securities in the Supplementary Information on Pages 48-52.

West Virginia Bank Pool

❑ Investment Objectives and Policy Guidelines

Objectives

BidWVauCTION is an innovative and 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.

Benchmarks

The performance of the West Virginia Bank Pool will be measured against the Merrill Lynch US 3-Month Treasury Bill Index + 15 basis points.

Investment Manager

None.

Maturity Restrictions, Diversification Guidelines and Credit Limits

- To participate in the BidWVauCTION program, a financial institution must be an approved State Depository and must have a branch bank in West Virginia
- Bids will be accepted online at www.BidWVauCTION.com. Auctions for CDs will be held based on a schedule approved by the Chairman. The settlement date for the funding will occur on the first business day following the auction. The auction will begin at 10:00 a.m. and end at 10:30 a.m. prevailing Eastern Time. The BTI will make funds available as noted on the BidWVauCTION website.
- Bidders must register with BidWVauCTION by 3 p.m. prevailing Eastern Time at least two business days prior to the auction. To register, bidders should go to the BidWVauCTION web site. Upon registering, bidders will receive a BidWVauCTION password and will be responsible for protecting the confidentiality of the password. Registration is only required initially and not for each auction.
- Registered bidders must request and receive admission to an auction to submit bids. The BTI reserves the right to deny access to any bidder, at any time and for any reason whatsoever, in its sole discretion.
- The minimum bid is \$100,000.00. Bids may increase in increments of \$100,000.00 to a maximum of \$5,000,000.00 per parent institution per auction.
- The minimum rate will be equivalent to a U.S. Treasury security with a comparable term or higher rate as approved by the Chairman and will be displayed on the auction page prior to the auction. Bids below the minimum rate will not be accepted.

- Multiple bids from the same bidder are permissible. Each bidder may make up to five acceptable bids, the total of which (subject to approval limits) may not exceed \$5,000,000.00 per parent institution per auction. There is no limit to the number of times any bid may be improved/updated.
- If qualified bids submitted in the same auction by the same or different bidders result in a tie, the first bid submitted prevails. Any change to a bid constitutes a new bid.
- Winning bidders must confirm their awards before they can receive any funds per their instructions on the Confirmation Page immediately after the auction ends.
- Winning bidders will be assessed a fee equal to .025% of the principal amount awarded. Payment will be made to Grant Street Group by ACH debit two business days following the auction. Completion of the ACH Debit Authorization on the Confirmation Page represents winning bidder's authorization for Grant Street Group to debit their account. Failure to make funds available for timely payment of the Grant Street Group fee will result in exclusion from subsequent auctions for six months.
- Settlement date is the first business day after the auction occurs and will be displayed on the auction page.
- The maturity date for a given auction will be displayed on the auction page.
- Certificates of deposit in excess of insurance coverage by the Federal Deposit Insurance Corporation (FDIC) must be collateralized pursuant to West Virginia code §12-1-4 and Board of Treasury Investments Bank Account Collateral Policy.
- Interest on the certificate of deposit will be calculated on a 365 per diem basis using the actual number of days ((principal amount times the rate) divided by 365 multiplied by the actual number of days).
- Interest is payable at maturity.
- Time deposits will be book-entry in the name of the BTI.
- Transactions will be completed by wire transfer, which will include principal and interest collections. The wiring instructions will be included on a maturity notice issued by the BTI.
- The BTI reserves the right to reject any BidWVauction bid for any reason at its discretion. The BTI also reserves the right to award a portion of a depository's bid subject to the minimum and multiple amounts described above.
- Each bidder must acknowledge that he or she has read amendments to the Guidelines in each auction and indicate their agreement with the amendment electronically in order to enter the auction.
- Submitted bids must also be verified. The bidder understands that in verifying the bid, the bidder has made a formal offer.

- Bids that generate error messages are not accepted until the error is corrected and the bid is resubmitted. Error messages will indicate the reason for the error such as when the bidder has entered a bid that is lower than the minimum bid requirement.
- The bidder understands that the submitted bid may initially be a leading bid, but may be replaced by other more competitive bids throughout the auction. Bidders will know immediately if their bid continues to be a winning bid by updating their bids. A bid's status when "in the money" may change at any given time due to new bids by other bidders. It is the responsibility of the bidder to update his or her bid status. There is no limit to the number of times a bid may be updated.
- A bidder submitting a winning bid is irrevocably obligated to provide the time deposit at the specified rate, amount and maturity, if acceptable to the BTI, as herein set forth. The bidder understands that an award has not been made until posted on the Results Page on the BidWV auction site. Discrepancies should be reported to the West Virginia BTI at (304)-340-1564 within 15 minutes of posting of the Results Page.
- In the event of a web site failure, the auction will be attempted at the top of every hour on the day of the scheduled auction between the hours of 10:00 a.m. prevailing Eastern Time and 2:00 p.m. prevailing Eastern Time. If the auction is not completed on the scheduled day, the next attempt will be 10:00 a.m. prevailing Eastern Time the next business day. The BTI and/or Grant Street Group will inform registered bidders of a change in the bidding format via phone, fax, or e-mail.

❑ BTI Role

The role of the BTI for the West Virginia Bank Pool is as follows:

- Develop investment guidelines.
- 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 is posted to the account monthly.

❑ Asset Allocation – Permissible vs. Actual

The West Virginia Bank Pool may invest 100.0% of its funds in certificates of deposit and a maximum of 30% in money market funds. At June 30, 2012, nearly 100.0% of the pool, totaling \$52,500,000, was invested in certificates of deposit, and less than 1.0% totaling \$7,000 was invested in money market funds.

❑ Actual Returns

The West Virginia Bank Pool earned 0.31%, net of fees. The pool's benchmark, the Merrill Lynch US 3-Month Treasury Bill Index + 15 basis points, earned 0.19% for the year. For the past three-year period,

the pool earned an annualized 0.38%, and the benchmark earned 0.26%. The pool was established in August 2007 and does not have a five-year experience.

☐ **Investments**

For a detailed list of investments in the West Virginia Bank Pool, see the Schedule of Investments in Securities in the Supplementary Information on Page 52.

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 contemplated under §12-6C-11.

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-recourse 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 State 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.

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

- Provide EDA with the annual rate to be charged on the loan.
- Facilitate the transfer of funds to EDA via the State Treasurer’s Office.

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

- Produce pool financial statements based on information provided by EDA
- 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 is declared as dividends and distributed on the last day of the month. If the pool incurs a loss resulting in negative income, the loss will be distributed to participants on the last day of the month.

Asset Allocation – Permissible vs. Actual

Permissible Allocation		Actual Allocation June 30, 2012	
Security Type	Maximum Percent of Pool	Carrying Value (Thousands)	Percent of Pool
Other investments	100.0%	\$ 106,671	99.9%
Money market funds	20.0%	60	0.1%
Depository accounts	5.0%	-	-
		<u>\$ 106,731</u>	<u>100.0%</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 53.

Reserve Pool

❑ Investment Objectives and Policy Guidelines

Objectives

The Reserve Pool was created to provide an added layer of security for the West Virginia Money Market and West Virginia Government Money Market Pools. The objective of the pool is to provide support for the West Virginia Money Market and West Virginia Government Money Market Pools to ensure the net asset levels do not fall below \$0.9985 per unit.

Benchmarks

None.

Investment Manager

None.

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 it violates the State Code or other regulatory requirement. The Board may require the sale of non-compliant Securities.

- Weighted average maturity of the Reserve Pool shall not exceed 60 days.
- Maximum maturity of individual Securities cannot exceed 397 days from the date of purchase.
- Depository Accounts are required to be held by rated entities of A-1 or better.
- Depository Accounts are required to be collateralized as defined in the BTI's Bank Account Collateral Policy.

❑ BTI Role

The role of the BTI for the Reserve Pool is as follows:

- Develop investment guidelines.
- Provide cash flow information regarding securities held by the pool.
- Record contributions and withdrawals.
- 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.

- The BTI will monitor the net asset value of the West Virginia Money Market and West Virginia Government Money Market Pools on a daily basis in accordance with the BTI's Net Asset Value Monitoring Policy. This policy requires the Chief Financial Officer and Executive Director to develop a formal and written action plan to address the NAV decline when it falls below \$0.9985 per unit. Board members are notified to approve the written action plan.
- If the net asset value falls below \$0.9985 per unit, the BTI will request Board approval to utilize the Reserve Pool to ensure the NAV is stabilized at \$0.9985 per unit.

Income Allocation

Net investment income is declared as dividends and distributed on the last day of the month. If the pool incurs a loss resulting in negative income, the loss will be distributed on the last day of the month.

Asset Allocation – Permissible vs. Actual

Permissible Allocation		Actual Allocation June 30, 2012	
Security Type	Maximum Percent of Pool	Carrying Value (Thousands)	Percent of Pool
Other investments	100.0%	\$ 106,671	99.9%
Money market funds	20.0%	60	0.1%
Depository accounts	5.0%	-	-
		<u>\$ 106,731</u>	<u>100.0%</u>

Actual Returns

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

Investments

For a detailed list of investments in the Reserve Pool, see the Schedule of Investments in Securities in the Supplementary Information on Page 53.

Municipal Bond Commission Account

❑ 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.
- 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 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 Page 54.

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 as defined in State Code §18-9A-16.

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, 2012, 100.0% of the

School Fund Account's securities, totaling \$1,555,000, were invested in a money market fund which invests only in U.S. Treasury securities.

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 54.

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.

❑ 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, 2012, 100.0% of the EDA Insurance Account’s securities, totaling \$1,607,000, 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 54.

Schedule of Investment Management Fees
Consolidated Fund
For the Fiscal Year Ended June 30, 2012
(In Thousands)

External fees:	
Investment advisors:	
WV Money Market Pool	\$ 871
WV Government Money Market Pool	107
WV Short Term Bond Pool	442
	<hr/> 1,420
Custodians	141
Total external fees	<hr/> 1,561
Internal fees:	
Investment consultant	140
Fiduciary bond	155
Administration	709
Total internal fees	<hr/> 1,004
Total investment management fees	<hr/> <hr/> \$ 2,565

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
Select Rating Agencies	Annually
Stress Testing of Portfolios	Monthly

When required, 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 this policy. The BTI shall monitor the performance of, and supervise all investment managers.

In determining its philosophy toward 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, reduce costs for, and increase returns to its participants. Realizing the majority of the funds are for operating expenses, the policy is 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.
- Realized gains and losses are recognized by the funds as they occur.

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 as fiduciaries.

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, and 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 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 implement this policy and to do so effectively, prudently, and in a cost efficient manner in full compliance with all applicable laws, rules, and regulations.

The Investment Committee shall have the following specific responsibilities to be performed with the advice and assistance of staff and the investment consultant, and shall make recommendations to the Board for action as necessary regarding:

- Policies for preservation of capital, risk tolerance, credit standards diversification, rate of return, stability, turnover, liquidity, reasonable costs and fees, permissible investments, maturity ranges,

internal controls, safekeeping and custody, valuation methodologies, and calculation of earnings and yields;

- Evaluation, selection, and termination of the investment managers and investment consultant;
- Regular review of and revisions to the investment policy;
- Investigate any reported investment problems or non-compliance;
- Evaluation of investment results to ensure compliance with the investment policy and to determine success of investment activities; and
- Other investment related issues as necessary for the prudent and cost effective investment of the funds.

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;
- Reviewing the annual operations budget;
- Ensuring compliance with legal and regulatory requirements;
- Overseeing the performance of the internal audit function; and
- Assessing the performance of the external auditors, providing recommendations to the Board to engage or dismiss them, and monitoring their qualifications and independence.

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. Any incident of conflict of interest or West Virginia Ethics Law violation will be reported to the Personnel Committee for disposition.

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 this 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 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 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. The Managers have complete discretion over the timing, selection, and execution of orders for securities in compliance with this 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, receipt, tracking, and 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 years' experience as an auditor. The Internal Auditor shall develop an internal audit plan, and work directly through the Audit Committee. The Internal Auditor's primary responsibilities shall include:

- Developing and implementing an internal audit plan;
- Evaluating the adequacy of the internal controls established by management;
- Reporting any violation of any applicable law, rule, regulation or policy;
- Providing quarterly reports to the Audit Committee summarizing the internal audit plan and audit activities; and
- Identifying significant departures from the approved internal audit plan and reasons thereof.

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 needed 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 the 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 State 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

At times, the Board may authorize staff to engage in Securities Lending. When authorized, this policy shall establish guidelines that govern the Securities Lending Program. 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 State Code. The income earned from the Securities Lending Program is not assigned in assessing the performance of the individual Investment Managers. (Effective July 29, 2011, the BTI exited the Securities Lending Program; therefore, the policy is not in use at this time.)

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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.

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 the five latest fiscal years. The fund was managed by the West Virginia Investment Management Board in the remaining five 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 ten years. Complete information was not available before the past ten years. The BTI has managed the fund for the five latest fiscal years. The fund had been managed by the West Virginia Investment Management Board. 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 ten 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.

Table 5: Net Assets – Consolidated Fund

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

Table 6: Net Assets, Changes in Net Assets, and Restatement of Net Assets – Operating Fund

This table presents historical information showing the total net assets and changes in net assets of the Operating Fund (a proprietary fund) since its inception in July 2005.

Table 7: Schedule of Net Assets—Consolidated Fund Operating and Special Purpose Pools

This table presents components of total net assets of the Consolidated Fund Operating and Special Purpose Pools at June 30, 2012, as well as investment unit data.

Table 8: Portfolio Statistics – Consolidated Fund Operating Pools

This table presents weighted average days to maturity, maximum weighted average investment maturity term per BTI investment policy, and money market yields for the Consolidated Fund Operating Pools at June 30, 2012.

Table 9: Participant Net Asset Values—Consolidated Fund Operating Pools

This table presents major investors in the Consolidated Fund Operating Pools at June 30, 2012.

Glossary of Financial and Investment Terms

A glossary of financial and investment terms is presented to help readers understand the basic concepts and information provided in this comprehensive annual financial report.

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

Fiscal Year Ended June 30 (In Thousands)

	2012	2011	2010	2009
Additions				
Investment income:				
Interest	\$ 17,094	\$ 20,410	\$ 21,499	\$ 35,328
Dividends	461	446	624	2,794
Securities lending income	-	-	-	2,956
Net accretion (amortization)	(3,986)	6,255	7,700	25,918
Provision for securities lending loss	(945)	(596)	(1,193)	(6,837)
Provision for uncollectible loans	-	-	-	(7,117)
Total investment income	12,624	26,515	28,630	53,042
Investment expenses:				
Investment advisor fees	1,420	1,399	1,277	1,157
Custodian bank fees	141	134	107	86
Administrative fees	1,004	1,052	1,468	1,208
Securities lending agent fees	-	-	-	226
Securities lending borrower rebates	-	-	-	2,054
Bad debt expense	-	-	-	-
Total investment expenses	2,565	2,585	2,852	4,731
Net investment income	10,059	23,930	25,778	48,311
Net realized gain (loss) from investments	(12)	6,527	1,576	(1,578)
Net (decrease) increase in fair value of investments	(1,946)	(11,329)	(770)	8,560
Net increase in net assets from operations	8,101	19,128	26,584	55,293
Participant transaction additions:				
Purchase of pool units by participants	10,994,105	10,590,080	10,192,912	10,316,680
Reinvestment of pool distributions	10,918	21,531	19,301	48,995
Contributions to individual investment accounts	156,312	6,760	4,950	6,708
Total participant transaction additions	11,161,335	10,618,371	10,217,163	10,372,383
Total additions	11,169,436	10,637,499	10,243,747	10,427,676
Deductions				
Distributions to pool participants:				
Net investment income	8,862	16,264	17,989	40,788
Net realized gain (loss) from investments	(114)	6,527	1,576	(1,578)
Total distributions to pool participants	8,748	22,791	19,565	39,210
Participant transaction deductions:				
Redemption of pool units by participants	11,391,935	10,356,782	9,949,245	10,063,667
Withdrawals from individual investment accounts	21,259	10,949	13,023	26,041
Total participant transaction deductions	11,413,194	10,367,731	9,962,268	10,089,708
Total deductions	11,421,942	10,390,522	9,981,833	10,128,918
Change in net assets	\$ (252,506)	\$ 246,977	\$ 261,914	\$ 298,758

	2008	2007	2006	2005	2004	2003
\$	68,731	\$ 65,625	\$ 46,477	\$ 35,181	\$ 31,054	\$ 41,243
	1,684	895	891	398	3,625	9,034
	23,351	23,974	19,430	7,464	4,542	5,876
	65,983	76,182	58,808	24,368	7,587	5,077
	-	-	-	-	-	-
	(3,021)	(3,103)	(797)	(2,326)	(713)	-
	156,728	163,573	124,809	65,085	46,095	61,230
	1,060	950	976	900	804	733
	110	107	97	69	47	23
	1,256	1,180	1,441	952	910	936
	1,353	273	293	165	220	151
	18,446	23,063	18,454	6,798	3,547	5,150
	3	-	-	-	-	-
	22,228	25,573	21,261	8,884	5,528	6,993
	134,500	138,000	103,548	56,201	40,567	54,237
	3,603	(939)	(2,973)	(1,572)	34,929	909
	11,033	4,308	(10,470)	5,256	(55,494)	14,647
	149,136	141,369	90,105	59,885	20,002	69,793
	10,173,315	8,833,687	8,476,495	7,857,676	7,529,037	6,761,069
	130,263	128,339	95,770	48,103	34,892	40,093
	146,314	113,366	12,723	17,846	114,258	18,630
	10,449,892	9,075,392	8,584,988	7,923,625	7,678,187	6,819,792
	10,599,028	9,216,761	8,675,093	7,983,510	7,698,189	6,889,585
	126,764	128,452	96,021	48,867	30,777	39,176
	90	51	(59)	(3)	4,115	917
	126,854	128,503	95,962	48,864	34,892	40,093
	9,816,801	8,604,738	8,427,349	7,781,659	7,184,866	6,794,155
	214,011	40,953	37,838	44,084	172,256	106,156
	10,030,812	8,645,691	8,465,187	7,825,743	7,357,122	6,900,311
	10,157,666	8,774,194	8,561,149	7,874,607	7,392,014	6,940,404
\$	441,362	\$ 442,567	\$ 113,944	\$ 108,903	\$ 306,175	\$ (50,819)

Table 2: Financial Highlights – Consolidated Fund State Operating Pools

	Fiscal Year Ended June 30									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
WV Money Market Pool										
Per share data:										
Net asset value at beginning of year	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Net investment income (loss)	-	-	-	0.01	0.04	0.05	0.04	0.02	0.01	0.02
Net realized and unrealized gain (loss)	-	-	-	-	-	-	-	-	-	-
Net increase (decrease) from operations	-	-	-	0.01	0.04	0.05	0.04	0.02	0.01	0.02
Distributions to participants	-	-	-	0.01	0.04	0.05	0.04	0.02	0.01	0.02
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>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>
Shares outstanding (in thousands)	2,788,044	3,019,878	2,820,141	2,570,620	2,361,834	2,071,394	1,719,622	1,605,847	1,395,951	1,021,086
Ratio of expenses to average net assets	0.06%	0.06%	0.07%	0.07%	0.08%	0.09%	0.10%	0.08%	0.09%	0.09%
Ratio of net investment income to average net assets	0.11%	0.18%	0.14%	1.15%	4.10%	5.28%	4.22%	2.21%	1.06%	1.57%
WV Government Money Market Pool										
Per share data:										
Net asset value at beginning of year	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Net investment income (loss)	0.01	-	-	0.01	0.04	0.06	0.04	0.02	0.01	0.01
Net realized and unrealized gain (loss)	-	-	-	-	-	-	-	-	-	-
Net increase (decrease) from operations	0.01	-	-	0.01	0.04	0.06	0.04	0.02	0.01	0.01
Distributions to participants	0.01	-	-	0.01	0.04	0.06	0.04	0.02	0.01	0.01
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>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>
Shares outstanding (in thousands)	300,047	262,898	221,265	283,795	187,291	229,917	177,308	155,019	151,118	137,967
Ratio of expenses to average net assets	0.06%	0.07%	0.08%	0.07%	0.08%	0.08%	0.10%	0.09%	0.09%	0.10%
Ratio of net investment income to average net assets	0.06%	0.15%	0.10%	0.88%	3.90%	5.00%	3.94%	2.06%	0.95%	1.34%
WV Short Term Bond Pool										
Per share data:										
Net asset value at beginning of year	\$ 100.34	\$ 101.35	\$ 100.59	\$ 99.27	\$ 98.55	\$ 98.06	\$ 99.53	\$ 100.31	\$ 104.16	\$ 103.11
Net investment income (loss)	0.86	1.56	2.41	2.87	4.26	4.61	3.69	2.79	2.99	4.43
Net realized and unrealized gain (loss)	(0.31)	0.40	1.20	0.63	1.92	0.49	(1.47)	(0.58)	(2.68)	1.28
Net increase (decrease) from operations	0.55	1.96	3.61	3.50	6.18	5.10	2.22	2.21	0.31	5.71
Distributions to participants	0.83	2.97	2.85	2.18	5.46	4.61	3.69	2.99	4.16	4.66
Net asset value at end of year	<u>\$ 100.06</u>	<u>\$ 100.34</u>	<u>\$ 101.35</u>	<u>\$ 100.59</u>	<u>\$ 99.27</u>	<u>\$ 98.55</u>	<u>\$ 98.06</u>	<u>\$ 99.53</u>	<u>\$ 100.31</u>	<u>\$ 104.16</u>
Shares outstanding (in thousands)	5,040	4,746	4,496	3,251	3,593	2,331	2,718	2,622	3,520	3,678
Ratio of expenses to average net assets	0.13%	0.13%	0.14%	0.11%	0.10%	0.10%	0.14%	0.13%	0.11%	0.12%
Ratio of net investment income to average net assets	0.97%	1.67%	2.52%	2.37%	4.19%	4.02%	3.85%	2.74%	2.91%	4.25%
Portfolio turnover rate	11.11%	11.11%	5.07%	5.07%	5.13%	5.24%	4.01%	77.85%	88.15%	10.50%

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

	Fiscal Year Ended June 30									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
WV Money Market Pool	0.11%	0.18%	0.12%	1.29%	4.15%	5.41%	4.17%	2.12%	0.99%	1.65%
WV Government Money Market Pool	0.08%	0.19%	0.06%	1.13%	4.03%	5.31%	4.11%	2.09%	0.95%	1.40%
WV Short Term Bond Pool	0.62%	1.98%	3.70%	4.35%	5.02%	5.31%	2.27%	2.27%	0.42%	5.64%

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

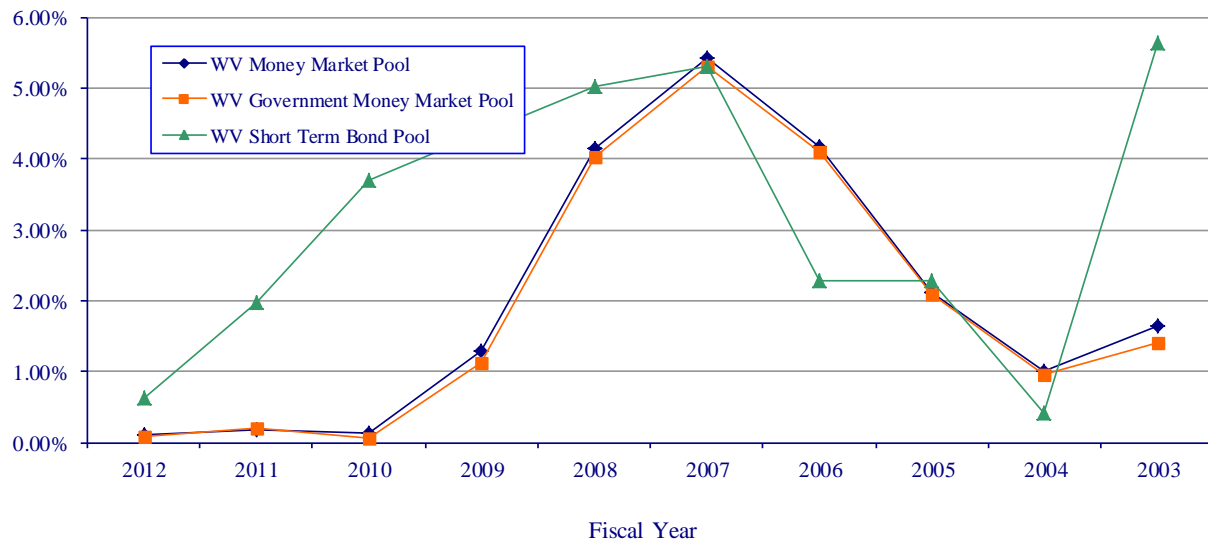


Table 4: Participation in Consolidated Fund State Operating Pools

Fiscal Year Ended June 30

(Net Asset Values Expressed in Thousands)

	2012		2011		2010		2009	
	Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value
WV Money Market Pool:								
State agency accounts	1,282	\$ 2,708,359	1,239	\$ 2,956,372	1,118	\$ 2,746,279	1,059	\$ 2,474,600
Local government accounts	222	79,685	226	63,506	217	73,862	252	96,020
Accumulated undistributed securities lending income		-		-		14		255
	<u>1,504</u>	<u>\$ 2,788,044</u>	<u>1,465</u>	<u>\$ 3,019,878</u>	<u>1,335</u>	<u>\$ 2,820,155</u>	<u>1,311</u>	<u>\$ 2,570,875</u>
WV Government Money Market Pool:								
State agency accounts	18	\$ 178,519	15	\$ 184,473	26	\$ 193,292	17	\$ 231,772
Local government accounts	80	121,528	84	78,425	48	27,973	61	52,023
Accumulated undistributed securities lending income		-		-		-		63
	<u>98</u>	<u>\$ 300,047</u>	<u>99</u>	<u>\$ 262,898</u>	<u>74</u>	<u>\$ 221,265</u>	<u>78</u>	<u>\$ 283,858</u>
WV Short Term Bond Pool:								
State agency accounts	14	\$ 499,402	14	\$ 474,511	14	\$ 454,793	10	\$ 326,516
Local government accounts	9	4,890	10	1,676	8	904	7	460
	<u>23</u>	<u>\$ 504,292</u>	<u>24</u>	<u>\$ 476,187</u>	<u>22</u>	<u>\$ 455,697</u>	<u>17</u>	<u>\$ 326,976</u>

2008		2007		2006		2005		2004		2003	
Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value
1,014	\$ 2,243,023	999	\$ 1,988,554	927	\$ 1,650,789	781	\$ 1,535,812	821	\$ 1,319,615	797	\$ 928,263
241	118,810	192	82,840	181	68,834	184	69,906	188	76,335	201	92,823
	-		-		-		-		-		-
1,255	\$ 2,361,833	1,191	\$ 2,071,394	1,108	\$ 1,719,623	965	\$ 1,605,718	1,009	\$ 1,395,950	998	\$ 1,021,086
15	\$ 170,226	16	\$ 203,339	15	\$ 153,769	17	\$ 132,197	17	\$ 118,906	18	\$ 122,165
48	17,065	41	26,578	39	22,538	38	22,823	39	32,212	37	15,807
	-		-		-		-		-		-
63	\$ 187,291	57	\$ 229,917	54	\$ 176,307	55	\$ 155,020	56	\$ 151,118	55	\$ 137,972
8	\$ 356,618	6	\$ 229,642	7	\$ 266,464	8	\$ 260,933	13	\$ 352,992	12	\$ 382,984
4	92	5	85	6	81	6	85	6	83	6	83
12	\$ 356,710	11	\$ 229,727	13	\$ 266,545	14	\$ 261,018	19	\$ 353,075	18	\$ 383,067

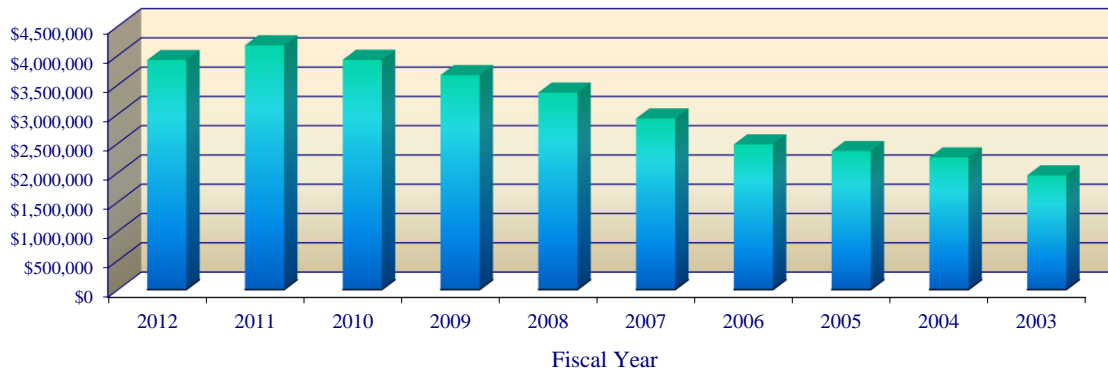
Table 5: Net Assets – Consolidated Fund

Fiscal Year Ended June 30
(In Thousands)

	2012	2011	2010	2009
WV Money Market Pool	\$ 2,788,044	\$ 3,019,878	\$ 2,820,155	\$ 2,570,875
WV Government Money Market Pool	300,047	262,898	221,265	283,858
WV Short Term Bond Pool	504,292	476,187	455,697	326,976
WV Bank Pool	52,590	60,067	60,082	100,215
Loss Amortization Pool	-	188,544	187,726	184,107
Loan Pool	106,825	132,181	132,918	127,728
Reserve Pool	19,041	19,179	30,147	44,792
Municipal Bond Commission Account	145,150	9,997	13,916	21,640
Department of Transportation Account	-	-	-	-
Lottery Defeasance Account	-	-	-	-
School Fund Account	1,555	1,385	1,393	1,307
EDA Insurance Account	-	-	-	-
EDA-AW Account	2,133	1,867	1,907	1,794
Department of Highways Account	-	-	-	-
	<u>\$ 3,919,677</u>	<u>\$ 4,172,183</u>	<u>\$ 3,925,206</u>	<u>\$ 3,663,292</u>

Total Consolidated Fund Net Assets

(In Thousands)



2008	2007	2006	2005	2004	2003
\$ 2,361,833	\$ 2,071,394	\$ 1,719,623	\$ 1,605,718	\$ 1,395,950	\$ 1,021,086
187,291	229,917	177,307	155,020	151,118	137,972
356,710	229,727	266,545	261,018	353,075	383,067
126,712	-	-	-	-	-
172,077	154,277	145,943	149,205	137,969	141,734
116,748	130,187	139,531	140,121	140,080	133,768
-	-	-	-	-	-
24,778	46,265	27,023	50,195	74,681	92,842
-	-	-	-	-	34,400
136	304	669	1,665	3,043	4,449
1,671	1,760	1,886	1,430	1,385	1,807
-	451	450	454	457	458
1,753	1,639	1,628	1,835	-	-
14,825	57,251	-	-	-	-
<u>\$ 3,364,534</u>	<u>\$ 2,923,172</u>	<u>\$ 2,480,605</u>	<u>\$ 2,366,661</u>	<u>\$ 2,257,758</u>	<u>\$ 1,951,583</u>

Table 6: Net Assets, Changes in Net Assets, and Restatement of Net Assets – Operating Fund

Fiscal Year Ended June 30
(In Thousands)

	2012	2011	2010	2009	2008	2007	2006
Changes in Net Assets							
Operating revenues							
Management services	\$ 1,004	\$ 1,052	\$ 1,468	\$ 1,210	\$ 1,257	\$ 1,179	\$ 1,389
Advisor services	1,420	1,399	1,277	1,158	1,060	949	959
Custodian services	141	134	107	85	109	108	96
Total operating revenues	<u>2,565</u>	<u>2,585</u>	<u>2,852</u>	<u>2,453</u>	<u>2,426</u>	<u>2,236</u>	<u>2,444</u>
Operating expenses							
Advisor fees	1,420	1,399	1,276	1,158	1,060	949	960
Management fees	647	623	637	598	166	-	-
Professional service fees	212	222	202	319	196	204	160
Fiduciary bond	155	155	155	155	155	155	119
Custodian fees	141	134	107	85	109	108	98
General and administrative expenses	214	217	205	231	566	674	726
Depreciation	2	2	3	6	13	5	3
Total operating expenses	<u>2,791</u>	<u>2,752</u>	<u>2,585</u>	<u>2,552</u>	<u>2,265</u>	<u>2,095</u>	<u>2,066</u>
Operating income	(226)	(167)	267	(99)	161	141	378
Nonoperating income	-	-	-	-	14	-	-
Income before special item	(226)	(167)	267	(99)	175	141	378
Special item	-	-	-	-	38	-	-
Change in net assets	<u>\$ (226)</u>	<u>\$ (167)</u>	<u>\$ 267</u>	<u>\$ (99)</u>	<u>\$ 213</u>	<u>\$ 141</u>	<u>\$ 378</u>
Net Assets at Year-End							
Invested in capital assets	\$ 7	\$ 6	\$ 1	\$ 4	\$ 10	\$ 9	\$ 13
Unrestricted	528	755	927	657	750	510	365
Total net assets	<u>\$ 535</u>	<u>\$ 761</u>	<u>\$ 928</u>	<u>\$ 661</u>	<u>\$ 760</u>	<u>\$ 519</u>	<u>\$ 378</u>
Restatements of Net Assets							
Net assets at beginning of year	\$ 761	\$ 928	\$ 661	\$ 760	\$ 519	\$ 378	\$ -
Effect of change in accounting principle	-	-	-	-	28	-	-
Net assets at beginning of year, restated	<u>\$ 761</u>	<u>\$ 928</u>	<u>\$ 661</u>	<u>\$ 760</u>	<u>\$ 547</u>	<u>\$ 378</u>	<u>\$ -</u>

Note: The Operating Fund began operations in FY2006.

Table 7: Schedule of Net Assets — Consolidated Fund Operating and Special Purpose Pools

June 30, 2012

(In Thousands except for Investment Unit Data)

	WV Money Market Pool	WV Government Money Market Pool	WV Short Term Bond Pool	WV Bank Pool	Loan Pool	Reserve Pool
Paid-in capital	\$ 2,788,044	\$ 300,047	\$ 512,086	\$ 52,590	\$ 106,825	\$ 19,041
Accumulated undistributed net investment income (loss)	-	-	-	-	-	-
Accumulated undistributed net realized gain (loss)	-	-	(6,521)	-	-	-
Unrealized net appreciation (depreciation) of investments	-	-	(1,273)	-	-	-
Net assets at value	<u>\$ 2,788,044</u>	<u>\$ 300,047</u>	<u>\$ 504,292</u>	<u>\$ 52,590</u>	<u>\$ 106,825</u>	<u>\$ 19,041</u>
Investment unit data:						
Units outstanding	2,788,043,790	300,047,291	5,040,030	52,589,741	106,825,132	19,040,859
Net asset value, unit price	\$ 1.00	\$ 1.00	\$ 100.06	\$ 1.00	\$ 1.00	\$ 1.00

Table 8: Portfolio Statistics — Consolidated Fund Operating Pools

June 30, 2012

	WV Money Market Pool	WV Government Money Market Pool	WV Short Term Bond Pool
Weighted Average Days to Maturity	46	54	N/A
Maximum Weighted Average Investment Maturity Term Per Board Guidelines	60 days	60 days	N/A
Effective Duration	N/A	N/A	180 days
Maximum Effective Duration Per Board Guidelines	N/A	N/A	731 days
Money Market Yield - Monthly	0.12%	0.09%	N/A

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 366-day year, assuming no reinvestment of earnings.

Table 9: Participant Net Asset Values — Consolidated Fund Operating Pools

June 30, 2012

(In Thousands)

WV Money Market Pool	
State Agencies:	
WV State Treasurer's Office:	
Banking Services	\$ 629,006
State Participation	480,466
Safekeeping	17,061
Veterans Lottery	1,469
Deferred Compensation Matching	946
Safe Road Bonds	8
Total WV State Treasurer's Office	<u>1,128,956</u>
Higher Education Policy Commission	292,031
Department of Environmental Protection	291,960
Department of Health and Human Resources	205,249
WV Lottery Commission	201,084
Public Employees Insurance Agency	106,937
Department of Revenue	100,255
West Virginia University	87,788
Department of Transportation	47,254
Regional Jail Authority	42,858
Division of Natural Resources	30,059
WV Municipal Pension Oversight Board	28,666
Board of Risk and Insurance Management	27,758
Water Development Authority	22,379
Department of Administration	20,108
WV Economic Development Authority	15,529
Insurance Commission	13,038
WV Housing Development Fund	6,822
WV Secretary of State's Office	6,742
Criminal Justice	5,509
School Building Authority	2,891
Performance and wage bond accounts	19,938
Other	14,989
Total State Agencies	<u>2,718,800</u>
Local Governments:	
Fayette County Board of Education	11,294
Boone County Commission	9,232
Mercer County Board of Education	8,405
Marshall County Board of Education	8,164
Fayette County Commission	3,567
Barbour County Board of Education	3,276
Kanawha County Emergency Ambulance Authority	1,976
Roane County Board of Education	1,792
Putnam Public Service District	1,776
City of Parkersburg	1,555
Braxton County Board of Education	1,463
Lewis County Board of Education	1,461
Lincoln County Board of Education	1,286
Town of Winfield	1,247
Lincoln County Commission	1,178
Wyoming County Board of Education	1,026
Other	<u>10,546</u>
Total Local Governments	<u>69,244</u>
Total net assets	<u>\$2,788,044</u>

WV Government Money Market Pool	
State Agencies:	
Municipal Bond Commission	\$ 157,616
WV Housing Development Fund	31,796
WV Economic Development Authority	9,254
Department of Environmental Protection	5,664
Other	5,985
Total State Agencies	<u>210,315</u>
Local Governments:	
Preston County Board of Education	38,616
Pleasants County Board of Education	18,469
Kanawha County Sheriff	12,911
Marion County Board of Education	9,270
Jefferson County Board of Education	4,491
Calhoun County Board of Education	2,765
Hancock County Commission	1,097
Other	2,113
Total Local Governments	<u>89,732</u>
Total net assets	<u>\$ 300,047</u>

WV Short Term Bond Pool	
State Agencies:	
WV State Treasurer's Office:	
State Participation	\$ 253,775
Banking Services	159,662
Prepaid Tuition Escrow	<u>15,123</u>
Total WV State Treasurer's Office	<u>428,560</u>
WV Board of Treasury Investments	17,702
WV Economic Development Authority	16,480
Department of Administration	11,384
Department of Transportation	7,649
Higher Education Policy Commission	5,470
WV Court of Claims	5,465
Public Employees Insurance Agency	3,942
WV Parkways Authority	3,085
Division of Culture and History	1,980
Other	<u>769</u>
Total State Agencies	<u>502,486</u>
Local Governments:	
City of Charleston	1,025
Other	<u>781</u>
Total Local Governments	<u>1,806</u>
Total net assets	<u>\$ 504,292</u>

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%.

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.