

A night-time photograph of the West Virginia State Capitol building, illuminated with colorful lights. The building's dome is lit with a warm, golden glow, while the columns of the portico are lit with vibrant, multi-colored lights. The sky is filled with numerous bright fireworks exploding in various colors, including red, white, and blue. The overall scene is festive and celebratory.

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2013

— | WEST VIRGINIA | —
**BOARD OF TREASURY
INVESTMENTS**

A Component Unit of the State of West Virginia

WEST VIRGINIA
**BOARD OF TREASURY
INVESTMENTS**

**Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2013**

A Component Unit of the State of West Virginia

Earl Ray Tomblin
Governor

John D. Perdue, Chairman
West Virginia State Treasurer

Glen B. Gainer III
West Virginia State Auditor

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

Richard C. Donovan, CPA
Appointed by the Governor

*Prepared by the Board of Treasury Investments Staff
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October 11, 2013

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, 2013, 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. Significant achievements for the year included reaffirmation of the AAAM rating by Standard & Poor’s for the WV Money Market and WV Government Money Market pools, receiving a settlement from a securities lending class action lawsuit, obtaining legislative approval for updates to the BTI’s authorizing code, instituting a peer group performance comparison for select 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

1900 Kanawha Boulevard East • Suite E-122 • Charleston, WV 25305
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ACKNOWLEDGEMENTS

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Charleston, West Virginia 25305

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Karl V. Shanholtzer III, Chief Financial Officer
Denise R. Baker, Director of Operations
Holly Garner, Investment Accountant
Randy Covert, Investment Accountant

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, 2013

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, 2013, 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, 2013, are free of material misstatement, whether due to fraud or error. The independent audit involved performing procedures to obtain evidence about amounts and disclosures in the financial statements; comprehensive risk assessment as well as assessing the accounting principles used and the reasonableness of significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor rendered an unmodified opinion that the BTI's financial statements for the fiscal year ended June 30, 2013, 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, 2013, the Consolidated Fund had \$3.8 billion in total assets. The Consolidated Fund is made up of ten legally separate investment pools and accounts: three external investment pools, three special-purpose internal investment pools, and four 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 2013 was down from fiscal year 2012. U.S. GDP growth during the fiscal year could be characterized as “lumpy” with GDP stumbling along from a 2.8% annual growth in the second quarter of 2012 (calendar year) to a near 0% rate in the fourth quarter. Although the economy was essentially showing signs of contracting, the fourth quarter 2012 GDP report was characterized by many as more positive than negative, with personal consumption expenditures and business investment pointing towards stronger growth in the first half of 2013. This appears to have been born out with the U.S. Bureau of Economic Analysis' (the “BEA”) revised estimate of second quarter 2013 GDP growth clocking in at a higher than expected 2.5% annual rate. For the fiscal year, overall GDP growth averaged 1.6% versus 2.2% for fiscal year 2012. Short term Treasury rates recovered from their historic lows during the first half of fiscal year 2013, with the 90-day T-bill averaging a 9.6 basis point yield. That performance did not last, as yields fell the second half of the fiscal year, averaging 6.8 basis points for that period. Overall for the fiscal year, yields in the short end of the Treasury curve were higher than those in fiscal year 2012. Performance in the three pooled funds of the Consolidated Fund were up over 2012 as a result. The WV Money Market, WV Government Money Market, and WV Short Term Bond Pools returns were 0.13%, 0.12%, and 0.77%, respectively, for the year ended June 30, 2013.

Fiscal year 2013 provided a better yield environment over 2012 for money market funds. “Better” in this case is a relative term as 3 month and under Treasuries still averaged less than 10 basis points for the year. The fiscal year began positively with economic growth surging. Initial estimates placed U.S. GDP growth at around 2% for the third quarter of 2012. The third and final estimate of GDP growth for that quarter showed that growth was closer to 3.1%. Consumer spending was identified as the biggest contributor to the economic growth with households purchasing more motor vehicles and spending more on health care services during the quarter. Government defense spending and an uptick in home sales also helped to spur growth in the early part of the fiscal year. Business spending, however, provided a slight drag, dropping 1.8%. Economists generally pointed to uncertainty regarding taxes and potential government spending cuts set to take effect in 2013 as a result of the Budget Control Act of 2011 as restraining business spending. Economic growth stalled in the fourth quarter of 2012, coming in barely above zero at 0.1%. Declines in inventories and exports, along with a sharp drop in government spending, helped pull down economic growth. Superstorm Sandy's effects on the east coast of the U.S., uncertainty about the how politicians would handle the pending fiscal cliff, and economic slowdowns noted in Europe and Asia were cited as reasons for the decline in growth.

At the end of 2012, Congress and the President had failed to make any headway in negotiating a resolution the pending fiscal cliff setup by the Budget Control Act of 2011. In a last minute attempt to forestall implementation of the mandatory budget sequestration, Congress passed the American Taxpayer

Relief Act of 2012 on January 1, 2013. This was signed into law by the President on the following day. The Relief Act of 2012 made permanent certain tax provisions from the Economic Growth and Tax Relief Reconciliation Act of 2001 and the Jobs and Growth Tax Relief Reconciliation Act of 2003 and put off the automatic spending cuts until March 1, 2013. This delay did not result in an agreement and the remaining provisions of sequestration kicked in on March 1, 2013. Although economic growth was affected by the budget sequestration, GDP still rose in the first two quarters of 2013, coming in at 1.1% in the first quarter and 2.5% in the second quarter. The confluence of the sequestration and increasing tax collections due to higher economic growth has resulted in a reduction in government's need to borrow. Lower borrowing needs by the Treasury and increase in demand for short-term high quality collateral resulting from changes in financial regulations helped push short term Treasury rates lower in 2013. The 90-day T-bill, which had opened the year at 10 basis points, ended the year down at 4 basis points.

On the longer end of the Treasury curve, yields were kept low through the actions of the Federal Reserve. Operation Twist, implemented by the Fed in 2011 and slated to end in June 2012, was extended through the rest of 2012 when the Federal Open Market Committee (the "FOMC") announced the program was being extended with the addition of \$267 billion in purchases. The 10-year Treasury responded by hitting a record low of 1.43% in July of 2012. The Fed further expanded its purchasing program in September 2012, announcing a third round of quantitative easing. Under QE3, as it was dubbed, provided for an open ended commitment to purchase \$40 billion in agency mortgage-backed securities per month until the substantial improvement was seen in the labor market. This program was further expanded in December 2012 with the announcement that the Fed would also purchase \$45 billion in longer-term Treasuries each month. These actions helped suppress long-term rates throughout much of year.

Unemployment declined during the year, reflecting some improvements in the labor market. As of the fiscal year end, the unemployment rate had dropped from 8.2% to 7.6%. The economy added an average of 202 thousand jobs per month over the first six months of 2013, despite increases in taxes and Federal spending cuts imposed by the sequestration. In response to the decreases in unemployment and an improving economic picture in 2013, the Federal Reserve began signaling that should incoming economic data continue to show improvement in the labor markets and overall growth rate in the economy, that the Fed would consider reducing its asset purchases under QE3. In the June 2013 press conference, Federal Reserve Chairman Ben Bernanke re-affirmed the FOMC's continued low funds rate policy. Chairman Bernanke then indicated that the FOMC could begin reducing monthly purchases under QE3 later in 2013 with a complete phase-out by mid-2014, dependent upon the consistency of incoming economic data with FOMC projections. Long-term rates jumped significantly in June as the market began digesting the Chairman's remarks, with the 10-year Treasury moving to 2.6% before settling at 2.5% as of the fiscal year end. This represented a nearly 100 basis point increase in yield over the fiscal year.

While GDP growth for the fiscal year was down from fiscal year 2012, averaging 1.6% in 2013 versus 2.2% in 2012, there were some positive signs in the underlying numbers. Improvements in the housing sector, which had previously been a drag on economic activity, contributed to economic growth over the 2012-2013 time period. Home sales rose for both new and existing homes, with the Case-Shiller and Federal Housing Finance Agency's repeat-sales house price indices showing strong annual increases over the year. Additionally, the Mortgage Bankers Association noted that the delinquency rate for mortgage loans on one-to-four unit residential properties had fallen to its lowest level since mid-2008. Consumer spending also showed an increasing trend. Although reports noted sluggish spending in stores and restaurants, consumers appeared to be showing more confidence in making longer term, big ticket purchases such as cars and houses. Federal fiscal policy, which had been abnormally expansionary during the recession, appeared to present headwinds to growth, as the Federal Reserve Bank estimated that the contractionary effect of the deficit reduction measures implemented in 2013 could restrain economic growth by as much as one percentage point.

Major Initiatives

- *Standard and Poor's AAAM Rating*

For the sixth consecutive year, Standard and Poor's re-affirmed the BTI's AAAM rating on the WV Money Market and WV Government Money Market Pools. Funds with Principal Stability Fund ratings ("PSFRs"), such as the BTI, seek to maintain a stable net asset value. The PSFR rating is the highest money market rating assigned by Standard and Poor's. 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.

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 Class Action Settlement*

On April 1, 2013, the BTI received a check for approximately \$3,123,000 in settlement for a class action lawsuit filed against BNY Mellon related to losses incurred in securities lending collateral reinvestment pools. Specifically, the settlement related to the collapse of Sigma Finance Corp., a structured investment vehicle ("SIV") that was held in several BNY Mellon securities lending collateral pools. The settlement will be distributed to the pools that were participating in securities lending at the time Sigma Finance Corp. collapsed based on their pro rata participation in securities lending. The distribution will occur over fiscal years 2013 and 2014.

- *Updates to West Virginia Code §12-6C*

During the 2013 regular session of the West Virginia Legislature, legislation was passed that made changes to the West Virginia Code governing the BTI. Two of the changes made to West Virginia Code §12-6C by House Bill ("H.B.") 2837 are expected to provide cost savings to the BTI and to allow the BTI to avoid unnecessary losses. H.B. 2837 lowered the required minimum blanket bond for the board from \$50 million to \$10 million. This change is expected to save the BTI over \$100,000 in insurance costs each year. The Code was also updated to permit the BTI to retain securities that fall out of compliance with Code provisions based upon recommendations by the responsible manager and investment consultant. This is expected to help the BTI avoid unnecessary losses through the forced sale of securities that fall out of compliance with minimum Code requirements when such sale could result in greater losses than continuing to hold the security.

One additional change made by H.B. 2837 is to permit pools with a weighted average maturity or duration greater than 365 days to invest in corporate debt that is rated investment grade. Currently, debt is considered investment grade so long as it is rated at least BBB- or Baa3 by Standard & Poor's or Moody's, respectively. At this time, this change will only benefit the WV Short Term Bond Pool should the Board authorize changes to the investment policy for this pool. The change will have no effect on the WV Money Market Pool as it must invest in securities rated A-1/P-1 or higher in order to maintain its AAAM rating. The change will also not affect the WV Government Money Market Pool, which is limited to investment in U.S. Treasury and agency securities.

- *Certificate of Achievement for Excellence in Financial Reporting*

The BTI received the Certificate of Achievement for Excellence in Financial Reporting for the June 30, 2012 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 seventh year that the BTI has received this award.

- *Budget Surplus*

For fiscal year 2013, actual fee collections fell below estimates by \$155,000. However, due to tight management of the expenditures, the BTI was still able to end the year with a budget surplus of \$188,000. With this surplus, the BTI operated in surplus territory for the eighth consecutive year.

- *Peer Group Benchmark*

Management's strategic plan for the BTI included development of a peer group benchmark for the WV Money Market and WV Government Money Market Pools. NEPC, the BTI's investment consultant, developed the peer groups for each of the pools using a universe of tier 1 institutional money market funds for the WV Money Market Pool, and Treasury and Agency focused government money market funds for the WV Government Money Market Pool.

The WV Money Market Pool peer group includes 147 discrete tier 1 funds from 56 separate investment management firms. The Pool ranked above median for the 1-quarter, 1-year, 3-year and 5-year periods ending June 30, 2013. The highest ranking was in the 1-quarter period where the Pool was ranked 4th out of the 147 funds. This high ranking was attributed to the low effective investment management fee paid to the Pool's investment managers. As of June 30, 2013, the effective fee was 3.5 basis points.

The WV Government Money Market Pool peer group comprises 85 discrete Treasury and Agency focused government funds from 34 separate investment management firms. The performance of the Pool ranked in the top decile for the 1-quarter, 1-year, 3-year and 5-year periods ending June 30, 2013. In the 1-quarter and 3-year time periods, the Pool was ranked 1st. As with the WV Money Market Pool, this high ranking versus the peer group was attributed to the favorable investment management fee schedule.

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, 2012. 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, 2013.

Sincerely,

A handwritten signature in black ink, appearing to read "Karl V. Shanholtzer III". The signature is fluid and cursive, with a prominent flourish at the end.

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



Government Finance Officers Association

**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

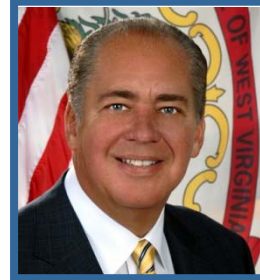
June 30, 2012

Executive Director/CEO

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.

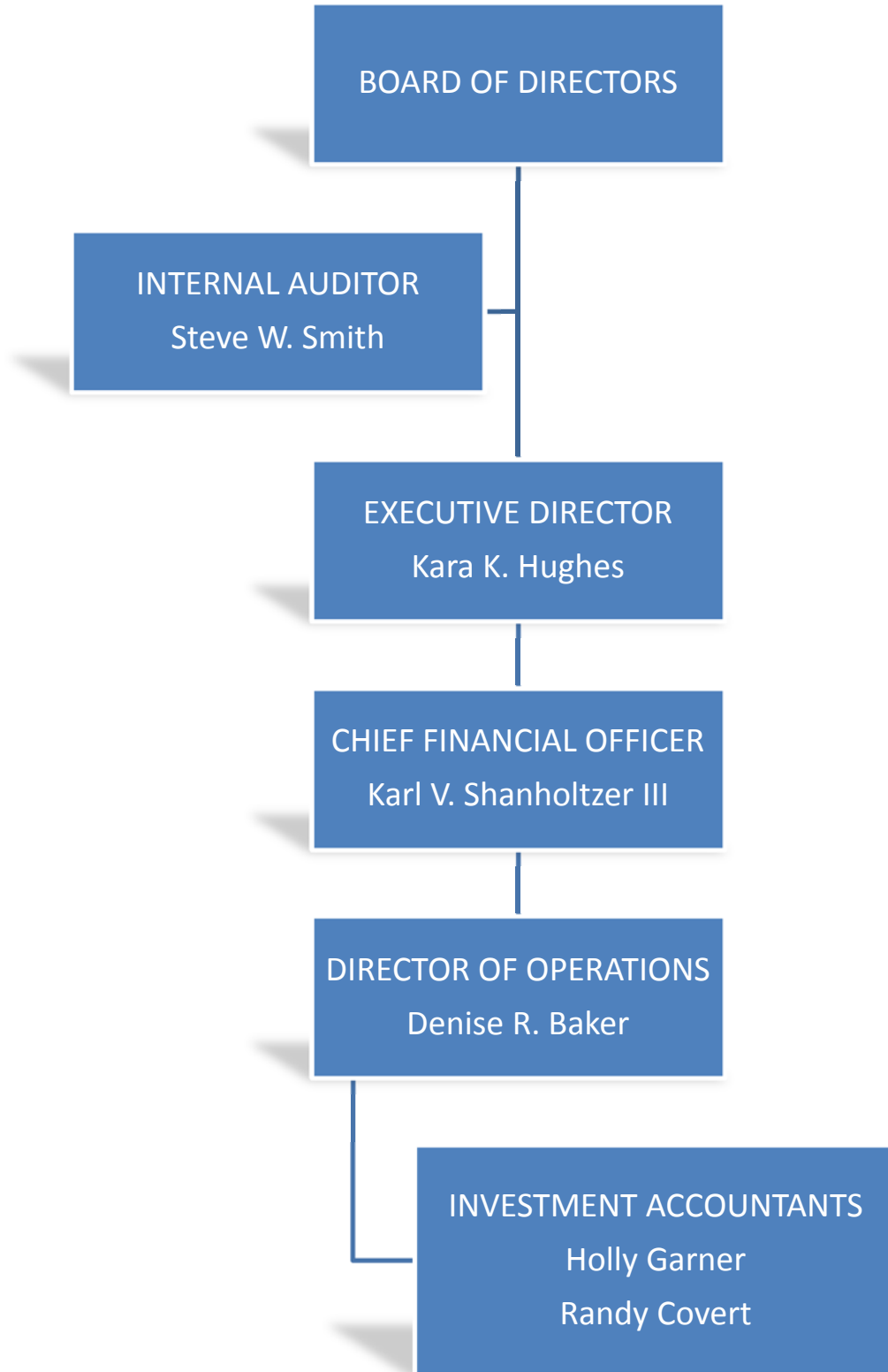
| WEST VIRGINIA |
**BOARD OF TREASURY
INVESTMENTS**

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 left to right) is Kara Hughes, Steve Smith, Karl Shanholtzer, Holly Garner, Randy Covert and Denise Baker.



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, 2013**

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

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, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the BTI's basic financial statements. We also have audited the combining and individual fiduciary 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, 2013.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the proprietary and fiduciary funds of the BTI, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended, in accordance with accounting principles generally accepted in the United States of America. In



addition, in our opinion, the combining and individual fiduciary fund financial statements and schedule of investments referred to above present fairly, in all material respects, the financial position of each of the individual fiduciary funds and schedule of investments as of June 30, 2013, and the changes in financial position of each of the individual fiduciary funds for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

Other Information

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

Charleston, West Virginia
August 22, 2013

West Virginia Board of Treasury Investments

Management's Discussion and Analysis

June 30, 2013

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, 2013. 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

The Net Position of the Consolidated Fund decreased \$88 million for the year ended June 30, 2013. This decline was primarily associated with decreases in the amounts invested in the WV Money Market Pool as state agencies continued drawing against funds accumulated in prior years. Short term interest rates rose in the early part of the fiscal year only to fall back down in the last half of the year. Treasury rates moved up from their all-time lows with the average yield on 90 day T-bills increasing nearly 30% over the prior year. While a 30% increase in yields sounds impressive, in the current low rate environment, this equated to a 2.8 basis point increase. Longer term yields were lower on average for the year, but increased dramatically in May and June of 2013. The 3-year Treasury averaged 38 basis points for the year, 4 basis points lower than FY 2012, but ended the year up at 66 basis points. The 10 year Treasury, which bottomed out at a new historic low of 1.43% in July 2012, nearly doubled, closing at 2.55% at fiscal year-end.

Rates of return for the Consolidated Fund's WV Money Market, WV Government Money Market, and WV Short Term Bond Pools were 0.13%, 0.12%, and 0.77%, respectively, for the year ended June 30, 2013. Rates at the short end of the curve remained low during fiscal year 2013 as central banks kept the system flooded with liquidity. The Federal Reserve's quantitative easing program kept a lid on rates on the long end of the curve throughout much of the year. Non-agency collateralized mortgage obligations (CMO's), commercial mortgage backed securities (CMBS), asset-backed securities (ABS) and corporate bonds performed well during most of the year.

The WV Money Market Pool is structured as a money market fund with the goal of preservation of principal. Up to January 2013, the benchmark for the WV Money Market Pool was the Merrill Lynch 3-Month T-Bill plus 15 basis points. The BTI modified the pool's benchmark to be more reflective of the current interest rate environment and the investment objectives of the pool. The revised benchmark adds a variable hurdle rate of 10% of the previous quarter's Merrill Lynch 3 Month T-Bill rate, subject to a floor of 1 basis point and a cap of 15 basis points. For the fiscal year, the portfolio underperformed its benchmark, primarily as a result of the high hurdle rate present in the benchmark through the first half of the year. For the second half of the fiscal year the pool met, but did not exceed, the revised benchmark. Tight supply in the Treasury market resulting from reduced borrowing by the Federal government has helped to keep short term Treasury rates suppressed. The drop in Treasury supply also placed downward

pressure on repo rates as the amount of available collateral was reduced. In this environment the pool will likely continue to maintain its current investment profile.

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 beat its investment policy benchmark by 1 basis point for the fiscal year. The pool was managed with a weighted average maturity profile in the low to mid 50 day range in an effort to lock in rates higher than those available in the sub 3 month maturity range. As with the WV Money Market Pool, the WV Government Money Market Pool faces a challenging investment environment over the next fiscal year with Fed funds futures projecting no increase in rates until early 2015.

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 beat its investment policy benchmark by 2 basis points for the fiscal year. The pool return for the year was 0.77% versus the benchmark return of 0.75%. The performance advantage versus the benchmark was largely attributable to an overweight in credit products versus the benchmark. Credit products include non-Agency CMO's, CMBS, ABS and corporate bonds. As of June 30, 2013, credit products comprised 63% of the pool versus the benchmark weight of 15%. The pool continues to maintain a low duration relative to the benchmark coming in at 0.89 versus the benchmark duration of 1.84.

During fiscal year 2013, one new participant directed account was opened and subsequently closed. In October 2012, the West Virginia State Treasurer's Office (STO) requested the BTI create an account titled the Banking Services Account. The sole participant in this account was the STO and the only investment held by the account was the 10 year Treasury maturing in August 2022. In December 2012, the STO requested that the sole holding of the account be sold. During this month, the Treasury was sold and realized a gain of \$2.6 million, for an annualized return of 12.3%. With the sale of the security, the account was closed.

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, three special-purpose internal investment pools, and four 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 Position presents information on the proprietary fund's assets and liabilities, with the difference between the two reported as net position. 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 Position 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 Position presents information on the fiduciary fund’s assets and liabilities, with the difference between the two reported as net position held in trust for investment pool participants and individual investment account holders.

The Statement of Changes in Fiduciary Net Position 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 position. The following is the condensed Statement of Net Position of the proprietary fund, which represents the assets, liabilities, and net position generated by the operating activities of the BTI, as of June 30, 2013 and 2012 (in thousands).

	<u>2013</u>	<u>2012</u>
Current assets	\$ 730	\$ 1,006
Noncurrent assets	<u>5</u>	<u>7</u>
Total assets	735	1,013
Current liabilities	<u>474</u>	<u>478</u>
Total liabilities	<u>474</u>	<u>478</u>
Net position:		
Net investment in capital assets	5	7
Unrestricted	<u>256</u>	<u>528</u>
Total net position	<u>\$ 261</u>	<u>\$ 535</u>

The net position of the Operating Fund decreased \$274,000 from the prior year. The decrease was attributable to a \$299,000 decrease in cash and a \$2,000 decrease in capital assets, which was offset by a \$23,000 increase in receivables and a \$4,000 decrease in current liabilities.

The majority of the proprietary fund's net position consists 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 \$730,000 is composed of \$264,000 in cash and \$466,000 in accounts receivable. While the cash balance declined significantly from 2012, down \$299,000, accounts receivable increased modestly by \$23,000 over the prior year.

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, 2012, the BTI had built up excess cash balances of \$563,000. The administrative operating budget forecast for fiscal year 2013 predicted a similar level of expenditures as in prior years. Accordingly, the BTI applied a little over one half of the remaining cash balance as of June 30, 2012 towards a reduction in administrative fees charged participants in fiscal year 2013. This reduction in the administrative fee contributed to the decrease in cash collections in fiscal year 2013. Further contributing to the decline in the cash balance was a reduction in net position subject to administrative fees. Average net position for the year was approximately \$3.7 billion, which was lower than the amount forecast by the BTI. With the lower net position subject to fees, the amount of administrative fees collected was lower than budgeted leading to further decline in the cash balance.

The accounts receivable balance of \$466,000 represents fees that have been accrued but not withdrawn from the investment pools at June 30, 2013 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. For FY 2013, the BTI utilized excess securities lending loss reserves to reduce the administrative fees charged to the WV Money Market Pool and the WV Short Term Bond Pool. After calculating the fee for the pools, an amount of the excess reserves attributable to each pool was offset against the monthly fee total. These amounts were then transferred on a quarterly basis. The periodic nature of these transfers results in the accounts receivable balance. The \$23,000 increase in accounts receivable was primarily related to the excess securities lending reserve fee reductions, as without these amounts, accounts receivable would have been down from the prior year by approximately \$10,000 due to the previously mentioned reduction in administrative fees for FY 2013.

Capital assets, net of accumulated depreciation, decreased by \$2,000. The net decrease resulted from the acquisition of new computer equipment totaling approximately \$1,000 and annual depreciation expense totaling approximately \$3,000. In addition to this activity, the BTI also retired \$12,000 in fully depreciated obsolete computer equipment during the fiscal year.

The balance of \$474,000 in current liabilities represents \$417,000 in accounts payable and \$57,000 reimbursements due the West Virginia State Treasurer's Office (the "STO") at June 30, 2013. The majority of the accounts payable balance represents services received from the BTI's investment advisors for the quarter ending June 30, 2013, custodian fees for May and June 2013, investment consultant fees for the quarter ending June 2013, and maintenance costs due for the investment management system for June 2013. The \$57,000 in reimbursements due to the STO was for staffing services provided to the

BTI, server software maintenance fees and licensing and support fees for desktop operating systems and productivity software. The net decrease in current liabilities from June 30, 2012 is primarily composed of lower investment manager fees for the quarter ended June 30, 2013 and lower custodian bank fees for May and June 2013.

Net position of the BTI's proprietary fund is composed of net investment in capital assets and unrestricted net position. 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 position represents net position not restricted to their use by legal, contractual or enabling legislation constraints.

Changes in fund net position. The following is a condensed Statement of Revenues, Expenses and Changes in Fund Net Position of the operating fund for the periods ended June 30, 2013 and 2012 (in thousands).

	2013	2012
Revenues		
Operating revenues:		
Management services	\$ 955	\$ 1,004
Advisor and custodian services	1,498	1,561
Total revenues	2,453	2,565
Expenses		
Operating expenses:		
General and administrative	1,227	1,228
Advisor and custodian fees	1,497	1,561
Depreciation	3	2
Total expenses	2,727	2,791
Decrease in net position	(274)	(226)
Net position at beginning of year	535	761
Net position at end of year	\$ 261	\$ 535

Operating revenues at June 30, 2013 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 fee against the net position 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 2013 decreased by \$110,000. This decrease in revenue consisted of a decrease of \$53,000 in advisor fee revenues, a decrease of \$9,000 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 change during the year, the average market value of assets under management was lower during fiscal year 2013 resulting in lower fees. A portion of custodian fees are based upon the market value of assets. Since the average balance of assets was lower during fiscal year 2013, the custodian fees also decreased. The significant decrease in management fee revenue was due to the

reduction in administrative fees charged to the pool during fiscal year 2013 and lower asset balances during the year.

Total operating expenses for the year decreased by \$64,000. This includes a decrease in general and administrative expenses of \$2,000 and a decrease in advisor and custodian fees of \$62,000.

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 and related expenses decreased by \$23,000 from the prior year. The decrease was due to staffing changes including the retirement of the former Executive Director towards the end of fiscal year 2012. In addition, one staff member resigned to pursue other opportunities and the position was not filled. This decrease in expense was offset by increases in investment consulting fees of \$4,000, auditing fees of approximately \$5,000, investment management system support and maintenance fees of approximately \$6,000, and server and desktop software maintenance fees of \$9,000. Other general and administrative expenses decreased by a net of \$2,000.

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. The balance of custodian and advisor fees comprises investment advisor fees of \$1,364,000 and custodian fees of \$133,000. The net decrease in investment advisor fees of \$56,000 was primarily due to decreases in participant investments in the WV Money Market Pool. This decrease in assets also resulted in lower custodian fees, with the total custodian fees falling by a net of \$8,000.

Financial Analysis of the Consolidated Fund

Net position. The following are combined, condensed Statements of Fiduciary Net Position of the Consolidated Fund fiduciary funds as of June 30, 2013 and 2012 (in thousands).

	2013	2012
Assets		
Investments	\$ 3,828,872	\$ 3,917,245
Receivables	3,534	3,290
Total assets	3,832,406	3,920,535
Liabilities		
Accrued expenses	398	443
Dividends and purchases payable	292	415
Total liabilities	690	858
Net Position		
Held in trust for investment pool participants	3,611,689	3,770,839
Held in trust for individual investment account holders	220,027	148,838
Net position	<u>\$ 3,831,716</u>	<u>\$ 3,919,677</u>

As of June 30, 2013, the Consolidated Fund's assets totaled \$3.8 billion and was composed almost entirely of investments in securities. As was experienced in 2012, 2013 also saw total assets decline over

the year. The decline was not as severe in 2013, as the assets dropped just over 2.3% versus 6.4% in 2012. The decrease in assets resulted from participants drawing against their investment balances during the year.

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 2013. As a result, investments were down \$88.4 million from 2012. The WV Money Market and WV Government Money Market Pools both experienced declines during the year, falling by a combined \$304.0 million. The WV Short Term Bond Pool added \$113.0 million during the year as participants transferred funds to the pool to take advantage of higher yields. The Municipal Bond Commission Account and WV Bank, Loan, and Reserve Pools also increased their assets during the year by a combined \$103.0 million. The School Fund and ED-AW Accounts fell slightly from 2012, dropping by \$0.4 million.

Receivables were up slightly over 2012, increasing by \$0.2 million. A modest increase in coupon rates on securities purchased was responsible for the increase in receivables. This increase in rates was tempered by a decline in average investment balances over the fiscal year and much lower returns in the money market funds utilized by the pools and accounts as liquidity vehicles or cash sweep investments.

Total liabilities dropped by approximately \$0.2 million from June 30, 2012. Total liabilities consists of accrued expenses, representing accrued manager fees, custodian bank fees and administrative fees, and dividends payable, representing dividends payable to participants in the WV Short Term Bond Pool. The decrease in accrued expenses was due to lower pool balances in June 2013 that are subject to fees. The decline in dividends payable was due to net income in the WV Short Term Bond Pool being lower in June 2013 versus June 2012.

Net position is the excess of total assets over total liabilities. The Consolidated Fund had total net position of \$3.8 billion at the close of fiscal year 2013. The net position consists 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 position for investment pool participants decreased approximately 4% from the prior year primarily due to decreases in investments in the WV Money Market and WV Government Money Market pools. Offsetting these decreases were increases in the WV Short Term Bond, WV Bank, Loan and Reserve pools.

The WV Money Market Pool ended the year down by approximately \$291.2 million from the prior year. 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. At least \$117 million of the decline was due to state agencies reducing their investments in the pool and increasing their investments in the WV Short Term Bond Pool. Also contributing to the decline were the increases in the WV Bank and State Loan pools. The BidWV CD auction and EDA revolving loan program are both funded with general cash of the state. Increases in investment balances in these funds generally result in decreases in state's investment balances in the WV Money Market Pool. Participant investments in the WV Government Money Market Pool declined by \$12.8 million from 2012. An overwhelming majority of the drop in balances resulted from state agencies drawing against their investments.

During the year, the WV Short Term Bond, WV Bank, State Loan and Reserve pools experienced increases in their balances. The WV Short Term Bond Pool increased by \$113.0 million as state agencies sought a rate of return higher than that available in the WV Money Market Pool. The State Loan Pool investment balance increased by \$11.5 million as the West Virginia Economic Development Authority increased their draws under the Revolving Loan program. The net increase in the Revolving Loan program was \$13.2 million. This was offset by increases in the loan loss reserve for the Non-Recourse Loan. The reserve related to this loan increased by \$1.6 million as the value of the collateral underlying

the loan continued to deteriorate. Investments in the WV Bank Pool increased by \$17.5 million due to the BTI increasing the number of BidWV CD auctions held during the year. The balance of the Reserve Pool increased by approximately \$2.9 million due to the receipt of a settlement from a class action lawsuit filed against BNY Mellon for losses incurred by clients utilizing BNY's pooled securities lending collateral reinvestment funds. See Note 8 of the financial statements for more information on the securities lending settlement.

Net position 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 position for individual account holders increased \$71.2 million or 48% from the prior year. The entire increase was related to new investments made by the Municipal Bond Commission, which totaled \$71.6 million, net of maturities. The net position of the School Fund and West Virginia Economic Development Authority accounts decreased during the year by approximately \$0.4 million in total.

Changes in net position. The following is a combined, condensed Statement of Changes in Fiduciary Net Position of the Consolidated Fund fiduciary funds for the years ended June 30, 2013 and 2012 (in thousands).

	Year Ended June 30,	
	2013	2012
Additions		
Net investment income	\$ 7,838	\$ 10,059
Net realized (loss) gain	2,850	(12)
Net decrease in fair value of investments	(96)	(1,946)
Unit purchases and contributions	11,645,022	11,161,335
Total additions	11,655,614	11,169,436
Deductions		
Distributions	6,357	8,748
Unit redemptions and withdrawals	11,737,218	11,413,194
Total deductions	11,743,575	11,421,942
Change in net position	(87,961)	(252,506)
Net position at beginning of year	3,919,677	4,172,183
Net position at end of year	<u>\$ 3,831,716</u>	<u>\$ 3,919,677</u>

Net investment income for the Consolidated Fund decreased by 22% from the prior fiscal year. A large portion of the decrease is due to the closing of the Loss Amortization Pool in August of fiscal year 2012. This closing of this pool accounted for \$0.9 million of the net \$2.2 million decrease in investment income. The remaining \$1.3 million decline in net investment income was attributable to the WV Short Term Bond, State Loan, WV Bank, and Reserve pools. The remaining pools experienced increases in net income for the year.

Over the past fiscal year, conditions in the global financial markets were driven in large part by actions by central banks, which flooded the system with liquidity and helped stem sovereign risk concerns in Europe. Last July, in an attempt to calm concerns around European peripheral countries, the European Central Bank (ECB) President Mario Draghi said that the central bank would do "whatever it takes" to save the euro. This was followed by the announcement of the outright monetary transactions (OMT) program in early August 2012 whereby the ECB would buy 1-3 year sovereign debt of a country that

applied for aid under the program. Away from the Eurozone, the Federal Reserve announced a new round of quantitative easing (QE) which was open-ended in nature and included a commitment to purchase \$40 billion per month in Agency MBS securities. The Fed added \$45 billion of long-term Treasuries to the program in December 2012. In April 2013, the Bank of Japan (BOJ) announced that it would be unleashing a massive program of quantitative easing that will double the country's money supply. Under the program, the BOJ is promising to purchase \$1.4 trillion in Japanese government bonds through monthly purchases over a two year period.

The short end of the bond market benefitted from the ample liquidity in the financial system, which helped keep a lid on many rates in the sub one year part of the Treasury yield curve. Also, as the US economy improved, tax receipts to the Treasury have increased. This, along with the fiscal belt-tightening imposed by the federal budget sequestration, has reduced the borrowing needs of the Treasury. This has impacted not only Treasury rates but also rates on overnight repurchase agreements as the amount of collateral is reduced. With the Fed engaging in their QE program and also stating that they intend to keep the Fed Funds rate low until certain thresholds are met (6.5% unemployment and 2% inflation), the risk of a substantial rise in rates was reduced. Additionally, the actions by the ECB helped ensure that funding conditions in the Eurozone remained healthy and helped to alleviate market concerns about European banks.

On the long end of the curve, yields surged in May and June of 2013 as the market negatively responded to Federal Reserve Chairman Ben Bernanke's May 22 Congressional testimony and June 19 post-Federal Open Market Committee (FOMC) press conference. Statements from Mr. Bernanke indicated that the Fed was moving towards "tapering" bond buying under the Fed's quantitative easing program, potentially as soon as late 2013 if certain economic measures were in line with Fed forecasts. Yields on the 10 year Treasury rose nearly 100 basis points and spreads on credit products widened dramatically. The Fed sought to reassure the markets that *if* the quantitative easing program was scaled back, this did not represent a change in the Fed's accommodative monetary policy, merely the winding down of one aspect of the extraordinary measures undertaken in the wake of the financial crisis.

Yield performance for the BTI's two principal stability pools was stronger than last year. The West Virginia Money Market Pool was managed with a longer weighted average maturity profile (in the low to mid 50 day range) over the course of the fiscal year in an effort to lock in the higher rates available from securities with longer tenors. Managers felt more comfortable increasing duration with the diminished risks of a substantial rise in short term rates during the year. The yield of the WV Money Market Pool benefitted from this strategy as the return was 2 basis points higher than fiscal year 2012. This resulted in investment income coming in \$0.5 million over 2012 even as assets of the pool fell by \$291 million.

The WV Government Money Market Pool increased its return in 2012 from 8 basis points to 12 basis points. As previously mentioned, the pool was managed with a longer WAM profile similar to the WV Money Market Pool. Agency discount notes were added along the yield curve at times where there was a pick-up in spread to Treasuries. The pool also maintained a 30% to 40% allocation of overnight repo to meet liquidity requirements and take advantage of favorable changes in overnight rates. While the assets of the pool fell by \$12.8 million year over year, the average balance of the pool for fiscal year 2013 was \$334 million. The increase in return and higher overall balance in 2013 helped the pool increase its net investment income by 65%, \$0.1 million, over 2012.

Net investment income for the WV Short Term Bond Pool fell slightly from 2012, dropping by \$0.6 million from the prior fiscal year. During the year agencies increased their investment in the pool, seeking out a better return on idle funds not needed within the next year. These transfers, most of which occurred during June 2013, helped increase the investment balances by a net of \$112.8 million. With the majority of the increase in assets occurring at the end of the year, and overall lower yields in the one to three year segment of the yield curve, the increase in assets did not result in an increase in net investment income.

The State Loan Pool experienced a \$2.1 million decrease in net investment income due to the rate on the WV Revolving Loan program falling from 1.17% in fiscal year 2012 to 0.17% in fiscal year 2013. In addition to a lower rate in the Revolving Loan Program, increases in loan loss reserves for the Non-Recourse Loan program further reduced income. During 2013, reserves for this program were increased by \$1.6 million which accounted for the majority of the decline in net investment 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 \$0.1 million decrease in net investment income is attributable to declines in the income for the WV Reserve Pool and the WV Bank Pool, net of an increase in the income for the Municipal Bond Commission Account.

Realized gains in the Consolidated Fund increased by \$2.8 million over 2012. The bulk of this increase resulted from the purchase and sale of a 10 year Treasury in the Banking Services Pool. The pool was opened in October 2012 with the purchase of a \$200 million position in a 10 year Treasury maturing in August of 2022. The security was purchased at a yield of 1.87% with the intent to hold the security to maturity. However, it was decided in December 2012 to liquidate the security and harvest gains of \$2.6 million. The remaining increase resulted from the sale of securities in the WV Short Term Bond and WV Money Market Pools.

The fair value of investments increased by \$1.9 million over 2012 due to the appreciation of values of securities held by the WV Short Term Bond Pool and the closing of the Loss Amortization Pool. In 2012, the Loss Amortization Pool had a decline in fair value of \$0.9 million and, since the pool was not open for 2013, there was no change in fair value. The change in fair value of investments in the WV Short Term Bond Pool rose by \$1.3 million over 2012 as longer term yields fell over the course of fiscal year 2013. Yield spreads on corporate and asset-backed bonds had narrowed through much of the year resulting in favorable price performance. This reversed dramatically in May and June 2013 as long term yields rose sharply and yield spreads widened, dampening much of the gains from price appreciation experienced throughout the fiscal year. The lone Treasury holding of the EDA-AW Account experienced a reversal in fair value gains from last year, falling by \$0.4 million from last year as Treasury yields rose late in the fiscal year.

Unit purchases and contributions to the Consolidated Fund increased \$483.7 million from the previous fiscal year, while unit redemptions and withdrawals by participants increased \$324.0 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.

Short term interest rates have increased slightly but should remain more anchored until the Federal Reserve increases the Fed Funds Target Rate which market indicators predict to be late 2014 or early 2015. A few events must occur before the FOMC increases the Fed Funds Target Rate, most notably a decrease in the unemployment rate to 6.5%, inflation remaining near the Fed's longer run objective of 2%, and the official end of the QE program. While the Federal Reserve has hinted at potentially reducing the amount of QE later this year, they reiterated their commitment to keep the Fed funds rate low.

Against the backdrop of highly accommodative actions by central banks around the globe, the US economy began to show signs of sustained economic momentum. In particular, the housing market returned to posting solid year over year home price gains (+12.2% per the May S&P/Case-Shiller 20-city

composite). The gains were aided by low mortgage rates and an improving labor market. However concerns about budgetary compromise in Congress and the uncertainty surrounding the “fiscal cliff” at the end of 2012, caused businesses to remain cautious about undertaking large capital investments. Still, consumers reacted favorably at the cash register driven in large part by the positive wealth effects of rising home and stock prices.

Looking ahead, the demand for high quality liquid collateral from Basel III regulations and derivatives reform creates headwind to supply/demand dynamics in the front-end and is another likely contributor to keeping rates low. With respect to the U.S. economy, higher than expected GDP growth in the second quarter and monthly data on manufacturing production and light vehicle sales strengthening in May and June point to potentially stronger growth in the third quarter of 2013. Data from the ISM manufacturing index and the Markit manufacturing PMI are also supportive of stronger growth, both suggesting that manufacturing growth has bottomed and is trending upward. While consumer confidence is above the levels of a year ago, there was some weakening in June as the monthly consumer confidence index dropped to 80.3 from May’s 82.1.

In 2013, West Virginia balanced its budget with the aid of both \$45.7 million in mid-year budget spending authority reductions and the use of surplus reserves to pay \$45 million in personal income tax refunds otherwise paid out of general revenues. Final general revenue collections were \$90.6 million below estimate and 1.1% below prior year receipts. However, as a result of the aforementioned budgetary adjustments, there was an un-appropriated year-end surplus balance of \$11.8 million. Average annual general revenue fund growth over the past five years was just 0.4% in comparison with long-term average annual growth rate of closer to 4.0%. Future budget years are likely to prove challenging with an increasingly volatile energy sector and slower long-term growth elsewhere. The major keys to both West Virginia economic growth and fiscal health in recent 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. A very slow-growing national economy in combination with slower worldwide economic growth also poses significant challenges for both coal markets and export markets. Coal production is falling and export trade is slowing. On the positive side, increased levels of natural gas production should produce additional tax revenues to at least help offset the losses associated with a declining coal sector. The current rebound in natural gas prices from recent lows and significantly higher production should help the State avoid any significant revenue decline in the coming year. An abundant supply of competitively priced natural gas products should also stimulate additional regional manufacturing activity over time. Despite the current stimulus from the natural gas industry, overall growth rates for personal income and gross state product are anticipated to be very sluggish in the near term. State revenue growth is anticipated to be minimal in this environment.

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.

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West Virginia Board of Treasury Investments
Statement of Net Position
Proprietary Fund

June 30, 2013

(In Thousands)

Assets

Current assets:

Cash	\$ 264
Receivables	466
Total current assets	<u>730</u>

Noncurrent assets:

Capital assets, net of accumulated depreciation	5
Total assets	<u>735</u>

Liabilities

Current liabilities:

Accounts payable	474
Total liabilities	<u>474</u>

Net position

Net investment in capital assets	5
Unrestricted	256
Total net position	<u><u>\$ 261</u></u>

See accompanying notes to financial statements

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

For the Year Ended June 30, 2013

(In Thousands)

Operating revenues	
Management services	\$ 955
Advisor services	1,366
Custodian services	<u>132</u>
Total operating revenues	2,453
Operating expenses	
Advisor fees	1,364
Management fees	625
Professional service fees	222
Fiduciary bond	158
Custodian fees	133
General and administrative	222
Depreciation	<u>3</u>
Total operating expenses	<u>2,727</u>
Operating loss	<u>(274)</u>
Change in net position	(274)
Net position at beginning of period	<u>535</u>
Net position at end of period	<u><u>\$ 261</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, 2013

(In Thousands)

Cash flows from operating activities	
Cash received for services	\$ 2,429
Payments to vendors	<u>(2,727)</u>
Net cash used for operating activities	<u>(298)</u>
 Cash flows from capital and related financing activities	
Purchase of capital equipment	<u>(1)</u>
Net cash used for capital and related financing activities	<u>(1)</u>
 Cash at beginning of period	 <u>563</u>
Cash at end of period	<u>\$ 264</u>
 Reconciliation of operating loss to net cash used for operating activities	
Operating loss	\$ (274)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	3
Changes in assets and liabilities:	
Receivables	(23)
Accounts payable	<u>(4)</u>
Net cash used for operating activities	<u>\$ (298)</u>

See accompanying notes to financial statements

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

June 30, 2013

(In Thousands)

Assets	
Investments:	
At amortized cost	\$3,209,799
At fair value	<u>619,073</u>
Total investments	3,828,872
Receivables:	
Accrued interest	3,514
Dividends	<u>20</u>
Total receivables	3,534
Total assets	<u>3,832,406</u>
 Liabilities	
Accrued expenses	398
Dividends payable	<u>292</u>
Total liabilities	<u>690</u>
 Net Position	
Held in trust for investment pool participants	3,611,689
Held in trust for individual investment account holders	<u>220,027</u>
Total net position	<u>\$3,831,716</u>

See accompanying notes to financial statements

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

For the Year Ended June 30, 2013

(In Thousands)

Additions	
Investment income:	
Interest	\$ 17,579
Dividends	330
Net amortization	(6,351)
Provision for uncollectible loans	(1,629)
Total investment income	<u>9,929</u>
Investment expenses:	
Investment advisor fees	1,366
Custodian bank fees	132
Administrative fees	593
Total investment expenses	<u>2,091</u>
Net investment income	7,838
Net realized gain from investments	2,850
Net decrease in fair value of investments	(96)
Net increase in net position from operations	10,592
Participant transaction additions:	
Purchase of pool units by participants	11,345,517
Reinvestment of pool distributions	8,277
Contributions to individual investment accounts	291,228
Total participant transaction additions	<u>11,645,022</u>
Total additions	11,655,614
Deductions	
Distributions to pool participants:	
Net investment income	6,727
Net realized loss from investments	(370)
Total distributions to pool participants	<u>6,357</u>
Participant transaction deductions:	
Redemption of pool units by participants	11,513,580
Withdrawals from individual investment accounts	223,638
Total participant transaction deductions	<u>11,737,218</u>
Total deductions	<u>11,743,575</u>
Change in net position	(87,961)
Net position at beginning of period	<u>3,919,677</u>
Net position at end of period	<u>\$ 3,831,716</u>

See accompanying notes to financial statements

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West Virginia Board of Treasury Investments

Notes to Financial Statements

June 30, 2013

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.

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 position does 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”). The Banking Services account was established for a temporary period during the year. 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), three internal investment pools (WV Bank, Loans, and Reserve) and three individual investment accounts (Municipal Bond Commission, School Fund, and Economic Development Authority – American Woodmark. A fourth account, Banking Services, was opened temporarily during the year).

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 contribute 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 Position – Proprietary fund

Management has adopted Governmental Accounting Standards Board ("GASB") 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 proprietary fund does not report any deferred outflows or inflows of resources. The effect of the statement on the BTI's financial reporting is to rename net assets as net position.

The net position of the BTI's proprietary fund is composed of net investment in capital assets and unrestricted net position, which represent net position not restricted to use by legal, contractual or enabling legislation constraints.

The GASB has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which established 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. Although the provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012, BTI management has chosen to implement it early for fiscal year 2013. At this point, this Statement does not affect these financial statements because neither the BTI's proprietary nor fiduciary fund contains deferred outflows or inflows of resources.

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 (position). 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.

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 Position 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, 2013, the Loan Pool had an allowance for uncollectible loans of \$20,244,415.

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 Position.

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 Position.

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 Position.

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 \$264,000 at June 30, 2013. 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, 2013.

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, six are subject to credit risk: WV Money Market Pool, WV Government Money Market Pool, WV Short Term Bond Pool, WV Bank 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+	\$ 243,538	9.76%
	P-1	A-1	726,857	29.12
Corporate bonds and notes	Aa3	AA-	10,000	0.40
U.S. agency bonds	Aaa	AA+	66,603	2.67
U.S. Treasury notes *	Aaa	AA+	279,755	11.21
U.S. Treasury bills *	P-1	A-1+	34,993	1.40
Negotiable certificates of deposit	Aa1	AA-	10,000	0.40
	Aa2	A+	9,000	0.36
	Aa3	AA-	15,000	0.60
	P-1	A-1+	50,000	2.00
	P-1	A-1	160,000	6.41
	P-2	A-1	15,000	0.60
U.S. agency discount notes	P-1	A-1+	445,784	17.86
Money market funds	Aaa	AAAm	200,012	8.02
Repurchase agreements (underlying securities):				
U.S. Treasury notes *	Aaa	AA+	188,826	7.57
U.S. agency notes	Aaa	AA+	40,500	1.62
			<u>\$ 2,495,868</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+	\$ 5,000	1.74%
U.S. Treasury notes *	Aaa	AA+	50,112	17.45
U.S. Treasury bills *	P-1	A-1+	4,999	1.74
U.S. agency discount notes	P-1	A-1+	125,474	43.69
Money market funds	Aaa	AAAm	99	0.04
Repurchase agreements (underlying securities):				
U.S. agency notes	Aaa	AA+	101,500	35.34
			<u>\$ 287,184</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. Mortgage-backed and asset-backed securities must be rated AAA by Standard & Poor's and Aaa 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	\$ 53,681	8.72%
	Aaa	NR	59,810	9.71
	NR	AAA	37,411	6.07
	NR	AA+	2,514	0.41
	* Caa1	CCC	932	0.15
	* Caa3	D	367	0.06
	* Caa3	NR	24	0.00
	* Ca	CCC	308	0.05
	* Ca	D	95	0.02
	* NR	NR	3,819	0.62
Corporate bonds and notes	Aa2	AA+	3,002	0.49
	Aa2	AA	12,731	2.07
	Aa2	AA-	9,192	1.49
	Aa3	AA-	33,034	5.36
	Aa3	A+	11,693	1.90
	A1	AA+	13,295	2.16
	A1	AA	4,118	0.67
	A1	A+	47,500	7.71
	A1	A	13,522	2.19
	A2	A+	9,348	1.52
	A2	A	47,709	7.75
	A2	A-	5,052	0.82
	A3	A-	7,986	1.30
	* Baa1	A-	2,416	0.39
	* Baa2	A-	6,959	1.13
U.S. agency bonds	Aaa	AA+	9,986	1.62
U.S. Treasury notes **	Aaa	AA+	140,154	22.76
U.S. agency mortgage backed securities ***	Aaa	AA+	73,692	11.97
Money market funds	Aaa	AAAm	5,457	0.89
			<u>\$ 615,807</u>	<u>100.00%</u>

NR = Not Rated

* These securities were not in compliance with BTI Investment Policy at June 30, 2013. 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 WV Bank Pool holds an interest in a money market mutual fund valued at approximately \$12,000. 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 WV Bank Pool.

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 \$151,000. 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 \$1,327,000. 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 762 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	\$ 229,326	3
U.S. Treasury notes	279,755	132
U.S. Treasury bills	34,993	77
Commercial paper	970,395	43
Certificates of deposit	259,000	66
U.S. agency discount notes	445,784	47
Corporate bonds and notes	10,000	60
U.S. agency bonds	66,603	139
Money market funds	200,012	1
	\$ 2,495,868	52

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 762 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	\$ 101,500	3
U.S. Treasury notes	50,112	103
U.S. Treasury bills	4,999	76
U.S. agency discount notes	125,474	67
U.S. agency bonds	5,000	34
Money market funds	99	1
	\$ 287,184	50

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 notes	\$ 140,154	491
Corporate bonds and notes	227,557	293
Corporate asset backed securities	158,961	471
U.S. agency bonds	9,986	583
U.S. agency mortgage backed securities	73,692	60
Money market funds	5,457	1
	\$ 615,807	358

The West Virginia Bank Pool holds nonnegotiable certificates of deposit totaling \$70,000,000 with maturity dates ranging from July 2013 through December 2013, and an interest in a money market mutual fund valued at approximately \$12,000. 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 \$151,000 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 \$21,915,000 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	\$ 1,944	503
U.S. Treasury bonds and notes	47,943	405
State and local government securities	166,580	324
	<u>\$ 216,467</u>	344

The School Fund Account holds only an interest in a money market mutual fund valued at approximately \$1,327,000 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 \$1,939,000 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 \$70,000,000. The Reserve Pool

contains funds totaling approximately \$21,915,000 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, 2012	Increases	Decreases	June 30, 2013
Equipment, at cost	\$ 35	\$ 1	\$ (12)	\$ 24
Accumulated depreciation	(28)	(3)	12	(19)
Equipment, net of accumulated depreciation	<u>\$ 7</u>	<u>\$ (2)</u>	<u>\$ -</u>	<u>\$ 5</u>

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, 2013, 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, 2013, was 0.17%. 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, 2013, the outstanding balance was \$113,584,553.
- 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 was expected to make principal and interest payments sufficient to repay all outstanding principal and accrued interest in full by June 30, 2022. On June 24, 2013, the BTI was notified by the WVEDA that the WVEDA had not received monetary returns from its venture capital investments and therefore would be unable to make the scheduled payment on June 30, 2013. At June 30, 2013, \$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 \$20,244,415 has been accrued at June 30, 2013.

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	\$ 17,055
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	747,110
Fiscal Year 2013 interest deferred	744,833
Total interest deferred	<u>\$ 3,617,410</u>

Interpool Investments

Reserve Pool assets totaling \$17,127,000 that had been redeemed from the Reserve Pool and invested in the WV Short Term Bond Pool were returned to their originating account in June 2013 and are no longer considered a part of assets available to provide support for the unit net position of 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, 2013, the BTI reimbursed the Treasurer’s Office \$658,000 for services, which includes \$628,000 for management services provided by Treasurer’s Office employees. As of June 30, 2013, the BTI had an amount payable to the Treasurer’s Office totaling \$58,000, of which \$49,000 was for management services provided by Treasurer’s Office employees. Also during the year, the Treasurer’s Office provided services valued at approximately \$16,000 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. Securities Lending Settlement

In April 2013, the BTI received \$3,123,000 in settlement of a class action lawsuit filed in 2008 against BNY Mellon, N.A., as a result of losses incurred in certain BNY Mellon securities lending cash collateral reinvestment pools that held certain securities issued by Sigma Finance Inc. or Sigma Finance Corp on October 1, 2008. The proceeds of the settlement were deposited in the Reserve Pool and will be distributed to the WV Money Market Pool, WV Government Money Market Pool and WV Short Term

Bond Pool over a period of two years starting July 1, 2013 based on their pro-rata share of losses incurred in the BTI's securities lending program in October 2008.

9. Effect of New Accounting Pronouncements

The GASB has issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, which replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. The provisions for this Statement are effective for financial statements for periods beginning after June 15, 2013. Because the BTI has no employees, it does not participate in a pension plan and will not be affected by Statement No. 67.

The GASB has issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, which replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. The provisions for this Statement are effective for financial statements for periods beginning after June 15, 2014. Because the BTI has no employees, it does not participate in a pension plan and will not be affected by Statement No. 68.

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

June 30, 2013

(In Thousands)

	WV Money Market Pool	WV Government Money Market Pool	WV Short Term Bond Pool	WV Bank Pool	Loan Pool
Assets					
Investments:					
At amortized cost	\$ 2,495,868	\$ 287,184	\$ -	\$ 70,012	\$ 118,353
At fair value	-	-	615,807	-	-
Receivables:					
Accrued interest	1,203	104	1,866	31	15
Dividends	14	-	1	-	-
Total receivables	<u>1,217</u>	<u>104</u>	<u>1,867</u>	<u>31</u>	<u>15</u>
Total assets	<u>2,497,085</u>	<u>287,288</u>	<u>617,674</u>	<u>70,043</u>	<u>118,368</u>
Liabilities					
Accrued expenses	228	35	131	1	2
Dividends payable	-	-	292	-	-
Total liabilities	<u>228</u>	<u>35</u>	<u>423</u>	<u>1</u>	<u>2</u>
Net Position					
Held in trust for investment pool participants	2,496,857	287,253	617,251	70,042	118,366
Held in trust for individual investment account holders	-	-	-	-	-
Total net position	<u>\$ 2,496,857</u>	<u>\$ 287,253</u>	<u>\$ 617,251</u>	<u>\$ 70,042</u>	<u>\$ 118,366</u>

* The Banking Services Participant Account was closed in December 2012

See accompanying notes to financial statements.

Reserve Pool	Municipal Bond Commission Account	School Fund Account	Economic Development Authority - American Woodmark Account	Banking Services *	Total
\$ 21,915	\$ 216,467	\$ -	\$ -	\$ -	\$3,209,799
-	-	1,327	1,939	-	619,073
-	261	-	34	-	3,514
5	-	-	-	-	20
<u>5</u>	<u>261</u>	<u>-</u>	<u>34</u>	<u>-</u>	<u>3,534</u>
21,920	216,728	1,327	1,973	-	3,832,406
-	-	-	1	-	398
-	-	-	-	-	292
<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>690</u>
21,920	-	-	-	-	3,611,689
-	216,728	1,327	1,972	-	220,027
<u>\$ 21,920</u>	<u>\$ 216,728</u>	<u>\$ 1,327</u>	<u>\$ 1,972</u>	<u>\$ -</u>	<u>\$3,831,716</u>

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

For the Year Ended June 30, 2013

(In Thousands)

	WV Money Market Pool	WV Government Money Market Pool	WV Short Term Bond Pool	WV Bank Pool	Loan Pool
Additions					
Investment income:					
Interest	\$ 6,108	\$ 1,374	\$ 7,507	\$ 134	\$ 456
Dividends	271	-	9	-	-
Net (amortization) accretion	(1,160)	(868)	(3,436)	-	-
Provision for uncollectible loans	-	-	-	-	(1,629)
Total investment income	<u>5,219</u>	<u>506</u>	<u>4,080</u>	<u>134</u>	<u>(1,173)</u>
Investment expenses:					
Investment advisor fees	787	111	468	-	-
Custodian bank fees	92	18	22	-	-
Administrative fees	449	86	10	16	29
Total investment expenses	<u>1,328</u>	<u>215</u>	<u>500</u>	<u>16</u>	<u>29</u>
Net investment income	3,891	291	3,580	118	(1,202)
Net realized gain from investments	4	-	207	-	-
Net increase (decrease) in fair value of investments	<u>-</u>	<u>-</u>	<u>53</u>	<u>-</u>	<u>-</u>
Net increase in net position from operations	3,895	291	3,840	118	(1,202)
Participant transaction additions:					
Purchase of pool units by participants	10,451,327	674,046	118,076	70,144	28,750
Reinvestment of pool distributions	3,894	291	3,619	118	305
Contributions to individual investment accounts	-	-	-	-	-
Total participant transaction additions	<u>10,455,221</u>	<u>674,337</u>	<u>121,695</u>	<u>70,262</u>	<u>29,055</u>
Total additions	10,459,116	674,628	125,535	70,380	27,853
Deductions					
Distributions to pool participants:					
Net investment income	3,890	291	3,580	118	(1,202)
Net realized gain (loss) from investments	4	-	(374)	-	-
Total distributions to pool participants	<u>3,894</u>	<u>291</u>	<u>3,206</u>	<u>118</u>	<u>(1,202)</u>
Participant transaction deductions:					
Redemption of pool units by participants	10,731,409	687,130	9,369	67,811	17,515
Withdrawals from individual investment accounts	-	-	-	-	-
Total participant transaction deductions	<u>10,731,409</u>	<u>687,130</u>	<u>9,369</u>	<u>67,811</u>	<u>17,515</u>
Total deductions	<u>10,735,303</u>	<u>687,421</u>	<u>12,575</u>	<u>67,929</u>	<u>16,313</u>
Net (decrease) increase in net position from operations	(276,187)	(12,793)	112,960	2,451	11,540
Inter-pool transfers in	-	-	-	15,000	-
Inter-pool transfers out	<u>(15,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net inter-pool transfers in (out)	<u>(15,000)</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>-</u>
Change in net position	(291,187)	(12,793)	112,960	17,451	11,540
Net position at beginning of period	<u>2,788,044</u>	<u>300,047</u>	<u>504,292</u>	<u>52,590</u>	<u>106,825</u>
Net position at end of period	<u>\$ 2,496,857</u>	<u>\$ 287,254</u>	<u>\$ 617,252</u>	<u>\$ 70,041</u>	<u>\$ 118,365</u>

* The Banking Services Participant Account was closed in December 2012
 See accompanying notes to financial statements.

<u>Reserve Pool</u>	<u>Municipal Bond Commission Account</u>	<u>School Fund Account</u>	<u>Economic Development Authority - American Woodmark Account</u>	<u>Banking Services *</u>	<u>Total</u>
\$ -	\$ 1,477	\$ -	\$ 90	\$ 433	\$ 17,579
50	-	-	-	-	330
-	(922)	-	(11)	46	(6,351)
-	-	-	-	-	(1,629)
<u>50</u>	<u>555</u>	<u>-</u>	<u>79</u>	<u>479</u>	<u>9,929</u>
-	-	-	-	-	1,366
-	-	-	-	-	132
-	1	-	1	1	593
<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>2,091</u>
50	554	-	78	478	7,838
-	29	-	-	2,610	2,850
-	-	-	(149)	-	(96)
<u>50</u>	<u>583</u>	<u>-</u>	<u>(71)</u>	<u>3,088</u>	<u>10,592</u>
3,174	-	-	-	-	11,345,517
50	-	-	-	-	8,277
-	93,499	422	-	197,307	291,228
<u>3,224</u>	<u>93,499</u>	<u>422</u>	<u>-</u>	<u>197,307</u>	<u>11,645,022</u>
3,274	94,082	422	(71)	200,395	11,655,614
50	-	-	-	-	6,727
-	-	-	-	-	(370)
<u>50</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,357</u>
346	-	-	-	-	11,513,580
-	22,503	651	89	200,395	223,638
<u>346</u>	<u>22,503</u>	<u>651</u>	<u>89</u>	<u>200,395</u>	<u>11,737,218</u>
396	22,503	651	89	200,395	11,743,575
2,878	71,579	(229)	(160)	-	(87,961)
-	-	-	-	-	15,000
-	-	-	-	-	(15,000)
-	-	-	-	-	-
2,878	71,579	(229)	(160)	-	(87,961)
19,041	145,150	1,555	2,133	-	3,919,677
<u>\$ 21,919</u>	<u>\$ 216,729</u>	<u>\$ 1,326</u>	<u>\$ 1,973</u>	<u>\$ -</u>	<u>\$ 3,831,716</u>

West Virginia Board of Treasury Investments
Schedule of Investments in Securities
June 30, 2013
(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		1.000 %	0.190 %	07/15/2013	10,000	\$ 10,003	\$ 10,004
United States Treasury Note		3.375	0.164	07/31/2013	24,000	24,064	24,065
United States Treasury Note		0.750	0.113	08/15/2013	25,000	25,020	25,021
United States Treasury Note		0.125	0.116	08/31/2013	25,000	25,000	25,002
United States Treasury Note		0.500	0.072	10/15/2013	25,000	25,031	25,028
United States Treasury Note		2.750	0.154	10/31/2013	20,000	20,172	20,176
United States Treasury Note		0.500	0.131	11/15/2013	35,000	35,048	35,050
United States Treasury Note		0.250	0.156	11/30/2013	20,000	20,008	20,012
United States Treasury Note		0.750	0.163	12/15/2013	15,000	15,040	15,044
United States Treasury Note		0.125	0.106	12/31/2013	25,000	25,002	25,000
United States Treasury Note		1.000	0.181	01/15/2014	20,000	20,088	20,095
United States Treasury Note		1.250	0.139	02/15/2014	30,000	30,208	30,206
United States Treasury Note		1.875	0.167	04/30/2014	5,000	5,071	5,070
Total U. S. Treasury Issues	11.2%					279,755	279,773
<i>U. S. Government Agency Bonds</i>							
Federal Home Loan Bank		0.133	F 0.133	07/15/2013	10,000	10,000	10,000
Federal Farm Credit Bank		0.164	F 0.133	08/01/2013	5,000	5,000	5,000
Federal Home Loan Bank		0.280	0.248	09/05/2013	8,000	8,000	8,002
Federal Farm Credit Bank		3.875	0.223	10/07/2013	9,638	9,732	9,734
Federal Home Loan Bank		0.100	0.123	11/12/2013	5,000	5,000	4,999
Federal Home Loan Bank		0.160	0.173	12/05/2013	4,000	4,000	4,000
Federal Home Loan Bank		0.170	0.192	12/18/2013	4,000	4,000	4,000
Federal National Mortgage Assn		2.750	0.148	02/05/2014	10,000	10,155	10,155
Federal Home Loan Bank		0.125	0.172	04/11/2014	10,700	10,696	10,693
Federal National Mortgage Assn		0.202	F 0.241	01/20/2015	21	21	21
Total U. S. Government Agency Bonds	2.7%					66,604	66,604
<i>Corporate Bonds</i>							
Toronto Dominion Bank		0.276	F 0.276	07/26/2013	10,000	10,000	10,002
Svenska Handelsbanken		0.284	F 0.283	01/27/2014	10,000	10,000	9,995
Total Corporate Bonds	0.8%					20,000	19,997
<i>Short Term Issues</i>							
Deutsche Bank Securities Inc		0.180	0.180	07/01/2013	40,500	40,500	40,500
Merrill Lynch PFS Inc		0.100	0.100	07/01/2013	188,826	188,826	188,826
Mizuho Funding LLC		0.000	0.460	07/01/2013	10,000	10,000	10,000
Natixis Banques Populaires		0.000	0.142	07/01/2013	10,000	10,000	10,000
Svenska Handelsbanken NY		0.200	0.200	07/01/2013	25,000	25,000	25,000
Sumitomo Mitsui Banking Corp		0.000	0.142	07/03/2013	15,000	15,000	15,000
Atlantic Asset Securities Corp		0.000	0.172	07/08/2013	15,000	15,000	15,000
Bank of Tokyo-Mitsubishi		0.210	0.210	07/08/2013	25,000	25,000	25,000
Credit Agricole North America		0.000	0.152	07/08/2013	20,000	19,999	19,999
LMA Americas LLC		0.000	0.193	07/08/2013	25,000	24,999	24,999
National Australia Funding		0.000	0.172	07/08/2013	26,000	25,999	25,999
Norinchukin Bank NY		0.160	0.160	07/08/2013	30,000	30,000	30,000

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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, 2013
(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>
Oversea-Chinese Banking Corp		0.000	0.203	07/08/2013	20,000	19,999	19,999
Sheffield Receivables		0.000	0.213	07/08/2013	15,500	15,499	15,499
Deutsche Bank Financial LLC		0.000	0.294	07/09/2013	28,000	27,998	27,998
Mizuho Corporate Bank		0.230	0.230	07/09/2013	25,000	25,000	25,000
Nieuw Amsterdam Receivables		0.000	0.193	07/09/2013	14,365	14,364	14,364
Victory Receivables Corp		0.000	0.142	07/09/2013	15,000	14,999	14,999
Federal Home Loan Bank		0.000	0.127	07/10/2013	13,000	13,000	13,000
Natixis Banques Populaires		0.000	0.152	07/10/2013	25,000	24,999	24,999
Rabobank USA Fin Corp		0.000	0.274	07/10/2013	25,000	24,998	24,998
United States Treasury Bill		0.000	0.068	07/11/2013	5,000	5,000	5,000
Atlantic Asset Securities Corp		0.000	0.152	07/15/2013	25,000	24,999	24,999
CNPC Finance HK LTD		0.000	0.243	07/15/2013	10,000	9,999	9,999
Federal Home Loan Mort Corp		0.000	0.073	07/15/2013	39,600	39,599	39,599
Regency Markets No 1 LLC		0.000	0.218	07/15/2013	15,000	14,999	14,999
Skandinaviska Enskilda Bank		0.000	0.213	07/15/2013	15,000	14,999	14,999
Thunder Bay Funding Inc		0.000	0.041	07/15/2013	25,000	24,998	24,998
Liberty Street Funding LLC		0.000	0.142	07/16/2013	5,000	5,000	5,000
Fairway Finance Corp		0.000	0.132	07/17/2013	31,000	30,998	30,998
Federal Home Loan Bank		0.000	0.079	07/17/2013	40,000	39,999	39,999
Market Street Funding LLC		0.000	0.117	07/17/2013	10,514	10,513	10,513
Westpac Trust Securities NZ		0.243	F 0.261	07/18/2013	14,600	14,600	14,600
Federal Home Loan Bank		0.000	0.112	07/19/2013	25,000	24,999	24,999
JP Morgan Chase & Co		0.000	0.254	07/22/2013	20,500	20,497	20,497
Oversea-Chinese Banking Corp		0.000	0.162	07/22/2013	15,000	14,999	14,999
Chariot Funding LLC		0.000	0.233	07/24/2013	25,000	24,996	24,996
Federal Home Loan Bank		0.000	0.056	07/24/2013	32,000	31,999	31,999
Federal National Mortgage Assn		0.000	0.122	07/24/2013	15,000	14,999	14,999
Bank of America NA		0.190	0.190	07/25/2013	15,000	15,000	15,000
CNPC Finance HK LTD		0.000	0.243	07/26/2013	15,000	14,997	14,997
Federal Home Loan Bank		0.000	0.066	07/26/2013	35,000	34,998	34,998
Sumitomo Mitsui Trust NY		0.230	0.230	07/26/2013	20,000	20,000	20,000
UBS Finance (DE) LLC		0.000	0.132	07/29/2013	30,000	29,997	29,997
Jupiter Securitization Co LLC		0.000	0.183	07/30/2013	19,000	18,997	18,997
Federal National Mortgage Assn		0.000	0.051	07/31/2013	15,000	14,999	14,999
Societe Generale NA		0.000	0.254	08/02/2013	25,000	24,994	24,994
BNP Paribas Finance		0.000	0.264	08/05/2013	10,000	9,997	9,997
Federal Home Loan Mort Corp		0.000	0.117	08/05/2013	34,000	33,996	33,996
Royal Bank of Canada		0.323	F 0.323	08/06/2013	15,000	15,000	15,000
Federal Home Loan Bank		0.000	0.066	08/07/2013	34,313	34,311	34,311
Gotham Funding Corp		0.000	0.193	08/07/2013	10,000	9,998	9,998
Market Street Funding LLC		0.000	0.183	08/07/2013	15,117	15,114	15,114
Victory Receivables Corp		0.000	0.122	08/07/2013	10,000	9,998	9,998
Sheffield Receivables		0.000	0.162	08/09/2013	35,000	34,994	34,994
DBS Bank LTD		0.000	0.223	08/13/2013	15,000	14,996	14,996
Wells Fargo & Company		0.000	0.183	08/15/2013	15,000	14,997	14,997
Cancara Asset Securitization		0.000	0.193	08/16/2013	21,000	20,995	20,995
Toyota Motor Credit Corp		0.000	0.213	08/19/2013	28,000	27,992	27,992
Cancara Asset Securitization		0.000	0.193	08/20/2013	15,000	14,996	14,996
Federal National Mortgage Assn		0.000	0.080	08/21/2013	28,000	27,996	27,996
Federal National Mortgage Assn		0.000	0.064	08/28/2013	30,000	29,997	29,997
Federal Home Loan Bank		0.000	0.071	08/30/2013	9,500	9,499	9,500
Nordea NA Inc		0.000	0.152	09/03/2013	34,000	33,988	33,991

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See accompanying notes to financial statements.

West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)
June 30, 2013
(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>
Bank of Montreal Chicago		0.180	0.180	09/04/2013	35,000	35,000	34,995
FCAR Owner Trust Series II		0.000	0.188	09/04/2013	15,000	14,995	14,994
Sheffield Receivables		0.000	0.137	09/04/2013	15,000	14,995	14,994
Federal Home Loan Mort Corp		0.000	0.071	09/06/2013	13,000	12,998	12,999
Credit Suisse First Boston		0.240	0.240	09/09/2013	15,000	15,000	15,000
Liberty Street Funding LLC		0.000	0.183	09/09/2013	25,000	24,991	24,989
Federal Home Loan Mort Corp		0.000	0.071	09/10/2013	13,000	12,998	12,999
Jupiter Securitization Co LLC		0.000	0.264	09/10/2013	15,000	14,992	14,995
ING Funding LLC		0.000	0.233	09/13/2013	26,000	25,988	25,987
Northern Pines Funding LLC		0.000	0.264	09/13/2013	13,000	12,993	12,994
United States Treasury Bill		0.000	0.083	09/19/2013	25,000	24,995	24,998
UOB Funding LLC		0.000	0.213	09/20/2013	15,000	14,993	14,993
Federal Home Loan Mort Corp		0.000	0.116	10/04/2013	14,421	14,417	14,417
Federal Farm Credit Bank		0.000	0.173	10/11/2013	5,000	4,998	4,999
Federal Home Loan Bank		0.000	0.116	10/11/2013	30,000	29,990	29,996
Bank of Nova Scotia		0.000	0.228	10/15/2013	25,000	24,983	24,985
United States Treasury Bill		0.000	0.188	10/17/2013	5,000	4,997	4,999
General Electric Capital Corp		0.000	0.233	10/21/2013	15,000	14,989	14,993
Federal Home Loan Bank		0.000	0.102	10/25/2013	20,000	19,993	19,997
JP Morgan Chase & Co		0.000	0.356	12/02/2013	8,000	7,988	7,992
Bedford Row Funding Corp		0.000	0.427	12/16/2013	8,000	7,984	7,988
Westpac Trust Securities NZ		0.364	F	01/02/2014	8,000	8,000	8,002
Toyota Motor Credit Corp		0.233	F	02/18/2014	10,000	10,000	9,999
Commonwealth Bank of Australia		0.233	F	02/24/2014	10,000	10,000	10,000
Bank of Nova Scotia		0.336	F	08/29/2014	9,000	9,000	9,000
Toronto Dominion		0.233	F	05/22/2014	10,000	10,000	10,000
Rabobank Nederland NV		0.360		06/11/2014	15,000	15,000	15,000
UBS Select		0.080	**		200,000	200,000	200,000
Dreyfus Cash Management Institutional Fund		0.050	**		12	12	12
Total Short Term Issues	<u>85.3%</u>					<u>2,129,509</u>	<u>2,129,535</u>
Total Money Market Pool	<u>100.0%</u>					<u>\$ 2,495,868</u>	<u>\$ 2,495,909</u>

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See accompanying notes to financial statements.

West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)
June 30, 2013
(In thousands)

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		1.000 %	0.132 %	07/15/2013	5,000	\$ 5,002	\$ 5,002
United States Treasury Note		0.750	0.034	08/15/2013	8,000	8,007	8,007
United States Treasury Note		0.125	0.105	08/31/2013	10,000	10,000	10,001
United States Treasury Note		0.500	0.072	10/15/2013	5,000	5,006	5,006
United States Treasury Note		2.750	0.156	10/31/2013	9,000	9,077	9,079
United States Treasury Note		0.250	0.093	11/30/2013	5,000	5,003	5,003
United States Treasury Note		0.750	0.163	12/15/2013	5,000	5,013	5,015
United States Treasury Note		0.250	0.121	02/28/2014	3,000	3,003	3,002
Total U. S. Treasury Issues	17.4%					50,111	50,115
<i>U. S. Government Agency Bonds</i>							
Federal Farm Credit Bank		0.164	F 0.133	08/01/2013	5,000	5,000	5,000
Total U. S. Government Agency Bonds	1.7%					5,000	5,000
<i>Short Term Issues</i>							
Deutsche Bank Securities Inc		0.180	0.180	07/01/2013	51,500	51,500	51,500
Goldman, Sachs & Co		0.110	0.110	07/01/2013	50,000	50,000	50,000
Federal Home Loan Mort Corp		0.000	0.172	07/01/2013	4,700	4,700	4,700
Federal Home Loan Bank		0.000	0.233	07/03/2013	5,000	5,000	5,000
Federal Home Loan Mort Corp		0.000	0.162	07/09/2013	5,000	5,000	5,000
Federal Home Loan Bank		0.000	0.081	07/12/2013	5,000	5,000	5,000
Federal Home Loan Mort Corp		0.000	0.172	07/15/2013	5,000	5,000	5,000
Federal Home Loan Bank		0.000	0.132	07/17/2013	5,000	5,000	5,000
Federal Home Loan Bank		0.000	0.114	07/31/2013	990	990	990
Federal Home Loan Mort Corp		0.000	0.122	08/01/2013	5,000	4,999	4,999
Federal National Mortgage Assn		0.000	0.193	08/07/2013	6,000	5,999	5,999
Federal Home Loan Bank		0.000	0.104	08/21/2013	15,000	14,998	14,998
Federal National Mortgage Assn		0.000	0.152	08/21/2013	5,000	4,999	4,999
Federal Home Loan Mort Corp		0.000	0.132	08/27/2013	4,000	3,999	4,000
Federal National Mortgage Assn		0.000	0.081	08/28/2013	5,000	4,999	4,999
Federal National Mortgage Assn		0.000	0.198	09/03/2013	5,000	4,999	5,000
Federal Home Loan Bank		0.000	0.193	09/04/2013	5,000	4,999	4,999
Federal Home Loan Mort Corp		0.000	0.152	09/05/2013	5,000	4,999	5,000
Federal National Mortgage Assn		0.000	0.142	09/11/2013	4,000	3,999	4,000
United States Treasury Bill		0.000	0.069	09/12/2013	5,000	4,999	5,000
Federal National Mortgage Assn		0.000	0.096	09/18/2013	2,330	2,330	2,330
Federal Home Loan Mort Corp		0.000	0.142	10/08/2013	5,000	4,998	4,999
Federal National Mortgage Assn		0.000	0.112	10/09/2013	5,000	4,998	4,999
Federal Home Loan Bank		0.000	0.117	10/16/2013	5,000	4,998	4,998
Federal Home Loan Mort Corp		0.000	0.112	11/13/2013	5,000	4,998	4,999
Federal National Mortgage Assn		0.000	0.101	11/13/2013	2,900	2,899	2,899
Federal Home Loan Mort Corp		0.000	0.127	12/03/2013	4,581	4,579	4,579
Federal Home Loan Mort Corp		0.000	0.112	12/09/2013	3,000	2,999	2,999
Federal Home Loan Mort Corp		0.000	0.152	02/04/2014	3,000	2,997	2,998
Dreyfus Cash Management		0.010	**		99	99	99
Total Short Term Issues	80.8%					232,073	232,082
Total Government Money Market Pool	100.0%					\$ 287,184	\$ 287,197

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See accompanying notes to financial statements.

West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)
June 30, 2013
(In thousands)

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		1.750 %	0.168 %	01/31/2014	28,000	\$ 28,258	\$ 28,265
United States Treasury		0.250	0.301	10/31/2014	10,000	9,993	10,004
United States Treasury		0.250	0.246	12/15/2014	35,000	35,002	35,008
United States Treasury		0.250	0.281	01/15/2015	10,000	9,995	9,998
United States Treasury		2.375	0.294	02/28/2015	25,000	25,864	25,864
United States Treasury Inflation Index Note		0.500	0.040	04/15/2015	10,730	11,279	10,998
United States Treasury		0.375	0.300	04/15/2015	20,000	20,027	20,018
Total U. S. Treasury Issues	22.8%					140,418	140,155
<i>U. S. Government Agency Bonds</i>							
Federal Home Loan Bank		0.250	F 0.296	02/20/2015	10,000	9,993	9,986
Total U. S. Government Agency Bonds	1.6%					9,993	9,986
<i>U. S. Agency Issues</i>							
Federal Home Loan Mort Corp		0.441	F 0.535	03/15/2021	411	410	411
Federal Home Loan Mort Corp		0.443	F 0.533	06/15/2021	797	795	797
Federal National Mortgage Assn		1.069	F 0.836	01/25/2024	1,553	1,570	1,578
Federal Home Loan Mort Corp		0.693	F 0.690	04/15/2027	451	451	453
Federal Home Loan Mort Corp		0.693	F 0.690	04/15/2028	512	512	516
Federal Home Loan Mort Corp		0.393	F 0.458	10/15/2028	815	812	813
Federal Home Loan Mort Corp		0.543	F 0.585	04/15/2029	663	661	665
Federal Home Loan Mort Corp		0.393	F 0.445	05/15/2030	1,575	1,568	1,572
Federal Home Loan Mort Corp		0.793	F 0.780	08/15/2030	191	191	192
Federal Home Loan Mort Corp		0.443	F 0.497	09/15/2030	457	455	457
Federal Home Loan Mort Corp		0.693	F 0.742	09/15/2030	131	130	131
Federal Home Loan Mort Corp		0.543	F 0.603	09/15/2030	4,330	4,309	4,328
Federal Home Loan Mort Corp		0.493	F 0.543	04/15/2031	998	994	996
Federal Home Loan Mort Corp		0.593	F 0.590	06/15/2031	307	307	308
Federal Home Loan Mort Corp		0.593	F 0.593	07/15/2031	138	138	138
Federal Home Loan Mort Corp		0.593	F 0.590	09/15/2031	1,214	1,214	1,219
Federal National Mortgage Assn		0.493	F 0.503	09/25/2031	880	879	881
Federal National Mortgage Assn		0.593	F 0.589	09/25/2031	1,458	1,459	1,459
Federal Home Loan Mort Corp		0.493	F 0.530	11/15/2031	2,104	2,097	2,105
Federal Home Loan Mort Corp		0.643	F 0.640	11/15/2031	956	956	961
Federal Home Loan Mort Corp		0.643	F 0.640	12/15/2031	403	403	405
Federal Home Loan Mort Corp		0.643	F 0.640	12/15/2031	343	343	344
Federal Home Loan Mort Corp		0.743	F 0.741	02/15/2032	488	488	492
Federal Home Loan Mort Corp		0.643	F 0.640	02/17/2032	735	735	738
Federal National Mortgage Assn		0.543	F 0.547	02/25/2032	1,741	1,740	1,745
Federal Home Loan Mort Corp		0.643	F 0.640	03/15/2032	349	349	350
Federal Home Loan Mort Corp		0.693	F 0.690	03/15/2032	368	368	371
Federal Home Loan Mort Corp		0.693	F 0.690	03/15/2032	1,055	1,056	1,064
Federal Home Loan Mort Corp		0.693	F 0.690	04/15/2032	491	491	494
Federal Home Loan Mort Corp		0.693	F 0.690	07/15/2032	838	838	841
Federal National Mortgage Assn		0.543	F 0.546	08/17/2032	1,083	1,083	1,086

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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>
Federal Home Loan Mort Corp	0.593	F	0.590	10/15/2032	662	662	665
Federal National Mortgage Assn	0.543	F	0.546	10/18/2032	759	759	761
Federal Home Loan Mort Corp	0.643	F	0.640	11/15/2032	353	353	354
Federal Home Loan Mort Corp	0.593	F	0.590	01/15/2033	625	625	628
Federal Home Loan Mort Corp	0.593	F	0.590	01/15/2033	1,876	1,877	1,882
Federal Home Loan Mort Corp	0.593	F	0.590	02/15/2033	1,425	1,426	1,424
Federal Home Loan Mort Corp	0.493	F	0.533	02/15/2033	1,603	1,597	1,603
Federal National Mortgage Assn	0.593	F	0.588	03/25/2033	314	314	314
Federal Home Loan Mort Corp	0.503	F	0.555	04/15/2033	1,430	1,424	1,431
Federal National Mortgage Assn	0.593	F	0.588	07/25/2033	2,129	2,130	2,133
Federal Home Loan Mort Corp	0.643	F	0.652	06/15/2034	647	646	651
Federal Home Loan Mort Corp	0.593	F	0.838	10/15/2034	646	644	647
Federal Home Loan Mort Corp	0.493	F	0.565	09/15/2035	1,297	1,291	1,299
Federal National Mortgage Assn	0.443	F	0.766	03/25/2036	2,541	2,540	2,539
Government National Mort Assn	0.598	F	0.635	12/20/2060	4,425	4,382	4,390
Government National Mort Assn	0.698	F	0.697	03/20/2061	6,061	6,055	6,050
Government National Mort Assn	0.798	F	0.796	10/20/2061	4,313	4,310	4,325
Government National Mort Assn	0.698	F	0.686	06/20/2062	4,884	4,891	4,874
Government National Mort Assn	0.598	F	0.603	03/20/2063	4,950	4,937	4,930
Government National Mort Assn	0.648	F	0.644	04/30/2063	4,899	4,898	4,884
Total U.S. Agency Issues	12.0%					73,563	73,694
<i>Corporate Issues</i>							
<i>Corporate Bonds</i>							
Wachovia Corp	5.700		0.950	08/01/2013	3,000	3,012	3,012
HSBC Bank	0.925	F	0.823	08/12/2013	1,100	1,100	1,101
Berkshire Hathaway Finance	5.000		0.560	08/15/2013	3,001	3,018	3,018
US Bancorp	1.375		0.690	09/13/2013	2,000	2,003	2,002
Caterpillar Financial Services	6.200		1.367	09/30/2013	2,656	2,688	2,693
American Honda Finance	6.700		1.666	10/01/2013	2,000	2,025	2,030
US Bancorp	1.125		0.957	10/30/2013	3,000	3,002	3,005
National Rural Utilities	1.125		0.360	11/01/2013	4,000	4,010	4,008
BP Capital Markets PLC	5.250		0.777	11/07/2013	2,000	2,031	2,033
BP Capital Markets PLC	0.899	F	0.899	12/06/2013	5,000	5,000	5,009
MassMutual Global Funding	0.434	F	0.673	12/06/2013	3,000	2,997	3,002
Caterpillar Financial Services	1.550		0.554	12/20/2013	1,000	1,005	1,006
Credit Suisse NY	2.200		1.656	01/14/2014	1,250	1,254	1,261
Credit Suisse NY	1.237	F	1.237	01/14/2014	2,000	2,000	2,009
HSBC Bank	1.078	F	1.078	01/17/2014	3,700	3,700	3,715
PNC Funding Corp	0.476	F	0.983	01/31/2014	4,000	3,988	4,000
Wyeth LLC	5.500		0.529	02/01/2014	4,000	4,116	4,118
BHP Billiton Finance USA	0.544	F	0.544	02/18/2014	1,500	1,500	1,503
Citigroup Inc	0.399	F	1.773	03/07/2014	4,000	3,962	3,993
Cisco Systems Inc	0.523	F	0.523	03/14/2014	3,700	3,700	3,707
Coca-Cola Company	0.223	F	0.223	03/14/2014	2,950	2,950	2,949
Bottling Group LLC	6.950		0.730	03/15/2014	4,750	4,958	4,957
Coca-Cola Company	3.625		0.576	03/15/2014	2,000	2,043	2,044
MetLife Global Funding I	0.623	F	0.623	03/19/2014	2,000	2,000	2,004
BHP Billiton Finance USA	5.500		1.727	04/01/2014	4,000	4,112	4,151
Caterpillar Financial Services	0.574	F	0.574	04/01/2014	1,000	1,000	1,002

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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.

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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>	
MetLife Institutional Fund		1.182	F	1.182	04/04/2014	4,000	4,000	4,025
Northern Trust Corp		4.625		2.475	05/01/2014	2,000	2,035	2,069
International Business Machs		1.250		0.606	05/12/2014	2,778	2,793	2,797
JP Morgan Chase & Co		4.650		0.850	06/01/2014	2,000	2,069	2,072
Ontario Providence Canada		4.100		0.394	06/16/2014	5,000	5,177	5,175
Target Corp		0.447	F	0.447	07/18/2014	2,350	2,350	2,353
Bank of New York Mellon		0.546	F	0.546	07/28/2014	4,000	4,000	4,006
Berkshire Hathaway Inc		0.975	F	0.975	08/15/2014	2,850	2,850	2,861
Deutsche Bank London		3.875		0.644	08/18/2014	5,000	5,182	5,169
General Electric Capital Corp		0.533	F	1.360	09/15/2014	3,000	2,970	3,001
John Deere Capital Corp		0.380	F	0.380	10/08/2014	2,900	2,900	2,902
US Bank NA		0.557	F	0.924	10/14/2014	3,000	2,986	3,005
Toyota Motor Credit Corp		1.250		0.496	11/17/2014	4,000	4,041	4,041
General Electric Capital Corp		2.150		1.275	01/09/2015	3,000	3,039	3,059
Goldman Sachs Group Inc		0.777	F	1.474	01/12/2015	3,000	2,968	2,993
Credit Suisse FB USA Inc		4.875		0.688	01/15/2015	5,000	5,320	5,295
Merrill Lynch & Company Inc		0.737	F	2.227	01/15/2015	3,000	2,931	2,966
JP Morgan Chase & Co		3.700		1.542	01/20/2015	1,000	1,033	1,039
Bank of New York Mellon		1.200		1.231	02/20/2015	700	700	706
BlackRock Inc		1.375		1.414	06/01/2015	2,000	1,999	2,027
American Express Credit		1.750		0.989	06/12/2015	4,000	4,059	4,054
General Electric Capital Corp		1.625		1.106	07/02/2015	2,000	2,020	2,023
National Rural Utilities		3.875		0.613	09/16/2015	5,000	5,357	5,342
American Honda Finance		2.500		1.594	09/21/2015	1,150	1,173	1,187
Westpac Banking Corp		1.125		1.222	09/25/2015	4,000	3,991	4,017
JP Morgan Chase & Co		1.100		0.945	10/15/2015	5,000	5,018	4,970
JP Morgan Chase & Co		0.937	F	0.714	10/15/2015	5,000	5,026	5,013
Wells Fargo & Company		0.476	F	1.233	10/28/2015	4,000	3,930	3,982
American Express Centurion		0.875		0.888	11/13/2015	1,000	1,000	998
Oracle Corp		5.250		0.743	01/15/2016	5,000	5,566	5,530
PNC Bank		0.586	F	0.473	01/28/2016	5,000	5,015	4,984
Royal Bank of Canada		0.644	F	0.644	03/08/2016	3,850	3,850	3,856
General Electric Capital Corp		2.950		1.037	05/09/2016	5,000	5,268	5,211
Nordea Bank AB		0.735	F	0.736	05/13/2016	1,500	1,500	1,502
Wells Fargo Bank NA		5.750		1.057	05/16/2016	5,530	6,263	6,187
American Honda Finance		0.648	F	0.648	05/26/2016	1,750	1,750	1,747
Principal Life Global Fund		0.643	F	0.643	05/27/2016	2,000	2,000	1,993
Bank of America		0.553	F	2.184	06/15/2016	1,000	953	964
Morgan Stanley Dean Witter		0.727	F	1.899	10/18/2016	1,500	1,443	1,452
Bear Stearns Co Inc		0.664	F	1.632	11/21/2016	4,000	3,871	3,940
National City Bank		0.623	F	1.981	12/15/2016	1,000	954	993
Mississippi State		0.894	F	0.895	11/01/2017	2,000	2,000	2,000
JP Morgan Chase & Co		1.176	F	1.176	01/25/2018	1,000	1,000	998
Bank of Montreal		0.879	F	0.879	04/09/2018	5,000	5,000	4,988
Wal-Mart Stores		1.125		1.144	04/11/2018	5,000	4,996	4,852
BP Capital Markets PLC		0.785	F	0.674	05/10/2018	5,000	5,027	4,880
HSBC Bank		0.915	F	0.824	05/15/2018	5,000	5,022	5,000
Total U. S. Corporate Bonds	37.0%						227,569	227,556

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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>
<i>Corporate Asset Backed Issues</i>							
Porsche Innovative Lease Owner	0.440		0.445	02/23/2015	1,083	1,083	1,082
Great American Leasing Rec	0.610		0.616	05/15/2015	2,150	2,150	2,146
GE Equipment Small Ticket LLC	1.370		1.382	06/22/2015	3,500	3,500	3,506
GE Equipment Midticket LLC	1.470		1.305	07/14/2015	3,468	3,474	3,478
Americredit Auto Rec Trust	0.910		0.914	10/08/2015	282	282	282
Ally Master Owner Trust	1.063	F	1.065	01/15/2016	4,100	4,100	4,106
Ally Master Owner Trust	0.643	F	0.642	02/15/2016	2,500	2,500	2,489
Ally Master Owner Trust	1.810		1.662	05/15/2016	5,590	5,602	5,640
Smart Trust	0.643	F	0.643	09/14/2016	2,650	2,650	2,654
Ally Master Owner Trust	0.993	F	0.995	09/15/2016	2,000	2,000	2,008
World Omni Automobile Lease	1.780		1.370	09/15/2016	5,945	5,985	5,975
Navistar Financial Dealer Note	1.343	F	1.347	10/25/2016	2,000	2,000	2,003
GE Dealer Floorplan Master	0.762	F	0.763	02/20/2017	3,000	3,000	3,009
Smart Trust	0.743	F	0.743	03/14/2017	2,000	2,000	2,004
Great American Leasing Rec	1.660		0.879	04/17/2017	4,150	4,213	4,185
PFS Financing Corp	0.640	F	0.693	04/17/2017	5,250	5,250	5,233
Ally Auto Receivables Trust	1.060		1.072	05/22/2017	1,700	1,700	1,697
Americredit Auto Rec Trust	0.620		0.627	06/08/2017	950	950	943
GE Dealer Floorplan Master	0.682	F	0.683	06/20/2017	4,000	4,000	4,000
BMW Floorplan Master Owner Trust	0.593	F	0.593	09/15/2017	8,000	8,000	7,969
Santander Drive Auto Rec Trust	0.700		0.702	11/15/2015	3,700	3,700	3,686
GE Dealer Floorplan Master	0.632	F	0.632	10/20/2017	2,500	2,500	2,482
Ford Credit Floorplan Master	0.573	F	0.573	01/15/2018	2,950	2,950	2,948
Citibank Omni Master Trust	4.900		2.477	11/15/2018	5,000	5,344	5,283
Mercedes-Benz Auto Lease Trust	0.720		0.727	12/17/2018	4,400	4,399	4,378
Smart Trust	0.743	F	0.744	02/14/2019	3,500	3,500	3,500
Gracechurch Card PLC	1.040	F	0.455	05/15/2019	5,000	5,088	5,091
Ford Credit Floorplan Master	0.743	F	0.744	06/15/2020	4,000	4,000	4,001
Motor PLC	0.699	F	0.693	02/15/2021	4,200	4,200	4,200
Ari Fleet Lease Trust	0.920		0.925	07/15/2021	2,000	2,000	1,977
New Hampshire Higher Education	0.776	F	0.850	10/25/2021	2,533	2,525	2,514
SLMA Student Loan Trust	0.943	F	0.944	10/06/2023	1,468	1,468	1,469
SLMA Student Loan Trust	1.193	F	1.195	10/15/2024	1,851	1,851	1,858
Chesapeake Funding LLC	0.643	F	0.644	01/07/2025	6,810	6,810	6,810
SLMA Student Loan Trust	1.293	F	1.296	03/15/2019	4,000	4,000	3,925
Equity One ABS Inc	4.145		4.253	04/25/2034	338	335	345
Citigroup Mortgage Loan Trust	5.852		5.885	05/25/2036	152	151	95
Banc of America Funding Corp	5.791		5.817	10/25/2036	29	29	24
Bank of America Alternative Loan	5.707		5.740	10/25/2036	261	261	197
Renaissance Home Equity Loan	5.580		5.655	11/25/2036	507	505	308
Credit Suisse Mort Capital	5.942		5.959	02/25/2037	243	243	170
Countrywide Certificates	5.530		5.561	03/25/2029	1,000	999	932
Sequoia Mortgage Trust	2.500		2.540	05/25/2043	4,874	4,849	4,504
Wells Fargo RBS	1.143	F	1.145	03/15/2044	4,000	4,000	3,819
COMM Mortgage Trust	1.024		1.025	06/10/2046	5,000	5,000	4,975

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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>
Holmes Master Issuer PLC		1.677	F	1.528	10/15/2054	1,844	1,857
Holmes Master Issuer PLC		1.627	F	1.630	10/15/2054	2,461	2,476
Holmes Master Issuer PLC		1.927	F	1.876	10/15/2054	8,000	8,139
Fosse Master Issuer PLC		1.677	F	1.681	10/18/2054	1,500	1,528
Lanark Master Issuer PLC		0.741	F	0.777	12/22/2054	8,500	8,500
Silverstone Master		1.826	F	1.830	01/21/2055	2,500	2,559
Total Corporate Asset Backed Issues	25.8%					160,027	158,959
Total Corporate Issues	62.8%					387,596	386,515
<i>Short Term Issues</i>							
Dreyfus Cash Management Institutional Fund		0.050	**			5,457	5,457
Total Short Term Issues	0.9%					5,457	5,457
Total Short Term Bond Pool	100.00%					\$ 617,027	\$ 615,807

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>							
BB&T		0.160 %		0.160 %	07/11/2013	5,000	5,000
Jefferson Security Bank		0.160		0.160	07/11/2013	5,000	5,000
WesBanco Bank		0.160		0.160	07/11/2013	5,000	5,000
BB&T		0.160		0.160	08/15/2013	5,000	5,000
WesBanco Bank		0.160		0.160	08/15/2013	5,000	5,000
BB&T		0.160		0.160	09/12/2013	5,000	5,000
Jefferson Security Bank		0.160		0.160	09/12/2013	5,000	5,000
WesBanco Bank		0.160		0.160	09/12/2013	5,000	5,000
BB&T		0.160		0.160	10/10/2013	5,000	5,000
Jefferson Security Bank		0.160		0.160	10/10/2013	5,000	5,000
WesBanco Bank		0.160		0.160	10/10/2013	5,000	5,000
BB&T		0.140		0.140	12/12/2013	5,000	5,000
Jefferson Security Bank		0.140		0.140	12/12/2013	5,000	5,000
WesBanco Bank		0.140		0.140	12/12/2013	5,000	5,000
Dreyfus Cash Management		0.010	**			12	12
Total Short Term Issues	100.0%					70,012	70,012
Total West Virginia Bank Pool	100.0%					\$ 70,012	\$ 70,012

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(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		0.170 %		12/31/2023	113,585	\$ 113,584	\$ 113,584
WVEDA Non-Recourse Loan		3.000		06/30/2022	24,862	24,862	24,862
Total Intergovernmental Loans						138,446	138,446
Reserve for uncollectable loans					20,244	20,244	20,244
Loans and Mortgages, net of reserve for uncollectable loans	99.9%					118,202	118,202
<i>Short Term Issues</i>							
Dreyfus Cash Management Treasury Institutional Fund		0.010 **			151	151	151
Total Short Term Issues	0.1%					151	151
Total State Loan Pool	100.0%					\$ 118,353	\$ 118,353

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		0.250 %	0.250 %		21,915	\$ 21,915	\$ 21,915
Total Short Term Issues	100.0%					21,915	21,915
Total Reserve Pool	100.0%					\$ 21,915	\$ 21,915

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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. Government Issues</i>							
State & Local Government		0.190 %	0.180 %	10/01/2013	2,952	\$ 2,952	\$ 2,952
United States Treasury Note		2.750	0.261	10/31/2013	632	637	638
State & Local Government		0.050	0.120	11/01/2013	384	384	384
State & Local Government		0.160	0.160	11/01/2013	197	197	197
State & Local Government		0.160	0.200	11/01/2013	22	22	22
United States Treasury Strip - Interest		0.000	0.000	11/15/2013	8	8	8
State & Local Government		0.080	0.170	12/01/2013	35	35	35
State & Local Government		0.250	0.190	04/01/2014	127,540	127,540	127,540
United States Treasury Note		1.875	0.272	04/30/2014	42,500	43,065	43,098
State & Local Government		0.080	0.050	05/01/2014	2,795	2,795	2,795
State & Local Government		0.180	0.160	05/01/2014	10,799	10,799	10,799
State & Local Government		0.200	0.760	05/01/2014	1,520	1,520	1,520
United States Treasury Strip - Interest		0.000	0.000	05/15/2014	963	963	962
State & Local Government		0.120	0.230	06/01/2014	785	785	785
State & Local Government		0.150	0.080	11/01/2014	334	334	334
State & Local Government		0.170	0.290	12/01/2014	24	24	24
State & Local Government		0.220	0.150	05/01/2015	17,570	17,570	17,570
United States Treasury Strip - Interest		0.000	0.000	05/15/2015	973	973	967
State & Local Government		0.230	0.380	06/01/2015	799	799	799
State & Local Government		0.290	0.250	12/01/2015	12	12	12
United States Treasury Bond		7.250	0.001	05/15/2016	980	1,184	1,165
State & Local Government		0.380	0.080	06/01/2016	812	812	812
United States Treasury Bond		8.750	0.001	05/15/2017	1,055	1,412	1,367
United States Treasury Bond		9.125	0.001	05/15/2018	1,138	1,645	1,558
Total U. S. Treasury Issues	<u>100.0%</u>					<u>216,467</u>	<u>216,343</u>
Total Municipal Bond Commission Pool	<u>100.0%</u>					<u>\$ 216,467</u>	<u>\$ 216,343</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 **			1,327	\$ 1,327	\$ 1,327
Total Short Term Issues	<u>100.0%</u>					<u>1,327</u>	<u>1,327</u>
Total School Fund	<u>100.0%</u>					<u>\$ 1,327</u>	<u>\$ 1,327</u>

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(In thousands)

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	\$ 1,596	\$ 1,939
Total U. S. Treasury Issues	<u>100.0%</u>					<u>1,596</u>	<u>1,939</u>
Total EDA-AW	<u>100.0%</u>					<u>\$ 1,596</u>	<u>\$ 1,939</u>

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Investment Section

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Consolidated Fund Overview at June 30, 2013

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 Investments at June 30, 2013: \$ 3,828,872,000.

Description of the Consolidated Fund: The Consolidated Fund under the management of the BTI consisted of ten 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 position under management.

Expense ratios for the pools and accounts are detailed in Table 2: Financial Highlights on Page 96 in the Statistical Section.

Basis of Presentation: Rates of return use a time-weighted rate of return methodology based upon market values.

Economic Environment: Fiscal year 2013 marked a year of expanded central bank intervention in financial markets. The U.S. Federal Reserve, European Central Bank, People’s Bank of China and Bank of Japan all introduced or expanded programs to flood the markets with liquidity. Risk assets responded accordingly with strong increases in returns seen throughout much of the year. There was some weakness in the final quarter of the fiscal year as the markets digested the Federal Reserve’s statements with respect to tapering of its asset purchase program (QE3). Equities gave up some of their gains, credit spreads widened and longer-term Treasury yields moved higher. Emerging country stocks and bonds were hit the hardest, as the sell-off in risky assets was exacerbated by reports of slowing growth in emerging

economies. Collectively, market reaction to the Fed's perceived tapering plan created a tightening of money and an increase in real interest rates, which set off a round of risk re-pricing across the financial markets.

Even with a bumpy second quarter in 2013, investment returns, were strong across equity markets. The broad US equity market, as measured by the Russell 3000 Index, generated double digit returns, increasing 21.5% during fiscal year 2013. Developed international equity markets, measured by the MSCI EAFE Index (net), also posted double digit returns, coming in with a return of 18.6%. Smaller or emerging markets, represented by the MSCI Emerging Markets Index (net), despite a negative start to 2013, posted a positive return of 2.9% over the fiscal year. Bond markets, on the other hand, experienced a down year, as the rise in rates hit the market hard in the last quarter of the fiscal year. The domestic bond market, as measured by the Barclays Aggregate Bond Index, fell -0.7% over the fiscal year.

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 44-55, and Participant Net Asset Values are presented in the Statistical Section on Page 106.

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 + 10% of the prior quarter end Index, subject to a minimum of 1 basis point and a maximum of 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 based upon recommendation of the investment manager and investment consultant. The Board may require the investment manager to sell non-compliant securities. 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 position, statement of operations, a statement of changes in net position, 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.

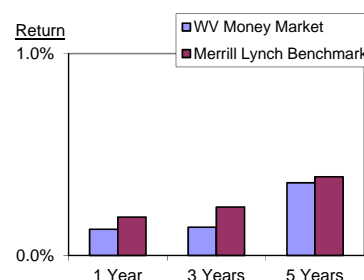
□ Asset Allocation – Permissible vs. Actual

Permissible Allocation	Maximum Percent of Pool	Actual Allocation June 30, 2013	
		Carrying Value (Thousands)	Percent of Pool
Security Type			
U.S. Treasury Obligations	100.0%	\$ 314,748	12.6%
U.S. Government Agency Obligations & FDIC guaranteed Obligations	85.0%	512,387	20.5%
Commercial paper and corporate debt (Combined)	75.0%	980,395	39.3%
Repurchase agreements	85.0%	229,326	9.2%
Asset-backed & mortgage-backed securities	50.0%	-	-
Certificates of deposit	75.0%	259,000	10.4%
Money market funds	30.0%	200,012	8.0%
Municipal securities	15.0%	-	-
Depository accounts	5.0%	-	-
		\$2,495,868	100.0%

□ Actual Returns

Actual Annualized Returns for Periods Ended June 30, 2013

	1 Year	3 Years	5 Years
Returns by Investment Manager:			
JP Morgan	0.12%	0.12%	0.30%
UBS Global	0.18%	0.20%	0.40%
Total pool returns	0.13%	0.14%	0.36%
Benchmark:			
Merrill Lynch*	0.19%	0.24%	0.39%



* Benchmark is Merrill Lynch 3-Month T-bill plus floating hurdle with maximum of 15 bps; prior to January 2013, Merrill Lynch 3-Month T-bill + 15 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 Money Market Pool, see the Schedule of Investments in Securities in the Supplementary Information on Pages 44-46.

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. 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 position, statement of operations, a statement of changes in net position, 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.

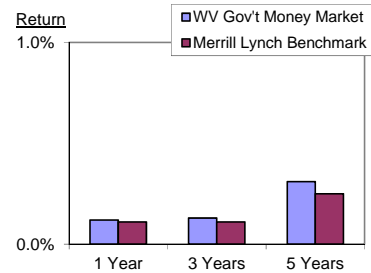
□ Asset Allocation – Permissible vs. Actual

Permissible Allocation		Actual Allocation June 30, 2013	
Security Type	Maximum Percent of Pool	Carrying Value <i>(Thousands)</i>	Percent of Pool
U.S. Treasury Obligations	100.0%	\$ 55,111	19.2%
U.S. Government Agency Obligations & FDIC guaranteed Obligations	85.0%	130,474	45.4%
Repurchase agreements	85.0%	101,500	35.3%
Government money market funds	40.0%	99	0.1%
Depository accounts	5.0%	-	-
		<u>\$ 287,184</u>	<u>100.0%</u>

Actual Returns

Actual Annualized Returns for Periods Ended June 30, 2013

	1 Year	3 Years	5 Years
Total pool returns	0.12%	0.13%	0.31%
Benchmark:			
Merrill Lynch 3-Month T-Bill	0.11%	0.11%	0.25%



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 Page 47.

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. 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 position, statement of operations, a statement of changes in net position, and a detailed list of securities.

❑ Income Allocation

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

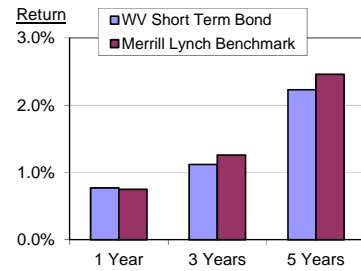
❑ Asset Allocation – Permissible vs. Actual

Permissible Allocation	Maximum Percent of Pool	Actual Allocation June 30, 2013	
		Carrying Value (Thousands)	Percent of Pool
U.S. Treasury Obligations	100.0%	\$ 140,154	22.8%
U.S. Government Agency Obligations & FDIC guaranteed Obligations	85.0%	9,986	1.6%
Commercial paper and corporate debt (combined)	75.0%	386,518	62.7%
Repurchase agreements	85.0%	-	-
Asset-backed and mortgage-backed securities	50.0%	73,692	12.0%
Certificates of deposit	50.0%	-	-
Money market funds	25.0%	5,457	0.9%
Municipal securities	15.0%	-	-
Depository accounts	5.0%	-	-
		<u>\$615,807</u>	<u>100.0%</u>

Actual Returns

Actual Annualized Returns for Periods Ended June 30, 2013

	1 Year	3 Years	5 Years
Total pool returns *	0.77%	1.12%	2.23%
Benchmark **	0.75%	1.26%	2.46%



* 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

The West Virginia Bank Pool is composed of certificates of deposit placed with West Virginia financial institutions that are approved state depositories. Placement of the certificates of deposit is accomplished through a competitive bidding process (BidWV auction). The State is the sole participant in this pool.

Benchmark

The performance of the West Virginia Bank Pool will be measured against the Merrill Lynch US 3-Month Treasury Bill Index + 10% of the prior quarter-end index, subject to a minimum of 1 basis point and a maximum of 15 basis points.

Investment Manager

None.

Maturity Restrictions, Diversification Guidelines and Credit Limits

- To participate in the BidWV auction program, a financial institution must be designated as a State Depository in accordance with West Virginia Code §12-1-2(a) and have a branch bank in West Virginia.
- The Board shall establish rules and guidelines for the competitive bidding process. Such rules shall be made available to all interested, qualified financial institutions prior to participation. Qualified, interested financial institutions must agree to the rules and guidelines to participate.
- The minimum bid is \$100,000.00. Bids must be in increments of \$100,000.00 to a maximum of \$10,000,000.00 per parent institution per placement.
- The minimum rate will be equivalent to a the six month return on the West Virginia Money Market Pool or other rate as approved by the BTI chairman.
- 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.

❑ 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 position, statement of operations, a statement of changes in net position, 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, 2013, nearly 100.0% of the pool, totaling \$70,000,000, was invested in certificates of deposit, and less than 1.0% totaling \$12,000 was invested in money market funds.

☐ **Actual Returns**

The West Virginia Bank Pool earned 0.23%, net of fees. The pool's benchmark, the Merrill Lynch US 3-Month Treasury Bill Index plus floating hurdle with a maximum of 15 basis points, earned 0.19% for the year. For the past three-year period, the pool earned an annualized 0.30%, and the benchmark was 0.24%. For the past five-year period, the pool earned an annualized 0.68%, and the benchmark was 0.39%.

☐ **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 position, statement of operations, a statement of changes in net position, 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, 2013	
Security Type	Maximum Percent of Pool	Carrying Value (Thousands)	Percent of Pool
Other investments	100.0%	\$ 118,202	99.9%
Money market funds	20.0%	151	0.1%
Depository accounts	5.0%	-	-
		<u>\$118,353</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 values 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 position, statement of operations, a statement of changes in net position, 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, 2013	
Security Type	Maximum Percent of Pool	Carrying Value (Thousands)	Percent of Pool
U.S. Treasury obligations	100.0%	\$ -	-
U.S. government agency obligations	100.0%	-	-
Repurchase agreements	100.0%	-	-
Government money market funds	100.0%	-	-
Depository accounts	100.0%	21,915	100.0%
		<u>\$ 21,915</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 position, statement of operations, a statement of changes in net position, 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 position, statement of operations, a statement of changes in net position, 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, 2013, 100.0% of the

School Fund Account's securities, totaling \$1,327,000, were invested in a money market fund which invests in U.S. Treasury and agency 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 position, statement of operations, a statement of changes in net position, 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, 2013, 100.0% of the EDA Insurance Account's securities, totaling \$1,596,000, 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 55.

Schedule of Investment Management Fees
Consolidated Fund
For the Fiscal Year Ended June 30, 2013
(In Thousands)

External fees:	
Investment advisors:	
WV Money Market Pool	\$ 787
WV Government Money Market Pool	111
WV Short Term Bond Pool	468
	<hr/> 1,366
Custodians	132
Total external fees	<hr/> 1,498
Internal fees:	
Investment consultant	146
Fiduciary bond	158
Administration	289
Total internal fees	<hr/> 593
Total investment management fees	<hr/> <hr/> \$ 2,091

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 Position – Consolidated Fund

This table presents historical information showing trends in the changes in Consolidated Fund net position and the components of those changes. The table goes back ten years, but the BTI has managed the fund for the eight latest fiscal years. The fund was managed by the West Virginia Investment Management Board in the remaining two 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 eight latest fiscal years. The fund had been managed by the West Virginia Investment Management Board. The ratio of expenses to average net position represents the percentage of net position used to operate the pool. The ratio of net investment income to average net position represents financial performance of the pool, or the extent to which operations have resulted in changes in net position. 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 Position – Consolidated Fund

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

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

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

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

This table presents components of total net asset values of the Consolidated Fund Operating and Special Purpose Pools at June 30, 2013, 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, 2013.

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

This table presents major investors in the Consolidated Fund Operating Pools at June 30, 2013.

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 Position – Consolidated Fund

Fiscal Year Ended June 30

(In Thousands)

	2013	2012	2011	2010
Additions				
Investment income:				
Interest	\$ 17,579	\$ 17,094	\$ 20,410	\$ 21,499
Dividends	330	461	446	624
Securities lending income	-	-	-	-
Net accretion (amortization)	(6,351)	(3,986)	6,255	7,700
Provision for securities lending loss	(1,629)	(945)	(596)	(1,193)
Provision for uncollectible loans	-	-	-	-
Total investment income	<u>9,929</u>	<u>12,624</u>	<u>26,515</u>	<u>28,630</u>
Investment expenses:				
Investment advisor fees	1,366	1,420	1,399	1,277
Custodian bank fees	132	141	134	107
Administrative fees	593	1,004	1,052	1,468
Securities lending agent fees	-	-	-	-
Securities lending borrower rebates	-	-	-	-
Bad debt expense	-	-	-	-
Total investment expenses	<u>2,091</u>	<u>2,565</u>	<u>2,585</u>	<u>2,852</u>
Net investment income	7,838	10,059	23,930	25,778
Net realized gain (loss) from investments	2,850	(12)	6,527	1,576
Net (decrease) increase in fair value of investments	<u>(96)</u>	<u>(1,946)</u>	<u>(11,329)</u>	<u>(770)</u>
Net increase in net position from operations	10,592	8,101	19,128	26,584
Participant transaction additions:				
Purchase of pool units by participants	11,345,517	10,994,105	10,590,080	10,192,912
Reinvestment of pool distributions	8,277	10,918	21,531	19,301
Contributions to individual investment accounts	<u>291,228</u>	<u>156,312</u>	<u>6,760</u>	<u>4,950</u>
Total participant transaction additions	<u>11,645,022</u>	<u>11,161,335</u>	<u>10,618,371</u>	<u>10,217,163</u>
Total additions	11,655,614	11,169,436	10,637,499	10,243,747
Deductions				
Distributions to pool participants:				
Net investment income	6,727	8,862	16,264	17,989
Net realized gain (loss) from investments	<u>(370)</u>	<u>(114)</u>	<u>6,527</u>	<u>1,576</u>
Total distributions to pool participants	6,357	8,748	22,791	19,565
Participant transaction deductions:				
Redemption of pool units by participants	11,513,580	11,391,935	10,356,782	9,949,245
Withdrawals from individual investment accounts	<u>223,638</u>	<u>21,259</u>	<u>10,949</u>	<u>13,023</u>
Total participant transaction deductions	<u>11,737,218</u>	<u>11,413,194</u>	<u>10,367,731</u>	<u>9,962,268</u>
Total deductions	<u>11,743,575</u>	<u>11,421,942</u>	<u>10,390,522</u>	<u>9,981,833</u>
Change in net position	<u>\$ (87,961)</u>	<u>\$ (252,506)</u>	<u>\$ 246,977</u>	<u>\$ 261,914</u>

	2009	2008	2007	2006	2005	2004
\$	35,328	\$ 68,731	\$ 65,625	\$ 46,477	\$ 35,181	\$ 31,054
	2,794	1,684	895	891	398	3,625
	2,956	23,351	23,974	19,430	7,464	4,542
	25,918	65,983	76,182	58,808	24,368	7,587
	(6,837)	-	-	-	-	-
	(7,117)	(3,021)	(3,103)	(797)	(2,326)	(713)
	53,042	156,728	163,573	124,809	65,085	46,095
	1,157	1,060	950	976	900	804
	86	110	107	97	69	47
	1,208	1,256	1,180	1,441	952	910
	226	1,353	273	293	165	220
	2,054	18,446	23,063	18,454	6,798	3,547
	-	3	-	-	-	-
	4,731	22,228	25,573	21,261	8,884	5,528
	48,311	134,500	138,000	103,548	56,201	40,567
	(1,578)	3,603	(939)	(2,973)	(1,572)	34,929
	8,560	11,033	4,308	(10,470)	5,256	(55,494)
	55,293	149,136	141,369	90,105	59,885	20,002
	10,316,680	10,173,315	8,833,687	8,476,495	7,857,676	7,529,037
	48,995	130,263	128,339	95,770	48,103	34,892
	6,708	146,314	113,366	12,723	17,846	114,258
	10,372,383	10,449,892	9,075,392	8,584,988	7,923,625	7,678,187
	10,427,676	10,599,028	9,216,761	8,675,093	7,983,510	7,698,189
	40,788	126,764	128,452	96,021	48,867	30,777
	(1,578)	90	51	(59)	(3)	4,115
	39,210	126,854	128,503	95,962	48,864	34,892
	10,063,667	9,816,801	8,604,738	8,427,349	7,781,659	7,184,866
	26,041	214,011	40,953	37,838	44,084	172,256
	10,089,708	10,030,812	8,645,691	8,465,187	7,825,743	7,357,122
	10,128,918	10,157,666	8,774,194	8,561,149	7,874,607	7,392,014
\$	298,758	\$ 441,362	\$ 442,567	\$ 113,944	\$ 108,903	\$ 306,175

Table 2: Financial Highlights – Consolidated Fund State Operating Pools

	Fiscal Year Ended June 30									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
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
Net realized and unrealized gain (loss)	-	-	-	-	-	-	-	-	-	-
Net increase (decrease) from operations	-	-	-	-	0.01	0.04	0.05	0.04	0.02	0.01
Distributions to participants	-	-	-	-	0.01	0.04	0.05	0.04	0.02	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)	2,496,857	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
Ratio of expenses to average net assets	0.05%	0.06%	0.06%	0.07%	0.07%	0.08%	0.09%	0.10%	0.08%	0.09%
Ratio of net investment income to average net assets	0.14%	0.11%	0.18%	0.14%	1.15%	4.10%	5.28%	4.22%	2.21%	1.06%
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
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
Distributions to participants	-	0.01	-	-	0.01	0.04	0.06	0.04	0.02	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)	287,253	300,047	262,898	221,265	283,795	187,291	229,917	177,308	155,019	151,118
Ratio of expenses to average net assets	0.06%	0.06%	0.07%	0.08%	0.07%	0.08%	0.08%	0.10%	0.09%	0.09%
Ratio of net investment income to average net assets	0.09%	0.06%	0.15%	0.10%	0.88%	3.90%	5.00%	3.94%	2.06%	0.95%
WV Short Term Bond Pool										
Per share data:										
Net asset value at beginning of year	\$ 100.06	\$ 100.34	\$ 101.35	\$ 100.59	\$ 99.27	\$ 98.55	\$ 98.06	\$ 99.53	\$ 100.31	\$ 104.16
Net investment income (loss)	0.70	0.86	1.56	2.41	2.87	4.26	4.61	3.69	2.79	2.99
Net realized and unrealized gain (loss)	1.34	(0.31)	0.40	1.20	0.63	1.92	0.49	(1.47)	(0.58)	(2.68)
Net increase (decrease) from operations	2.04	0.55	1.96	3.61	3.50	6.18	5.10	2.22	2.21	0.31
Distributions to participants	0.63	0.83	2.97	2.85	2.18	5.46	4.61	3.69	2.99	4.16
Net asset value at end of year	<u>\$ 101.47</u>	<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>
Shares outstanding (in thousands)	6,083	5,040	4,746	4,496	3,251	3,593	2,331	2,718	2,622	3,520
Ratio of expenses to average net assets	0.10%	0.13%	0.13%	0.14%	0.11%	0.10%	0.10%	0.14%	0.13%	0.11%
Ratio of net investment income to average net assets	0.71%	0.97%	1.67%	2.52%	2.37%	4.19%	4.02%	3.85%	2.74%	2.91%
Portfolio turnover rate	2.48%	11.11%	11.11%	5.07%	5.07%	5.13%	5.24%	4.01%	77.85%	88.15%

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

	Fiscal Year Ended June 30									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
WV Money Market Pool	0.13%	0.11%	0.18%	0.12%	1.29%	4.15%	5.41%	4.17%	2.12%	0.99%
WV Government Money Market Pool	0.12%	0.08%	0.19%	0.06%	1.13%	4.03%	5.31%	4.11%	2.09%	0.95%
WV Short Term Bond Pool	0.77%	0.62%	1.98%	3.70%	4.35%	5.02%	5.31%	2.27%	2.27%	0.42%

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

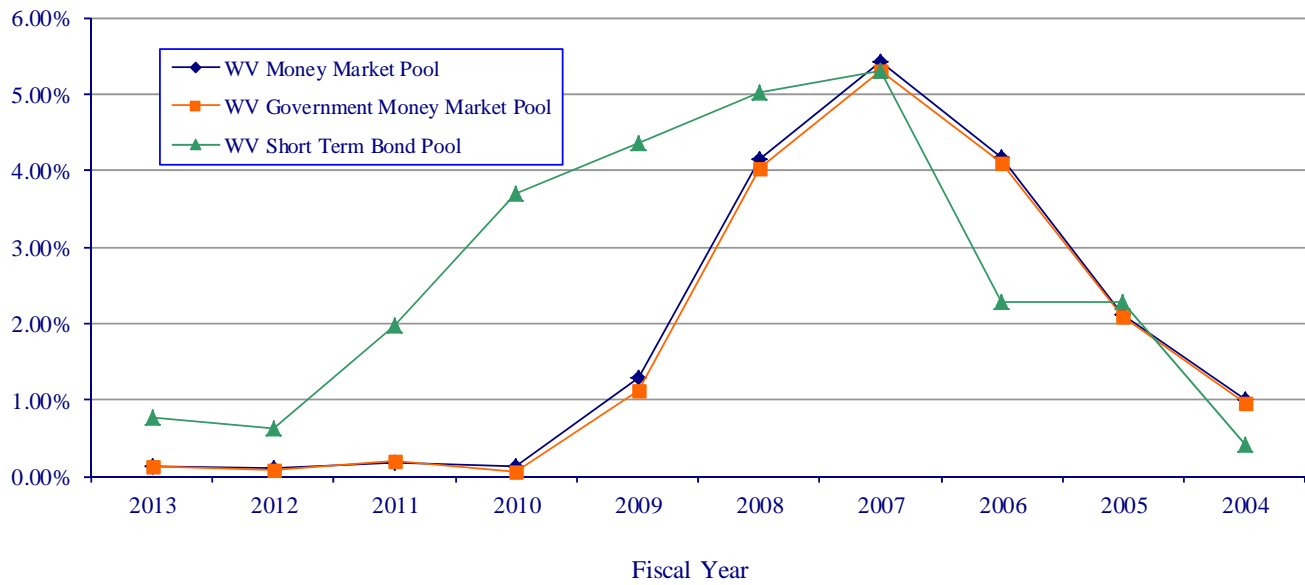


Table 4: Participation in Consolidated Fund State Operating Pools

Fiscal Year Ended June 30

(Net Asset Values Expressed in Thousands)

	2013		2012		2011		2010	
	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	1,347	\$ 2,427,230	1,282	\$ 2,708,359	1,239	\$ 2,956,372	1,118	\$ 2,746,279
Local government accounts	222	69,627	222	79,685	226	63,506	217	73,862
Accumulated undistributed securities lending income		-		-		-		14
	<u>1,569</u>	<u>\$ 2,496,857</u>	<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>
WV Government Money Market Pool:								
State agency accounts	17	\$ 189,828	18	\$ 178,519	15	\$ 184,473	26	\$ 193,292
Local government accounts	80	97,425	80	121,528	84	78,425	48	27,973
Accumulated undistributed securities lending income		-		-		-		-
	<u>97</u>	<u>\$ 287,253</u>	<u>98</u>	<u>\$ 300,047</u>	<u>99</u>	<u>\$ 262,898</u>	<u>74</u>	<u>\$ 221,265</u>
WV Short Term Bond Pool:								
State agency accounts	12	\$ 611,495	14	\$ 499,402	14	\$ 474,511	14	\$ 454,793
Local government accounts	10	5,756	9	4,890	10	1,676	8	904
	<u>22</u>	<u>\$ 617,251</u>	<u>23</u>	<u>\$ 504,292</u>	<u>24</u>	<u>\$ 476,187</u>	<u>22</u>	<u>\$ 455,697</u>

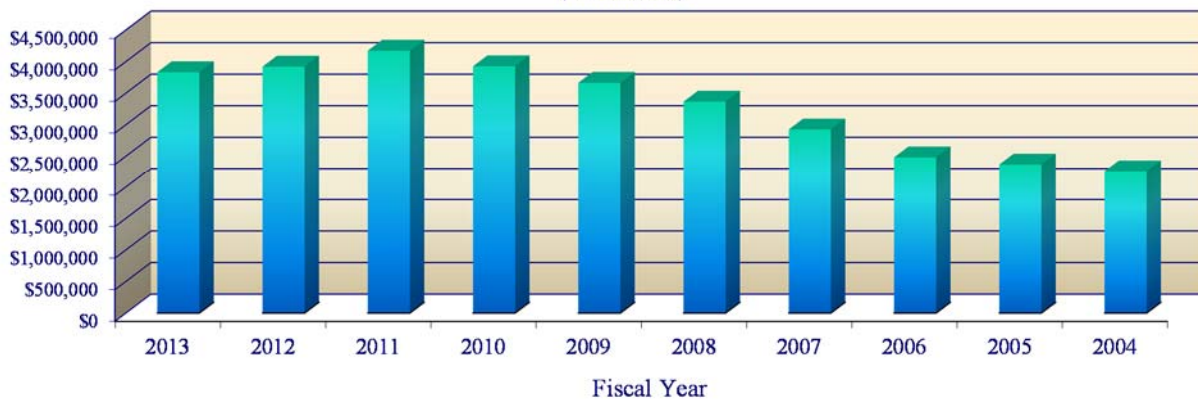
2009		2008		2007		2006		2005		2004	
Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value
1,059	\$ 2,474,600	1,014	\$ 2,243,023	999	\$ 1,988,554	927	\$ 1,650,789	781	\$ 1,535,812	821	\$ 1,319,615
252	96,020	241	118,810	192	82,840	181	68,834	184	69,906	188	76,335
	255		-		-		-		-		-
<u>1,311</u>	<u>\$ 2,570,875</u>	<u>1,255</u>	<u>\$ 2,361,833</u>	<u>1,191</u>	<u>\$ 2,071,394</u>	<u>1,108</u>	<u>\$ 1,719,623</u>	<u>965</u>	<u>\$ 1,605,718</u>	<u>1,009</u>	<u>\$ 1,395,950</u>
17	\$ 231,772	15	\$ 170,226	16	\$ 203,339	15	\$ 153,769	17	\$ 132,197	17	\$ 118,906
61	52,023	48	17,065	41	26,578	39	22,538	38	22,823	39	32,212
	63		-		-		-		-		-
<u>78</u>	<u>\$ 283,858</u>	<u>63</u>	<u>\$ 187,291</u>	<u>57</u>	<u>\$ 229,917</u>	<u>54</u>	<u>\$ 176,307</u>	<u>55</u>	<u>\$ 155,020</u>	<u>56</u>	<u>\$ 151,118</u>
10	\$ 326,516	8	\$ 356,618	6	\$ 229,642	7	\$ 266,464	8	\$ 260,933	13	\$ 352,992
7	460	4	92	5	85	6	81	6	85	6	83
<u>17</u>	<u>\$ 326,976</u>	<u>12</u>	<u>\$ 356,710</u>	<u>11</u>	<u>\$ 229,727</u>	<u>13</u>	<u>\$ 266,545</u>	<u>14</u>	<u>\$ 261,018</u>	<u>19</u>	<u>\$ 353,075</u>

Table 5: Net Position – Consolidated Fund

Fiscal Year Ended June 30
(In Thousands)

	2013	2012	2011	2010
WV Money Market Pool	\$ 2,496,857	\$ 2,788,044	\$ 3,019,878	\$ 2,820,155
WV Government Money Market Pool	287,253	300,047	262,898	221,265
WV Short Term Bond Pool	617,251	504,292	476,187	455,697
WV Bank Pool	70,042	52,590	60,067	60,082
Loss Amortization Pool	-	-	188,544	187,726
Loan Pool	118,366	106,825	132,181	132,918
Reserve Pool	21,920	19,041	19,179	30,147
Municipal Bond Commission Account	216,728	145,150	9,997	13,916
Lottery Defeasance Account	-	-	-	-
School Fund Account	1,327	1,555	1,385	1,393
EDA Insurance Account	-	-	-	-
EDA-AW Account	1,972	2,133	1,867	1,907
Department of Highways Account	-	-	-	-
	<u>\$ 3,831,716</u>	<u>\$ 3,919,677</u>	<u>\$ 4,172,183</u>	<u>\$ 3,925,206</u>

Total Consolidated Fund Net Position
(In Thousands)



2009	2008	2007	2006	2005	2004
\$ 2,570,875	\$ 2,361,833	\$ 2,071,394	\$ 1,719,623	\$ 1,605,718	\$ 1,395,950
283,858	187,291	229,917	177,307	155,020	151,118
326,976	356,710	229,727	266,545	261,018	353,075
100,215	126,712	-	-	-	-
184,107	172,077	154,277	145,943	149,205	137,969
127,728	116,748	130,187	139,531	140,121	140,080
44,792	-	-	-	-	-
21,640	24,778	46,265	27,023	50,195	74,681
-	136	304	669	1,665	3,043
1,307	1,671	1,760	1,886	1,430	1,385
-	-	451	450	454	457
1,794	1,753	1,639	1,628	1,835	-
-	14,825	57,251	-	-	-
<u>\$ 3,663,292</u>	<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>

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

Fiscal Year Ended June 30

(In Thousands)

	2013	2012	2011	2010	2009
<u>Changes in Net Position</u>					
Operating revenues					
Management services	\$ 955	\$ 1,004	\$ 1,052	\$ 1,468	\$ 1,210
Advisor services	1,366	1,420	1,399	1,277	1,158
Custodian services	132	141	134	107	85
Total operating revenues	<u>2,453</u>	<u>2,565</u>	<u>2,585</u>	<u>2,852</u>	<u>2,453</u>
Operating expenses					
Advisor fees	1,364	1,420	1,399	1,276	1,158
Management fees	625	647	623	637	598
Professional service fees	222	212	222	202	319
Fiduciary bond	158	155	155	155	155
Custodian fees	133	141	134	107	85
General and administrative expenses	222	214	217	205	231
Depreciation	3	2	2	3	6
Total operating expenses	<u>2,727</u>	<u>2,791</u>	<u>2,752</u>	<u>2,585</u>	<u>2,552</u>
Operating income	(274)	(226)	(167)	267	(99)
Nonoperating income	-	-	-	-	-
Income before special item	(274)	(226)	(167)	267	(99)
Special item	-	-	-	-	-
Change in net position	<u>\$ (274)</u>	<u>\$ (226)</u>	<u>\$ (167)</u>	<u>\$ 267</u>	<u>\$ (99)</u>
<u>Net Position at Year-End</u>					
Net investment in capital assets	\$ 5	\$ 7	\$ 6	\$ 1	\$ 4
Unrestricted	256	528	755	927	657
Total net position	<u>\$ 261</u>	<u>\$ 535</u>	<u>\$ 761</u>	<u>\$ 928</u>	<u>\$ 661</u>
<u>Restatements of Net Position</u>					
Net position at beginning of year	\$ 535	\$ 761	\$ 928	\$ 661	\$ 760
Effect of change in accounting principle	-	-	-	-	-
Net position at beginning of year, restated	<u>\$ 535</u>	<u>\$ 761</u>	<u>\$ 928</u>	<u>\$ 661</u>	<u>\$ 760</u>

Note: The Operating Fund began operations in FY 2006.

<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 1,257	\$ 1,179	\$ 1,389
1,060	949	959
<u>109</u>	<u>108</u>	<u>96</u>
2,426	2,236	2,444
1,060	949	960
166	-	-
196	204	160
155	155	119
109	108	98
566	674	726
<u>13</u>	<u>5</u>	<u>3</u>
<u>2,265</u>	<u>2,095</u>	<u>2,066</u>
161	141	378
<u>14</u>	<u>-</u>	<u>-</u>
175	141	378
<u>38</u>	<u>-</u>	<u>-</u>
<u>\$ 213</u>	<u>\$ 141</u>	<u>\$ 378</u>
\$ 10	\$ 9	\$ 13
<u>750</u>	<u>510</u>	<u>365</u>
<u>\$ 760</u>	<u>\$ 519</u>	<u>\$ 378</u>
\$ 519	\$ 378	\$ -
<u>28</u>	<u>-</u>	<u>-</u>
<u>\$ 547</u>	<u>\$ 378</u>	<u>\$ -</u>

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

June 30, 2013

(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	\$ 2,496,857	\$ 287,253	\$ 618,471	\$ 70,042	\$ 118,365	\$ 21,919
Accumulated undistributed net investment income (loss)	-	-	-	-	-	-
Accumulated undistributed net realized gain (loss)	-	-	-	-	-	-
Unrealized net appreciation (depreciation) of investments	-	-	(1,220)	-	-	-
Net assets at value	<u>\$ 2,496,857</u>	<u>\$ 287,253</u>	<u>\$ 617,251</u>	<u>\$ 70,042</u>	<u>\$ 118,365</u>	<u>\$ 21,919</u>
Investment unit data:						
Units outstanding	2,496,856,984	287,253,489	6,083,345	70,041,582	118,365,407	21,919,017
Net asset value, unit price	\$ 1.00	\$ 1.00	\$ 101.47	\$ 1.00	\$ 1.00	\$ 1.00

Table 8: Portfolio Statistics — Consolidated Fund Operating Pools

June 30, 2013

	<u>West Virginia Money Market</u>	<u>West Virginia Government Money Market</u>	<u>Short Term Bond Pool</u>
Weighted Average Days to Maturity	52 days	50 days	N/A
Maximum Weighted Average Investment Maturity Term Per Board Guidelines	60 days	60 days	N/A
Effective Duration	N/A	N/A	358 days
Maximum Effective Duration Per Board Guidelines	N/A	N/A	731 days
Rate of Return - Annual	0.13%	0.12%	0.77%

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

June 30, 2013

(In Thousands)

WV Money Market Pool	
State Agencies:	
WV State Treasurer's Office:	
State Participation	\$ 295,651
Banking Services	630,621
Safekeeping	18,144
Safe Road Bonds	5
Veterans Lottery	1,397
Total WV State Treasurer's Office	<u>945,818</u>
Higher Education Policy Commission	306,337
Department of Environmental Protection	242,983
Department of Health and Human Resources	56,230
WV Lottery Commission	219,929
Public Employees Insurance Agency	127,910
West Virginia University	79,971
Department of Revenue	100,372
Department of Transportation	95,433
Regional Jail Authority	53,830
Water Development Authority	23,249
Division of Natural Resources	30,177
WV Municipal Pension Oversight Board	28,739
Board of Risk and Insurance Management	21,515
Department of Administration	14,587
WV Economic Development Authority	25,022
Insurance Commission	10,089
WV Secretary of State's Office	5,961
Performance and wage bond accounts	21,961
Other	19,573
Total State Agencies	<u>2,429,686</u>
Local Governments:	
Mercer County Board of Education	13,719
Fayette County Board of Education	7,307
Boone County Commission	8,543
Marshall County Board of Education	1,285
Fayette County Commission	2,738
Barbour County Board of Education	2,546
Roane County Board of Education	2,248
Kanawha County Emergency Ambulance Authority	1,978
Putnam Public Service District	1,784
City of Parkersburg	1,782
Lewis County Board of Education	1,463
Kanawha County Emergency Operations Center	1,195
Berkeley County Board of Education	1,776
Town of Winfield	1,295
Lincoln County Commission	1,153
Cabell County Board of Education	1,156
Wyoming County Board of Education	1,028
Lincoln County Board of Education	1,763
Braxton County Board of Education	2,067
Greenbrier County Board of Education	1,479
Other	8,866
Total Local Governments	<u>67,171</u>
Total net asset value	<u>\$ 2,496,857</u>

WV Government Money Market Pool	
State Agencies:	
Municipal Bond Commission	\$ 164,703
WV Housing Development Fund	8,546
WV Economic Development Authority	9,270
WV State Treasurer's Office - Safekeeping Account	6,786
Department of Environmental Protection	6,283
Other	2,786
Total State Agencies	<u>198,374</u>
Local Governments:	
Preston County Board of Education	29,296
Hardy County Board of Education	20,232
Kanawha County Sheriff	13,899
Pleasants County Board of Education	17,111
Marion County Board of Education	2,817
Calhoun County Board of Education	1,153
Jefferson County Board of Education	1,654
Hancock County Commission	1,098
Other	1,619
Total Local Governments	<u>88,879</u>
Total net asset value	<u>\$ 287,253</u>

WV Short Term Bond Pool	
State Agencies:	
WV State Treasurer's Office:	
State Participation	\$ 273,721
Banking Services	160,399
Prepaid Tuition Escrow	16,244
Total WV State Treasurer's Office	<u>450,364</u>
Department of Environmental Protection	66,498
WV Economic Development Authority	16,612
Department of Administration	10,475
Higher Education Policy Commission	5,514
WV Court of Claims	3,481
Public Employees Insurance Agency	53,839
WV Parkways Authority	3,109
Department of Transportation	2,039
Division of Culture and History	1,896
Other	776
Total State Agencies	<u>614,603</u>
Local Governments:	
City of Charleston	1,033
Hatfield McCoy Trail	1,003
Other	612
Total Local Governments	<u>2,648</u>
Total net asset value	<u>\$ 617,251</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.



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