

| WEST VIRGINIA |

BOARD OF TREASURY INVESTMENTS

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2014



WEST VIRGINIA

WEST VIRGINIA
**BOARD OF TREASURY
INVESTMENTS**

**Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2014**

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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November 10, 2014

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, 2014, 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

TABLE OF CONTENTS

Introductory Section

Letter of Transmittal	ix
Certificate of Achievement for Excellence in Financial Reporting	xvi
Principal Officials	xvii
Administrative Staff.....	xviii
Organizational Chart.....	xix
Consulting and Professional Services	xx

Financial Section

Independent Auditor’s Report.....	3
Management’s Discussion and Analysis.....	5
Basic Financial Statements:	
Proprietary Fund:	
Statement of Net Position	19
Statement of Revenues, Expenses and Changes in Fund Net Position	20
Statement of Cash Flows	21
Fiduciary Funds:	
Combined Statement of Fiduciary Net Position	22
Combined Statement of Changes in Fiduciary Net Position	23
Notes to Financial Statements	25
Supplementary Information:	
Combining and Individual Fund Financial Statements:	
Combining Statement of Fiduciary Net Position – Fiduciary Funds	40
Combining Statement of Changes in Fiduciary Net Position – Fiduciary Funds	42
Schedule of Investments in Securities.....	44

Investment Section

Consolidated Fund Overview.....	59
Investment Pools and Accounts:	
West Virginia Money Market Pool	61
West Virginia Government Money Market Pool	64
West Virginia Short Term Bond Pool	67
West Virginia Bank Pool.....	70
Loan Pool	72
Reserve Pool.....	74

Investment Section (continued)

Municipal Bond Commission Account	76
School Fund Account	78
Economic Development Authority – American Woodmark Account	80
Schedule of Investment Management Fees	82
Investment Policy Summary	83

Statistical Section

Introduction to Statistical Section	91
Table 1: Schedules of Additions, Deductions and Changes in Net Position — Consolidated Fund	94
Table 2: Financial Highlights – Consolidated Fund State Operating Pools.....	96
Table 3: Rates of Return – Consolidated Fund State Operating Pools	97
Table 4: Participation in Consolidated Fund State Operating Pools.....	98
Table 5: Net Position – Consolidated Fund	100
Table 6: Net Position, Changes in Net Position, and Restatement of Net Position — Operating Fund	102
Table 7: Schedule of Net Asset Values – Consolidated Fund Operating and Special Purpose Pools.....	104
Table 8: Portfolio Statistics – Consolidated Fund Operating Pools.....	105
Table 9: Participant Net Asset Values – Consolidated Fund Operating Pools	106
Glossary of Financial and Investment Terms	107

Introductory Section

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November 10, 2014

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, 2014, 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, 2014, 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, 2014, 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, 2014, the Consolidated Fund had \$3.2 billion in total assets. The Consolidated Fund is made up of nine legally separate investment pools and accounts: three external investment pools, three special-purpose internal investment pools, and three individual investment accounts. A more detailed description of the investment pools that make up the Consolidated Fund are found in Note 1 of the Notes to the Financial Statements.

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

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

Investment Activities

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

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

Economic Review & Other Financial Information

As of the end of fiscal year 2013, major economic metrics had been showing improvement, with signs pointing towards stronger economic growth in the U.S through the remainder of 2013 and into 2014. While third quarter (calendar year) 2013 GDP surged 4.1%, driven by increases in private inventory investment, personal consumption expenditures ("PCE") and increasing exports, the fourth quarter of 2013 disappointed, falling to 2.6%. This was followed by an abysmal first quarter of 2014, with the U.S. economy contracting by 2.1% to start off the new year. The decline was attributed to severe winter weather experienced by much of the country. The weather was blamed for disruptions in production, construction and shipments, as well as dampening home and auto sales as consumers stayed home to avoid the bitter cold and snow. Many economists felt that the weather masked improvements in underlying trends and that the setback would be reversed as winter gave way to spring. These feelings proved to be accurate as second quarter 2014 GDP roared back, growing by 4.6%. The increase was driven by growing PCE, private inventory investment, exports and residential and nonresidential fixed income investment. Overall, this led to an average growth rate in GDP of 2.3% for the year, which, while modest, was an improvement over fiscal years 2012 and 2013.

Over the course of fiscal year 2014, labor markets also experienced improvement. As of June 30, 2013, the U.S. unemployment rate stood at 7.6%. Over the course of fiscal year 2014, the rate continued to decline and ended the year at 6.1%. Businesses continued to add jobs throughout the fiscal year, averaging approximately 207 thousand jobs per month. Unemployment reports released by the Bureau of Labor Statistics ("BLS") over fiscal year 2014 were positive for the most part, with underlying data points largely positive and moving in the same direction. Marginally attached individuals (those not employed but willing and available for employment) fell during the year, dropping by 600 thousand to around 2 million. The measure of involuntary part-time workers (those employed part-time for economic reasons) had also fallen by 700 thousand during the year to 7.5 million. However, the civilian labor force participation rate, a measure of Americans who are eligible to work in the everyday U.S. economy, fell from 63.5% at the end of fiscal year 2013 to 62.8% as of the end of fiscal year 2014. Hourly earnings gains were largely stagnant, posting only a 2% gain year over year. The stagnation in wage growth was attributed to the stagnation in the labor force participant rate, as employers were viewed as being unlikely to raise wages with little change in the participation rate. Even with these negatives, the improvement in employment was viewed as being significantly positive as the diversity of job gains over the course of the fiscal year potentially signal a more robust recovery than has been seen in recent years.

As reflected in the GDP numbers during the year, the improving labor market helped to fuel consumer spending. The June 2014 Personal Income and Outlays report from the U.S. Bureau of Economic Analysis ("BEA") showed that consumer spending rose for the fifth straight month, with a quarterly increase of 2.5%. Inflation, as measured by the core PCE price index, the Federal Reserve's preferred inflation measure, remained below the Fed's 2% target, at 1.5%. Housing reports, while generally showing increases

in housing prices over the prior year, indicated that price gains were slowing. The Federal Housing Finance Agency's House Price Index for the second calendar quarter of 2014, reflected a gain of 5.2% from 2013. This gain was lower than in the previous year. Freddie Mac's Multi-Indicator Market Index for the second quarter of 2014 also reflected improving housing markets, but still indicated some weakness. The Mortgage Bankers Association reported a continuing decline in the delinquency rate for mortgage loans on one-to-four unit residential properties, with the delinquency rate falling to 6.04% for the second quarter of 2014.

On the political front, the stalemate between President Obama and the U.S. Congress continued. The president and Congress were in disagreement over both the federal budget for fiscal year 2014 as well as the imminent threat of the Federal government exhausting its borrowing authority under the debt ceiling. This stalemate resulted in the Federal government being shut down on October 1, 2013. With the looming threat of a default on U.S. debt on October 17, 2013, the Congress relented and agreed to fund the government through January 2014 and temporarily extend the debt ceiling through February 2014. Although investment markets did not react as negatively to the shutdown as to the 2011 budget negotiations, the threat of default resulted in a surge in short-term Treasury yields. Treasuries with payment dates around the 17th and short-term Treasuries experienced increased yields, with the 30-day Treasury yield rising to over 30 basis points (compared to just around 1 basis point prior to the shutdown). Many economists also believed that the shutdown would negatively impact GDP, potentially shaving as much as 0.6% off of growth for the fourth quarter of 2013. The budget and debt ceiling negotiations in early 2014 were not nearly as contentious as those in late 2013. Congress approved a budget for the remainder of fiscal year 2014 in January 2014. Likewise, the debt ceiling was increased in February 2014 for at least one year.

Turning to the Federal Reserve, at the end of fiscal year 2013, the Fed had reaffirmed its commitment to maintaining short term rates at exceptionally low levels, but had also signaled that should economic data continue showing improvements, the Fed would begin to taper its asset purchases. The Fed was expressing concern early in fiscal year 2014 over rising mortgage rates, which were putting a damper on the housing recovery. However, economic data was continuing to show improvement, with labor markets strengthening and GDP data indicating more sustainable economic growth. The markets were anticipating that the taper of asset purchases under the quantitative easing program would begin in September 2013. Yields on the 10-year Treasury rose to over 2.9% leading up to the Federal Open Market Committee ("FOMC") meeting in September. However, the markets were disappointed, as the Fed declined to cut asset purchases, citing concerns about federal fiscal policy and increasing mortgage rates. The Fed also decided to wait for more evidence that increases in economic activity and labor market improvements were sustainable. In December 2013, The Fed announced that it would decrease its asset purchases by \$10 billion, beginning in January 2014. The 10-year Treasury yield rose, peaking at 3.04% in January 2014. The Fed continued to reduce asset purchases each month throughout the remainder of the fiscal year, targeting October 2014 as the end of asset purchases. By the end of the fiscal year, the pace of asset purchases had fallen from \$85 billion per month to \$35 billion. At the end of the fiscal year, yields on the 10-year Treasury had fallen to 2.53%, almost exactly where they started out. The decrease in the yield was driven by slowing foreign growth, renewed political instability in the Middle East and a strengthening U.S. dollar.

On the shorter end of the yield curve, yields were down for the year as both supply and demand factors dampened yields. On the supply front, the issuance of Treasury bills has decreased as the Federal government deficit has shrunk and the Treasury has extended the duration of borrowings. By October, 2013 Treasury Bills, as a percent of marketable debt outstanding, had fallen from 34.4% as of 2008 to only 13.2%, a level not seen since the 1950's. The average maturity of the Treasury's debt had climbed from around 4 years in 2009 to over 5 years. On the demand side of the equation, the requirements of new regulations, such as Basel III, continued to increase the demand for Treasuries and other high-quality, short-term securities. As a result, yields on the short end of the curve were largely flat for the year, with the 90-day starting and ending the fiscal year at 4 basis points. The average yield on the 90-day T-bill for the fiscal

year was almost half the average yield for fiscal year 2013. Other sectors, such as commercial paper and CD's continued to trade at very tight levels during the year. While the Federal Reserve continued to emphasize that they were committed to maintaining the low interest rate environment for a considerable period of time, the Fed's Summary of Economic Projections released at their June 2014 meeting indicated that FOMC members expected a median fed funds rate of 1.13% by the end of 2015. This contrasted with the Fed funds futures market, which was pricing in a rate of 0.67%. Some members of the FOMC expressed concerns that market participants were not adequately considering the risks of a rise in rates sooner rather than later.

Returns on the pools largely reflected the above mentioned factors. The WV Money Market Pool return was flat, coming in at 13 basis points for fiscal year 2014. This level of return was identical to the return experienced in fiscal year 2013. The pool weighted average maturity (WAM) was managed in the 40 to 50 day range, with a greater weight of the assets being put into short-term credit products to pick up yield. The yield on the WV Government Money Market Pool experienced a significant decline, dropping from 12 basis points for fiscal year 2013 to 4 basis points in 2014. With dismal returns on Treasuries, the manager increased allocations to agency securities and also maintained a higher allocation to overnight repo, as overnight rates were quite often significantly better than even six month Treasuries. Reflecting increases in longer term rates during the year, as well as a tightening in credit spreads, the WV Short Term Bond Pool posted a better return in fiscal year 2014, returning 1.03% versus a return of 0.77% in fiscal year 2013.

Major Initiatives

- *Standard and Poor's AAAM Rating*

For the seventh 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.

- *West Virginia CD Program Online Auction Rollout*

In May 2014, the BTI introduced a new online auction service for the West Virginia Certificate of Deposit Program. Between November 2013 and May 2014, the BTI had been accepting bids for CD placements by e-mail. In response to feedback from participants in the placements, the BTI developed an online live auction website for CD's. This auction website went live with the first auction on May 14, 2014. The website allows participants in the monthly auctions to enter bids for the amount of funds they desire. Results of the bidding are continuously updated throughout the auction, with bidders receiving feedback as to whether their bids were successful.

- *Implementation of Changes With Respect to West Virginia Code §12-6C*

During the 2013 regular session of the West Virginia Legislature, amendments passed making changes to the West Virginia Code governing the BTI. The most significant changes made to the Code were to lower

the required minimum blanket bond from \$50 million to \$10 million, permit investment in investment grade corporate debt for pools with a weighted-average maturity greater than 365 days, and permit the BTI to retain securities that fall out of compliance with Code provisions. During fiscal year 2014, all three of these provisions were incorporated into the Investment Policy Statements.

The first change, lowering the minimum blanket bond, saved the BTI over \$110 thousand in insurance premiums during fiscal year 2014. For fiscal year 2015, the expected savings are projected to exceed \$125 thousand. With respect to the purchase of investment grade corporate debt, the Board of the BTI approved changes to the investment policy for the WV Short Term Bond Pool that permit up to ten percent of the pool to be invested in securities rated between BBB+/Baa1 and BBB-/Baa3. As of June 30, 2014, the investment manager for the pool had invested ten percent of the pool in such securities. Regarding the provision permitting the BTI to retain securities that fall out of compliance with Code provisions, managers holding such securities are required to report to staff monthly on such securities and provide recommendations to the Board at least quarterly.

- *Certificate of Achievement for Excellence in Financial Reporting*

The BTI received the Certificate of Achievement for Excellence in Financial Reporting for the June 30, 2013 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 eighth consecutive year that the BTI has received this prestigious award.

- *Budget Surplus*

For fiscal year 2014, actual fee collections fell below estimates by \$181,000. However, with conservative management of expenditures, the BTI was able to end the year with a budget surplus of \$304,000. With this surplus, the BTI operated in surplus territory for the ninth consecutive year.

- *Peer Group Benchmark*

NEPC, the BTI's investment consultant, has developed and maintains a peer group benchmark for the WV Money Market and WV Government Money Market Pools. The benchmark for the WV Money Market Pool is composed of a universe of tier 1 institutional money market funds, while the benchmark for the WV Government Money Market Pool comprises Treasury and Agency focused government money market funds.

The WV Money Market Pool peer group includes 145 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, 2014. Over the 1-quarter and 1-year periods, the Pool was ranked first out of the 145 funds. This high ranking was attributed to the low effective investment management fee paid to the Pool's investment managers. As of June 30, 2014, the effective fee was 3.5 basis points.

The WV Government Money Market Pool peer group comprises 79 discrete Treasury and Agency focused government funds from 34 separate investment management firms. The performance of the Pool ranked first in the 1-year and 3-year periods ending June 30, 2014 and was ranked second over the 5-year time period. 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, 2013. 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, 2014.

Sincerely,



Karl V. Shanholtzer III, CFA, 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, 2013

A handwritten signature in black ink, reading "Jeffrey R. Emer". The signature is written in a cursive, flowing style.

Executive Director/CEO

PRINCIPAL OFFICIALS



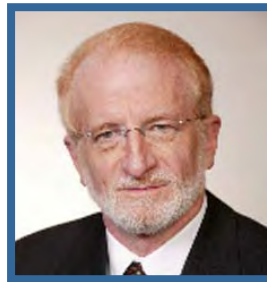
John D. Perdue
WV State Treasurer
Chairman



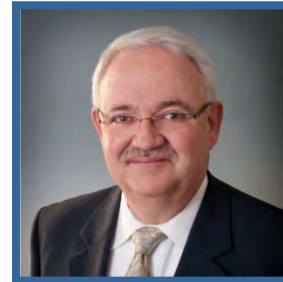
Earl Ray Tomblin
Governor, State of WV
Vice Chairman



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.

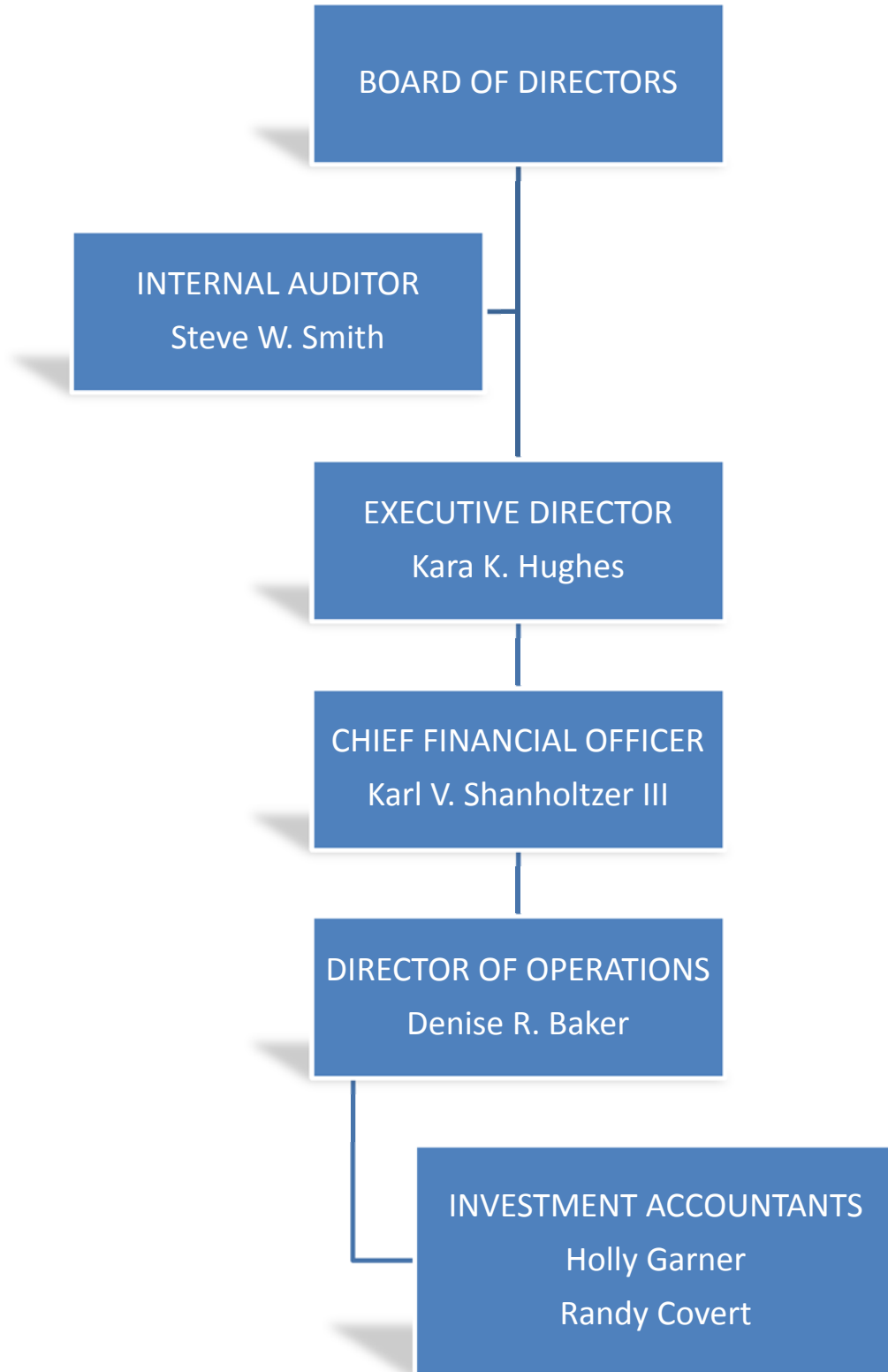
| WEST VIRGINIA |
**BOARD OF TREASURY
INVESTMENTS**

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, 2014**

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, 2014, 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, 2014.

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, 2014, 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, 2014, 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 17 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.

A handwritten signature in black ink that reads "Gibbons & Kawash, A.C." with a stylized flourish at the end.

Charleston, West Virginia
August 27, 2014

West Virginia Board of Treasury Investments

Management's Discussion and Analysis

June 30, 2014

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, 2014. 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

As expected, fiscal year 2014 continued the trend of a declining Net Position in the Consolidated Fund. Net Position declined approximately \$608 million over the course of the fiscal year, with most of the drop occurring in the final quarter of the fiscal year. Successive budget cuts, coupled with state agencies dipping into accumulated cash reserves, contributed significantly to the decline. The WV Money Market Pool fell by \$536.7 million as agencies drew down their invested balances or, in some cases, transferred funds to the WV Short Term Bond Pool to take advantage of the pool's higher return. Interest rates in the short end of the Treasury curve (one year and under) were lower overall for the fiscal year, with the 90 day T-bill averaging 4.3 basis points for 2014 versus 8.2 basis points for 2013. Rates on this end of the curve reflected abundant liquidity in the financial system and an increasing demand for short-term, high quality instruments resulting from new banking regulations that took effect during the year. Rates in the two to five year range rose over the year with the 3-year Treasury averaging 74 basis points. This average was almost double the 38 basis point average seen in 2013. The 10-year Treasury was relatively flat over the year, falling 2 basis points from the last fiscal year end to close out fiscal year 2014 at 2.53%

Rates of return for the Consolidated Fund's WV Money Market, WV Government Money Market, and WV Short Term Bond Pools were 0.13%, 0.04%, and 1.03%, respectively, for the year ended June 30, 2014. High demand and a shrinking supply of Treasury bills helped to depress yields over the course of the fiscal year. Treasury bills, as a percentage of total marketable debt, had fallen below 13%, a level not seen since the Eisenhower administration in the 1950's. Intermediate term Treasuries rose during the year as the Federal Reserve started tapering asset purchases under its quantitative easing program. Credit products, such as corporate debt and asset-backed securities, again presented a significant yield advantage over Treasuries. Some modest tightening in credit spreads in investment grade corporate securities helped improve returns on these holdings during the year.

The WV Money Market Pool is structured as a money market fund with the goal of preservation of principal. The benchmark for the WV Money Market Pool was the BofA Merrill Lynch 3-Month T-Bill plus a variable hurdle rate of 10% of the previous quarter's BofA Merrill Lynch 3 Month T-Bill rate, subject to a floor of 1 basis point and a cap of 15 basis points. Ample liquidity and a short supply of Treasury bills kept rates on the short end of the curve low over the fiscal year. During 2013, the Federal Reserve introduced a new overnight repurchase agreement program (RRP) collateralized by U.S. Treasuries which

helped keep front-end rates above zero. The program, which was meant to improve the Fed's ability to manage short-term rates while maintaining a large balance sheet, is authorized to pay 0 to 5 basis points to reverse repo counterparties. While the RRP helped set a floor for overnight repo rates, Treasury bills continued to trade below that level due to high demand from counterparties not eligible to participate in the program. Over the year, the WV Money Market Pool was managed with a weighted average maturity profile in the high 40 day range to lock in rates further out the yield curve. This maturity profile was also maintained to minimize risk from a move higher in repo rates that could have resulted from the Fed changing the rate band in the RRP. With recent meeting minutes of the Federal Reserve Open Market Committee (FOMC) indicating a low likelihood of a change in the RRP rate band and a low likelihood of a near term interest rate hike, the weighted average maturity of the pool is likely to be increased.

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 BofA Merrill Lynch 3-Month T-Bill. The portfolio fell short of its investment policy benchmark by 1 basis point for the fiscal year. For short-term Treasury investment strategies, yield was difficult to achieve during the fiscal year as tenors of less than six months yielded less than overnight repo rates. The pool was managed with a weighted average maturity profile similar to that of the WV Money Market Pool. Over the year, agency discount notes were added at points along the yield curve where there was a pick-up in the spread to Treasury Bills or Treasury coupon securities. The pool also maintained a high allocation to overnight repurchase agreements at times during the year to both meet liquidity requirements and take advantage of the higher yield over short-term Treasuries. 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 little to no increase in rates until the third or fourth quarter of 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 BofA Merrill Lynch U.S. Corporate & Government, 1-3 Years, A Rated and Above Index plus 10 basis points. The portfolio fell below its investment policy benchmark by 10 basis points for the fiscal year. The pool return for the year was 1.03% versus the benchmark return of 1.13%. The pool had overweight allocations to credit products, notably investment grade corporates and asset-backed securities. Combined, these security types made up 70% of the pool's holdings versus a combined benchmark weight of 15%. The overweight to credit products provided a yield pick-up versus the benchmark of approximately 23 basis points. However, this advantage was offset by underperformance versus the benchmark due to a lower effective duration of the pool. The effective duration of the benchmark was 1.93 years versus the portfolio effective duration of 1.10 years as of fiscal year end. Although this strategy represented a drag on performance throughout most of the fiscal year, the pool's investment manager continues to maintain the lower duration as a defense against price declines that will be experienced when rates begin to rise.

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 nine legally separate investment pools and accounts. There are three external investment pools, three special-purpose internal investment pools, and three individual investment accounts, all of which are included in the fiduciary fund. The BTI is the trustee, or fiduciary, for participants in the Consolidated Fund. Financial statements for the proprietary fund and the fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") for governmental entities.

The Statement of Net 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, 2014 and 2013 (in thousands).

	2014	2013
Current assets	\$ 1,007	\$ 730
Noncurrent assets	3	5
Total assets	1,010	735
Current liabilities	504	474
Total liabilities	504	474
Net position:		
Investment in capital assets	3	5
Unrestricted	503	256
Total net position	\$ 506	\$ 261

Over the course of fiscal year 2014, the net position of the Operating Fund increased \$245,000 over the prior fiscal year. The primary sources of the increase was an increase of \$72,000 in cash and a \$205,000 increase in receivables. These increases in net position were offset by a \$2,000 decrease in capital assets and an increase of \$30,000 in current liabilities.

The majority of the proprietary fund's net position consists of current assets. Current assets are composed of cash and accounts receivable that will be used to pay investment advisor, custodian, and administrative costs. The current asset balance of \$1,007,000 comprises \$335,000 in cash and \$672,000 in accounts receivable. The cash balance increased by \$72,000 over 2013, while the accounts receivable balance increased by \$205,000.

The increase in the cash balance was a result of an increase in administrative fees for fiscal year 2014 and a change in the BTI's policy of utilizing excess cash balances to reduce the administrative fees charged to the pools. Historically, the BTI has utilized approximately half of its fiscal year end cash balance to reduce administrative fees charged to the pools in the following fiscal year. Over the course of fiscal year 2013, a decrease in net position subject to fees and a fee reduction resulted in a decrease in the cash balance with expenses exceeding revenues. As forecasts of a continued decline in assets under management for fiscal year 2014, BTI management determined it was prudent to retain excess cash balances and not reduce fees for fiscal year 2014. The administrative fees charged to the pools were also increased over fiscal year 2013 levels to account for the anticipated decline in net position subject to fees. The increase in administrative fees, coupled with a higher than expected average net position through the first three quarters of the fiscal year, resulted in an increase in cash collected during the fiscal year. Also contributing to the increase in the cash balance were lower general and administrative expenses incurred in fiscal year 2014 over 2013.

The accounts receivable balance of \$672,000 represents fees that have been accrued but not withdrawn from the investment pools at June 30, 2014 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 2014, 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. At the end of fiscal year 2014, there were two months of administrative and custodian fees receivable. Fees for May, which are typically taken in June, were not taken due to a delay in receipt of custodian invoices. This accounted for \$112,000 in the increase in receivables. The remaining \$104,000 increase was composed of a \$38,000 increase in administrative fees receivable for June 2014, a \$35,000 increase in advisor fees for the quarter ending June 30, 2014, a \$21,000 increase in excess securities lending reserve fee reductions, and a \$1,000 decrease in custodial fees.

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 \$8,000 in fully depreciated obsolete computer equipment during the fiscal year.

The balance of \$504,000 in current liabilities represents \$451,000 in accounts payable and \$53,000 reimbursements due the West Virginia State Treasurer's Office (the "STO") at June 30, 2014. The majority of the accounts payable balance represents services received from the BTI's investment advisors for the quarter ending June 30, 2014, custodian fees for May and June 2014, investment consultant fees for the quarter ending June 2014, and maintenance costs due for the investment management system for June 2014. The \$53,000 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 increase in current liabilities from June 30, 2013 is primarily composed of higher investment manager fees for the quarter ended June 30, 2014. Although 2014 net position was less than 2013, a larger portion of assets under management were invested in the WV Short Term Bond Pool throughout the year. The investment management fees charged to the WV Short Term Bond Pool are significantly higher than those charged to other pools, resulting in an increase in the payable over the prior fiscal year.

Net position of the BTI's proprietary fund is composed of 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 for 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, 2014 and 2013 (in thousands).

	2014	2013
Revenues		
Operating revenues:		
Management services	\$ 1,353	\$ 955
Advisor and custodian services	1,615	1,498
Total revenues	2,968	2,453
Expenses		
Operating expenses:		
General and administrative	1,105	1,227
Advisor and custodian fees	1,615	1,497
Depreciation	3	3
Total expenses	2,723	2,727
Increase (decrease) in net position	245	(274)
Net position at beginning of year	261	535
Net position at end of year	\$ 506	\$ 261

Operating revenues at June 30, 2014 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 expenses, investment advisor and custodian fees are charged directly to the pools as they are 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 2014 increased by \$515,000. This increase in revenue consisted of an increase of \$120,000 in advisor fee revenues, a decrease of \$2,000 in custodial fees, and an increase of \$398,000 in management (administrative) fees charged to the pools.

Advisor fees are computed based upon market values of the pools. Although the average market value of assets under management was lower during fiscal year 2014, the portion of assets invested in the WV Short Term Bond Pool throughout the year were significantly higher as compared to fiscal year 2013. Advisor fees charged to the WV Short Term Bond Pool are higher than those charged to other pools, resulting in a net increase in advisor fees for the year. However, the custodial fees, a portion of which are based upon the market value of assets, decreased from the prior year as assets under management decreased. The custodial fee schedule is the same for all pools. The increase in management fee revenue was the result of the increase in the administrative fee charged to the pools during fiscal year 2014.

Total operating expenses for the year decreased by \$4,000. This includes a decrease in general and administrative expenses of \$122,000 and an increase in advisor and custodian fees of \$118,000.

General and administrative expenses represent costs associated with operating the BTI that are not considered directly applicable to investment management. Salary reimbursements, investment consulting fees charged by NEPC Investment Consulting and fiduciary bond expenses make up the majority of this expense line item. Salary reimbursements and related expenses decreased by \$34,000 from the prior year.

During fiscal year 2013, one staff member resigned and the position was not filled. Fiscal year 2014 was the first full year that this position was vacant resulting in the decrease. Expenses related to the fiduciary bond also decreased as legislation passed during the 2013 legislative session decreased the required fiduciary bond amount from \$50 million to \$10 million. This change resulted in a savings of \$114,000 in fiduciary bond expenses. Other general and administrative expenses decreased by a net of \$ 6,000. The net decrease was partially offset by an increase in contractual and professional expenses of \$32,000. Approximately \$19,000 of this increase was related to an upgrade of the BTI's investment accounting software. The remainder of the increase was due to design services provided to the BTI for revisions to the BTI's marketing and advertising materials.

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 is composed of investment advisor fees of \$1,486,000 and custodian fees of \$129,000. Investment advisor fees increased by \$121,000 and custodian fees decreased by \$4,000 over fiscal year 2013. The net increase in investment advisor fees was primarily due to a shifting of investments in the WV Money Market Pool to the WV Short Term Bond Pool by participants. The investment advisor for the WV Short Term Bond Pool charges a flat management fee of 9 basis points on the market value of investments under management. This is significantly higher than the average 3 basis point management fee charged on the WV Money Market and WV Government Money Market Pools. Therefore, the increase in management fees incurred for the WV Short Term Bond Pool was more than offset by the decrease in management fees incurred on the WV Money Market and WV Government Money Market Pools. The overall decrease in assets across all pools resulted in a decline in the custodian fees.

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, 2014 and 2013 (in thousands).

	2014	2013
Assets		
Investments	\$ 3,221,288	\$ 3,828,872
Receivables	8,471	3,534
Total assets	3,229,759	3,832,406
Liabilities		
Accrued expenses	580	398
Dividends and purchases payable	5,565	292
Total liabilities	6,145	690
Net Position		
Held in trust for investment pool participants	3,195,780	3,611,689
Held in trust for individual investment account holders	27,834	220,027
Net position	\$ 3,223,614	\$ 3,831,716

As of June 30, 2014, the Consolidated Fund's assets totaled \$3.2 billion and was composed almost entirely of investments in securities. Continuing the trend of the previous two fiscal years, participants, state

agencies in particular, drew against their invested balances. The decline in assets during 2014 was more severe than fiscal year 2013, with the Consolidated Fund assets declining by 15.9%.

As more fully discussed below, the BTI experienced a net reduction in invested funds due to declining participant contributions over the course of the fiscal year. Participant contributions in 2014 were down \$803.4 million compared to fiscal year 2013. This was tempered somewhat by a decrease of \$284.9 million in participant withdrawals over the same time period. The net effect of these changes was an overall \$518.4 million decrease in net position. The WV Money Market and WV Government Money Market Pools both experienced declines during the year, falling by a combined \$585.0 million. The WV Short Term Bond Pool added another \$156.3 million during the year as participants continued to seek higher potential returns available from the Pool. The WV Bank and Loan Pools experienced increases in net position, rising modestly by a combined \$13.9 million over 2014. The net positions of the Reserve Pool and Municipal Bond Commission Account fell by \$1.2 million and \$192.2 million respectively. The School Fund and ED-AW Accounts were comparable to the prior year.

2014 receivable balances were higher than 2013, increasing by \$4.9 million. The majority of the increase, approximately \$5.3 million, was related to an open receivable for a security sold in the WV Short Term Bond Pool at the 2014 fiscal year end. Interest receivable on investments was down \$0.9 million as investment balances fell and interest rates ended the year largely down from the levels in the prior fiscal year. Rounding out the fluctuations was an increase in receivables of \$0.5 million in the WV Money Market, WV Government Money Market and WV Short Term Bond pools (the commingled pools) for distributions of proceeds from the securities lending class action lawsuit settlement. The settlement proceeds are being distributed on a periodic basis over fiscal years 2014 and 2015.

Total liabilities increased by approximately \$5.4 million since June 30, 2013. Total liabilities consist of accrued expenses, representing accrued manager fees, custodian bank fees and administrative fees, and dividends and purchases payable, representing dividends payable to participants in the WV Short Term Bond Pool and amounts payable for securities purchases settling in the following accounting period. Accrued expenses increased by approximately \$0.2 million over 2013 due to an increase in administrative fees charged to the pools and an increase in investment manager fees payable. The increase in investments in the WV Short Term Bond Pool has resulted in an increase in investment manager fees as the fee charged on investments in that Pool is significantly higher than the investment manager fees charged to the other pools. Dividends and purchases payable increased by \$5.3 million. The largest component of the increase was a \$5.0 million increase in a payable for securities purchased by the WV Short Term Bond Pool with a settlement date in the following accounting period. The remaining \$0.3 million represents an increase in dividends payable to participants in the WV Short Term Bond Pool. Dividends payable has increased over 2013 as a result of increased investment in the Pool.

Net position is the excess of total assets over total liabilities. The Consolidated Fund had total net position of \$3.2 billion at the close of fiscal year 2014. 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 11% from the prior year due to decreases in investments in the WV Money Market, WV Government Money Market and Reserve pools. Offsetting these decreases were increases in the WV Short Term Bond, WV Bank, and Loan pools.

The WV Money Market Pool was down by approximately \$536.7 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. Approximately \$153.0 million was transferred from the WV Money Market Pool to the WV Short Term Bond Pool as state agencies sought to increase their rate of return on invested funds. Also contributing to the decline in the WV Money Market

Pool were 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 pools 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 \$48.3 million from 2013. The decrease in the pool was due to local governments drawing down their invested balances. State agency investments in the pool were flat compared to the prior year. The Reserve Pool net position declined \$1.2 million as excess securities lending reserves and securities lending settlement funds were withdrawn and distributed to the commingled pools.

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 \$156.3 million as state agencies sought rates of return higher than that available in the WV Money Market Pool. The State Loan Pool investment balance increased by \$10.9 million as the West Virginia Economic Development Authority increased their participation under the Revolving Loan program. The net increase in the Revolving Loan program was \$12.4 million. This was offset by increases in the loan loss reserve for the Non-Recourse Loan totaling \$1.3 million during fiscal year 2014. Investments in the WV Bank Pool increased by \$3.0 million during 2014. Although the BTI continued to have monthly auctions throughout the year and did attract participation by new financial institutions, interest in the program remained muted leading to a small increase in net new funds invested. The balance of the Reserve Pool decreased by approximately \$1.2 million during the fiscal year as proceeds from the securities lending class action lawsuit settlement and excess securities lending reserves were distributed to the WV Money Market, WV Government Money Market and WV Short Term Bond pools.

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 decreased by \$192.2 million or 87% from the prior year. Nearly the entire decrease was attributable to maturities of investments and withdrawals of those proceeds made by the Municipal Bond Commission. The net position of the School Fund and West Virginia Economic Development Authority accounts decreased during the year by a minimal amount.

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, 2014 and 2013 (in thousands).

	Year Ended June 30,	
	2014	2013
Additions		
Net investment income	\$ 8,244	\$ 7,838
Net realized gain	44	2,850
Net increase (decrease) in fair value of investments	2,401	(96)
Unit purchases and contributions	10,841,620	11,645,022
Total additions	10,852,309	11,655,614
Deductions		
Distributions	8,131	6,357
Unit redemptions and withdrawals	11,452,280	11,737,218
Total deductions	11,460,411	11,743,575
Change in net position	(608,102)	(87,961)
Net position at beginning of year	3,831,716	3,919,677
Net position at end of year	\$ 3,223,614	\$ 3,831,716

Net investment income for the Consolidated Fund increased by 5.2% from the prior fiscal year. Net investment income for all pools except for the WV Short Term Bond and State Loan pools declined from fiscal year 2013. Net investment income in the WV Short Term Bond Pool increased by \$2.0 million over 2013 while State Loan Pool net investment income increased only \$0.2 million. These increases were offset by declines of \$1.0 million in the WV Money Market Pool, \$0.2 million in the WV Government Money Market Pool, and \$0.1 million in the Municipal Bond Commission Account. The remaining pools had net investment income that was little changed from the prior fiscal year.

During the fiscal year, global financial markets continued to benefit from extraordinary accommodation from global central banks as many market sectors turned in strong return profiles. However, given the strengthening economic backdrop of the United States in particular, the Federal Reserve undertook the first step in removing this accommodation by deciding to begin "tapering" its asset purchases in January 2014. By the end of June 2014, the Fed had reduced the pace of Treasury and Agency mortgage-backed security purchases from \$85 billion per month at the beginning of the fiscal year to a rate of \$35 billion per month. In addition to the tapering of asset purchases, the Fed has indicated that in order for them to consider raising the fed funds target rate, the FOMC "will assess progress, both realized and expected, toward its objectives of maximum employment and 2 percent inflation." The Fed's Summary of Economic Projections released at their June meeting indicated that FOMC members expect a median fed funds rate of 1.13% by the end of 2015. In contrast, the Fed funds futures market was pricing in a 0.67% fed funds rate for the December 2015 contract.

While the US economy has grown over the past fiscal year, momentum in economic activity took a severe set-back in the first three months of 2014 as adverse weather caused growth to contract at a 2.9% annualized rate, the sharpest decline since 2009. However, data released over the second quarter pointed to a rebounding economy with non-farm payrolls growing at an average of 272 thousand per month from April to June 2014. The unemployment rate fell from 6.7% to 6.1% over the same time period. Additionally, the Institute for Supply Management (ISM) manufacturing index, a composite diffusion index that monitors

conditions in national manufacturing based on data from surveys of more than 300 firms, rose to 55.3 in June 2014 from 53.7 in March 2014 (levels higher than 50 typically signal economic expansion).

On the long end of the curve, yields moved up during the early part of the fiscal year as the market anticipated that the Fed would begin tapering asset purchases under their quantitative easing program during September 2013. The market was surprised when the Fed elected to continue the purchases in light of weaker incoming data and the potential damper on economic growth resulting from a potential government shutdown related to the debt ceiling. In December 2013, the Fed announced that they would begin trimming asset purchases with an expectation of winding down the quantitative easing program. Yields on the 10-year Treasury rose to over 3% by the end of the calendar year. However, the new year began with concerns regarding slowing growth in China and mixed corporate earnings reports in the U.S. and Europe. Longer term yields fell through the first quarter of the year as investors sought refuge in risk-free securities and reassessed the impact of the Fed's tapering of asset purchases. Slower economic growth over the first quarter of 2014, resulting from extreme winter weather, also helped to dampen yields in early 2014. The yield on the 10-year Treasury ended the fiscal year largely where it started the fiscal year.

Yield performance for the BTI's two principal stability pools was mixed. The West Virginia Money Market Pool was managed with a lower weighted average maturity profile (in the mid to upper 40 day range) over the fiscal year in an effort to lock in higher rates available from securities with longer maturities. However, depressed yields in the short-term portion of the Treasury curve helped keep a lid on rates, with the WV Money Market Pool largely mirroring its return performance of 2013. With returns flat, the decrease in the investments in the pool took its toll on investment income. Net investment income fell \$1.0 million from 2013 as net assets fell by \$536.7 million.

The WV Government Money Market Pool was more severely affected by the decreased yields in the short end of the curve during 2014. The return on the pool fell from 12 basis points in 2013 to only 4 basis points in 2014. 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 repurchase agreements to meet liquidity requirements and take advantage of overnight repo rates that at times exceeded the return on Treasury Bills. Assets of the pool fell 16.8% from 2013 while net investment income fell by 76.3%, or \$0.2 million.

Net investment income for the WV Short Term Bond Pool rose significantly from 2013, rising by \$2.0 million during the fiscal year. The pool benefitted from a higher average net asset balance during the year as well as better performance in longer-dated credit products. In the two to five year segment of the curve, yields were significantly better in fiscal year 2014 than 2013.

The State Loan Pool experienced a minimal "increase" of \$0.2 million in net investment income during the fiscal year. For fiscal year 2014, reserves on the Non-Recourse Loan program increased by \$1.3 million. This was \$0.3 million less than the amount that was reserved for 2013 and accounts for the majority of the improvement in net investment income for the pool. The interest rate on the WV Revolving Loan program rose by 1 basis point for the year, increasing to 0.18% from 0.17%. Although both the loan rate and balance increased over fiscal year 2014, there was no appreciable increase in investment income attributable to the loan program. See Note 6 to the audited financial statements for more information on the loan programs of the State Loan Pool. Net investment income for the remaining pools was comparable to the prior fiscal year.

Realized gains in the Consolidated Fund fell by \$2.8 million over 2013. The decrease is almost entirely related to the Banking Services Pool which was opened and closed during fiscal year 2013. When the pool was closed during fiscal year 2013, a gain of \$2.6 million was realized. The remaining decrease was attributable to a decline in realized gains in the WV Short Term Bond Pool. Over 2014, the pool had minimal realized gains, falling \$0.2 million from 2013.

The fair value of investments increased by \$2.5 million over 2013 due to the appreciation of values in securities held by the WV Short Term Bond Pool. The change in the fair value of investments in the WV Short Term Bond Pool rose by \$2.4 million during 2014 as credit spreads tightened during the year. The overweight to credit products produced significant gains as the spread to Treasuries narrowed during the year. The remaining change in fair value was related to the EDA-AW account. The change in fair value rose by \$0.1 million over 2013.

Unit purchases and contributions to the Consolidated Fund decreased \$803.4 million from the previous fiscal year, while unit redemptions and withdrawals by participants decreased \$284.9 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 decreased over the prior year. As expected, the demand for high quality liquid collateral from Basel III regulations and derivatives reform contributed to supply/demand dynamics in the front-end that decreased rates from 2013 levels. Although Fed Chair Janet Yellen remains dovish, there are many factors against keeping interest rates at current historical low levels for much longer. The unemployment rate has been continually declining and now stands at 6.1% which is the lowest rate since September 2008 and well below the initial FOMC target of 6.5%. Notably, the specific language regarding the level of unemployment as a potential trigger for increasing rates has been removed from recent Fed statements. The FOMC is continuing to taper asset purchases and beginning in July 2014 will reduce its purchases to \$35 billion per month, \$20 billion in Treasuries and \$15 billion in Agency Mortgage-Backed Securities, with a goal of ending the QE program entirely before the end of 2014. The economy is improving and both corporate balance sheets and earnings remain solid. Inflation is still below its long term objective but that is most likely the last remaining piece of the economic puzzle before a rate hike.

Recent language had indicated that the FOMC is getting closer to raising short term interest rates, though they remain very cautious about raising rates. Expectations are rising that the FOMC will officially raise the Fed Funds target rate by the middle of 2015 but there could be a backup in short term rates much sooner as a result of increased economic growth, lower unemployment rates, strong auto and retail sales, and manufacturing growth. The supply and demand technicals of the bond market have helped keep interest rates low as non-U.S. investors still consider U.S. Treasuries the safest investments in the world especially in light of recent turmoil in Asia (Israel, Syria, Iraq, Afghanistan) and Eastern Europe. Managing interest rate risk will be the key investment theme for the next 12 months.

In July 2014, the U.S. Securities and Exchange Commission (SEC) voted to approve major changes to the rules governing U.S. money market funds. Significant revisions include imposing a floating net asset value (NAV) requirement on institutional prime money market funds, changing the definition of a “government” money fund that would qualify for exemption to the floating NAV requirement, and permitting prime funds to institute liquidity fees and redemption gates if certain triggers are met. Although the BTI is not subject to regulation by the SEC with respect to its prime money market fund (WV Money Market Pool) or government money market fund (WV Government Money Market Pool), the BTI is a consumer of institutional prime and government money market funds and participates in the money markets as a purchaser of securities. As such, the BTI will be directly affected by these regulatory changes. Since these changes are going to be phased in over the next two years, the potential effects are not yet known.

In 2014, West Virginia balanced its budget with the aid of both \$33 million in mid-year budget spending authority reductions by means of a general hiring freeze and a supplemental reserve revenue appropriation by the Legislature totaling \$70 million. Absent the supplemental appropriation of reserve funds, final general revenue collections were \$99.9 million below estimate and 0.6% below prior year receipts. However, as a result of the aforementioned budgetary adjustments, there was an un-appropriated year-end surplus balance of approximately \$18 million. Average annual general revenue fund growth over the past six years was just 0.5% in comparison with long-term average annual growth rate of closer to 4.0%.

Future budget years are likely to prove challenging with an increasing volatile energy sector and slower long-term growth elsewhere. The major keys to both West Virginia economic growth and fiscal health in recent years have been strong energy sector performance with higher coal prices and higher natural gas production along with growing foreign exports of both manufactured goods and steam and metallurgical coal. However, the gradual implementation of various environmental standards for the electric power generation industry, the loss of certain regional energy-intensive manufacturing activities, and the substitution of competitively priced natural gas fired power generation have led to a weakening in economic growth. In addition, cheaper high-sulfur coal from Midwestern states and Northern Appalachia is gradually displacing lower sulfur southern West Virginia coal in a number of power plants with recently installed flue-gas de-sulfurization equipment. 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 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. Flat or declining state revenues could result in decreases in assets under management as the state continues to draw against invested funds to meet cash needs.

Requests for Information

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

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

June 30, 2014

(In Thousands)

Assets	
Current assets:	
Cash	\$ 335
Receivables	<u>672</u>
Total current assets	1,007
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>3</u>
Total assets	<u>1,010</u>
 Liabilities	
Current liabilities:	
Accounts payable	<u>504</u>
Total liabilities	<u>504</u>
 Net position	
Investment in capital assets	3
Unrestricted	<u>503</u>
Total net position	<u><u>\$ 506</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, 2014

(In Thousands)

Operating revenues	
Management services	\$ 1,353
Advisor services	1,486
Custodian services	<u>129</u>
Total operating revenues	2,968
Operating expenses	
Advisor fees	1,486
Management fees	591
Professional service fees	254
Fiduciary bond	44
Custodian fees	129
General and administrative	216
Depreciation	<u>3</u>
Total operating expenses	<u>2,723</u>
Operating income	<u>245</u>
Change in net position	245
Net position at beginning of period	<u>261</u>
Net position at end of period	<u>\$ 506</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, 2014

(In Thousands)

Cash flows from operating activities	
Cash received for services	\$ 2,763
Payments to vendors	<u>(2,691)</u>
Net cash provided by operating activities	<u>72</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>264</u>
Cash at end of period	<u>\$ 335</u>
 Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 245
Adjustments to reconcile operating gain to net cash provided by operating activities:	
Depreciation	3
Changes in assets and liabilities:	
Receivables	(206)
Accounts payable	<u>30</u>
Net cash provided by operating activities	<u>\$ 72</u>

See accompanying notes to financial statements

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

June 30, 2014

(In Thousands)

Assets	
Investments:	
At amortized cost	\$2,446,085
At fair value	<u>775,203</u>
Total investments	3,221,288
Receivables:	
Accrued interest	2,610
Dividends	4
Investments sold	5,356
Other	<u>501</u>
Total receivables	<u>8,471</u>
Total assets	3,229,759
 Liabilities	
Accrued expenses	580
Dividends payable	563
Investments purchased	<u>5,002</u>
Total liabilities	<u>6,145</u>
 Net Position	
Held in trust for investment pool participants	3,195,780
Held in trust for individual investment account holders	<u>27,834</u>
Total net position	<u>\$3,223,614</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, 2014

(In Thousands)

Additions	
Investment income:	
Interest	\$ 15,103
Dividends	1,653
Net amortization	(4,562)
Provision for uncollectible loans	<u>(1,251)</u>
Total investment income	10,943
Investment expenses:	
Investment advisor fees	1,486
Custodian bank fees	129
Administrative fees	<u>1,084</u>
Total investment expenses	<u>2,699</u>
Net investment income	8,244
Net realized gain from investments	44
Net increase in fair value of investments	<u>2,401</u>
Net increase in net position from operations	10,689
Participant transaction additions:	
Purchase of pool units by participants	10,832,452
Reinvestment of pool distributions	8,812
Contributions to individual investment accounts	<u>356</u>
Total participant transaction additions	<u>10,841,620</u>
Total additions	10,852,309
Deductions	
Distributions to pool participants:	
Net investment income	8,087
Net realized gain from investments	<u>44</u>
Total distributions to pool participants	8,131
Participant transaction deductions:	
Redemption of pool units by participants	11,259,269
Withdrawals from individual investment accounts	<u>193,011</u>
Total participant transaction deductions	<u>11,452,280</u>
Total deductions	<u>11,460,411</u>
Change in net position	(608,102)
Net position at beginning of period	<u>3,831,716</u>
Net position at end of period	<u><u>\$ 3,223,614</u></u>

See accompanying notes to financial statements

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West Virginia Board of Treasury Investments

Notes to Financial Statements

June 30, 2014

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”). 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).

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

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

Use of Estimates

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

Investment Accounting

Investment Valuation The BTI is an investment vehicle of the State, its component units, and local governments, 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 cost recovery method of income recognition is used for the interest on the WVEDA Non-Recourse Loan held by the Loan Pool. Under this method, interest income will only be recognized once the principal balance of the loan has been recovered.

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. 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, 2014, the Loan Pool had an allowance for uncollectible loans of \$21,495,569.

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 \$335,000 at June 30, 2014. 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, 2014.

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+	\$ 234,951	11.99%
	P-1	A-1	772,107	39.40
Corporate bonds and notes	Aa3	AA-	20,000	1.02
U.S. agency bonds	Aaa	AA+	82,765	4.22
U.S. Treasury notes *	Aaa	AA+	185,065	9.45
U.S. Treasury bills *	P-1	A-1+	104,995	5.36
Negotiable certificates of deposit	NR	AA-	10,000	0.51
	P-1	A-1+	28,000	1.43
	P-1	A-1	144,000	7.35
U.S. agency discount notes	P-1	A-1+	207,484	10.59
Money market funds	Aaa	AAAm	39	0.00
Repurchase agreements (underlying securities):				
U.S. Treasury notes *	Aaa	AA+	93,284	4.76
U.S. agency notes	Aaa	AA+	76,900	3.92
			<u>\$ 1,959,590</u>	<u>100.00%</u>

NR = Not Rated

* 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+	\$ 12,453	5.21%
U.S. Treasury notes *	Aaa	AA+	37,016	15.49
U.S. Treasury bills *	P-1	A-1+	3,000	1.26
U.S. agency discount notes	P-1	A-1+	122,056	51.08
Money market funds	Aaa	AAAm	29	0.01
Repurchase agreements (underlying securities):				
U.S. agency notes	Aaa	AA+	64,400	26.95
			<u>\$ 238,954</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 BBB- or higher by Standard & Poor's (or its equivalent). 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	\$ 91,752	11.89%
	Aaa	NR	76,982	9.97
	NR	AAA	71,564	9.27
	* Caa3	D	300	0.04
	* Caa3	NR	19	0.00
	* Ca	CCC	321	0.04
	* Ca	D	94	0.01
	* NR	NR	4,024	0.52
Corporate bonds and notes	Aaa	AA+	7,675	0.99
	Aa1	AA+	5,005	0.65
	Aa2	AA+	4,034	0.52
	Aa2	AA	9,791	1.27
	Aa2	AA-	10,055	1.30
	Aa3	AA-	23,468	3.04
	Aa3	A+	10,066	1.30
	A1	AA+	13,268	1.72
	A1	AA-	5,987	0.78
	A1	A+	38,092	4.93
	A1	A	5,122	0.66
	A1	A-	1,099	0.14
	A2	A+	9,678	1.25
	A2	A	36,840	4.77
	A2	A-	12,119	1.57
	A3	A-	12,864	1.67
	A3	A	16,082	2.08
	A3	BBB+	8,862	1.15
	A3	BBB	1,003	0.13
	Baa1	A-	12,615	1.63
	Baa1	BBB+	25,158	3.26
	Baa1	BBB	8,344	1.08
	Baa1	BBB-	1,996	0.26
Baa2	BBB-	19,340	2.51	
Baa2	BBB+	2,006	0.26	
Baa2	BBB	11,325	1.47	
Baa2	BBB-	4,448	0.58	
Baa3	BBB+	2,200	0.29	
Baa3	BBB	7,539	0.98	
Baa3	BBB-	16,716	2.17	
U.S. agency bonds	Aaa	AA+	10,007	1.30
U.S. Treasury notes **	Aaa	AA+	121,559	15.75
U.S. agency mortgage backed securities ***	Aaa	AA+	38,296	4.96
Money market funds	Aaa	AAAm	14,226	1.84
			<u>\$ 771,941</u>	<u>100.00%</u>

NR = Not Rated

* These securities were not in compliance with BTI Investment Policy at June 30, 2014. 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 \$37,000. 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 \$33,000. 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 \$1,356,000. 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	\$ 170,184	1
U.S. Treasury notes	185,065	47
U.S. Treasury bills	104,995	44
Commercial paper	1,007,058	33
Certificates of deposit	182,000	51
U.S. agency discount notes	207,484	38
Corporate bonds and notes	20,000	17
U.S. agency bonds	82,765	74
Money market funds	39	1
	\$ 1,959,590	36

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	\$ 64,400	1
U.S. Treasury notes	37,016	67
U.S. Treasury bills	3,000	73
U.S. agency discount notes	122,056	45
U.S. agency bonds	12,453	40
Money market funds	29	1
	<u>\$ 238,954</u>	37

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	\$ 121,559	315
Corporate bonds and notes	342,799	483
Corporate asset backed securities	245,056	397
U.S. agency bonds	10,007	219
U.S. agency mortgage backed securities	38,294	291
Money market funds	14,226	1
	<u>\$ 771,941</u>	407

The West Virginia Bank Pool holds nonnegotiable certificates of deposit totaling \$73,000,000 with maturity dates ranging from July 2014 through December 2014, and an interest in a money market mutual fund valued at approximately \$37,000. 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 \$33,000 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 \$20,753,000 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	\$ 973	319
U.S. Treasury bonds and notes	3,973	1,089
State and local government securities	19,551	320
	\$ 24,497	444

The School Fund Account holds only an interest in a money market mutual fund valued at approximately \$1,356,000 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 \$1,906,000 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 \$73,000,000. The Reserve Pool contains funds totaling approximately \$20,753,000 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, 2013	Increases	Decreases	June 30, 2014
Equipment, at cost	\$ 24	\$ 1	\$ (8)	\$ 17
Accumulated depreciation	(19)	(3)	8	(14)
Equipment, net of accumulated depreciation	\$ 5	\$ (2)	\$ -	\$ 3

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, 2014, 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, 2014, was 0.18%. 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, 2014, the outstanding balance was \$126,074,455.
- 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, 2014, \$24,642,323 of principal was outstanding.

Because of the uncertain collectability of this loan, the BTI has elected to recognize income on a cost recovery basis. Any payments received will be applied to reduce the outstanding principal balances until that balance is fully recovered. Any amounts received after recovery of the principal balance will be recognized as interest income when received. Additionally, a valuation reserve of \$21,495,569 has been accrued at June 30, 2014.

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, 2014, the BTI reimbursed the Treasurer's Office \$570,000 for services, which includes \$542,000 for management services provided by Treasurer's Office employees. As of June 30, 2014, the BTI had an amount payable to the Treasurer's Office totaling \$53,000, 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 \$5 million faithful performance bond through an outside underwriter. There have been no claims since the inception of the BTI.

8. Effect of New Accounting Pronouncements

The GASB has issued Statement No. 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, 2014

(In Thousands)

	<u>WV Money Market Pool</u>	<u>WV Government Money Market Pool</u>	<u>WV Short Term Bond Pool</u>	<u>WV Bank Pool</u>	<u>Loan Pool</u>
Assets					
Investments:					
At amortized cost	\$ 1,959,590	\$ 238,954	\$ -	\$ 73,037	\$ 129,254
At fair value	-	-	771,941	-	-
Receivables:					
Accrued interest	489	45	1,956	27	18
Dividends	-	-	-	-	-
Investments sold	-	-	5,356	-	-
Other	361	25	115	-	-
Total receivables	<u>850</u>	<u>70</u>	<u>7,427</u>	<u>27</u>	<u>18</u>
Total assets	<u>1,960,440</u>	<u>239,024</u>	<u>779,368</u>	<u>73,064</u>	<u>129,272</u>
Liabilities					
Accrued expenses	322	43	203	4	8
Dividends payable	-	-	563	-	-
Investments purchased	-	-	5,002	-	-
Total liabilities	<u>322</u>	<u>43</u>	<u>5,768</u>	<u>4</u>	<u>8</u>
Net Position					
Held in trust for investment pool participants	1,960,118	238,981	773,600	73,060	129,264
Held in trust for individual investment account holders	-	-	-	-	-
Total net position	<u>\$ 1,960,118</u>	<u>\$ 238,981</u>	<u>\$ 773,600</u>	<u>\$ 73,060</u>	<u>\$ 129,264</u>

(Continued)

<u>Reserve Pool</u>	<u>Municipal Bond Commission Account</u>	<u>School Fund Account</u>	<u>Economic Development Authority - American Woodmark Account</u>	<u>Total</u>
\$ 20,753	\$ 24,497	\$ -	\$ -	\$2,446,085
-	-	1,356	1,906	775,203
-	41	-	34	2,610
4	-	-	-	4
-	-	-	-	5,356
-	-	-	-	501
<u>4</u>	<u>41</u>	<u>-</u>	<u>34</u>	<u>8,471</u>
20,757	24,538	1,356	1,940	3,229,759
-	-	-	-	580
-	-	-	-	563
-	-	-	-	5,002
-	-	-	-	6,145
20,757	-	-	-	3,195,780
-	24,538	1,356	1,940	27,834
<u>\$ 20,757</u>	<u>\$ 24,538</u>	<u>\$ 1,356</u>	<u>\$ 1,940</u>	<u>\$3,223,614</u>

See accompanying notes to financial statements.

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

For the Year Ended June 30, 2014

(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	\$ 3,522	\$ 437	\$ 9,439	\$ 103	\$ 269
Dividends	1,169	76	355	-	-
Net (amortization) accretion	(148)	(213)	(3,352)	-	-
Provision for uncollectible loans	-	-	-	-	(1,251)
Total investment income	<u>4,543</u>	<u>300</u>	<u>6,442</u>	<u>103</u>	<u>(982)</u>
Investment expenses:					
Investment advisor fees	715	102	669	-	-
Custodian bank fees	81	18	30	-	-
Administrative fees	768	111	130	25	48
Total investment expenses	<u>1,564</u>	<u>231</u>	<u>829</u>	<u>25</u>	<u>48</u>
Net investment income	2,979	69	5,613	78	(1,030)
Net realized gain from investments	14	2	28	-	-
Net increase (decrease) in fair value of investments	<u>-</u>	<u>-</u>	<u>2,422</u>	<u>-</u>	<u>-</u>
Net increase in net position from operations	2,993	71	8,063	78	(1,030)
Participant transaction additions:					
Purchase of pool units by participants	9,947,310	713,500	150,745	73	20,739
Reinvestment of pool distributions	2,990	71	5,443	80	175
Contributions to individual investment accounts	-	-	-	-	-
Total participant transaction additions	<u>9,950,300</u>	<u>713,571</u>	<u>156,188</u>	<u>153</u>	<u>20,914</u>
Total additions	9,953,293	713,642	164,251	231	19,884
Deductions					
Distributions to pool participants:					
Net investment income	2,979	69	5,613	80	(707)
Net realized gain (loss) from investments	14	2	28	-	-
Total distributions to pool participants	<u>2,993</u>	<u>71</u>	<u>5,641</u>	<u>80</u>	<u>(707)</u>
Participant transaction deductions:					
Redemption of pool units by participants	10,484,099	761,844	2,262	72	9,692
Withdrawals from individual investment accounts	-	-	-	-	-
Total participant transaction deductions	<u>10,484,099</u>	<u>761,844</u>	<u>2,262</u>	<u>72</u>	<u>9,692</u>
Total deductions	<u>10,487,092</u>	<u>761,915</u>	<u>7,903</u>	<u>152</u>	<u>8,985</u>
Net (decrease) increase in net position from operations	(533,799)	(48,273)	156,348	79	10,899
Inter-pool transfers in	29,533	-	-	32,473	-
Inter-pool transfers out	<u>(32,473)</u>	<u>-</u>	<u>-</u>	<u>(29,533)</u>	<u>-</u>
Net inter-pool transfers in (out)	<u>(2,940)</u>	<u>-</u>	<u>-</u>	<u>2,940</u>	<u>-</u>
Change in net position	(536,739)	(48,273)	156,348	3,019	10,899
Net position at beginning of period	2,496,857	287,254	617,252	70,041	118,365
Net position at end of period	<u>\$ 1,960,118</u>	<u>\$ 238,981</u>	<u>\$ 773,600</u>	<u>\$ 73,060</u>	<u>\$ 129,264</u>

(Continued)

Reserve Pool	Municipal Bond Commission Account	School Fund Account	Economic Development Authority - American Woodmark Account	Total
\$ -	\$ 1,242	\$ -	\$ 91	\$ 15,103
53	-	-	-	1,653
-	(837)	-	(12)	(4,562)
-	-	-	-	(1,251)
<u>53</u>	<u>405</u>	<u>-</u>	<u>79</u>	<u>10,943</u>
-	-	-	-	1,486
-	-	-	-	129
-	<u>1</u>	<u>-</u>	<u>1</u>	<u>1,084</u>
-	<u>1</u>	<u>-</u>	<u>1</u>	<u>2,699</u>
53	404	-	78	8,244
-	-	-	-	44
-	-	-	(21)	2,401
<u>53</u>	<u>404</u>	<u>-</u>	<u>57</u>	<u>10,689</u>
85	-	-	-	10,832,452
53	-	-	-	8,812
-	-	<u>356</u>	<u>-</u>	<u>356</u>
<u>138</u>	<u>-</u>	<u>356</u>	<u>-</u>	<u>10,841,620</u>
191	404	356	57	10,852,309
53	-	-	-	8,087
-	-	-	-	44
<u>53</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,131</u>
1,300	-	-	-	11,259,269
-	<u>192,595</u>	<u>326</u>	<u>90</u>	<u>193,011</u>
<u>1,300</u>	<u>192,595</u>	<u>326</u>	<u>90</u>	<u>11,452,280</u>
1,353	192,595	326	90	11,460,411
(1,162)	(192,191)	30	(33)	(608,102)
-	-	-	-	62,006
-	-	-	-	(62,006)
-	-	-	-	-
(1,162)	(192,191)	30	(33)	(608,102)
21,919	216,729	1,326	1,973	3,831,716
<u>\$ 20,757</u>	<u>\$ 24,538</u>	<u>\$ 1,356</u>	<u>\$ 1,940</u>	<u>\$ 3,223,614</u>

See accompanying notes to financial statements.

West Virginia Board of Treasury Investments
Schedule of Investments in Securities
June 30, 2014
(In thousands)

WEST VIRGINIA MONEY MARKET POOL

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
United States Treasury Note		0.625 %	0.081 %	07/15/2014	65,000	\$ 65,014	\$ 65,010
United States Treasury Note		0.125	0.073	07/31/2014	35,000	35,001	35,000
United States Treasury Note		0.500	0.054	08/15/2014	30,000	30,017	30,014
United States Treasury Note		0.250	0.033	08/31/2014	25,000	25,009	25,007
United States Treasury Note		0.250	0.048	09/30/2014	10,000	10,005	10,005
United States Treasury Note		0.375	0.114	11/15/2014	20,000	20,019	20,022
Total U. S. Treasury Issues	9.4%					185,065	185,058
<i>U. S. Government Agency Bonds</i>							
Federal Home Loan Bank		0.965	F	0.085	07/28/2014	13,000	13,000
Federal Home Loan Bank		0.132	F	0.102	09/11/2014	10,000	10,000
Federal National Mortgage Assn		0.602	F	0.091	09/11/2014	13,000	13,001
Federal National Mortgage Assn		2.625		0.092	11/20/2014	25,000	25,244
Federal National Mortgage Assn		1.778	F	0.203	01/20/2015	21	21
Federal Home Loan Bank		0.125		0.142	04/14/2015	6,000	5,999
Federal Farm Credit Bank		0.643	F	0.096	06/02/2015	10,500	10,499
Federal Farm Credit Bank		0.800	F	0.119	12/30/2015	5,000	5,000
Total U. S. Government Agency Bonds	4.2%					82,765	82,762
<i>Corporate Bonds</i>							
Royal Bank of Canada		0.631	F	0.280	06/07/2015	10,000	10,000
Svenska Handelsbanken AB		0.301	F	0.301	09/26/2014	10,000	9,996
Total Corporate Bonds	1.0%					20,000	19,996
<i>Short Term Issues</i>							
Deutsche Bank Securities Inc		0.050		0.050	07/01/2014	93,284	93,284
Deutsche Bank Securities Inc		0.100		0.100	07/01/2014	76,900	76,900
Swedbank		0.090		0.090	07/01/2014	12,000	12,000
Manhattan Asset FDG Co		0.000		0.172	07/01/2014	10,000	10,000
Nordea Bank AB		0.000		0.152	07/01/2014	20,000	20,000
Toronto Dominion Holdings USA		0.000		0.101	07/01/2014	30,000	30,000
Versailles LLC		0.000		0.157	07/01/2014	23,000	23,000
Antalis US Funding Corp		0.000		0.101	07/02/2014	15,000	15,000
Federal Home Loan Bank		0.000		0.048	07/02/2014	31,000	31,000
ING Funding LLC		0.000		0.203	07/02/2014	7,000	7,000
Misaho Funding LLC		0.000		0.198	07/02/2014	20,000	20,000
Oversea-Chinese Banking Corp		0.000		0.193	07/02/2014	15,000	15,000
Manhattan Asset FDG Co		0.000		0.193	07/03/2014	10,000	10,000
United States Treasury Bill		0.000		0.042	07/03/2014	25,000	25,000
Working Capital Management Co		0.000		0.122	07/03/2014	15,000	15,000
Credit Industriel		0.200		0.200	07/07/2014	10,000	10,000
BNP Paribas Finance Inc		0.000		0.223	07/07/2014	6,000	6,000
Gotham Funding Corp		0.000		0.152	07/07/2014	10,000	10,000
Nieuw Amrsterdam Receivables		0.000		0.142	07/07/2014	15,000	15,000
Bank of Tokyo - Mit UFJ		0.190		0.190	07/08/2014	20,000	20,000
ABN AMRO Funding USA LLC		0.000		0.203	07/08/2014	15,000	14,999
Credit Agricole North America		0.000		0.122	07/08/2014	17,399	17,399

(Continued on Next Page)
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West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)
June 30, 2014
(In thousands)

WEST VIRGINIA MONEY MARKET POOL (Continued)							
SECURITY NAME	% of POOL	COUPON	YIELD	MATURITY	UNITS	AMORTIZED COST	FAIR VALUE*
Oversea-Chinese Banking Corp		0.000	0.193	07/08/2014	10,000	10,000	10,000
Societe Generale		0.000	0.167	07/09/2014	20,000	19,999	19,999
Atlantic Asset Securities Corp		0.000	0.132	07/10/2014	25,000	24,999	24,999
BMW US Capital LLC		0.000	0.081	07/10/2014	18,000	18,000	18,000
ABN AMRO Funding USA LLC		0.000	0.223	07/11/2014	25,000	24,998	24,998
LMA Americas LLC		0.000	0.152	07/11/2014	17,500	17,499	17,499
Victory Receivables Corp		0.000	0.152	07/11/2014	10,000	10,000	10,000
Caisse Centrale Desjardn UDS		0.000	0.167	07/14/2014	15,000	14,999	14,999
Misubo Funding LLC		0.000	0.134	07/14/2014	35,000	34,998	34,998
Westpac Banking Corp		0.746	F 0.257	07/14/2014	10,000	10,000	10,000
Regency Markets No 1		0.000	0.142	07/15/2014	10,000	9,999	9,999
National Australia Funding Inc		0.000	0.117	07/16/2014	35,000	34,998	34,998
Salisbury Receivables Co LLC		0.000	0.132	07/16/2014	24,320	24,319	24,319
United States Treasury Bill		0.000	0.025	07/17/2014	15,000	15,000	15,000
Federal Home Loan Bank		0.000	0.051	07/18/2014	35,000	34,999	34,999
Regency Markets No 1		0.000	0.142	07/21/2014	10,000	9,999	9,999
Sumitomo Mitsui Banking Corp		0.000	0.203	07/21/2014	10,000	9,999	9,999
Sheffield Receivables		0.000	0.188	07/22/2014	10,000	9,999	9,999
Federal Home Loan Bank		0.000	0.053	07/23/2014	35,000	34,999	34,999
Cancara Asset Sec LLC		0.000	0.172	07/29/2014	15,000	14,998	14,998
Federal Home Loan Bank		0.000	0.051	07/30/2014	35,000	34,999	34,999
Natixis Banque Populaires US		0.000	0.172	07/31/2014	15,000	14,998	14,998
United Overseas Bank		0.000	0.213	08/04/2014	10,000	9,998	9,998
Working Capital Management Co		0.000	0.183	08/04/2014	15,000	14,997	14,997
Bank of Nova Scotia		0.000	0.162	08/05/2014	33,000	32,995	32,995
General Electric Capital Corp		0.000	0.203	08/05/2014	10,000	9,998	9,998
Manhattan Asset FDG Co		0.000	0.172	08/05/2014	10,000	9,998	9,998
Victory Receivables Corp		0.000	0.172	08/05/2014	10,000	9,998	9,998
Citibank NA		0.160	0.160	08/06/2014	13,000	13,000	13,000
Gotham Funding Corp		0.000	0.172	08/07/2014	15,000	14,997	14,997
Bank of Tokyo - Mit UFJ		0.000	0.203	08/08/2014	30,000	29,994	29,994
Liberty Street Funding LLC		0.000	0.183	08/08/2014	20,000	19,996	19,996
BMO Harris Bank NA		0.190	0.190	08/11/2014	20,000	20,000	20,000
Alpine Securitization		0.000	0.213	08/11/2014	20,000	19,995	19,995
Mitsubishi UFJ Trust and Banking		0.000	0.203	08/11/2014	10,000	9,998	9,998
State Street Corp		0.000	0.172	08/11/2014	15,000	14,997	14,997
Prudential PLC		0.000	0.172	08/13/2014	15,000	14,997	14,997
Albion Capital Corp		0.000	0.193	08/15/2014	12,000	11,997	11,997
ING Funding LLC		0.000	0.203	08/15/2014	15,000	14,996	14,996
Old Line Funding Corp		0.000	0.193	08/15/2014	10,000	9,998	9,998
Fairway Finance Corp		0.000	0.183	08/18/2014	25,000	24,994	24,994
Federal Home Loan Bank		0.000	0.079	08/20/2014	16,000	15,998	15,998
Wells Fargo & Co		0.000	0.213	08/22/2014	33,000	32,990	32,990
Sheffield Receivables		0.000	0.193	08/25/2014	11,000	10,997	10,997
United States Treasury Bill		0.000	0.041	08/28/2014	30,000	29,998	29,999
Natixis		0.691	F 0.210	09/03/2014	15,000	15,000	15,003
United States Treasury Bill		0.000	0.081	09/04/2014	10,000	9,999	10,000
Federal Home Loan Mort Corp		0.000	0.101	09/05/2014	25,000	24,995	24,995
United States Treasury Bill		0.000	0.037	09/11/2014	25,000	24,998	24,998
Sumitomo Mitsui Trust NY		0.210	0.210	09/15/2014	10,000	10,000	10,000
Nordea Bank AB		0.000	0.193	09/19/2014	10,000	9,996	9,997
Federal Home Loan Mort Corp		0.000	0.063	09/22/2014	25,000	24,996	24,998
Deutsche Bank Finl LLC		0.000	0.264	09/29/2014	25,000	24,984	24,984
Old Line Funding Corp		0.000	0.223	10/15/2014	10,000	9,994	9,996

(Continued on Next Page)

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See accompanying notes to financial statements.

West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)
June 30, 2014
(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>
Swedbank		0.000	0.208	10/16/2014	25,000	24,984	24,988
Commonwealth Bank of Australia	0.678	F	0.228	10/17/2014	10,000	10,000	10,001
Toyota Motor Credit Corp	0.000		0.213	10/21/2014	5,000	4,997	4,998
Societe Generale	0.902	F	0.270	10/31/2014	15,000	15,000	14,997
Rabobank USA Financial Corp	0.000		0.213	11/10/2014	20,000	19,985	19,976
Federal Farm Credit Bank	0.000		0.112	11/13/2014	5,500	5,498	5,499
Nordea Bank Finland	0.290		0.290	11/20/2014	8,000	8,000	8,003
PNC Bank	0.300		0.300	12/03/2014	10,000	10,000	10,000
JP Morgan Chase Bank	0.380		0.380	12/04/2014	10,000	10,000	10,007
General Electric Capital Corp	0.000		0.213	01/05/2015	10,000	9,989	9,991
National Australia Bank	0.518	F	0.230	01/06/2015	10,000	10,000	10,001
Toronto Dominion Bank	0.230		0.230	02/24/2015	10,000	10,000	10,002
Westpac Banking Corp	1.103	F	0.222	03/09/2015	10,000	10,000	10,003
Canadian Imperial Bank	0.552	F	0.250	03/17/2015	10,000	10,000	10,000
Rabobank Nederland NV	0.607	F	0.277	04/10/2015	10,000	10,000	9,999
Bank of Nova Scotia	0.523	F	0.325	05/29/2015	9,000	9,000	9,003
ASB Finance LTD	0.280	F	0.243	06/23/2015	10,000	10,000	9,998
Dreyfus Cash Management	0.030	**			39	39	39
Total Short Term Issues	85.3%					1,671,760	1,671,783
Total Money Market Pool	100.0%					\$ 1,959,590	\$ 1,959,599

WEST VIRGINIA GOVERNMENT MONEY MARKET POOL

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
United States Treasury Note		0.625 %	0.096 %	07/15/2014	8,000	\$ 8,002	\$ 8,001
United States Treasury Note		0.125	0.076	07/31/2014	11,000	11,000	11,000
United States Treasury Note		0.250	0.033	08/31/2014	3,000	3,001	3,001
United States Treasury Note		0.500	0.089	10/15/2014	5,000	5,006	5,006
United States Treasury Note		0.250	0.105	10/31/2014	5,000	5,002	5,003
United States Treasury Note		0.375	0.114	11/15/2014	5,000	5,005	5,005
Total U. S. Treasury Issues	15.5%					37,016	37,016
<i>U. S. Government Agency Bonds</i>							
Federal Farm Credit Bank		0.498	F 0.120	07/22/2014	3,000	3,000	3,002
Federal Home Loan Bank		0.190	0.131	07/25/2014	1,445	1,445	1,445
Federal Home Loan Mort Corp		0.750	0.117	11/25/2014	3,000	3,008	3,008
Federal Home Loan Bank		0.727	F 0.098	02/03/2015	5,000	5,000	5,000
Total U. S. Government Agency Bonds	5.2%					12,453	12,455
<i>Short Term Issues</i>							
Goldman, Sachs & Co		0.090	0.090	07/01/2014	30,000	30,000	30,000
Deutsche Bank Securities Inc		0.100	0.100	07/01/2014	34,400	34,400	34,400
Federal Home Loan Bank		0.000	0.061	07/02/2014	5,579	5,579	5,579

(Continued on Next Page)

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West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)
June 30, 2014
(In thousands)

WEST VIRGINIA GOVERNMENT MONEY MARKET POOL (Continued)

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
Federal National Mortgage Assn		0.000	0.061	07/02/2014	4,000	4,000	4,000
Federal Home Loan Bank		0.000	0.092	07/09/2014	5,000	5,000	5,000
Federal Home Loan Bank		0.000	0.075	07/11/2014	11,630	11,630	11,630
Federal Home Loan Bank		0.000	0.056	07/15/2014	3,000	3,000	3,000
Federal Home Loan Bank		0.000	0.081	07/16/2014	6,638	6,638	6,638
Federal Home Loan Bank		0.000	0.061	07/18/2014	2,900	2,900	2,900
Federal Home Loan Bank		0.000	0.082	07/23/2014	4,185	4,185	4,185
Federal Home Loan Bank		0.000	0.078	07/25/2014	6,000	6,000	6,000
Federal Home Loan Bank		0.000	0.067	07/30/2014	7,005	7,005	7,005
Federal Home Loan Bank		0.000	0.067	08/01/2014	9,065	9,064	9,064
Federal Home Loan Bank		0.000	0.084	08/06/2014	6,710	6,709	6,709
Federal Home Loan Bank		0.000	0.071	08/08/2014	2,400	2,400	2,400
Federal Home Loan Bank		0.000	0.091	08/27/2014	5,000	4,999	5,000
Federal Home Loan Bank		0.000	0.086	09/03/2014	4,000	3,999	3,999
Federal Home Loan Bank		0.000	0.076	09/05/2014	5,000	4,999	5,000
Federal Home Loan Mort Corp		0.000	0.076	09/10/2014	4,360	4,359	4,360
United States Treasury Bill		0.000	0.037	09/11/2014	3,000	3,000	3,000
Federal Home Loan Mort Corp		0.000	0.076	09/16/2014	3,000	3,000	3,000
Federal Home Loan Bank		0.000	0.071	09/17/2014	3,000	3,000	3,000
Federal Home Loan Bank		0.000	0.071	09/19/2014	4,260	4,259	4,260
Federal Home Loan Bank		0.000	0.076	09/26/2014	3,035	3,035	3,035
Federal National Mortgage Assn		0.000	0.081	10/02/2014	3,400	3,399	3,399
Federal Home Loan Bank		0.000	0.071	10/03/2014	4,000	3,999	3,999
Federal Home Loan Bank		0.000	0.071	10/08/2014	3,100	3,099	3,100
Federal Home Loan Bank		0.000	0.081	10/31/2014	1,800	1,800	1,800
Federal Home Loan Mort Corp		0.000	0.081	11/10/2014	4,000	3,999	3,999
Dreyfus Cash Management		0.010 **			29	29	29
Total Short Term Issues	<u>79.3%</u>					<u>189,485</u>	<u>189,490</u>
Total Government Money Market Pool	<u>100.0%</u>					<u>\$ 238,954</u>	<u>\$ 238,961</u>

WEST VIRGINIA SHORT TERM BOND POOL

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
United States Treasury		0.250 %	0.246 %	12/15/2014	35,000	\$ 35,001	\$ 35,027
United States Treasury		0.250	0.281	01/15/2015	10,000	9,998	10,009
United States Treasury		2.375	0.294	02/28/2015	25,000	25,346	25,378
United States Treasury Inflation Index Note		0.500	0.400	04/15/2015	10,938	11,224	11,096
United States Treasury		0.375	0.300	04/15/2015	20,000	20,012	20,044
United States Treasury		0.625	0.609	11/15/2016	20,000	20,008	20,005
Total U. S. Treasury Issues	<u>15.7%</u>					<u>121,589</u>	<u>121,559</u>
<i>U. S. Government Agency Bonds</i>							
Federal Home Loan Bank		0.250	0.296	02/20/2015	10,000	9,997	10,007
Total U. S. Government Agency Bonds	<u>1.3%</u>					<u>9,997</u>	<u>10,007</u>

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West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)
June 30, 2014
(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>
<i>U. S. Agency Issues</i>							
Federal Home Loan Mort Corp		0.602	F	0.495	03/15/2021	271	270
Federal Home Loan Mort Corp		0.552	F	0.492	06/15/2021	495	493
Federal Home Loan Mort Corp		0.652	F	0.649	04/15/2027	361	361
Federal Home Loan Mort Corp		0.502	F	0.649	04/15/2028	417	417
Federal Home Loan Mort Corp		0.552	F	0.417	10/15/2028	669	666
Federal Home Loan Mort Corp		0.452	F	0.544	04/15/2029	529	527
Federal Home Loan Mort Corp		0.472	F	0.404	05/15/2030	1,309	1,304
Federal Home Loan Mort Corp		0.504	F	0.739	08/15/2030	179	180
Federal Home Loan Mort Corp		0.652	F	0.456	09/15/2030	342	341
Federal Home Loan Mort Corp		0.552	F	0.701	09/15/2030	97	96
Federal Home Loan Mort Corp		0.652	F	0.502	04/15/2031	628	626
Federal Home Loan Mort Corp		0.602	F	0.549	06/15/2031	249	249
Federal Home Loan Mort Corp		0.652	F	0.552	07/15/2031	128	128
Federal Home Loan Mort Corp		0.452	F	0.549	09/15/2031	991	991
Federal National Mortgage Assn		0.210	F	0.461	09/25/2031	730	730
Federal Home Loan Mort Corp		0.602	F	0.599	11/15/2031	787	788
Federal Home Loan Mort Corp		0.602	F	0.599	12/15/2031	310	311
Federal Home Loan Mort Corp		0.552	F	0.599	12/15/2031	253	254
Federal Home Loan Mort Corp		0.552	F	0.700	02/15/2032	364	364
Federal National Mortgage Assn		0.096	F	0.506	02/25/2032	1,500	1,500
Federal Home Loan Mort Corp		0.652	F	0.599	03/15/2032	275	275
Federal Home Loan Mort Corp		0.652	F	0.650	03/15/2032	284	285
Federal Home Loan Mort Corp		1.104	F	0.650	03/15/2032	815	815
Federal Home Loan Mort Corp		0.652	F	0.650	04/15/2032	400	400
Federal Home Loan Mort Corp		0.398	F	0.650	07/15/2032	729	729
Federal National Mortgage Assn		0.632	F	0.508	08/17/2032	892	891
Federal Home Loan Mort Corp		0.552	F	0.549	10/15/2032	524	525
Federal Home Loan Mort Corp		0.802	F	0.600	11/15/2032	268	268
Federal Home Loan Mort Corp		0.552	F	0.549	01/15/2033	456	456
Federal Home Loan Mort Corp		0.532	F	0.549	01/15/2033	1,530	1,531
Federal Home Loan Mort Corp		0.452	F	0.549	02/15/2033	1,123	1,123
Federal Home Loan Mort Corp		0.723	F	0.492	02/15/2033	416	414
Federal National Mortgage Assn		0.402	F	0.547	03/25/2033	171	171
Federal Home Loan Mort Corp		1.002	F	0.611	06/15/2034	529	528
Federal Home Loan Mort Corp		1.576	F	0.797	10/15/2034	162	162
Federal Home Loan Mort Corp		1.111	F	0.524	09/15/2035	675	672
Federal National Mortgage Assn		0.609	F	0.724	03/25/2036	915	915
Government National Mort Assn		0.728	F	0.596	12/20/2060	4,047	4,009
Government National Mort Assn		0.244	F	0.647	06/20/2062	4,584	4,591
Government National Mort Assn		0.552	F	0.564	03/20/2063	4,519	4,508
Government National Mort Assn		1.401	F	0.605	04/30/2063	4,345	4,344
Total U.S. Agency Issues	5.0%					38,208	38,294
<i>Corporate Issues</i>							
<i>Corporate Bonds</i>							
Target Corp		0.115	F	0.398	07/18/2014	2,350	2,350
Bank of New York Mellon		0.080	F	0.498	07/28/2014	4,000	4,000
Berkshire Hathaway Inc		0.752	F	0.924	08/15/2014	2,850	2,850
Deutsche Bank London		3.875		0.644	08/18/2014	5,000	5,021
General Electric Capital Corp		0.952	F	1.317	09/15/2014	3,000	2,995
John Deere Capital Corp		0.851	F	0.330	10/08/2014	2,900	2,901
US Bank NA		0.886	F	0.874	10/14/2014	3,000	2,997

(Continued on Next Page)

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West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)
June 30, 2014
(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>
Toyota Motor Credit Corp		1.250	0.496	11/17/2014	4,000	4,011	4,016
General Electric Capital Corp		2.150	1.275	01/09/2015	3,000	3,014	3,030
Goldman Sachs Group Inc		0.686	F 1.423	01/12/2015	3,000	2,989	3,004
Credit Suisse FB USA Inc		4.875	0.688	01/15/2015	5,000	5,112	5,122
Merrill Lynch & Company Inc		0.422	F 2.175	01/15/2015	3,000	2,976	3,004
JP Morgan Chase & Co		3.700	1.542	01/20/2015	1,000	1,012	1,018
Energy Transfer Partners		5.950	0.756	02/01/2015	2,000	2,061	2,054
Bank of New York Mellon		1.200	1.231	02/20/2015	700	700	704
Petroleos Mexicanos		4.875	0.850	03/15/2015	2,000	2,057	2,056
BlackRock Inc		1.375	1.414	06/01/2015	2,000	1,999	2,021
American Express Credit		1.750	0.989	06/12/2015	4,000	4,029	4,051
General Electric Capital Corp		1.625	1.106	07/02/2015	2,000	2,010	2,025
Enterprise Products		1.250	0.682	08/13/2015	2,000	2,013	2,014
National Rural Utilities		3.875	0.613	09/16/2015	5,000	5,196	5,199
American Honda Finance		2.500	1.594	09/21/2015	1,150	1,163	1,177
Westpac Banking Corp		1.125	1.222	09/25/2015	4,000	3,995	4,031
JPMorgan Chase & Co		1.100	0.945	10/15/2015	5,000	5,010	5,021
JPMorgan Chase & Co		0.602	F 0.663	10/15/2015	5,000	5,015	5,028
Wells Fargo & Company		0.270	F 1.185	10/28/2015	4,000	3,960	4,000
American Express Centurion		0.875	0.888	11/13/2015	1,000	1,000	1,005
Oracle Corporation		5.250	0.743	01/15/2016	5,000	5,344	5,357
PNC Bank		0.600	F 0.425	01/28/2016	5,000	5,009	5,007
Royal Bank of Canada		0.223	F 0.601	03/08/2016	3,850	3,850	3,862
Canadian Natural Resources Ltd		0.571	F 0.610	03/30/2016	555	555	556
Raymond James Financial Inc		4.250	1.114	04/15/2016	1,940	2,047	2,049
General Electric Capital Corp		2.950	1.037	05/09/2016	5,000	5,175	5,213
Nordea Bank AB		0.864	F 0.684	05/13/2016	1,500	1,500	1,508
Wells Fargo Bank NA		5.750	1.057	05/16/2016	5,530	6,011	6,031
New York Life Global FDG		0.597	F 0.576	05/23/2016	3,660	3,660	3,679
American Honda Finance		0.597	F 0.602	05/26/2016	1,750	1,750	1,758
Principal Life Global Fund		0.325	F 0.597	05/27/2016	2,000	2,000	2,009
Bank of America		0.402	F 2.138	06/15/2016	1,000	968	995
Bank of Montreal		0.582	F 0.746	07/15/2016	5,000	5,000	5,032
Royal Bank of Canada		0.301	F 0.691	09/09/2016	5,000	5,000	5,027
Verizon Communications		2.500	1.001	09/15/2016	2,000	2,065	2,061
American Honda Finance		0.330	F 0.730	10/07/2016	1,580	1,580	1,592
John Deere Capital Corp		0.507	F 0.518	10/11/2016	2,500	2,500	2,509
Morgan Stanley Dean Witter		1.628	F 1.848	10/18/2016	1,500	1,460	1,498
BP Capital Markets PLC		0.581	F 0.643	11/07/2016	5,000	5,000	5,023
Bank of America		1.125	1.150	11/14/2016	5,000	4,997	5,004
Citigroup Inc		1.300	1.334	11/15/2016	2,780	2,778	2,784
Huntington National Bank		1.300	1.052	11/20/2016	2,987	3,004	3,000
Bear Stearns Co Inc		0.643	F 1.584	11/21/2016	4,000	3,908	4,001
PRICOA Global Funding 1		1.150	1.175	11/25/2016	1,600	1,599	1,602
Cox Communications Inc		5.875	1.211	12/01/2016	2,000	2,222	2,210
National City Bank		0.522	F 1.937	12/15/2016	1,000	967	998
AutoZone Inc		1.300	1.307	01/13/2017	1,030	1,030	1,033
SABMiller Holdings Inc		2.450	1.168	01/15/2017	2,000	2,064	2,061
Manufacturers & Traders Trust		0.230	F 0.600	01/30/2017	4,000	4,000	4,004
Hyundai Capital America		1.450	1.477	02/06/2017	2,000	1,999	2,008
Citigroup Inc		5.500	1.521	02/15/2017	2,000	2,204	2,200
Pepsico Inc		0.950	0.989	02/22/2017	1,100	1,099	1,099
Wyndham Worldwide Corp		2.950	1.393	03/01/2017	2,000	2,081	2,077

(Continued on Next Page)

F – Floating rate note security.

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** Rate represents last business day of the month.

See accompanying notes to financial statements.

West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)
June 30, 2014
(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>	
Daimler Finance NA	0.702	F	0.580	03/10/2017	4,000	4,000	4,004	
Semptra Energy	2.300		1.296	04/01/2017	1,758	1,806	1,805	
Duke Energy Corp	0.602	F	0.608	04/03/2017	1,000	1,000	1,003	
MetLife Global Funding I	0.554	F	0.608	04/10/2017	4,000	4,000	4,009	
Volkswagon Group America	0.412	F	0.597	05/23/2017	2,000	2,000	2,002	
Fifth Third Bancorp	1.350		1.365	06/01/2017	5,000	4,998	5,011	
Fidelity National Inform	1.450		1.232	06/05/2017	1,015	1,015	1,014	
Verizon Communications	0.257	F	0.631	06/09/2017	585	585	586	
Ford Motor Credit Company	3.000		1.680	06/12/2017	2,000	2,076	2,087	
Australia & NZ Banking Group	0.511	F	0.490	06/13/2017	4,000	4,000	3,999	
Hess Corp	1.300		1.341	06/15/2017	1,200	1,199	1,202	
Weyerhaeuser Company	6.950		1.575	08/01/2017	2,000	2,322	2,312	
Lorillard Tobacco Co	2.300		1.482	08/21/2017	2,000	2,050	2,041	
Hartford Financial Services Group	4.000		1.668	10/15/2017	2,250	2,417	2,428	
ERAC USA Finance LLC	6.375		1.763	10/15/2017	1,813	2,079	2,085	
Mississippi State	1.324	F	0.852	11/01/2017	2,000	2,000	2,005	
Ford Motor Credit Company	0.885	F	0.799	12/06/2017	4,000	4,000	4,003	
Carnival Corp	1.875		1.806	12/15/2017	2,000	2,005	2,012	
American Tower Corporation	4.500		2.202	01/15/2018	2,000	2,156	2,179	
JP Morgan Chase & Co	0.538	F	1.129	01/25/2018	1,000	1,000	1,014	
Nabors Industries Inc	6.150		2.630	02/15/2018	1,518	1,702	1,729	
Discover Bank	2.000		2.101	02/21/2018	2,000	1,993	2,012	
Goldcorp Inc	2.125		1.979	03/15/2018	2,000	2,010	2,006	
RCI Banque SA	3.500		2.687	04/03/2018	2,000	2,058	2,085	
Bank of Montreal	0.733	F	0.829	04/09/2018	5,000	5,000	5,034	
Wal-Mart Stores	1.125		1.144	04/11/2018	5,000	4,996	4,933	
Telefonica Emisiones	3.192		2.377	04/27/2018	2,000	2,059	2,090	
BP Capital Markets PLC	0.684	F	0.622	05/10/2018	5,000	5,022	5,021	
Grupo Televisa SA	6.000		2.810	05/15/2018	2,629	2,935	2,989	
HSBC Bank	1.002	F	0.773	05/15/2018	5,000	5,018	5,046	
Reynolds American Inc	7.750		2.086	06/01/2018	2,000	2,424	2,407	
Westpac Banking Corp	0.924	F	0.965	07/30/2018	2,000	2,000	2,025	
Viacom INC	2.500		2.090	09/01/2018	2,000	2,033	2,044	
HSBC Bank	0.452	F	1.111	09/24/2018	5,000	5,000	5,060	
Principal Life Global Fund	2.250		2.297	10/15/2018	2,750	2,745	2,777	
Goldman Sachs Group Inc	0.602	F	1.276	11/15/2018	8,500	8,517	8,616	
Coca-Cola Femsa SAB	2.375		2.403	11/26/2018	3,000	2,997	3,036	
New York Life Global FDG	2.100		2.124	01/02/2019	4,000	3,996	3,997	
Bank of America Corp	0.806	F	1.266	01/15/2019	4,000	4,000	4,051	
Oracle Corporation	0.622	F	0.806	01/15/2019	4,450	4,450	4,486	
Petroleos Mexicanos	3.125		3.125	01/23/2019	300	300	310	
Morgan Stanley Dean Witter	1.129	F	1.079	01/24/2019	4,000	4,000	4,027	
BB&T Corporation	0.745	F	0.885	02/01/2019	4,000	4,000	4,027	
Mondelez International	0.702	F	0.749	02/01/2019	2,000	2,000	1,996	
Fifth Third Bancorp	2.300		2.330	03/01/2019	625	624	628	
Cisco Systems Inc	0.580	F	0.727	03/01/2019	2,350	2,350	2,365	
Nissan Motor Acceptance	2.350		2.360	03/04/2019	2,000	1,999	2,014	
Huntington National Bank	2.192		2.225	04/01/2019	1,480	1,478	1,482	
Bank of America Corp	0.277	F	1.103	04/01/2019	3,950	3,950	3,976	
MassMutual Global Funding	2.350		2.373	04/09/2019	4,000	3,996	4,034	
Capital One Financial Corp	2.450		2.466	04/24/2019	3,000	2,998	3,028	
SunTrust Banks Inc	2.500		2.519	05/01/2019	2,130	2,128	2,157	
Union Bank NA	2.250		2.298	05/06/2019	615	614	617	

(Continued on Next Page)

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See accompanying notes to financial statements.

West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)
June 30, 2014
(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>	
Apple Computer Inc		0.490	F	0.523	05/06/2019	5,000	5,000	5,005
Comerica Inc		2.125		2.125	05/23/2019	850	850	849
Ryder System Inc		2.550		2.575	06/01/2019	2,100	2,098	2,126
Penske Truck Leasing		2.500		2.503	06/15/2019	2,000	1,999	2,004
Norfolk Southern Corp		5.900		2.147	06/15/2019	2,000	2,351	2,332
Verizon Communications		1.252	F	1.002	06/17/2019	2,000	2,000	2,024
ERAC USA Finance LLC		2.350		2.380	10/15/2019	2,000	1,997	1,997
Total U. S. Corporate Bonds	44.4%						341,256	342,799
<i>Corporate Asset Backed Issues</i>								
Great American Leasing Receivables		0.610		0.616	05/15/2015	792	792	792
GE Equipment Small Ticket		1.370		1.382	06/22/2015	664	664	665
Capital Auto Receivables		0.617	F	0.584	11/20/2015	4,000	4,000	4,003
Nissan Auto Lease Trust		0.532	F	0.422	01/15/2016	977	977	978
MMAF Equipment Finance LLC		0.690		0.698	05/09/2016	1,897	1,897	1,899
World Omni Auto Lease Securities		0.576	F	0.472	05/16/2016	3,155	3,155	3,157
Capital Auto Receivables		0.680		0.683	05/20/2016	1,800	1,800	1,802
Carmax Auto Owner Trust		0.590		0.596	08/15/2016	3,550	3,550	3,553
Smart Trust		0.491	F	0.603	09/14/2016	2,650	2,650	2,652
Ally Master Owner Trust		0.552	F	0.954	09/15/2016	2,000	2,000	2,002
Ford Credit Auto Lease Trust		0.960		0.961	10/17/2016	1,190	1,190	1,194
GE Dealer Floorplan Master		0.502	F	0.724	02/20/2017	3,000	3,000	3,002
Americredit Automobile Receivables		0.650		0.656	03/08/2017	1,333	1,333	1,335
Smart Trust		0.402	F	0.702	03/14/2017	2,000	2,000	2,005
Great American Leasing Receivables		1.660		0.879	04/17/2017	4,150	4,197	4,190
PFS Financing Corp		0.610	F	0.653	04/17/2017	5,250	5,250	5,253
Master Credit Card Trust		0.780		1.007	04/21/2017	5,000	4,984	5,010
Ally Auto Receivables Trust		0.900		0.912	05/22/2017	1,700	1,700	1,701
Americredit Auto Rec Trust		0.620		0.627	06/08/2017	950	950	950
GE Dealer Floorplan Master		0.652	F	0.644	06/20/2017	4,000	4,000	4,010
BMW Vehicle Lease Trust		0.990		0.993	08/21/2017	1,300	1,300	1,302
Santander Drive Auto Receivables Trust		0.700		0.701	09/15/2017	3,700	3,700	3,708
Hyundai Auto Lease Securitization		1.010		1.017	09/15/2017	2,000	2,000	2,003
BMW Floorplan Master Owner Trust		0.622	F	0.552	09/15/2017	8,000	8,000	8,025
GE Dealer Floorplan Master		0.428	F	0.594	10/20/2017	2,500	2,500	2,506
Santander Drive Auto Receivables Trust		1.110		1.117	12/15/2017	2,400	2,400	2,413
Ford Credit Floorplan Master		1.266	F	0.532	01/15/2018	2,950	2,950	2,956
Citibank Credit Card Issuance		0.730		0.733	02/07/2018	2,000	2,000	2,005
Chrysler Capital Auto Rec		0.910		0.916	04/16/2018	1,100	1,100	1,104
SLM Student Loan Trust		0.602	F	0.412	05/25/2018	1,631	1,631	1,631
Ohio Phase-In-Recovery Funding		0.958		0.958	07/02/2018	2,000	2,000	2,008
Santander Drive Auto Receivables Trust		0.810		0.812	07/16/2018	2,200	2,200	2,201
Volkswagen Auto Lease Trust		0.990		1.004	07/20/2018	1,250	1,250	1,252
M&T Bank Auto Receivables Trust		1.570		1.578	08/15/2018	3,000	3,000	3,041
Ford Credit Floorplan Master		0.582	F	0.623	09/15/2018	3,000	3,000	3,007
Golden Credit Card Trust		0.402	F	0.582	09/15/2018	4,700	4,700	4,717
Hyundai Auto Lease Securitization		1.260		1.271	09/17/2018	3,000	3,000	3,002
Nissan Auto Lease Trust		0.740		0.986	10/15/2018	3,040	3,024	3,048
Discover Card Master Trust		1.152	F	0.603	10/15/2018	2,000	2,000	2,009
Americredit Automobile Receivables		0.940		0.943	10/30/2018	2,250	2,250	2,249
Citibank Omni Master Trust		4.900		2.477	11/15/2018	5,000	5,284	5,083
Mercedes-Benz Auto Lease Trust		0.720		0.727	12/17/2018	4,400	4,399	4,407

(Continued on Next Page)

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See accompanying notes to financial statements.

West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)
June 30, 2014
(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>
Americredit Automobile Receivables		0.900	0.907	01/08/2019	2,000	2,000	2,004
Ford Credit Floorplan Master		1.920	1.372	01/15/2019	3,637	3,683	3,710
Ally Master Owner Trust		0.552	F 0.623	01/15/2019	2,500	2,500	2,503
Smart Trust		0.752	F 0.703	02/14/2019	3,500	3,500	3,506
PFS Financing Corp		0.652	F 0.753	02/15/2019	3,500	3,500	3,505
Citibank Credit Card Issuance		1.020	1.083	02/22/2019	3,000	2,996	2,998
Enterprise Fleet Financing LLC		1.060	1.067	03/20/2019	3,884	3,883	3,901
Gracechurch Card PLC		0.352	F 0.414	05/15/2019	5,000	5,073	5,068
Mercedes-Benz Auto Lease Trust		0.760	0.767	07/15/2019	1,300	1,300	1,303
CNH Wholesale Master Note Trust		0.752	F 0.753	08/15/2019	4,000	4,000	4,011
Enterprise Fleet Financing LLC		0.870	0.873	09/20/2019	1,650	1,650	1,650
Porsche Innovative Lease		0.880	0.883	10/22/2019	2,500	2,500	2,505
Mercedes-Benz Auto Lease Trust		0.900	0.905	12/16/2019	1,250	1,250	1,253
GE Equipment Small Ticket		1.390	1.395	07/24/2020	1,200	1,200	1,213
Great American Leasing Receivables		1.470	1.481	08/15/2020	4,000	3,999	3,992
Volvo Financial Equipment LLC		1.300	1.304	11/16/2020	2,000	2,000	1,996
Motor PLC		1.002	F 0.653	02/15/2021	2,765	2,765	2,766
Golden Credit Card Trust		0.602	F 0.602	03/15/2021	2,950	2,950	2,957
ARI Fleet Lease Trust		0.920	0.925	07/15/2021	2,000	2,000	2,002
Discover Card Master Trust		0.752	F 0.582	07/15/2021	3,000	3,000	3,010
Motor PLC		0.102	F 0.653	08/25/2021	1,364	1,364	1,365
American Express Master Trust		0.602	F 0.522	12/15/2021	5,000	5,000	5,007
Capital One Multi Asset Trust		0.163	F 0.532	01/18/2022	2,000	2,000	2,002
SLM Student Loan Trust		0.702	F 1.004	02/15/2022	2,043	2,043	2,054
SLM Student Loan Trust		0.552	F 0.753	07/15/2022	492	492	493
ARI Fleet Lease Trust		0.810	0.812	11/15/2022	700	700	701
SLMA Student Loan Trust		0.730	F 0.903	10/16/2023	1,073	1,073	1,078
Chesapeake Funding LLC		0.829	F 1.223	04/07/2024	3,610	3,642	3,643
SLMA Student Loan Trust		0.352	F 1.155	10/15/2024	1,292	1,292	1,298
Chesapeake Funding LLC		0.601	F 0.572	03/07/2026	5,000	5,000	5,006
Hertz Fleet Lease Funding LP		0.652	F 0.554	04/10/2028	3,900	3,900	3,902
SLMA Student Loan Trust		0.096	F 1.255	06/17/2030	4,000	4,000	4,049
Equity One ABS Inc		4.145	4.253	04/25/2034	338	335	345
Citigroup Mortgage Loan Trust		5.852	5.884	05/25/2036	140	140	94
Bank of America Alternative Loan		5.707	5.740	10/25/2036	239	239	170
Banc of America Funding Corp		5.791	5.816	10/25/2036	24	24	19
Renaissance Home Equity Loan		5.580	5.654	11/25/2036	498	496	321
Credit Suisse Mortgage Capital		5.942	5.959	02/25/2037	231	231	130
Sequoia Mortgage Trust		2.500	2.540	05/25/2043	4,656	4,632	4,240
Wells Fargo RBS		0.250	F 1.104	03/15/2044	4,000	4,000	4,024
Commercial Mortgage Trust		1.344	1.345	07/10/2045	3,280	3,280	3,287
JPMBB Commercial Mortgage		0.583	F 0.803	11/15/2045	4,000	4,000	4,025
Commercial Mortgage Trust		1.024	1.025	06/10/2046	4,286	4,286	4,268
Wells Fargo Commercial Mortgage		1.676	1.677	07/15/2046	4,632	4,631	4,661
Holmes Master Issuer PLC		1.876	F 1.580	10/15/2054	1,112	1,112	1,113
Holmes Master Issuer PLC		0.228	F 1.826	10/15/2054	5,765	5,819	5,815
Fosse Master Issuer PLC		0.593	F 1.631	10/18/2054	1,215	1,215	1,229
Lanark Master Issuer PLC		0.115	F 0.729	12/22/2054	8,500	8,500	8,509
Silverstone Master		1.079	F 1.782	01/21/2055	2,500	2,500	2,525
Total Corporate Asset Backed Issues	31.7%					245,472	245,056
Total Corporate Issues	76.2%					586,728	587,855

(Continued on Next Page)

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West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)
June 30, 2014
(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>
<i>Short Term Issues</i>							
Dreyfus Cash Management Institutional Fund		0.030 **			14,226	14,226	14,226
Total Short Term Issues	1.8%					14,226	14,226
Total Short Term Bond Pool	100.00%					\$ 770,748	\$ 771,941

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>							
Jefferson Security Bank		0.150 %	0.150 %	07/10/2014	5,000	\$ 5,000	\$ 5,000
Mountain Valley Bank		0.150	0.150	07/10/2014	3,500	3,500	3,500
WesBanco Bank		0.150	0.150	07/10/2014	5,000	5,000	5,000
Harrison County Bank		0.150	0.150	08/14/2014	500	500	500
WesBanco Bank		0.150	0.150	08/14/2014	5,000	5,000	5,000
Jefferson Security Bank		0.155	0.155	09/11/2014	5,000	5,000	5,000
Summit Community Bank		0.155	0.155	09/11/2014	3,000	3,000	3,000
WesBanco Bank		0.155	0.155	09/11/2014	5,000	5,000	5,000
Jefferson Security Bank		0.150	0.150	10/09/2014	10,000	10,000	10,000
WesBanco Bank		0.150	0.150	10/09/2014	5,000	5,000	5,000
WesBanco Bank		0.150	0.150	11/13/2014	10,000	10,000	10,000
Bank of Romney		0.150	0.150	12/11/2014	1,000	1,000	1,000
Jefferson Security Bank		0.150	0.150	12/11/2014	5,000	5,000	5,000
WesBanco Bank		0.150	0.150	12/11/2014	10,000	10,000	10,000
Dreyfus Cash Management		0.010 **			37	37	37
Total Short Term Issues	100.0%					73,037	73,037
Total West Virginia Bank Pool	100.0%					\$ 73,037	\$ 73,037

F – Floating rate note security.

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

** Rate represents last business day of the month.

See accompanying notes to financial statements.

West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)
June 30, 2014
(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		0.180 %		12/31/2023	126,074	\$ 126,075	\$ 126,075
WVEDA Non-Recourse Loan		3.000		06/30/2022	24,642	24,642	24,642
Total Intergovernmental Loans						150,717	150,717
Reserve for uncollectable loans					21,496	21,496	21,496
Loans and Mortgages, net of reserve for uncollectable loans	100.0%					129,221	129,221
<i>Short Term Issues</i>							
Dreyfus Cash Management Treasury Institutional Fund		0.010 **			33	33	33
Total Short Term Issues	0.0%					33	33
Total State Loan Pool	100.0%					\$ 129,254	\$ 129,254

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 %		20,753	\$ 20,753	\$ 20,753
Total Short Term Issues	100.0%					20,753	20,753
Total Reserve Pool	100.0%					\$ 20,753	\$ 20,753

F – Floating rate note security.

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

** Rate represents last business day of the month.

See accompanying notes to financial statements.

West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)
June 30, 2014
(In thousands)

MUNICIPAL BOND COMMISSION

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Government Issues</i>							
State & Local Government		0.150 %	0.150 %	11/01/2014	334	\$ 334	\$ 334
State & Local Government		0.170	0.170	12/01/2014	24	24	24
State & Local Government		0.220	0.220	05/01/2015	17,570	17,570	17,570
United States Treasury Strip - Interest		0.000	0.000	05/15/2015	973	973	972
State & Local Government		0.230	0.230	06/01/2015	799	799	799
State & Local Government		0.290	0.290	12/01/2015	12	12	12
United States Treasury		7.250	0.001	05/15/2016	980	1,113	1,105
State & Local Government		0.380	0.380	06/01/2016	812	812	812
United States Treasury		8.750	0.001	05/15/2017	1,055	1,320	1,293
United States Treasury		9.125	0.001	05/15/2018	1,138	1,540	1,480
Total U. S. Treasury Issues	100.0%					24,497	24,401
Total Municipal Bond Commission Pool	100.0%					\$ 24,497	\$ 24,401

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 **			1,356	\$ 1,356	\$ 1,356
Total Short Term Issues	100.0%					1,356	1,356
Total School Fund	100.0%					\$ 1,356	\$ 1,356

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	\$ 1,584	\$ 1,906
Total U. S. Treasury Issues	100.0%					1,584	1,906
Total EDA-AW	100.0%					\$ 1,584	\$ 1,906

F – Floating rate note security.

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

** Rate represents last business day of the month.

See accompanying notes to financial statements.

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Investment Section

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Consolidated Fund Overview at June 30, 2014

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, 2014: \$ 3,221,288,000.

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: Economic data was largely positive during fiscal year 2014, with the labor market showing signs of improvement and U.S. economic growth increasing modestly over the prior year. Notwithstanding budget and debt ceiling fights in the U.S. Congress, short term market returns were largely flat for the year. Financial markets were still flooded with more than ample liquidity from central bank interventions, with high demand chasing a decreasing supply of short-term assets. The U.S. Federal Reserve began to taper purchases under its asset purchase program (QE3), which initially pushed longer term yields higher. However, perceived weakness in foreign economies, as well as a strong dollar, helped to push those yields down towards the end of the fiscal year. During the fiscal year, the Federal Reserve

began testing a new overnight reverse repurchase agreement program (RRP), collateralized by U.S. Treasuries, as a means for the Fed to better manage short-term interest rates while maintaining an expanded balance sheet. While this program helped to boost repo rates, Treasury bill rates traded lower than repo due to increased demand and diminished supply.

Investment returns were strong across all markets for the fiscal year. The broad US equity market, as measured by the Russell 3000 Index, generated double digit returns, increasing 24.4% during fiscal year 2014. Developed international equity markets, measured by the MSCI EAFE Index (net), also posted double digit returns, coming in with a return of 22.8%. Smaller or emerging markets, represented by the MSCI Emerging Markets Index (net) posted a stronger return over fiscal year 2013, returning 14.3%. Commodity markets, as measured by the S&P GSCI Total Return Index, posted gains of 9.6% for the fiscal year. Despite the Federal Reserve tapering asset purchases, the bond markets performed reasonably well as yields dropped and spreads tightened towards the end of the fiscal year. The domestic bond market, as measured by the Barclays Aggregate Bond Index, returned 4.7% 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 plus a floating hurdle with 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.

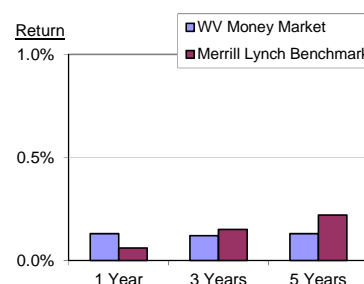
□ Asset Allocation – Permissible vs. Actual

Permissible Allocation	Maximum Percent of Pool	Actual Allocation June 30, 2014	
		Carrying Value (Thousands)	Percent of Pool
Security Type			
U.S. Treasury Obligations	100.0%	\$ 290,060	14.8%
U.S. Government Agency Obligations & FDIC guaranteed Obligations	85.0%	290,249	14.8%
Commercial paper and corporate debt (Combined)	75.0%	1,027,058	52.4%
Repurchase agreements	85.0%	170,184	8.7%
Asset-backed & mortgage-backed securities	50.0%	-	-
Certificates of deposit	75.0%	182,000	9.3%
Money market funds	30.0%	39	0.0%
Municipal securities	15.0%	-	-
Depository accounts	5.0%	-	-
		\$1,959,590	100.0%

□ Actual Returns

Actual Annualized Returns for Periods Ended June 30, 2014

Returns by Investment Manager:	1 Year	3 Years	5 Years
JP Morgan	0.08%	0.10%	0.11%
UBS Global	0.14%	0.17%	0.18%
Total pool returns	0.13%	0.12%	0.13%
Benchmark:			
Merrill Lynch*	0.06%	0.15%	0.22%



* 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.

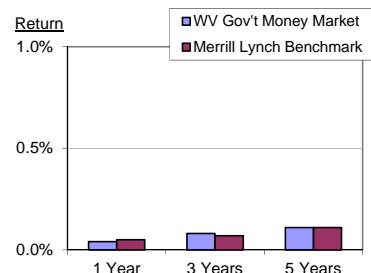
□ **Asset Allocation – Permissible vs. Actual**

Permissible Allocation		Actual Allocation June 30, 2014	
Security Type	Maximum Percent of Pool	Carrying Value <i>(Thousands)</i>	Percent of Pool
U.S. Treasury Obligations	100.0%	\$ 40,016	16.7%
U.S. Government Agency Obligations & FDIC guaranteed Obligations	85.0%	134,509	56.3%
Repurchase agreements	85.0%	64,400	27.0%
Government money market funds	40.0%	29	0.0%
Depository accounts	5.0%	-	-
		<u>\$238,954</u>	<u>100.0%</u>

Actual Returns

Actual Annualized Returns for Periods Ended June 30, 2014

	1 Year	3 Years	5 Years
Total pool returns	0.04%	0.08%	0.11%
Benchmark:			
Merrill Lynch 3-Month T-Bill	0.05%	0.07%	0.11%



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

Investments

For a detailed list of investments in the West Virginia 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.

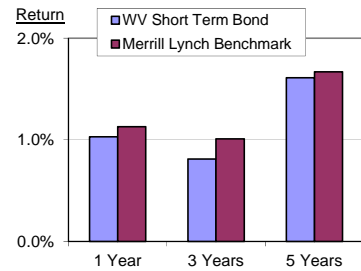
❑ Asset Allocation – Permissible vs. Actual

Security Type	Permissible Allocation Maximum Percent of Pool	Actual Allocation June 30, 2014	
		Carrying Value (Thousands)	Percent of Pool
U.S. Treasury Obligations	100.0%	\$ 121,559	15.8%
U.S. Government Agency Obligations & FDIC guaranteed Obligations	85.0%	48,301	6.3%
Commercial paper and corporate debt (combined)	75.0%	342,799	44.4%
Repurchase agreements	85.0%	-	-
Asset-backed and mortgage-backed securities	50.0%	245,056	31.7%
Certificates of deposit	50.0%	-	-
Money market funds	25.0%	14,226	1.8%
Municipal securities	15.0%	-	-
Depository accounts	5.0%	-	-
		<u>\$771,941</u>	<u>100.0%</u>

Actual Returns

Actual Annualized Returns for Periods Ended June 30, 2014

	1 Year	3 Years	5 Years
Total pool returns *	1.03%	0.81%	1.61%
Benchmark **	1.13%	1.01%	1.67%



* 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 47-53.

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, 2014, nearly 100.0% of the pool, totaling \$73,000,000, was invested in certificates of deposit, and less than 1.0% totaling \$37,000 was invested in money market funds.

☐ **Actual Returns**

The West Virginia Bank Pool earned 0.15%, 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 0.06% for the year. For the past three-year period, the pool earned an annualized 0.23%, and the benchmark was 0.15%. For the past five-year period, the pool earned an annualized 0.30%, and the benchmark was 0.22%.

☐ **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 53.

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, 2014	
Security Type	Maximum Percent of Pool	Carrying Value (Thousands)	Percent of Pool
Other investments	100.0%	\$ 129,221	100.0%
Money market funds	20.0%	33	0.0%
Depository accounts	5.0%	-	-
		<u>\$129,254</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 54.

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, 2014	
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%	20,753	100.0%
		<u>\$ 20,753</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 54.

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 55.

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, 2014, 100.0% of the School Fund

Account's securities, totaling \$1,356,000, 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 55.

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, 2014, 100.0% of the EDA Insurance Account’s securities, totaling \$1,584,000, 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, 2014
(In Thousands)

External fees:

Investment advisors:

WV Money Market Pool	\$ 715
WV Government Money Market Pool	102
WV Short Term Bond Pool	669
	<hr/> 1,486

Custodians	129
	<hr/> 1,615

Total external fees	<hr/> 1,615
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Internal fees:

Investment consultant	148
Fiduciary bond	44
Administration	892
	<hr/> 1,084

Total internal fees	<hr/> 1,084
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Total investment management fees	<hr/> <hr/> \$ 2,699
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INVESTMENT POLICY SUMMARY

A. PURPOSE

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

B. INVESTMENT PHILOSOPHY

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

Agenda Item	Review Schedule
Investment Performance	Quarterly
Asset Allocation	Annually
Investment Policy	Annually
Fee Schedule and Budget	Annually
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, 2014, 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, 2014.

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

This table presents major investors in the Consolidated Fund Operating Pools at June 30, 2014.

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)

	2014	2013	2012	2011
Additions				
Investment income:				
Interest	\$ 15,103	\$ 17,579	\$ 17,094	\$ 20,410
Dividends	1,653	330	461	446
Securities lending income	-	-	-	-
Net accretion (amortization)	(4,562)	(6,351)	(3,986)	6,255
Provision for securities lending loss	-	(1,629)	(945)	(596)
Provision for uncollectible loans	(1,251)	-	-	-
Total investment income	10,943	9,929	12,624	26,515
Investment expenses:				
Investment advisor fees	1,486	1,366	1,420	1,399
Custodian bank fees	129	132	141	134
Administrative fees	1,084	593	1,004	1,052
Securities lending agent fees	-	-	-	-
Securities lending borrower rebates	-	-	-	-
Bad debt expense	-	-	-	-
Total investment expenses	2,699	2,091	2,565	2,585
Net investment income	8,244	7,838	10,059	23,930
Net realized gain (loss) from investments	44	2,850	(12)	6,527
Net (decrease) increase in fair value of investments	2,401	(96)	(1,946)	(11,329)
Net increase in net position from operations	10,689	10,592	8,101	19,128
Participant transaction additions:				
Purchase of pool units by participants	10,832,452	11,345,517	10,994,105	10,590,080
Reinvestment of pool distributions	8,812	8,277	10,918	21,531
Contributions to individual investment accounts	356	291,228	156,312	6,760
Total participant transaction additions	10,841,620	11,645,022	11,161,335	10,618,371
Total additions	10,852,309	11,655,614	11,169,436	10,637,499
Deductions				
Distributions to pool participants:				
Net investment income	8,087	6,727	8,862	16,264
Net realized gain (loss) from investments	44	(370)	(114)	6,527
Total distributions to pool participants	8,131	6,357	8,748	22,791
Participant transaction deductions:				
Redemption of pool units by participants	11,259,269	11,513,580	11,391,935	10,356,782
Withdrawals from individual investment accounts	193,011	223,638	21,259	10,949
Total participant transaction deductions	11,452,280	11,737,218	11,413,194	10,367,731
Total deductions	11,460,411	11,743,575	11,421,942	10,390,522
Change in net position	\$ (608,102)	\$ (87,961)	\$ (252,506)	\$ 246,977

2010	2009	2008	2007	2006	2005
\$ 21,499	\$ 35,328	\$ 68,731	\$ 65,625	\$ 46,477	\$ 35,181
624	2,794	1,684	895	891	398
-	2,956	23,351	23,974	19,430	7,464
7,700	25,918	65,983	76,182	58,808	24,368
(1,193)	(6,837)	-	-	-	-
-	(7,117)	(3,021)	(3,103)	(797)	(2,326)
<u>28,630</u>	<u>53,042</u>	<u>156,728</u>	<u>163,573</u>	<u>124,809</u>	<u>65,085</u>
1,277	1,157	1,060	950	976	900
107	86	110	107	97	69
1,468	1,208	1,256	1,180	1,441	952
-	226	1,353	273	293	165
-	2,054	18,446	23,063	18,454	6,798
-	-	3	-	-	-
<u>2,852</u>	<u>4,731</u>	<u>22,228</u>	<u>25,573</u>	<u>21,261</u>	<u>8,884</u>
25,778	48,311	134,500	138,000	103,548	56,201
1,576	(1,578)	3,603	(939)	(2,973)	(1,572)
(770)	8,560	11,033	4,308	(10,470)	5,256
<u>26,584</u>	<u>55,293</u>	<u>149,136</u>	<u>141,369</u>	<u>90,105</u>	<u>59,885</u>
10,192,912	10,316,680	10,173,315	8,833,687	8,476,495	7,857,676
19,301	48,995	130,263	128,339	95,770	48,103
4,950	6,708	146,314	113,366	12,723	17,846
<u>10,217,163</u>	<u>10,372,383</u>	<u>10,449,892</u>	<u>9,075,392</u>	<u>8,584,988</u>	<u>7,923,625</u>
10,243,747	10,427,676	10,599,028	9,216,761	8,675,093	7,983,510
17,989	40,788	126,764	128,452	96,021	48,867
1,576	(1,578)	90	51	(59)	(3)
<u>19,565</u>	<u>39,210</u>	<u>126,854</u>	<u>128,503</u>	<u>95,962</u>	<u>48,864</u>
9,949,245	10,063,667	9,816,801	8,604,738	8,427,349	7,781,659
13,023	26,041	214,011	40,953	37,838	44,084
<u>9,962,268</u>	<u>10,089,708</u>	<u>10,030,812</u>	<u>8,645,691</u>	<u>8,465,187</u>	<u>7,825,743</u>
9,981,833	10,128,918	10,157,666	8,774,194	8,561,149	7,874,607
<u>\$ 261,914</u>	<u>\$ 298,758</u>	<u>\$ 441,362</u>	<u>\$ 442,567</u>	<u>\$ 113,944</u>	<u>\$ 108,903</u>

Table 2: Financial Highlights – Consolidated Fund State Operating Pools

	Fiscal Year Ended June 30									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
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
Net realized and unrealized gain (loss)	-	-	-	-	-	-	-	-	-	-
Net increase (decrease) from operations	-	-	-	-	-	0.01	0.04	0.05	0.04	0.02
Distributions to participants	-	-	-	-	-	0.01	0.04	0.05	0.04	0.02
Net asset value at end of year	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Shares outstanding (in thousands)	1,960,118	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
Ratio of expenses to average net assets	0.07%	0.05%	0.06%	0.06%	0.07%	0.07%	0.08%	0.09%	0.10%	0.08%
Ratio of net investment income to average net assets	0.13%	0.14%	0.11%	0.18%	0.14%	1.15%	4.10%	5.28%	4.22%	2.21%
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
Net realized and unrealized gain (loss)	-	-	-	-	-	-	-	-	-	-
Net increase (decrease) from operations	-	-	0.01	-	-	0.01	0.04	0.06	0.04	0.02
Distributions to participants	-	-	0.01	-	-	0.01	0.04	0.06	0.04	0.02
Net asset value at end of year	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Shares outstanding (in thousands)	238,981	287,253	300,047	262,898	221,265	283,795	187,291	229,917	177,308	155,019
Ratio of expenses to average net assets	0.08%	0.06%	0.06%	0.07%	0.08%	0.07%	0.08%	0.08%	0.10%	0.09%
Ratio of net investment income to average net assets	0.02%	0.09%	0.06%	0.15%	0.10%	0.88%	3.90%	5.00%	3.94%	2.06%
WV Short Term Bond Pool										
Per share data:										
Net asset value at beginning of year	\$ 101.47	\$ 100.06	\$ 100.34	\$ 101.35	\$ 100.59	\$ 99.27	\$ 98.55	\$ 98.06	\$ 99.53	\$ 100.31
Net investment income (loss)	1.20	0.70	0.86	1.56	2.41	2.87	4.26	4.61	3.69	2.79
Net realized and unrealized gain (loss)	0.33	1.34	(0.31)	0.40	1.20	0.63	1.92	0.49	(1.47)	(0.58)
Net increase (decrease) from operations	1.53	2.04	0.55	1.96	3.61	3.50	6.18	5.10	2.22	2.21
Distributions to participants	1.21	0.63	0.83	2.97	2.85	2.18	5.46	4.61	3.69	2.99
Net asset value at end of year	\$ 101.79	\$ 101.47	\$ 100.06	\$ 100.34	\$ 101.35	\$ 100.59	\$ 99.27	\$ 98.55	\$ 98.06	\$ 99.53
Shares outstanding (in thousands)	7,600	6,083	5,040	4,746	4,496	3,251	3,593	2,331	2,718	2,622
Ratio of expenses to average net assets	0.12%	0.07%	0.10%	0.10%	0.14%	0.11%	0.10%	0.10%	0.14%	0.13%
Ratio of net investment income to average net assets	0.78%	0.50%	0.73%	1.26%	2.52%	2.37%	4.19%	4.02%	3.85%	2.74%
Portfolio turnover rate	1.10%	2.48%	11.11%	3.66%	5.07%	17.15%	5.13%	5.24%	4.01%	77.85%

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

	Fiscal Year Ended June 30									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
WV Money Market Pool	0.13%	0.13%	0.11%	0.18%	0.12%	1.29%	4.15%	5.41%	4.17%	2.12%
WV Government Money Market Pool	0.04%	0.12%	0.08%	0.19%	0.06%	1.13%	4.03%	5.31%	4.11%	2.09%
WV Short Term Bond Pool	1.03%	0.77%	0.62%	1.98%	3.70%	4.35%	5.02%	5.31%	2.27%	2.27%

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

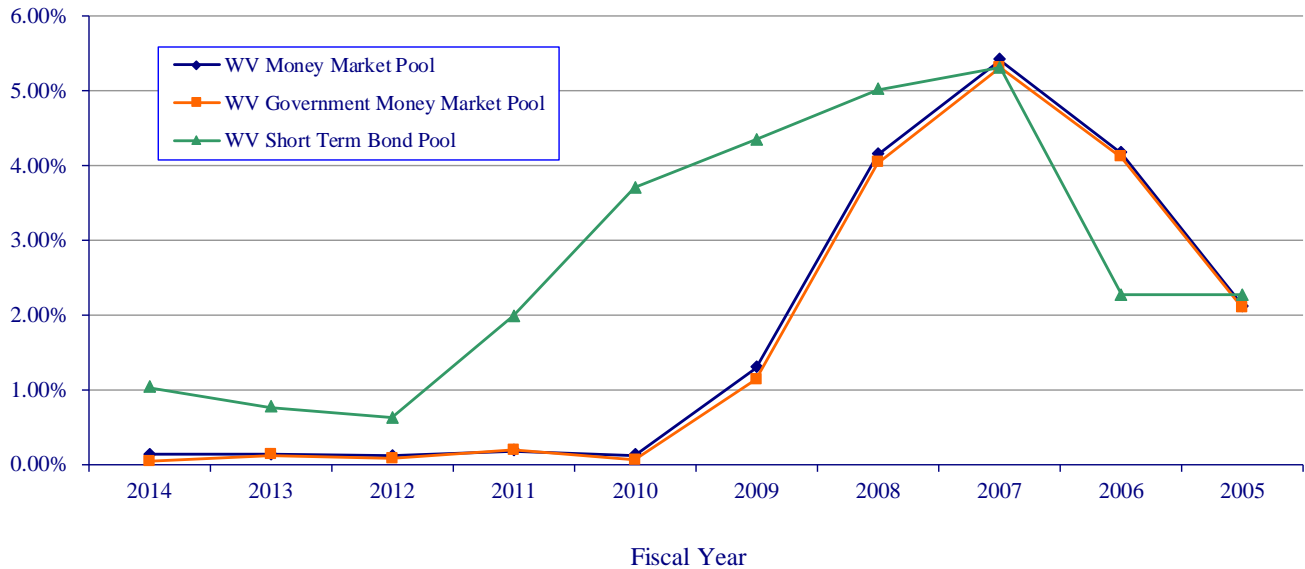


Table 4: Participation in Consolidated Fund State Operating Pools

Fiscal Year Ended June 30

(Net Asset Values Expressed in Thousands)

	2014		2013		2012		2011	
	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	1,336	\$1,869,338	1,347	\$2,427,230	1,282	\$2,708,359	1,239	\$2,956,372
Local government accounts	221	90,780	222	69,627	222	79,685	226	63,506
Accumulated undistributed securities lending income		-		-		-		-
	<u>1,557</u>	<u>\$1,960,118</u>	<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>
WV Government Money Market Pool:								
State agency accounts	20	\$ 184,523	17	\$ 189,828	18	\$ 178,519	15	\$ 184,473
Local government accounts	77	54,458	80	97,425	80	121,528	84	78,425
Accumulated undistributed securities lending income		-		-		-		-
	<u>97</u>	<u>\$ 238,981</u>	<u>97</u>	<u>\$ 287,253</u>	<u>98</u>	<u>\$ 300,047</u>	<u>99</u>	<u>\$ 262,898</u>
WV Short Term Bond Pool:								
State agency accounts	34	\$ 768,763	12	\$ 611,495	14	\$ 499,402	14	\$ 474,511
Local government accounts	9	4,837	10	5,756	9	4,890	10	1,676
	<u>43</u>	<u>\$ 773,600</u>	<u>22</u>	<u>\$ 617,251</u>	<u>23</u>	<u>\$ 504,292</u>	<u>24</u>	<u>\$ 476,187</u>

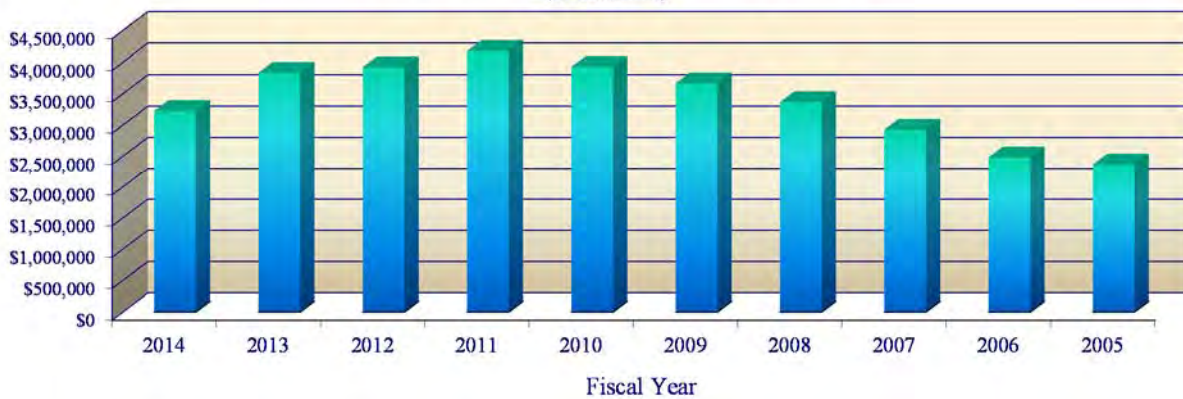
2010		2009		2008		2007		2006		2005	
Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value
1,118	\$2,746,279	1,059	\$2,474,600	1,014	\$2,243,023	999	\$1,988,554	927	\$1,650,789	781	\$1,535,812
217	73,862	252	96,020	241	118,810	192	82,840	181	68,834	184	69,906
	14		255		-		-		-		-
1,335	\$2,820,155	1,311	\$2,570,875	1,255	\$2,361,833	1,191	\$2,071,394	1,108	\$1,719,623	965	\$1,605,718
26	\$ 193,292	17	\$ 231,772	15	\$ 170,226	16	\$ 203,339	15	\$ 153,769	17	\$ 132,197
48	27,973	61	52,023	48	17,065	41	26,578	39	22,538	38	22,823
	-		63		-		-		-		-
74	\$ 221,265	78	\$ 283,858	63	\$ 187,291	57	\$ 229,917	54	\$ 176,307	55	\$ 155,020
14	\$ 454,793	10	\$ 326,516	8	\$ 356,618	6	\$ 229,642	7	\$ 266,464	8	\$ 260,933
8	904	7	460	4	92	5	85	6	81	6	85
22	\$ 455,697	17	\$ 326,976	12	\$ 356,710	11	\$ 229,727	13	\$ 266,545	14	\$ 261,018

Table 5: Net Position – Consolidated Fund

Fiscal Year Ended June 30
(In Thousands)

	2014	2013	2012	2011
WV Money Market Pool	\$ 1,960,118	\$ 2,496,857	\$ 2,788,044	\$ 3,019,878
WV Government Money Market Pool	238,981	287,253	300,047	262,898
WV Short Term Bond Pool	773,600	617,251	504,292	476,187
WV Bank Pool	73,060	70,042	52,590	60,067
Loss Amortization Pool	-	-	-	188,544
Loan Pool	129,264	118,366	106,825	132,181
Reserve Pool	20,757	21,920	19,041	19,179
Municipal Bond Commission Account	24,538	216,728	145,150	9,997
Lottery Defeasance Account	-	-	-	-
School Fund Account	1,356	1,327	1,555	1,385
EDA Insurance Account	-	-	-	-
EDA-AW Account	1,940	1,972	2,133	1,867
Department of Highways Account	-	-	-	-
	<u>\$ 3,223,614</u>	<u>\$ 3,831,716</u>	<u>\$ 3,919,677</u>	<u>\$ 4,172,183</u>

Total Consolidated Fund Net Position
(In Thousands)



<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 2,820,155	\$ 2,570,875	\$ 2,361,833	\$ 2,071,394	\$ 1,719,623	\$ 1,605,718
221,265	283,858	187,291	229,917	177,307	155,020
455,697	326,976	356,710	229,727	266,545	261,018
60,082	100,215	126,712	-	-	-
187,726	184,107	172,077	154,277	145,943	149,205
132,918	127,728	116,748	130,187	139,531	140,121
30,147	44,792	-	-	-	-
13,916	21,640	24,778	46,265	27,023	50,195
-	-	136	304	669	1,665
1,393	1,307	1,671	1,760	1,886	1,430
-	-	-	451	450	454
1,907	1,794	1,753	1,639	1,628	1,835
-	-	14,825	57,251	-	-
<u>\$ 3,925,206</u>	<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>

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

Fiscal Year Ended June 30
(In Thousands)

	2014	2013	2012	2011	2010
<u>Changes in Net Position</u>					
Operating revenues					
Management services	\$ 1,353	\$ 955	\$ 1,004	\$ 1,052	\$ 1,468
Advisor services	1,486	1,366	1,420	1,399	1,277
Custodian services	129	132	141	134	107
Total operating revenues	<u>2,968</u>	<u>2,453</u>	<u>2,565</u>	<u>2,585</u>	<u>2,852</u>
Operating expenses					
Advisor fees	1,486	1,364	1,420	1,399	1,276
Management fees	591	625	647	623	637
Professional service fees	254	222	212	222	202
Fiduciary bond	44	158	155	155	155
Custodian fees	129	133	141	134	107
General and administrative expenses	216	222	214	217	205
Depreciation	3	3	2	2	3
Total operating expenses	<u>2,723</u>	<u>2,727</u>	<u>2,791</u>	<u>2,752</u>	<u>2,585</u>
Operating income	245	(274)	(226)	(167)	267
Nonoperating income	-	-	-	-	-
Income before special item	245	(274)	(226)	(167)	267
Special item	-	-	-	-	-
Change in net position	<u>\$ 245</u>	<u>\$ (274)</u>	<u>\$ (226)</u>	<u>\$ (167)</u>	<u>\$ 267</u>
<u>Net Position at Year-End</u>					
Net investment in capital assets	\$ 3	\$ 5	\$ 7	\$ 6	\$ 1
Unrestricted	503	256	528	755	927
Total net position	<u>\$ 506</u>	<u>\$ 261</u>	<u>\$ 535</u>	<u>\$ 761</u>	<u>\$ 928</u>
<u>Restatements of Net Position</u>					
Net position at beginning of year	\$ 261	\$ 535	\$ 761	\$ 928	\$ 661
Effect of change in accounting principle	-	-	-	-	-
Net position at beginning of year, restated	<u>\$ 261</u>	<u>\$ 535</u>	<u>\$ 761</u>	<u>\$ 928</u>	<u>\$ 661</u>

Note: The Operating Fund began operations in FY 2006.

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 1,210	\$ 1,257	\$ 1,179	\$ 1,389
1,158	1,060	949	959
85	109	108	96
<u>2,453</u>	<u>2,426</u>	<u>2,236</u>	<u>2,444</u>
1,158	1,060	949	960
598	166	-	-
319	196	204	160
155	155	155	119
85	109	108	98
231	566	674	726
6	13	5	3
<u>2,552</u>	<u>2,265</u>	<u>2,095</u>	<u>2,066</u>
(99)	161	141	378
-	14	-	-
(99)	175	141	378
-	38	-	-
<u>\$ (99)</u>	<u>\$ 213</u>	<u>\$ 141</u>	<u>\$ 378</u>
\$ 4	\$ 10	\$ 9	\$ 13
657	750	510	365
<u>\$ 661</u>	<u>\$ 760</u>	<u>\$ 519</u>	<u>\$ 378</u>
\$ 760	\$ 519	\$ 378	\$ -
-	28	-	-
<u>\$ 760</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, 2014

(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	\$ 1,960,118	\$ 238,981	\$ 772,398	\$ 73,060	\$ 129,587	\$ 20,757
Accumulated undistributed net investment income (loss)	-	-	-	-	-	-
Accumulated undistributed net realized gain (loss)	-	-	-	-	-	-
Unrealized net appreciation (depreciation) of investments	-	-	1,202	-	-	-
Net asset value	<u>\$ 1,960,118</u>	<u>\$ 238,981</u>	<u>\$ 773,600</u>	<u>\$ 73,060</u>	<u>\$ 129,587</u>	<u>\$ 20,757</u>
Investment unit data:						
Units outstanding	1,960,117,649	238,981,447	7,599,891	73,060,234	129,587,419	20,756,766
Net asset unit price	\$ 1.00	\$ 1.00	\$ 101.79	\$ 1.00	\$ 1.00	\$ 1.00

Table 8: Portfolio Statistics — Consolidated Fund Operating Pools

June 30, 2014

	<u>West Virginia Money Market</u>	<u>WV Government Money Market</u>	<u>WV Short Term Bond Pool</u>
Weighted Average Days to Maturity	36 days	37 days	N/A
Maximum Weighted Average Investment Maturity Term Per Board Guidelines	60 days	60 days	N/A
Effective Duration	N/A	N/A	407 days
Maximum Effective Duration Per Board Guidelines	N/A	N/A	731 days
Money Market Yield - Monthly	0.12%	0.03%	N/A

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

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

June 30, 2014

(In Thousands)

WV Money Market Pool	
State Agencies:	
WV State Treasurer's Office:	
State Participation	\$ 208,997
Banking Services	630,627
Safekeeping	21,719
Safe Road Bonds	6
Veterans Lottery	1,299
Total WV State Treasurer's Office	<u>862,648</u>
Higher Education Policy Commission	262,741
Department of Environmental Protection	110,078
Department of Health and Human Resources	8,861
WV Lottery Commission	82,726
Public Employees Insurance Agency	140,867
West Virginia University	2,508
Department of Revenue	100,481
Department of Transportation	75,533
Regional Jail Authority	41,287
Water Development Authority	20,269
Division of Natural Resources	27,667
WV Municipal Pension Oversight Board	27,401
Board of Risk and Insurance Management	11,457
Department of Administration	10,964
WV Economic Development Authority	34,679
Insurance Commission	5,862
WV Secretary of State's Office	5,756
Auditor's Office	6,049
Performance and wage bond accounts	19,850
Other	14,055
Total State Agencies	<u>1,871,739</u>
Local Governments:	
Mercer County Board of Education	13,735
Fayette County Board of Education	3,568
Boone County Commission	7,553
Marshall County Board of Education	15,817
Fayette County Commission	2,925
Barbour County Board of Education	2,331
Roane County Board of Education	2,127
Kanawha County Emergency Ambulance Authority	1,981
Putnam Public Service District	1,786
City of Parkersburg	2,131
Lewis County Board of Education	1,457
Town of Winfield	1,072
Lincoln County Commission	1,149
Lincoln County Board of Education	2,881
Wyoming County Board of Education	1,029
Braxton County Board of Education	1,896
Pleasants County Board of Education	10,648
Hampshire County Board of Education	1,305
Greenbrier County Board of Education	1,932
Emergency Operations Center of Kanawha County	1,142
Other	9,914
Total net asset value	<u>88,379</u>
	<u>\$ 1,960,118</u>

WV Government Money Market Pool	
State Agencies:	
Municipal Bond Commission	\$ 167,520
WV Housing Development Fund	13,493
WV Economic Development Authority	9,280
Other	7,723
Total State Agencies	<u>198,016</u>
Local Governments:	
Preston County Board of Education	13,515
Hardy County Board of Education	7,548
Kanawha County Sheriff	16,235
Jefferson County Board of Education	1,654
Hancock County Commission	1,098
Other	915
Total Local Governments	<u>40,965</u>
Total net asset value	<u>\$ 238,981</u>

WV Short Term Bond Pool	
State Agencies:	
WV State Treasurer's Office:	
State Participation	\$ 276,615
Banking Services	162,095
Prepaid Tuition Escrow	17,422
Total WV State Treasurer's Office	<u>456,132</u>
Department of Environmental Protection	176,370
WV Economic Development Authority	16,787
Department of Administration	10,586
Higher Education Policy Commission	5,572
WV Court of Claims	1,735
Public Employees Insurance Agency	50,406
WV Parkways Authority	3,142
Department of Transportation	2,060
Division of Culture and History	1,614
WV Lottery Commission	46,716
Other	785
Total State Agencies	<u>771,905</u>
Local Governments:	
City of Charleston	1,044
Other	651
Total Local Governments	<u>1,695</u>
Total net asset value	<u>\$ 773,600</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.