



— | WEST VIRGINIA | —
**BOARD OF TREASURY
INVESTMENTS**
A COMPONENT UNIT OF THE STATE OF WEST VIRGINIA

**AUDITED FINANCIAL STATEMENTS
WITH SUPPLEMENTARY & OTHER
FINANCIAL INFORMATION**

FISCAL YEAR ENDED JUNE 30, 2014

**Audited Financial Statements
With Other Financial Information**

**West Virginia Board of Treasury Investments
Year Ended June 30, 2014**

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West Virginia Board of Treasury Investments
 Financial Statements with Other Financial Information
 For the Year Ended June 30, 2014

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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 as listed in the table of contents. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 other financial information included on pages 58 to 63 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2014, on our consideration of the BTI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BTI's internal control over financial reporting and compliance.

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).

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

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):

West Virginia Board of Treasury Investments
Notes to Financial Statements (Continued)

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.

West Virginia Board of Treasury Investments
Notes to Financial Statements (Continued)

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
			\$ 771,941	100.00%

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
	<u>\$ 1,959,590</u>	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:

West Virginia Board of Treasury Investments
Notes to Financial Statements (Continued)

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	1,960,440	239,024	779,368	73,064	129,272
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
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,145</u>
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	<u>2,496,857</u>	<u>287,254</u>	<u>617,252</u>	<u>70,041</u>	<u>118,365</u>
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)

<u>Reserve Pool</u>	<u>Municipal Bond Commission Account</u>	<u>School Fund Account</u>	<u>Economic Development Authority - American Woodmark Account</u>	<u>Total</u>
\$ -	\$ 1,242	\$ -	\$ 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>1</u>	<u>1,084</u>
<u>-</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
-	-	356	-	356
<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
-	192,595	326	90	193,011
<u>1,300</u>	<u>192,595</u>	<u>326</u>	<u>90</u>	<u>11,452,280</u>
<u>1,353</u>	<u>192,595</u>	<u>326</u>	<u>90</u>	<u>11,460,411</u>
(1,162)	(192,191)	30	(33)	(608,102)
-	-	-	-	62,006
-	-	-	-	(62,006)
-	-	-	-	-
(1,162)	(192,191)	30	(33)	(608,102)
<u>21,919</u>	<u>216,729</u>	<u>1,326</u>	<u>1,973</u>	<u>3,831,716</u>
<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	13,000
Federal Home Loan Bank		0.132	F 0.102	09/11/2014	10,000	10,000	10,000
Federal National Mortgage Assn		0.602	F 0.091	09/11/2014	13,000	13,001	13,001
Federal National Mortgage Assn		2.625	0.092	11/20/2014	25,000	25,244	25,243
Federal National Mortgage Assn		1.778	F 0.203	01/20/2015	21	21	21
Federal Home Loan Bank		0.125	0.142	04/14/2015	6,000	5,999	5,998
Federal Farm Credit Bank		0.643	F 0.096	06/02/2015	10,500	10,500	10,499
Federal Farm Credit Bank		0.800	F 0.119	12/30/2015	5,000	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	10,000
Svenska Handelsbanken AB		0.301	F 0.301	09/26/2014	10,000	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	93,284
Deutsche Bank Securities Inc		0.100	0.100	07/01/2014	76,900	76,900	76,900
Swedbank		0.090	0.090	07/01/2014	12,000	12,000	12,000
Manhattan Asset FDG Co		0.000	0.172	07/01/2014	10,000	10,000	10,000
Nordea Bank AB		0.000	0.152	07/01/2014	20,000	20,000	20,000
Toronto Dominion Holdings USA		0.000	0.101	07/01/2014	30,000	30,000	30,000
Versailles LLC		0.000	0.157	07/01/2014	23,000	23,000	23,000
Antalis US Funding Corp		0.000	0.101	07/02/2014	15,000	15,000	15,000
Federal Home Loan Bank		0.000	0.048	07/02/2014	31,000	31,000	31,000
ING Funding LLC		0.000	0.203	07/02/2014	7,000	7,000	7,000
Misubo Funding LLC		0.000	0.198	07/02/2014	20,000	20,000	20,000
Oversea-Chinese Banking Corp		0.000	0.193	07/02/2014	15,000	15,000	15,000
Manhattan Asset FDG Co		0.000	0.193	07/03/2014	10,000	10,000	10,000
United States Treasury Bill		0.000	0.042	07/03/2014	25,000	25,000	25,000
Working Capital Management Co		0.000	0.122	07/03/2014	15,000	15,000	15,000
Credit Industriel		0.200	0.200	07/07/2014	10,000	10,000	10,000
BNP Paribas Finance Inc		0.000	0.223	07/07/2014	6,000	6,000	6,000
Gotham Funding Corp		0.000	0.152	07/07/2014	10,000	10,000	10,000
Nieuw Amrsterdam Receivables		0.000	0.142	07/07/2014	15,000	15,000	15,000
Bank of Tokyo - Mit UFJ		0.190	0.190	07/08/2014	20,000	20,000	20,000
ABN AMRO Funding USA LLC		0.000	0.203	07/08/2014	15,000	14,999	14,999
Credit Agricole North America		0.000	0.122	07/08/2014	17,399	17,399	17,399

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F – Floating rate note security.

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** Rate represents last business day of the month.

See accompanying notes to financial statements.

West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)
June 30, 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>
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
Misaho 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

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F – Floating rate note security.

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See accompanying notes to financial statements.

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

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F – Floating rate note security.

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** Rate represents last business day of the month.

See accompanying notes to financial statements.

West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)
June 30, 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	15.7%					121,589	121,559
<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	1.3%					9,997	10,007

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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	272
Federal Home Loan Mort Corp		0.552	F	0.492	06/15/2021	495	495
Federal Home Loan Mort Corp		0.652	F	0.649	04/15/2027	361	365
Federal Home Loan Mort Corp		0.502	F	0.649	04/15/2028	417	422
Federal Home Loan Mort Corp		0.552	F	0.417	10/15/2028	669	669
Federal Home Loan Mort Corp		0.452	F	0.544	04/15/2029	529	532
Federal Home Loan Mort Corp		0.472	F	0.404	05/15/2030	1,309	1,310
Federal Home Loan Mort Corp		0.504	F	0.739	08/15/2030	179	182
Federal Home Loan Mort Corp		0.652	F	0.456	09/15/2030	342	343
Federal Home Loan Mort Corp		0.552	F	0.701	09/15/2030	97	98
Federal Home Loan Mort Corp		0.652	F	0.502	04/15/2031	628	631
Federal Home Loan Mort Corp		0.602	F	0.549	06/15/2031	249	251
Federal Home Loan Mort Corp		0.652	F	0.552	07/15/2031	128	129
Federal Home Loan Mort Corp		0.452	F	0.549	09/15/2031	991	998
Federal National Mortgage Assn		0.210	F	0.461	09/25/2031	730	733
Federal Home Loan Mort Corp		0.602	F	0.599	11/15/2031	787	795
Federal Home Loan Mort Corp		0.602	F	0.599	12/15/2031	310	313
Federal Home Loan Mort Corp		0.552	F	0.599	12/15/2031	253	256
Federal Home Loan Mort Corp		0.552	F	0.700	02/15/2032	364	368
Federal National Mortgage Assn		0.096	F	0.506	02/25/2032	1,500	1,509
Federal Home Loan Mort Corp		0.652	F	0.599	03/15/2032	275	278
Federal Home Loan Mort Corp		0.652	F	0.650	03/15/2032	284	287
Federal Home Loan Mort Corp		1.104	F	0.650	03/15/2032	815	824
Federal Home Loan Mort Corp		0.652	F	0.650	04/15/2032	400	404
Federal Home Loan Mort Corp		0.398	F	0.650	07/15/2032	729	737
Federal National Mortgage Assn		0.632	F	0.508	08/17/2032	892	896
Federal Home Loan Mort Corp		0.552	F	0.549	10/15/2032	524	528
Federal Home Loan Mort Corp		0.802	F	0.600	11/15/2032	268	270
Federal Home Loan Mort Corp		0.552	F	0.549	01/15/2033	456	459
Federal Home Loan Mort Corp		0.532	F	0.549	01/15/2033	1,530	1,541
Federal Home Loan Mort Corp		0.452	F	0.549	02/15/2033	1,123	1,131
Federal Home Loan Mort Corp		0.723	F	0.492	02/15/2033	416	416
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	532
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	675
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	4,019
Government National Mort Assn		0.244	F	0.647	06/20/2062	4,584	4,569
Government National Mort Assn		0.552	F	0.564	03/20/2063	4,519	4,488
Government National Mort Assn		1.401	F	0.605	04/30/2063	4,345	4,321
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	4,001
Berkshire Hathaway Inc		0.752	F	0.924	08/15/2014	2,850	2,852
Deutsche Bank London		3.875		0.644	08/18/2014	5,000	5,023
General Electric Capital Corp		0.952	F	1.317	09/15/2014	3,000	3,000
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	3,002

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F – Floating rate note security.

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** Rate represents last business day of the month.

See accompanying notes to financial statements.

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

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F – Floating rate note security.

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See accompanying notes to financial statements.

West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)
June 30, 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
Sempra 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

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

WEST VIRGINIA SHORT TERM BOND POOL (Continued)

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>	
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
Corporate Asset Backed Issues								
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

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WEST VIRGINIA SHORT TERM BOND POOL (Continued)

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
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)

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>
<i>Short Term Issues</i>							
Dreyfus Cash Management Institutional Fund		0.030 **			14,226	14,226	14,226
Total Short Term Issues	<u>1.8%</u>					<u>14,226</u>	<u>14,226</u>
Total Short Term Bond Pool	<u>100.00%</u>					<u>\$ 770,748</u>	<u>\$ 771,941</u>

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	<u>100.0%</u>					<u>73,037</u>	<u>73,037</u>
Total West Virginia Bank Pool	<u>100.0%</u>					<u>\$ 73,037</u>	<u>\$ 73,037</u>

F – Floating rate note security.

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See accompanying notes to financial statements.

West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)
June 30, 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							
Loans and Mortgages, net of reserve for uncollectable loans	100.0%				21,496	21,496	21,496
<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

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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

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See accompanying notes to financial statements.

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Other Financial Information

WEST VIRGINIA BOARD OF TREASURY INVESTMENTS
SCHEDULE OF NET ASSET VALUES (UNAUDITED)

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

WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

PORTFOLIO STATISTICS (UNAUDITED)

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.

WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

PARTICIPANT NET ASSET VALUES (UNAUDITED)

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.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements 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, and have issued our report thereon dated August 27, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the BTI's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BTI's internal control. Accordingly, we do not express an opinion on the effectiveness of the BTI's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the BTI's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gibbons & Kawash, A.C.

Charleston, West Virginia
August 27, 2014