

| WEST VIRGINIA |

# BOARD OF TREASURY INVESTMENTS

Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2016



WEST VIRGINIA  
**BOARD OF TREASURY  
INVESTMENTS**

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**Comprehensive Annual Financial Report  
for the Fiscal Year Ended June 30, 2016**

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*A Component Unit of the State of West Virginia*

**Earl Ray Tomblin**  
*Governor*

**John D. Perdue, Chairman**  
*West Virginia State Treasurer*

**Lisa A. Hopkins**  
*West Virginia State Auditor*

**Richard C. Donovan, CPA**  
*Appointed by the Governor*

**Michael L. Glasser, Esquire**  
*Attorney at Law*  
*Appointed by the Governor*

---

*Prepared by the Board of Treasury Investments Staff  
1900 Kanawha Boulevard East  
Suite E-122  
Charleston, West Virginia 25305  
(304) 340-1564  
[www.wvbt.org](http://www.wvbt.org)*

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November 4, 2016

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

I am pleased to present you with the June 30, 2016, Comprehensive Annual Financial Report (“CAFR”) for the West Virginia Board of Treasury Investments (the “BTI”). The report is a review of the financial and investment conditions of the State of West Virginia’s Consolidated Fund. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, rests with the management of the BTI. An independent certified public accounting firm has audited the basic financial statements contained in this report.

The BTI was created to oversee and manage the state’s operating funds, also known as the Consolidated Fund. Significant achievements for the year included reaffirmation of the AAAM rating by Standard & Poor’s for the WV Money Market and WV Government Money Market pools, performing an organizational risk assessment, select pools continuing to perform well versus peer groups, and operating under budget. The CAFR demonstrates the BTI’s commitment to financial accountability and conformity to the highest standards for preparation of state and local government financial reports.

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

Sincerely,

John D. Perdue  
State Treasurer  
Chairman of the Board

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## **ACKNOWLEDGEMENTS**

### **Report Prepared By:**

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1900 Kanawha Boulevard East, Suite E-122  
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### **Staff:**

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

### **A Special Thanks To:**

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

**We invite you to visit our web site at [www.wvbt.org](http://www.wvbt.org)**

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## **Introductory Section**



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November 4, 2016

Members of the West Virginia Board of Treasury Investments

Honorable Members of the West Virginia Legislature

Participants in the State of West Virginia's Consolidated Fund

Citizens of West Virginia

Ladies and Gentlemen:

I am pleased to present you with the June 30, 2016, Comprehensive Annual Financial Report ("CAFR") for the West Virginia Board of Treasury Investments (the "BTI"). The report is a complete review of the financial status of the State of West Virginia's short-term operating funds (the "Consolidated Fund"). Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, rests with the management of the BTI. The BTI's financial statements have been audited by Gibbons & Kawash, A.C. The independent audit provides reasonable assurance that the financial statements for the fiscal year ended June 30, 2016, are free of material misstatement, whether due to fraud or error. The independent audit involved performing procedures to obtain evidence about amounts and disclosures in the financial statements; comprehensive risk assessment as well as assessing the accounting principles used and the reasonableness of significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor rendered an unmodified opinion that the BTI's financial statements for the fiscal year ended June 30, 2016, are fairly presented in all material respects in conformity with accounting principles generally accepted in the United States of America ("GAAP"). The independent auditor's report is presented as the first component of the financial section of this report.

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

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

### ***Profile of the West Virginia Board of Treasury Investments***

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

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

The Consolidated Fund provides for the investment of moneys not currently needed to fund state governmental operations, as well as providing the opportunity for local governments to participate in large investment pools, and for those funds statutorily required to be invested in the Consolidated Fund. As of June 30, 2016, the Consolidated Fund had \$2.8 billion in total assets. The Consolidated Fund is made up of nine legally separate investment pools and accounts: three external investment pools, three special-purpose internal investment pools, and three individual investment accounts. A more detailed description of the investment pools that make up the Consolidated Fund are found in Note 1 of the Notes to the Financial Statements.

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

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

### ***Investment Activities***

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

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

### ***Economic Review & Other Financial Information***

Economic growth was more constrained over the course of fiscal year 2016 as compared to fiscal year 2015. On a national level, gross domestic product began sliding from an annualized growth rate of 2.6% as of the final quarter of fiscal year 2015 to below 1.0% in the second and third quarters of fiscal year 2016 before inching upward in the final quarter of the fiscal year at an approximate annualized rate of 1.1%. Consumer spending continued to be a positive contributor to GDP growth, with personal consumption staying positive throughout the fiscal year and rising at a rate of 4.4% in the final quarter of the fiscal year. The growth in consumer spending over this quarter was the largest gain in two years. The positive contribution of consumer spending, however, was offset by a decline in business investment and a decrease in government spending. Business investment was positive to start the fiscal year, but then declined in each of the successive quarters. Cheap oil, which has been a boon for consumer spending, continued to weigh on business spending, as contracting earnings in the energy sector were a drag on capital spending budgets. Manufacturers also faced difficulties, especially those in export heavy industries, having to contend with a stronger dollar, which helped to decrease overseas demand for U.S.-made goods. A drop in inventories in the final quarter of the fiscal year also weighed down GDP, shaving almost 1.3% off GDP growth. Government spending fell 1.5% in the final quarter of the fiscal year, mostly as a result of lower outlays at the state and local government levels. Average GDP growth over fiscal year 2016 was significantly lower than that of fiscal year 2015, falling from a 2.7% to a 1.2% growth rate.

Improvement in the labor markets slowed substantially over the course of the fiscal year. The headline unemployment rate fell from 5.3% as of the end of fiscal year 2015 to 4.9% as of the end of fiscal year 2016. Nonfarm payroll employment increased by an average of 204,000 jobs per month over the fiscal year, down from an average of 244,000 per month for fiscal year 2015. The labor force participation rate, a measure of those currently in the work force and those actively seeking work, was flat over the fiscal year, rising slightly to 62.7%. There was also improvement in the number of long-term unemployed, which fell from 2.1 million as of June 2015 to 2.0 million as of June 2016. Average hourly earnings for all employees also ticked up during the year, rising 2.6% over the course of the fiscal year versus 2.0% for fiscal year 2015. Overall, the statistics pointed to continued improvement in the labor markets, but also indicated that the pace of improvement decelerated over the course of the fiscal year.

Inflation, as measured by Core Personal Consumption and Expenditures Less Food and Energy ("Core PCE"), increased during the fiscal year, rising from 1.29% for fiscal year 2015 to 1.69% for fiscal year 2016. While inflation has increased over the fiscal year, the inflation rate still falls short of the Federal Reserve's stated target of 2.0%. Although other inflation measures, such as the core consumer price index, were tracking above 2.0% over the fiscal year, Core PCE represents the target inflation rate of the Federal Reserve.

At the end of fiscal year 2015 there were some concerns surrounding the U.S. government reaching the debt ceiling. The U.S. Treasury had estimated that the debt ceiling would be hit by mid-November 2015. There were worries about whether the debt ceiling fight would resemble the previous one in 2014. Although there was some drama attached to getting the bill passed, Congress, in a bi-partisan effort, was able to pass a bill to raise the debt ceiling. On November 2, 2015, Congress passed, and the President signed, the Bipartisan Budget Act of 2015. With respect to the debt ceiling, the bill suspended the debt ceiling until March 2017 at which time it will be set to the amount of debt outstanding at that time. This effectively pushed the issue out past the November 2016 elections and into the next presidency.

The past fiscal year continued to see global financial markets benefitting from extraordinary accommodation from global central banks. The European Central Bank and Bank of Japan continued to provide accommodation to their respective markets while the U.S. Federal Reserve continued on their path to normalizing monetary policy. At the end of fiscal year 2015, the odds of a rate hike over the last half of calendar year 2015 appeared low. After passing on a rate hike at the September 2015 meeting, the Fed finally raised rates at the December 2015 meeting, increasing the fed funds target range by 25 basis points. Based on the “dot plots” released after the December meeting, the Fed had four rate increases penciled in for calendar year 2016. Deteriorating financial conditions, driven by a sharp sell-off in energy prices in the first months of calendar year 2016, caused the Fed to hold off on a rate increase early in the year. A June rate hike was forestalled by a dismal May 2006 nonfarm payroll report and uncertainty surrounding the United Kingdom European Union membership referendum vote (“Brexit vote”) that was to occur after the Federal Open Market Committee meeting in June. As of the end of the fiscal year, there was no rate hike priced into the fed funds futures market for the remainder of 2016.

Treasury yields were higher over fiscal year 2016 as compared to fiscal year 2015. Treasury bills repriced to higher rates leading up to and after the December Fed rate hike. Uncertainty around future rate hikes in 2016 worked to keep rates from moving materially higher through most of the second half of 2016. This resulted in a flattening of the Treasury bill curve, with the spread between six-month and one-year bills ending the fiscal year at 15 basis points, the same level at which it started the year. The conversion of multiple large prime money market funds to government money market funds in response to the floating net asset value provisions of the revisions to the Securities and Exchange Commission’s (“SEC”) Rule 2a-7 also played a role in keeping rates well-bid in the front end of the Treasury curve. USD LIBOR also ended the year up, largely in response to the mid-year Fed rate hike. One-month USD LIBOR was up 28 basis points over fiscal year-end 2015 levels while three-month USD LIBOR was up 37 basis points year-over-year. Treasury yields two years and out ended the fiscal year below the levels seen at the beginning of the fiscal year. This appeared to primarily be the result of the market reaction to the results of the Brexit vote in which citizens of the U.K. voted to leave the European Union. However, even factoring out the Brexit reaction, Treasury yields over five years averaged less than they did in fiscal year 2015.

The BTI’s principal stability pools posted significantly better results in fiscal year 2016, in part because of the aforementioned rate hike. The WV Money Market Pool returned 0.36% for the year, versus 0.12% for fiscal year 2015. The WV Government Money Market Pool return increased from 0.04% in fiscal year 2015 to 0.21% for fiscal year 2016. The WV Short Term Bond Pool return also increased, rising from 0.67% to 1.52% during fiscal year 2016. Allocations to corporate- and asset-backed securities, as well as a low duration, helped to boost the pool’s return over the fiscal year. Corporate securities performed well with corporate earnings meeting or exceeding Wall Street expectations. Both corporate and most ABS sub-sectors reached their year-to-date tightens in spreads by fiscal year end, also boosting returns.

### ***Major Initiatives***

- *Standard and Poor's AAAM Rating*

For the ninth consecutive year, Standard and Poor's re-affirmed the BTI's AAAM rating on the WV Money Market and WV Government Money Market Pools. Funds with Principal Stability Fund ratings ("PSFRs"), such as the BTI, seek to maintain a stable net asset value. The PSFR rating is the highest money market rating assigned by Standard and Poor's. For a fund to be eligible for an investment-grade rating, all investments must carry a Standard & Poor's short-term rating of A-1+ or A-1.

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

- *Onboarding of New Investment Co-Manager for WV Money Market Pool*

In July 2015, the BTI completed the onboarding of Federated Investors as co-manager of the WV Money Market Pool. Federated Investors replaced JP Morgan Investment Management, who had been a co-manager of the pool for well over a decade. The firm was selected as the winning bidder from the ten respondents to a request for proposal issued by the BTI. The respondents were evaluated on their philosophy, process, personnel, performance and cost.

- *Certificate of Achievement for Excellence in Financial Reporting*

The BTI received the Certificate of Achievement for Excellence in Financial Reporting for the June 30, 2015 Comprehensive Annual Financial Report ("CAFR"). The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment. This is the tenth consecutive year that the BTI has received this prestigious award.

- *Budget Surplus*

For fiscal year 2016, actual fee collections fell below estimates by \$33,000. The decrease in average net position over the year accounted substantially for all of the shortfall. However, conservative management of expenditures helped the BTI end the year with a budget surplus of \$262,000. With this surplus, the BTI operated in surplus territory for the eleventh consecutive year.

- *Peer Group Benchmark*

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

The WV Money Market Pool peer group includes 112 discrete tier 1 funds comprising \$761 billion in assets. The Pool ranked first out the 112 funds for the 1-quarter, 1-year, and 3-year periods ending June 30, 2016. Over the 5-year period, the Pool was ranked second. This high ranking was attributed to the low effective investment management fee paid to the Pool's investment managers. As of June 30, 2016, the effective fee was 3.04 basis points.

The WV Government Money Market Pool peer group comprises 65 discrete Treasury and Agency focused government funds totaling \$346 billion in assets. The performance of the Pool ranked first in the 3-month period ending June 30, 2015 and was ranked in the top 3 in the 1-year, 3-year and 5-year time periods. As with the WV Money Market Pool, this high ranking versus the peer group was attributed to the favorable investment management fee schedule.

### ***Certificate of Achievement for Excellence in Financial Reporting***

The Government Finance Officers Association of the United States and Canada (the “GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the BTI for its comprehensive annual financial report for the fiscal year ended June 30, 2015. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

### ***Acknowledgments***

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

Respectfully, I hereby submit the Comprehensive Annual Financial Report of the West Virginia Board of Treasury Investments for the Year Ended June 30, 2016.

Sincerely,



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



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**West Virginia  
Board of Treasury Investments**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2015**

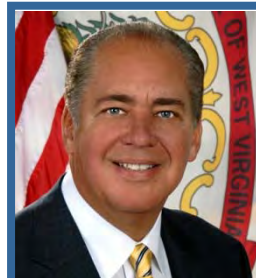
Executive Director/CEO



## PRINCIPAL OFFICIALS



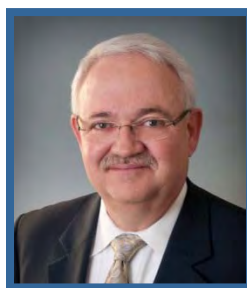
**John D. Perdue**  
WV State Treasurer  
*Chairman*



**Earl Ray Tomblin**  
Governor, State of WV  
*Vice Chairman*



**Lisa A. Hopkins**  
WV State Auditor  
*Director*



**Richard C. Donovan**  
*Director*

Photo  
Not  
Available

**Michael L. Glasser**  
*Director*

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## INVESTMENT PHILOSOPHY

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

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## OBJECTIVES

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

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

WEST VIRGINIA  
**BOARD OF TREASURY  
INVESTMENTS**

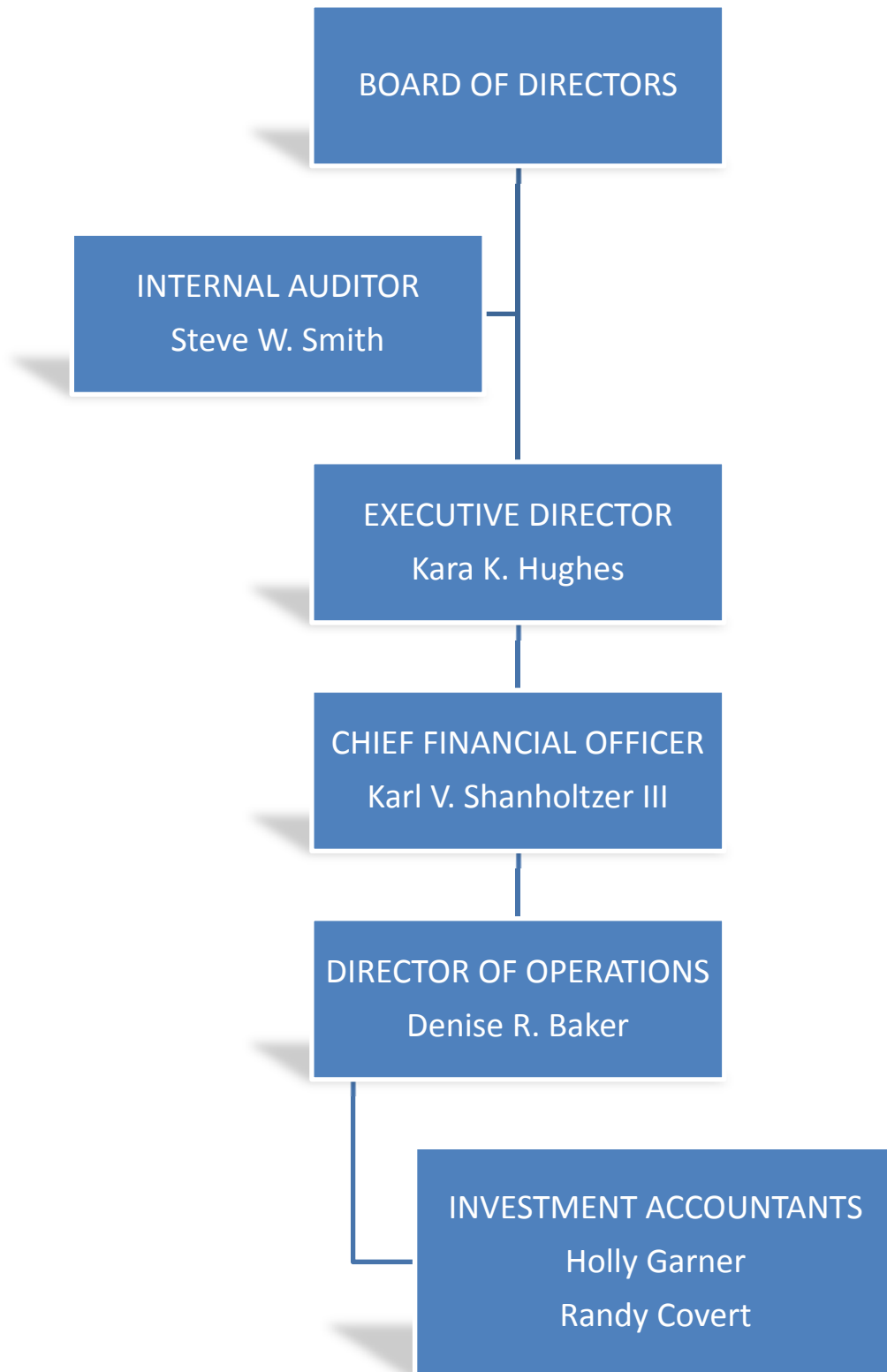
**MISSION STATEMENT**

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

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



The following Treasurer’s Office employees provide professional support services to the Board as needed: Christina Merbedone, *Assistant General Counsel*; Bryan Archer, *Deputy Treasurer of Administration*; Wilma Harrison, *Legal Assistant*, and Dave Thomas, *Financial Director of WV College Prepaid Tuition and Savings Program*.

**CONSULTING AND PROFESSIONAL SERVICES  
AS OF JUNE 30, 2016**

**INDEPENDENT AUDITOR**

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

**LEGAL COUNSEL**

West Virginia State Treasurer's Office  
Charleston, West Virginia

**INVESTMENT SYSTEM**

Princeton Financial System  
Princeton, New Jersey

**MASTER CUSTODIAN**

BNY Mellon  
Pittsburgh, Pennsylvania

**INVESTMENT CONSULTANT AND PERFORMANCE MEASUREMENT**

NEPC, LLC Investment Consultants  
Atlanta, Georgia

**INVESTMENT MANAGERS**

Federated Investors  
Pittsburgh, Pennsylvania

UBS Global Asset Management  
Chicago, Illinois

*The Schedule of Investment and Management Fees is on Page 88 in the Investment Section of this report.*



## **Financial Section**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the proprietary and fiduciary funds of the West Virginia Board of Treasury Investments (the BTI), a component unit of the State of West Virginia, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the BTI's basic financial statements. We also have audited the combining and individual fiduciary fund financial statements, and the schedule of investments in securities, as listed in the table of contents as of and for the year ended June 30, 2016.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the proprietary and fiduciary funds of the BTI, as of June 30, 2016, 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, 2016, 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 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

Charleston, West Virginia  
August 29, 2016

## West Virginia Board of Treasury Investments

### Management's Discussion and Analysis

June 30, 2016

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, 2016. 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**

Fiscal year 2016 was as challenging for West Virginia as fiscal year 2015, if not more so, from a budgetary perspective. In October 2015, the Governor announced mid-year across-the-board budget cuts of 4 percent for most state agencies. State aid to public schools, which had escaped cuts in previous years, was required to take a 1 percent cut for fiscal year 2016. The budgetary issues were driven by a significant decline in severance tax collections, which had declined by approximately 33% from fiscal year 2015, a 23% decline in corporate income/business franchise tax, and a 2% decline in personal income tax collections. Slowdowns in energy related sectors were primary reasons behind the declines in severance taxes and personal income taxes. In addition to the across-the-board budget cuts, the state also used one-time appropriations and dipped into the state's "rainy day" fund to shore up the 2016 budget. Falling revenues, as well as the utilization of unappropriated balances and reserves, during the fiscal year appeared to be the primary causes for the drop in net position over the year.

Rates of return for the Consolidated Fund's WV Money Market, WV Government Money Market, and WV Short Term Bond Pools were 0.36%, 0.21%, and 1.52%, respectively, for the year ended June 30, 2016. For money market and fixed income securities, one of the biggest events for the fiscal year was the Federal Reserve's rate hike in December 2015. Early in the fiscal year, the Treasury bill curve began steepening as the market priced in odds of around 50% for a September rate hike. However, as September rolled around, economic data was still somewhat mixed, providing both an argument and counter-argument for a rate hike. The possibility of a slowing global economy also weighed in against a hike in September. Ultimately, the Fed passed on a September rate hike, but continued to stress that a rate hike in 2015 was likely warranted. The Fed finally delivered in December 2015, raising the fed funds rate 25 basis points. Guidance from the Fed indicated the likely path forward was for at least four rate hikes in 2016. However, this would not come to pass as financial conditions deteriorated in early 2016, followed by a disappointing labor report in May 2016, and the uncertainty around the United Kingdom's ("U.K.") referendum to remain in the European Union (popularly known as the "Brexit" vote). While Treasury bills repriced higher leading up to, and after, the December Fed rate hike, uncertainty around future rate hikes during 2016 kept rates from moving materially higher. The Treasury bill curve, which had steepened in the first half of the year, flattened in the latter half of the year. The middle of the fiscal year also saw the effects of money market fund reform weighing on the front-end markets. In the fourth quarter of calendar year 2015 and first quarter of calendar year 2016, a number of fund complexes began the process of converting their prime money

funds to government-only funds. The additional demand for short-dated Treasuries and U.S. government agency issues kept rates well-bid in the short end of the curve. Corporate spreads, which had widened considerably during the year, ended the year modestly higher. Reinvestment in credit products during the widening period benefited the pools as spreads came in towards the end of the fiscal 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 a blended benchmark composed of fifteen percent of the iMoneyNet Treasury & Repo Institutional Average plus eighty-five percent of the iMoneyNet First Tier Institutional Average. Yields in the Pool were substantially higher in fiscal year 2016, tripling the 0.12% performance from fiscal year 2015. The most obvious source of the increase in performance was the mid-year rate hike by the Fed. While the Pool was managed with a weighted average maturity (“WAM”) profile of around 50 days during most of the year, the investment managers shortened the WAM in the December time frame in anticipation of a Fed rate hike. Federated Investors, which replaced JP Morgan Asset Management in July 2015 as a co-manager of the pool with UBS Global Asset Management, tended to manage their slice of the pool with a WAM in the low to mid 50 day range, while UBS kept their WAM slightly shorter, staying in the mid to upper 40 day range. Both managers maintained their required minimum 15% investment in Treasury securities right around the minimum due to the low absolute level of Treasury yields relative to other permissible investment sectors. The effects of the 2014 reform of the Securities and Exchange Commission’s (the “SEC”) Rule 2a-7 began coming to the forefront in fiscal year 2016. The rule regulating money market funds lays out requirements that such funds must follow to be eligible to process transactions using a stable net asset value (“NAV”). Effective October 14, 2016, prime institutional funds will no longer be able to use a stable NAV for processing shareholder transactions and will be required to process such transactions at the floating, market-based NAV. Institutional government money market funds, those that invest 99% of their assets in cash, government securities and repurchase agreements backed by the same, will be able to continue using a constant NAV of \$1.00 per share for the processing of shareholder transactions. Although not regulated by the SEC, governmental external investment pools were required by Governmental Accounting Standards Board (“GASB”) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and For External Investment Pools*, to comply with the provisions of SEC Rule 2a-7 in order to qualify to report external investment pools at amortized cost. In December 2015, GASB updated the reporting requirements for governmental external investment pools with the issuance of Statement No. 79, *Certain External Investment Pools and Pool Participants*. These new requirements are substantially similar to the revised Rule 2a-7 with one important distinction: governmental external investment pools that meet the requirements of Statement 79 will be able to continue reporting investment pools at amortized cost. This effectively permits the pools to continue using a stable NAV for processing shareholder transactions. In the last quarter of fiscal year 2016, this provided an added benefit for the WV Money Market Pool. Institutional money funds are beginning to build up liquidity in advance of October 14, 2016 in anticipation of participants exiting their funds once the floating NAV requirements go into effect. This has resulted in a drop in demand for credit related money market instruments maturing beyond the October 2016 implementation date. The WV Money Market Pool has been able to take advantage of this and its managers have been selectively investing in credit maturing after October 14, 2016 at attractive yields. Going forward, the Pool may have more opportunities when the implementation date falls within a three month window as this is a popular tenor for bank funding. The Pool’s investment managers expect to manage the pool going forward with a similar maturity profile, taking advantage of longer dated opportunities, where prudent, as they present themselves. Although employment and economic data in the last quarter of the fiscal year was disappointing, these data points are seen to likely be transitory in nature. As long as the data improves from its early to mid-year slump, both Federated and UBS are optimistic that the Fed will hike rates at least once this year. In advance of a probable increase in rates, the managers will bring in the WAM and then extend back to the current range once the effects are priced into the market.

The WV Government Money Market Pool’s objective is to preserve capital and maintain sufficient liquidity to meet the daily disbursement requirements of participants, while earning a return above inflation. The benchmark for the WV Government Money Market Pool is a blended benchmark composed of fifteen

percent of the iMoneyNet Treasury & Repo Institutional Average plus eighty-five percent of the iMoneyNet Government & Agencies Institutional Average. The portfolio performance increased dramatically year-over-year, rising 425% from 4 basis points for fiscal year 2015 to 21 basis points for fiscal year 2016. The Fed rate hike greatly benefited this pool, although as previously mentioned, demand for short-dated Treasuries and agencies did put some downward pressure on the short end of the curve. The WAM for the year was similar to 2015, staying in the low to mid 50 day range, with the exception of December 2015, when it was brought down in anticipation of Fed rate hike. The manager maintained a high allocation to overnight repo, both to take advantage of moves in overnight rates and meet liquidity requirements. Allocations to agency debt shifted to a higher allocation to Federal Home Loan Bank (“FHLB”) issues as a continued oversupply of FHLB discount notes led to more attractive yields as compared to other agency paper. Over the near term, the pool will be managed in a similar fashion, with an eye toward actions by the Federal Reserve. Any hikes over the course of fiscal year 2017 are likely to be well telegraphed and gradual in nature, allowing ample time to adjust the WAM in anticipation of a rate hike.

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. Investment performance for fiscal year 2016 rose significantly, increasing by 85 basis points over fiscal year 2015 performance. The performance of 1.52% still fell short of the benchmark in 2016, but only by 7 basis points on a net of fee basis. The allocation to credit spread products again remained overweight versus the benchmark for fiscal year 2016. The portfolio maintained an allocation to credit around 80% versus a benchmark allocation of approximately 19% to 20%. Federated also kept the portfolio duration short versus the benchmark for the fiscal year, with a duration between 1.2 to 1.4 years versus a benchmark duration of between 1.8 to 1.9 years. Fiscal year 2016 was another up and down year with the Fed rate hike in December, a weak commodity market in early 2016 and the Brexit vote to close the fiscal year. The portfolio was well positioned for the December 2015 Fed rate hike, easily outperforming the benchmark in November and December 2015. The first quarter of calendar year 2016 started off on a down note, as the drop in oil prices led to a rout in the commodities markets, which in turn led to a dramatic risk-off trade in the credit markets. The rebounding in oil prices in February led to a big comeback in risk assets in late February to early March, which helped the pool achieve its highest monthly return in five years with a return of 43 basis points in March 2016. In late May/early June 2016, Federated extended the portfolio duration in advance of the June 2016 Federal Reserve meeting and the June 23, 2016 Brexit vote. The surprise result in the Brexit vote, with the U.K. voting to leave the European Union, led to a risk-off trade and a sharp drop in rates across the yield curve. Performance for June 2016 was positive, the second highest performing month of the year, but below the benchmark. For the year, the allocation to spread products contributed approximately 18 basis points of excess performance versus the BofA Merrill Lynch index. The shortened duration call versus the benchmark led to approximately 5 basis points of underperformance during the year. Before advisor fees, Federated did outperform the benchmark by 2 basis points, but after accounting for these fees, the performance fell short by 7 basis points. The portfolio is meeting its stated objectives of earning an incremental return over the WV Money Market Pool while maintaining safety of principal.

## **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 Statements 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, 2016 and 2015 (in thousands).

	2016	2015
Current assets	\$ 1,323	\$ 1,520
Noncurrent assets	4	1
Total assets	<u>1,327</u>	<u>1,521</u>
Current liabilities	513	838
Total liabilities	<u>513</u>	<u>838</u>
Net position:		
Investment in capital assets	4	1
Unrestricted	810	682
Total net position	<u>\$ 814</u>	<u>\$ 683</u>

Over the course of fiscal year 2016, the net position of the Operating Fund increased \$131,000 over the prior fiscal year. The primary contribution to the increase in net position was the decrease of \$325,000 in current liabilities. Offsetting this decrease in liabilities was a decrease in current assets of \$197,000. An increase of \$3,000 in noncurrent assets contributed to the increase in net position as well.

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 \$1,323,000 comprises \$753,000 in cash and \$570,000 in accounts receivable. The cash balance decreased by \$250,000 from 2015, while the accounts receivable balance increased by \$53,000.

The decrease in the cash balance was primarily a result of the payment of invoices outstanding as of the prior fiscal year end related to payments withheld from vendors for incomplete vendor registration with the State. The total of the outstanding invoices for these vendors was \$342,000. Contributing to the decrease in cash was an increase of \$53,000 in accounts receivable. These decreases in cash were partially offset by net operating income of \$131,000.

The accounts receivable balance of \$570,000 represents fees that have been accrued but not withdrawn from the investment pools at June 30, 2016 to pay investment advisor, custodian, and administrative costs. In accordance with *WV State Code §12-6C-19*, the Board may charge fees to the pools for reasonable and necessary expenses incurred for rendering services. The fees charged to the pools are categorized into direct expenses (investment advisor and custodian fees) and indirect expenses (administrative costs). As part of the BTI monthly operations, administrative and custodial fees accrued in the prior month are transferred from the pools to the BTI's operating fund in the following month to pay for all necessary and reasonable expenses. Investment advisor fees are accrued daily or monthly and transferred to the operating fund quarterly to coincide with the receipt of advisor invoices. The periodic nature of these transfers results in the accounts receivable balance. Accounts receivable increased by \$53,000 over the fiscal year end 2015 balance. At the end of fiscal year 2016, there were two months' of administrative and custodian fees receivable compared to the fiscal year 2015 ending balance having only one month of such fees. This extra month's receivable at the end of fiscal year 2016 accounted for \$102,000 of the increase in receivables. However, as assets under management had declined in the final quarter of the fiscal year as compared to the final quarter of fiscal year 2015, the related advisor fees on these assets also declined. Advisor fees

receivable as of the end of fiscal year were \$49,000 lower than the advisor fees receivable as of the end of fiscal year 2015.

Capital assets, net of accumulated depreciation, increased by \$3,000 during the year. The increase resulted from the purchase of new laptops at a cost of \$4,000, net of annual depreciation expense of \$1,000. The BTI also retired assets totaling \$6,000 that had been fully depreciated in prior fiscal years.

The balance of \$513,000 in current liabilities represents \$441,000 in accounts payable and \$72,000 reimbursements due the West Virginia State Treasurer's Office (the "STO") at June 30, 2016. The majority of the accounts payable balance represents services received from the BTI's investment advisors for the quarter ending June 30, 2016, custodian fees for May and June 2016, investment consultant fees for the quarter ending June 2016, and maintenance costs due for the investment management system for April, May and June 2016. The \$72,000 in reimbursements due to the STO was for staffing services provided to the BTI, office space rental expense, server software maintenance fees and licensing and support fees for desktop operating systems and productivity software. Nearly all of the decrease in accounts payable was the result of invoices held at the end of fiscal year 2015 related to vendors that had not met their registration requirements with the State. Remaining accounts payable declined modestly from fiscal year 2015 as advisor fees were lower in the final quarter of fiscal year 2016 due to the decrease in assets under management. This decline was offset by an increase in the amount due to the STO for office space rental expenses.

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 the condensed Statements of Revenues, Expenses and Changes in Fund Net Position of the operating fund for the periods ended June 30, 2016 and 2015 (in thousands).

	<u>2016</u>	<u>2015</u>
<b>Revenues</b>		
Operating revenues:		
Management services	\$ 1,290	\$ 1,297
Advisor and custodian services	<u>1,492</u>	<u>1,685</u>
Total revenues	<u>2,782</u>	<u>2,982</u>
<b>Expenses</b>		
Operating expenses:		
General and administrative	1,158	1,118
Advisor and custodian fees	1,492	1,685
Depreciation	<u>1</u>	<u>2</u>
Total expenses	<u>2,651</u>	<u>2,805</u>
Change in net position	131	177
Net position at beginning of year	<u>683</u>	<u>506</u>
Net position at end of year	<u>\$ 814</u>	<u>\$ 683</u>

Operating revenues at June 30, 2016 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 STO created and designated the Board of Treasury Investments Fee Fund in accordance with *West Virginia Code §12-6C-19*.

Operating revenues for fiscal year 2016 declined by \$200,000. This decrease in revenue consisted of decrease of \$186,000 in advisor fee revenues, a decrease of \$7,000 in custodial fees, and a decrease of \$7,000 in management (administrative) fees charged to the pools.

Advisor fees are computed based upon market values of the pools. The average market value of assets under management fell again during fiscal year 2016. The declines were the highest in the WV Money Market and WV Government Money Market Pools, which fell by a combined \$393 million over the course of fiscal year 2016. This resulted in a decrease in advisor fees of \$209,000. Advisor fees for the WV Short Term Bond Pool increased by \$23,000 over 2015 as a result of an increase in investments in the pool of approximately \$30 million. These factors accounted for the net decrease of \$186,000 in advisor fees in fiscal year 2016. Custodian fees declined by a combined \$7,000 as a result of the changes in the assets of these pools. Although the administrative fee rate increased for fiscal year 2016, administrative fees fell from fiscal year 2015 as the average net assets subject to administrative fees fell over the year.

Total operating expenses for the year decreased by \$154,000. This includes an increase of \$40,000 in general and administrative expense and a decrease in advisor and custodian fees of \$193,000. Changes in depreciation expense accounted for the remainder of the decline.

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 increased by \$29,000 from the prior year. Other general and administrative expenses increased by a net of \$11,000.

A large portion of BTI expenses represent investment advisor fees. The current investment advisors are Federated Investors and UBS Global Asset Management. In July 2015, Federated Investors replaced JP Morgan Asset Management as a co-manager of the WV Money Market Pool. 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 \$1,366,000 and custodian fees of \$126,000. Investment advisor fees decreased by \$186,000 and custodian fees decreased by \$7,000 over fiscal year 2015. The net decrease in investment advisor fees was primarily due to the decline in assets under management. Federated's tiered advisor fee for the WV Money Market Pool of 3.50 basis points on the first \$1 billion and 3.00 basis points on any amount above that is slightly lower than JPMorgan's fee, which was effectively 3.65 basis points on the first \$1 billion and 3.00 basis points on amounts over the first \$1 billion. This fee schedule difference accounted for some of the decrease in advisor fees, but the overwhelming majority was due to decreases of \$335 million and \$58 million in assets in the WV Money Market and WV Government Money Market Pools respectively. Advisor fees charged to the WV Money Market Pool fell by \$197,000 while advisor fees charged to the WV Government Money Market declined by \$12,000. The decreases in advisor fees were offset by an increase of \$23,000 in advisor fees charged to the WV Short Term Bond Pool. An increase of \$30 million in investments in the WV Short Term Bond Pool accounted for the advisor fee increase for the pool. As a result of the overall decrease in assets, custodian fees for the year fell by \$7,000 from fiscal year 2015.



**Financial Analysis of the Consolidated Fund**

**Net position.** The following is combined, condensed Statements of Fiduciary Net Position of the Consolidated Fund fiduciary funds as of June 30, 2016 and 2015 (in thousands).

	2016	2015
<b>Assets</b>		
Investments	\$ 2,837,461	\$ 3,169,024
Receivables	7,543	2,669
Total assets	<u>2,845,004</u>	<u>3,171,693</u>
<b>Liabilities</b>		
Accrued expenses	570	518
Dividends and purchases payable	5,273	1,654
Total liabilities	<u>5,843</u>	<u>2,172</u>
<b>Net Position</b>		
Held in trust for investment pool participants	2,810,311	3,160,862
Held in trust for individual investment account holders	28,850	8,659
Net position	<u>\$ 2,839,161</u>	<u>\$ 3,169,521</u>

As of June 30, 2016, the Consolidated Fund’s assets totaled approximately \$2.8 billion and was composed almost entirely of investments in securities. Fiscal year 2016 was the fifth consecutive year that net position fell. Balances fell by a combined \$330 million from fiscal year 2015, which was the most substantial drop year over year since fiscal year 2014, when assets under management fell by over \$600 million from the prior fiscal year. Over the past five fiscal years, investment balances have fallen by nearly one third.

As detailed below, the BTI experienced a decrease in invested funds over the course of the fiscal year. Participant contributions were down, falling approximately \$1.0 billion from fiscal year 2015. Participant withdrawals were down year-over-year as well, falling by nearly \$720 million. As with the prior fiscal year, participant withdrawals exceeded participant contributions resulting in a decline in net position of \$330 million. The WV Money Market and WV Government Money Market Pools both experienced declines during the year, with the WV Money Market Pool falling by \$335 million and the WV Government Money Market Pool falling by \$58 million. The WV Short Term Bond Pool was up \$29.7 million over fiscal year 2015 as agencies continued to take advantage of the higher yield offered by the pool. The net position of the WV Bank Pool also rose during the year, gaining \$13.1 million in assets. The net position of the Municipal Bond Commission Account was up over 2015, rising by \$20.7 million during the fiscal year. The State Loan Pool and School Fund both fell during the fiscal year, with the State Loan Pool dropping \$0.8 million and the School Fund falling \$0.6 million. The Reserve Pool and West Virginia Economic Development Authority Account were little changed from the prior fiscal year.

The receivables balance comprises accrued interest and dividends and amounts due as a result of unsettled securities sales transactions. Receivables increased by \$4.9 million from the fiscal year end 2015 balance. The increase was composed of an increase in the receivable for securities sold of \$4.0 million and increase in interest and dividends receivable of \$0.9 million. The open trade was in the WV Short Term Bond Pool, which had no such receivable as of fiscal year end 2015. Interest and dividends receivable on investments were up at the end of fiscal year 2016 despite the significant decline in assets. In December 2015, the Federal Reserve increased their benchmark rate from near zero for the first time in seven years. This helped

push the shorter end of the Treasury yield curve up substantially, with rates in the one year and under range increasing the most. The increase in yields more than offset the decline in assets in the WV Money Market Pool, resulting in an increase of \$0.5 million in interest and dividends receivable. The effects on the WV Short Term Bond Pool were less substantial, as the benefits of increases in short term rates tapered off in maturities over 1 year and credit spreads tightened through the fiscal year. Receivables for the WV Short Term Bond Pool were up only \$0.1 million over fiscal year 2015. A combination of an increase in assets and the increase in short term rates helped raise interest receivable in the WV Bank Pool by \$0.1 million. Other pools and accounts experienced minor increases in receivables.

Total liabilities increased by approximately \$3.7 million since June 30, 2015. 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. The overwhelming majority of the increase was an increase of \$3.4 million in the payable for securities purchased by the WV Short Term Bond Pool. Dividends payable in the WV Short Term Bond Pool increased by \$0.2 million as a result of the aforementioned increase in yields. Accrued expenses were comparable to the end of fiscal year 2015.

Net position is the excess of total assets over total liabilities. As of June 30, 2016, the Consolidated Fund had total net position of approximately \$2.8 billion. 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 11.1% from the prior year due to decreases in investments in the WV Money Market, WV Government Money Market and Loan Pools. These decreases were offset slightly by increases in the WV Short Term Bond and WV Bank Pools. The Reserve Pool did not change significantly during the year.

The WV Money Market Pool was down by approximately \$334.4 million from the prior year. The balance of general state agency investments in the pool declined over the course of the fiscal year as agencies drew against their invested funds. The bulk of the decrease was attributable to a decline in the general cash balance of the State of \$136.0 million, \$13.2 million of which was transferred to the WV Bank Pool, and the withdrawal of \$100.0 million invested for the state's Revenue Shortfall Reserve Account (rainy day fund). Overall, other state agency balances declined by a net of \$109.1 million. Increases totaling \$10.7 million were experienced in local government and safekeeping investments.

Amounts invested in the WV Government Money Market Pool fell from 2015 by \$58.3 million. The Municipal Bond Commission ("MBC") is the single largest investor in the Pool. The MBC maintains pooled investment accounts where local governments may deposit surplus funds for investments. Over the course of the year, redemptions from those accounts exceeded contributions by \$18.7 million. Other state agencies increased their investments in the pool by a total of \$1.0 million. Local government investments in the Pool declined over the year by \$40.6 million. County boards of education, which typically deposit bond proceeds in the pool, decreased their investments by \$22.4 million as these proceeds were withdrawn to pay for the projects for which the bonds were issued. Investments by county governments decreased over the year by \$18.2 million, primarily as a result of one county liquidating their accounts to invest elsewhere to earn a higher rate of return.

Investments in the State Loan Pool were flat for the fiscal year, declining by only \$0.7 million. The balance of the Revolving Loan program was down \$0.2 million for the year as the WV Economic Development Authority (the "EDA") borrowed amounts approximately equal to the regular principal payments throughout the year. The remaining decrease in net position was the result of increases in the provision for loan loss reserve for the Non-Recourse Loan of \$0.5 million.

The net position of the WV Short Term Bond Pool increased by \$29.7 million from fiscal year end 2015. Approximately \$12.0 million of the increase was a result of net investment income and increases in fair value over the year. The remaining increase was due to a net increase in state agency investments over the course of the fiscal year.

The net position of the WV Bank Pool increased again in fiscal year 2016 although the increase was not as large as that experienced in fiscal year 2015. In fiscal year 2015, the BTI was able to place 77% of the funds offered at auction compared to 84% of the funds offered at auction placed during fiscal year 2016. This small uptick in demand resulted in an increase of \$13.2 million in net position for the fiscal year. This increase in net position was funded with transfers from the general cash of the state that is invested in the WV Money Market Pool.

The balance of the Reserve Pool did not change significantly over the fiscal year. There were no contributions or redemptions in the pool during the year. The slight increase in net position was the result of interest earnings that were reinvested in the account.

Net position held in trust for individual account holders represent individual state agency accounts with specific investment needs. Each agency has 100% ownership of the underlying investments in its pool and is solely responsible for the investment decisions in accordance with the legal restrictions applicable to those assets. Net position for individual account holders increased by \$20.1 million from the prior fiscal year. The MBC was responsible for an increase of \$20.7 million in net position for individual account holders. The MBC account holds investments escrowed to defease certain municipal bond issues. Levels of investment in this account are affected by municipal refinancing/refunding activity levels and the availability of eligible assets. Eligible assets for investment of these funds are typically U.S. Treasuries or U.S. Treasury Securities – State and Local Government Series (SLGS) issues. During the prior fiscal year, the MBC directed some investments to the WV Money Market and WV Government Money Market Pools due to tight supply of eligible securities. As these supply issues eased during fiscal year 2016, the MBC increased utilization of this account. The net position of the School Fund decreased by \$0.6 million while the West Virginia Economic Development Authority (“EDA-AW”) account increased during the year by a minimal amount.

**Changes in net position.** The following is a combined, condensed Statements of Changes in Fiduciary Net Position of the Consolidated Fund fiduciary funds for the years ended June 30, 2016 and 2015 (in thousands).

	Year Ended June 30,	
	2016	2015
<b>Additions</b>		
Net investment income	\$ 15,327	\$ 8,827
Net realized loss	(39)	(442)
Net increase (decrease) in fair value of investments	2,818	(986)
Unit purchases and contributions	9,944,131	10,943,939
Total additions	9,962,237	10,951,338
<b>Deductions</b>		
Distributions	15,108	8,272
Unit redemptions and withdrawals	10,277,489	10,997,159
Total deductions	10,292,597	11,005,431
Change in net position	(330,360)	(54,093)
Net position at beginning of year	3,169,521	3,223,614
Net position at end of year	\$ 2,839,161	\$ 3,169,521

Fiscal year 2016 net investment income increased substantially from fiscal year 2015 in spite of the decline in assets under management. All pools and accounts, with the exception of the EDA account, experienced increases in net investment income, with a total increase of \$6.5 million from the prior fiscal year. The WV Money Market Pool's net invest income increased by \$3.1 million, the largest increase of all the pools in dollar terms. The WV Government Money Market Pool experienced a 327% rise in net investment income. However, the actual amount of this increase was a less-than-impressive \$0.3 million. Net investment income in the WV Short Term Bond Pool was up \$2.6 million, or 40%, from fiscal year 2015. The WV Bank Pool's net investment income rose \$0.2 million, while the State Loan Pool's rose \$0.3 million. The increase in the State Loan Pool's net investment income was primarily the result of decreases in the amounts reserved for loan losses during fiscal year 2016. The remaining pools and accounts were up slightly or, in the case of EDA, down slightly in fiscal year 2016.

Fiscal year 2016 saw the first rate hike since the Fed lowered their target rate to zero in December 2008. After initially appearing poised to hike rates in September 2015, deteriorating global economic conditions and market volatility forced the Fed to put off a rate hike. The U.S. economy appeared to support the case for a rate hike, but the specter of an economic slowdown in China, along with the potential effects of such a slowdown on the U.S. economy caused the Fed to put the rate hike on hold. The Fed finally pulled the trigger in December 2015, raising their target range from 0 to 25 basis points to 25 to 50 basis points. The "dot plots", which is the quarterly chart published by the Federal Reserve that shows where various officials think the central bank's interest rate target should be over the next few years, showed that the Fed was penciling in four rate hikes for calendar year 2016. However, as 2016 unfolded, financial conditions continued to force the Fed to put rate hikes on hold. In the first two months of 2016, a sharp sell-off in energy prices drove a deterioration in financial conditions that forestalled a first quarter rate hike. After a weak January jobs report, the labor markets appeared to shrug off the sluggishness and posted solid gains in February, beating expectations. Concerns about global economic conditions and inflation continuing to fall below the Fed's two percent objective forestalled a March 2016 rate hike. June 2016 seemed like a long shot for a rate hike with the uncertainty regarding the outcome of the United Kingdom European Union

membership referendum, popularly known as the “Brexit” vote, until the May 2016 jobs report effectively dashed whatever slim hopes there were of a rate hike. The May 2016 report showed that the market only added 38,000 jobs for the month, well below even the most pessimistic expectations. Downward revisions to previous months added to the dismal nature of the report as the rolling three month average fell to its lowest levels since 2011. The May jobs report appeared to likely be an anomaly, but coupled with other factors, pushed off any further rate hikes to the last half of calendar year 2016 at the earliest. Overall, the Fed’s monetary policy was still very accommodative during the fiscal year. The Fed’s balance sheet, which had massively expanded during its asset purchase program, continued to remain at elevated levels as interest and principal receipts and maturities were reinvested or rolled over.

The Treasury bill curve ended the year at levels that were above those at the end of fiscal year 2015, but Treasury yields over 1 year in tenor closed the fiscal year below where they started. The rate hike in December 2015, and expectations that conditions would warrant subsequent rate hikes, steepened the bill curve in early 2016. However, the bill curve flattened out over the remainder of the fiscal year as various economic concerns, both domestic and global, pushed rate hikes off to late 2016 to early 2017 and demand factors kept a lid on short term Treasury rates. On the longer end of the Treasury curve, rates ended the year lower, with the 10 year falling from 2.43% at the beginning of the year to 1.49% at the end of the fiscal year. In June 2016, citizens of the United Kingdom voted in a referendum, popularly known as the EU referendum or Brexit referendum, to leave the European Union (“EU”). The results of the vote shocked the markets, as it had been projected to be a narrow but likely victory for supporters of remaining a part of the EU. Over the next four days, world equity markets dropped, losing an estimated \$3 trillion in value as investors fled risk assets. Yields on longer dated Treasuries fell anywhere from 10% to 25%, depending on tenor, as investors sought safe, liquid assets while they assessed the near- and longer-term economic and financial ramifications of the UK unwinding its membership in the EU. At the end of June 2016, the Fed funds futures markets were pricing in no rate hikes until 2018.

The Fed’s rate hike during fiscal year 2016 was the major contributor to the BTI’s two principal stability pools outperforming fiscal year 2015 results. Performance in the WV Money Market Pool jumped 24 basis points over fiscal year 2015, to end the year with a return of 36 basis points. While the Treasury Bill curve was up over fiscal year 2015 levels as a result of the Fed’s rate hike in December 2015, the back half of the curve (six month to one year range) flattened in the final quarter of the fiscal year as economic events pushed further rate hikes off until late 2016 to early 2017. One additional factor affecting returns for the pool was the change in investment managers. In July 2015, Federated Investors took over management of the half of the pool that had been managed by JPMorgan Asset Management. JPMorgan managed their slice of the pool using a much more conservative approach than Federated has employed. The increase in market rates, and to a degree the change in managers, resulted in an increase of net investment income in fiscal year 2016 of \$3.1 million despite the decrease of \$334.4 million in net position.

The WV Government Money Market Pool also experienced an increase in performance, with the return increasing from 4 basis points in 2015 to 21 basis points in 2016. The pool was managed with a weighted average maturity similar to fiscal year 2015, with a WAM over the year in the low to mid 50 day range. The investment strategy was unchanged in 2016, with agency discount notes added at points along the yield curve at times where there was a pick-up in spread to Treasuries and a 20% to 25% allocation to overnight repurchase agreements to take advantage of moves in overnight rates. Average assets under management were lower over the fiscal year, ending the year down \$53.3 million from fiscal year end 2015. Even with the decline in net position, net investment income was up \$0.3 million from fiscal year 2015.

Net investment income in the WV Short Term Bond Pool was up significantly in fiscal year 2016, increasing by 40%, or \$2.6 million, over fiscal year 2015 net investment income. The increase was the result of higher yields in 2016, which increased by 29 basis points over 2015 yields to 1.41%. Yield increases in the 1 to 3 year section of the curve benefited the pool as new investments and interest and maturity receipts were reinvested at higher yields.

As with fiscal year 2015, the “increase” in the Loan Pool’s net investment income resulted from decreases in the amounts reserved for potential loan losses in the Non-Recourse Loan program in 2016. The interest rate for the WV Revolving Loan program, which is indexed to the annual return on the WV Money Market Pool, increased by 2 basis points to 20 basis points for fiscal year 2016. The balance of the Revolving Loan fell throughout most of the year, reaching as low as \$116 million in February 2016, before loan draws in April and June of 2016 brought the balance up to the around the level where it started the year. The mid-year decline in the loan balance offset some of the effects of the very modest rate increase, resulting in interest income that was up slightly from fiscal year 2015. See Note 7 to the audited financial statements for more information on the loan programs of the Loan Pool.

Net investment income for the MBC Account was up slightly over fiscal year 2015. As supply conditions related to eligible securities eased, the MBC increased utilization of the account during the fiscal year. However, the increase in investments did not translate into a significant increase in net investment income in dollar terms, given the relatively low balance of the fund and the yield levels at which the securities were purchased. Net investment income for the remaining pools was comparable to the prior fiscal year.

For the year, the investment pools had a combined net realized loss of \$39,000. This represents a decrease of \$0.4 million from fiscal year 2015. The net realized loss was the result of normal trading activity related to generating liquidity, taking advantage of opportunities or repositioning portfolios to stay within policy limits.

The net change in fair value for fiscal year 2016 was positive, rising by \$3.8 million over fiscal year 2015. During the first half of the year, there were significant declines in the fair value of the WV Short Term Bond Pool as yields rose in anticipation of rate hikes. The Fed finally came through in December 2015, raising their benchmark rate by 25 basis points. At mid-year, the WV Short Term Bond Pool had experienced a net decline in fair value for the year of almost \$3.6 million. Although the markets appeared to initially believe that there would be two or more rate hikes during calendar year 2016, those rate hikes did not materialize as U.S. economic data came in weaker than expected and world events helped to put the brakes on subsequent rate hikes. In June 2016, the market was taken by surprise by the results of the Brexit vote, resulting in a massive flight to quality. The change in fair value for the WV Short Term Bond Pool, which had been slowly rising during the first five months of calendar year 2016, increased dramatically in June 2016, rising by almost \$2.2 million during the month. This resulted in an increase in fair value in the pool for the year of \$2.7 million. The change in fair value in the EDA-AW Account was positive for the fiscal year, but did not contribute substantially to the overall increase over fiscal year 2015.

## **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.

Yields in the one month to one year portion of the Treasury yield curve were up at fiscal year-end, primarily as a result of the mid-year rate hike by the Fed. Supply conditions for Treasury bills eased slightly during fiscal year 2016, as the net issuance for the year (gross issues less gross retirements) increased by \$113 billion over the year, which represented an increase in net issuances of \$61 billion over fiscal year 2015. However, the demand side of the equation, along with uncertainty about the timing of future Fed rate hikes, worked to keep rates from moving materially higher after the December 2015 rate hike. Several factors contributed to the continued strong demand for high-quality liquid collateral including banking regulations and the impending implementation date of floating NAV for prime money market pools. While the banking regulatory reforms, such as the implementation of the required liquidity coverage ratios for certain banks,

went into effect in fiscal year 2015, the effects of money market fund reform came to the forefront in fiscal year 2016.

In October, 2016, prime money market funds will be required to process transactions for institutional investors using a market based NAV. In advance of this date, a number of prime institutional funds have opted to convert to government money market funds in order to continue using a stable \$1.00-per-share NAV for shareholder transactions. Several hundred billion USD in assets have moved from investing in short-term debt instruments, Treasuries and U.S. agency paper to investing solely in U.S. government securities. In addition to this, prime money funds have been shortening their average maturities and building cash in anticipation of investors exiting their funds in October 2016 prior to the implementation of floating NAV's. The increase in demand for short-term high quality liquid assets has put downward pressure on short-term Treasury and Agency yields. Opposite pressures are being felt in the short-term credit markets, as demand for instruments maturing beyond October 2016 has been declining. Banks, which use the short-term markets as a substantial source of funding, are seeing a decline in investments in their commercial paper programs. According to Fitch, prime funds have stopped investing a total of \$81 billion in debt from 13 foreign banks that issue commercial paper. Fitch expects this number to increase as the October 14, 2016 deadline approaches. As a result, yields on bank commercial paper will likely rise, which is good for entities that continue to invest in these securities. The downside in the increase in yield for investors is that it increases the funding costs for the issuing banks which may have its own negative effects on the markets.

The Fed, which had been looking to gradually raise rates over the course of fiscal year 2016, was forced to place rate hikes on hold in light of choppy global financial conditions. In addition to concerns about economic growth, or its lack, in other parts of the world, overall sluggish U.S. growth also factored into their decisions to postpone rate hikes. U.S. GDP growth, which had been gradually rising in early 2015, posted three consecutive quarterly decreases in the growth rate, falling from a 2.0% growth rate at the end of fiscal year 2015 to a sub-1% growth rate in the first quarter of calendar year 2016. Contributing to the slowdown in growth has been a deceleration in non-residential fixed investment, which moved from contributing to economic growth during that last quarter of fiscal year 2015 to being a drag on economic growth by the end of fiscal year 2016. Retail sales also showed sluggish growth in the early part of fiscal year 2016, but began to show growth in the last quarter of the fiscal year. Housing and labor markets continued to be bright spots during the fiscal year. Notwithstanding the May 2016 employment report, employment continued to grow during the fiscal year, although the rate of increase in new jobs appeared to be slowing going into the last quarter of the fiscal year. Inflation and inflation expectations began to move closer to the Fed's 2% target, but still remained short of that level at the end of the fiscal year.

In 2016, state general revenue fund collections were \$426.1 million below estimates due to a 7.5 percent decline in general revenues. Since the state cannot run a fiscal deficit, and general revenue expenditure levels are budgeted based on the estimated revenue collections, the state was forced to close the gap through a series of measures during the year. West Virginia balanced its budget with the aid of nearly \$140 million in mid-year budget spending authority reductions, the reallocation of \$53.9 million in Medicaid expenditures to various previously unappropriated Lottery Funds, the use of \$12.3 million in other available fund balances and the use of \$223 million in various gap fill revenues. The gap fill revenues included an appropriation of \$83.8 million from the rainy day fund. As a result of the aforementioned budgetary adjustments, there was an un-appropriated year-end surplus from fiscal year 2016 activity, before any accounting for expirations, of \$0.9 million. Absent the adoption of the budget gap closing policies, actual general revenue fund collections totaled less than \$3.88 billion in fiscal year 2016, an amount that was lower than net collections received in the prior year and any previous year as far back as fiscal year 2011 or 2008 prior to the Great Recession. West Virginia's average annual nominal general revenue Fund

growth rate over the past decade fell to less than 0.6 percent in comparison with the long-term average annual growth rate of closer to 4.0 percent.

Revenues are anticipated to resume growing in fiscal year 2017 by up to 3.3 percent as a result of some rebound in natural gas prices, continued investment in pipeline infrastructure, gradual stabilization in coal markets and some modest rebound in employment and wages during the forecast period. Even with the projected increase in revenues, nearly \$100 million in tax increases and \$200 million in various one-time budget cuts and one-time revenues were still needed to achieve balance in the fiscal year 2017 budget.

A very slow-growing national economy, in combination with slower worldwide economic growth, poses significant challenges for the state's economy and its export markets. Over the past year, the value of West Virginia nonmanufacturing goods exports fell by roughly 50 percent and the value of West Virginia manufactured goods exports fell by 11 percent. Coal sales fell by roughly 30 percent and natural gas prices tumbled roughly 60 percent. Natural resource employment fell by nearly one-fourth with overall employment and wage and salary income generally stagnant. On the positive side, planned natural gas pipeline infrastructure improvements should eventually result in higher local natural gas prices and higher state tax revenues. An abundant supply of competitively priced natural gas products should also stimulate additional regional manufacturing activity over time. Most growth in the national economy over the past two decades occurred in metropolitan areas. Greater growth in West Virginia's metropolitan areas is a key to renewed growth in the state economy. Overall growth rates for personal income and consumption are anticipated to slowly improve in the near term following nearly four years of general stagnation. However, future budget balance will still require some combination of savings associated with significant restructuring of state government service offerings and new revenue sources. Some additional revenue transfers from the rainy day fund may also occur. In the current environment, there will likely be some decreases in assets under management as the state draws against invested funds to meet cash needs.

### **Requests for Information**

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



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

June 30, 2016

*(In Thousands)*

<b>Assets</b>	
Current assets:	
Cash	\$ 753
Receivables	<u>570</u>
Total current assets	1,323
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>4</u>
Total assets	<u>1,327</u>
 <b>Liabilities</b>	
Current liabilities:	
Accounts payable	<u>513</u>
Total liabilities	<u>513</u>
 <b>Net position</b>	
Investment in capital assets	4
Unrestricted	<u>810</u>
Total net position	<u>\$ 814</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, 2016

*(In Thousands)*

<b>Operating revenues</b>	
Management services	\$ 1,290
Advisor services	1,366
Custodian services	<u>126</u>
Total operating revenues	2,782
 <b>Operating expenses</b>	
Advisor fees	1,366
Management fees	642
Professional service fees	231
Fiduciary bond	19
Custodian fees	126
General and administrative	266
Depreciation	<u>1</u>
Total operating expenses	<u>2,651</u>
 <b>Operating income</b>	 <u>131</u>
 Change in net position	 131
Net position at beginning of period	<u>683</u>
Net position at end of period	<u>\$ 814</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, 2016

*(In Thousands)*

<b>Cash flows from operating activities</b>	
Cash received for services	\$ 2,731
Payments to vendors	<u>(2,977)</u>
Net cash used in operating activities	(246)
 <b>Cash flows from capital and related financing activities</b>	
Purchase of capital equipment	<u>(4)</u>
Net cash used for capital and related financing activities	<u>(4)</u>
 Cash at beginning of period	 <u>1,003</u>
Cash at end of period	<u><u>\$ 753</u></u>
 <b>Reconciliation of operating income to net cash used in operating activities</b>	
Operating income	\$ 131
Adjustments to reconcile operating gain to net cash provided by operating activities:	
Depreciation	1
Changes in assets and liabilities:	
Receivables	(53)
Accounts payable	<u>(325)</u>
Net cash used in operating activities	<u><u>\$ (246)</u></u>

*See accompanying notes to financial statements*

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

June 30, 2016

*(In Thousands)*

<b>Assets</b>	
Investments:	
At amortized cost	\$2,017,941
At fair value	<u>819,520</u>
Total investments	2,837,461
Receivables:	
Accrued interest	3,508
Dividends	33
Investments sold	<u>4,002</u>
Total receivables	<u>7,543</u>
Total assets	2,845,004
 <b>Liabilities</b>	
Accrued expenses	570
Dividends payable	869
Investments purchased	<u>4,404</u>
Total liabilities	<u>5,843</u>
 <b>Net Position</b>	
Held in trust for investment pool participants	2,810,311
Held in trust for individual investment account holders	<u>28,850</u>
Total net position	<u><u>\$2,839,161</u></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, 2016

(In Thousands)

<b>Additions</b>	
Investment income:	
Interest	\$ 17,145
Dividends	402
Net amortization	1,069
Provision for uncollectible loans	<u>(507)</u>
Total investment income	18,109
Investment expenses:	
Investment advisor fees	1,366
Custodian bank fees	126
Administrative fees	<u>1,290</u>
Total investment expenses	<u>2,782</u>
Net investment income	15,327
Net realized loss from investments	(39)
Net increase in fair value of investments	<u>2,818</u>
Net increase in net position from operations	18,106
Participant transaction additions:	
Purchase of pool units by participants	9,864,797
Reinvestment of pool distributions	15,082
Contributions to individual investment accounts	<u>64,252</u>
Total participant transaction additions	<u>9,944,131</u>
Total additions	<u>9,962,237</u>
<b>Deductions</b>	
Distributions to pool participants:	
Net investment income	15,147
Net realized loss from investments	<u>(39)</u>
Total distributions to pool participants	15,108
Participant transaction deductions:	
Redemption of pool units by participants	10,233,163
Withdrawals from individual investment accounts	<u>44,326</u>
Total participant transaction deductions	<u>10,277,489</u>
Total deductions	<u>10,292,597</u>
Change in net position	(330,360)
Net position at beginning of period	<u>3,169,521</u>
Net position at end of period	<u><u>\$ 2,839,161</u></u>

*See accompanying notes to financial statements*

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# West Virginia Board of Treasury Investments

## Notes to Financial Statements

June 30, 2016

### 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 Federated Investors 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 West Virginia CD Program. The program purchases CDs from state banks and depositories to make state investment funds available for consumer and business loans within the state.

**Loan** – 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, Loan, 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 are generated 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**

Certain estimates and assumptions are required by management in the preparation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Actual results could differ significantly from those estimates. The significant estimates and assumptions that affect the reporting of amounts of assets and liabilities at the balance sheet date and revenues and expenses for the year then ended are those required in the determination of the allowance for loan losses and amortization of investments. Actual results in the near term could differ from the estimates used to prepare these financial statements.

### **Investment Accounting**

**Investment Carrying Value** 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, and Reserve pools or accounts are carried at amortized cost, as permissible under Governmental Accounting Standards Board (“GASB”) Statement No. 31, as amended by GASB Statement Nos. 72 and 79. The WV Money Market and WV Government Money Market pools measure all investments at amortized cost for financial reporting purposes in accordance with criteria established in GASB Statement No. 79. The criteria specify that the pools must transact with their participants at a stable net asset value per share and meet requirements for portfolio maturity, portfolio quality, portfolio diversification, portfolio liquidity, and shadow pricing. The BTI does not place any limitations or restrictions on participant withdrawals from the WV Money Market and WV Government Money Market pools, such as redemption notice periods, maximum transaction amounts, and any authority to impose liquidity fees or redemption gates.

The specific exceptions to fair value reporting for the other pools and accounts referred to above are defined in professional standards as follows. The WV Bank Pool contains nonnegotiable certificates of deposit, which are nonparticipating interest-earning investment contracts. The Loan Pool contains loans receivable arising from lending activities of economic development authorities. The Reserve Pool contains a bank depository account that has no market.

The investments of the remaining pools and participant accounts are reported at fair value, which is determined by third party pricing services based on asset portfolio pricing models and other sources. The BTI measures fair value at the end of each month. See Note 5 for a discussion and summary of the measurement of the fair values. 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 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, 2016, the Loan Pool had an allowance for uncollectible loans of \$22,823,976.

**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 \$753,000 at June 30, 2016. 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, 2016.

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 A+ by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P-1 by Moody's. The pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America. The following table provides information on the credit ratings of the WV Money Market Pool's investments (in thousands):

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
Commercial paper	P-1	A-1+	\$ 290,118	18.65%
	P-1	A-1	632,773	40.68
Corporate bonds and notes	Aa1	AA-	23,014	1.48
	Aa3	AA-	15,000	0.96
	A2	A	11,268	0.72
U.S. agency bonds	Aaa	AA+	9,499	0.61
U.S. Treasury notes *	Aaa	AA+	231,398	14.88
U.S. Treasury bills *	P-1	A-1+	19,982	1.28
Negotiable certificates of deposit	Aa2	AA-	3,000	0.19
	Aa3	AA-	6,000	0.39
	P-1	A-1+	78,006	5.02
	P-1	A-1	121,001	7.78
Money market funds	Aaa	AAAM	72,370	4.65
Repurchase agreements (underlying securities):				
U.S. Treasury notes *	Aaa	AA+	42,100	2.71
			<u>\$ 1,555,529</u>	<u>100.00%</u>

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

The BTI limits the exposure to credit risk in the WV Government Money Market Pool by limiting the pool to U.S. Treasury issues, U.S. government agency issues, money market funds investing in U.S. Treasury issues and U.S. government agency issues, and repurchase agreements collateralized by U.S. Treasury issues and U.S. government agency issues. The pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of

America 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. Treasury notes *	Aaa	AA+	\$ 60,445	31.80%
U.S. Treasury bills *	P-1	A-1+	6,999	3.68
U.S. agency discount notes	P-1	A-1+	78,200	41.14
Money market funds	Aaa	AAAm	34	0.02
Repurchase agreements (underlying securities):				
U.S. Treasury notes *	Aaa	AA+	44,400	23.36
			<u>\$ 190,078</u>	<u>100.00%</u>

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

The BTI limits the exposure to credit risk in the WV Short Term Bond Pool by requiring all corporate bonds to be rated BBB- or higher by Standard & Poor's (or its equivalent). Commercial paper must be rated at least A-1 by Standard & Poor's and P-1 by Moody's. Mortgage-backed and asset-backed securities must be rated AAA by Standard & Poor's and Aaa by Moody's. The pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America. 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	\$ 75,096	9.50%
	Aaa	NR	80,990	10.24
	NR	AAA	71,821	9.08
Corporate bonds and notes	Aaa	AA+	4,088	0.52
	Aa1	AA+	4,993	0.63
	Aa2	AA+	4,105	0.52
	Aa2	AA	7,027	0.89
	Aa2	AA-	20,050	2.54
	Aa3	AA-	11,019	1.39
	Aa2	A	4,069	0.51
	Aa3	A+	10,010	1.27
	Aa3	A	1,495	0.19
	A1	AA	16,564	2.10
	A1	A+	11,714	1.48
	A1	A	8,214	1.04
	A2	A+	625	0.08
	A2	A	28,703	3.63
	A2	A-	18,082	2.29
	A3	AA-	1,510	0.19
	A3	A	3,729	0.47
	A3	A-	41,669	5.27
	A3	BBB+	29,407	3.72
	Baa1	A	1,942	0.25
	Baa1	A-	11,241	1.42
	Baa1	BBB+	54,401	6.88
	Baa1	BBB	12,671	1.60
	Baa1	NR	2,048	0.26
	Baa2	A-	4,391	0.56
	Baa2	BBB+	5,942	0.75
	Baa2	BBB	19,286	2.44
	Baa2	BBB-	6,152	0.78
	Baa3	BBB+	3,031	0.38
Baa3	BBB	13,240	1.67	
Baa3	BBB-	15,979	2.02	
Ba1	BBB	2,339	0.30	
Ba1	BBB-	4,843	0.61	
NR	BBB-	1,977	0.25	
U.S. agency mortgage backed securities *	Aaa	AA+	47,311	5.98
Corporate mortgage backed securities	Aaa	AAA	10,687	1.35
	Aaa	NR	18,607	2.35
	NR	AAA	108	0.01
U.S. Treasury notes *	Aaa	AA+	89,497	11.32
Money market funds	Aaa	AAA m	10,077	1.27
			<u>\$ 790,750</u>	<u>100.00%</u>

NR = Not Rated

\* 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 \$145,000. 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 \$8,000. 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 \$1,584,000. 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	\$ 42,100	1
U.S. Treasury notes	231,398	88
U.S. Treasury bills	19,982	91
Commercial paper	922,891	48
Certificates of deposit	208,007	40
Corporate bonds and notes	49,282	14
U.S. agency bonds and notes	9,499	24
Money market funds	72,370	1
	\$ 1,555,529	49

The overall weighted average maturity of the investments of the WV Government Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 762 days. The following table provides information on the weighted average maturities for the various asset types in the WV Government Money Market Pool:

Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 44,400	1
U.S. Treasury notes	60,445	89
U.S. Treasury bills	6,999	21
U.S. agency discount notes	78,200	50
Money market funds	34	1
	<u>\$ 190,078</u>	50

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

Security Type	Carrying Value (In Thousands)	Effective Duration (Days)
Corporate bonds and notes	\$ 386,556	480
Corporate asset backed securities	227,907	302
U.S. Treasury notes	89,497	1,034
U.S. agency mortgage backed securities	47,311	175
Corporate mortgage backed securities	29,402	338
Money market funds	10,077	1
	<u>\$ 790,750</u>	462

The West Virginia Bank Pool holds nonnegotiable certificates of deposit totaling \$129,000,000 with maturity dates ranging from July 2016 through December 2016, and an interest in a money market mutual fund valued at approximately \$145,000. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to 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 \$8,000 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 losses in this pool arising from increasing interest rates.

The Reserve Pool maintains funds totaling approximately \$18,762,000 in a bank depository account. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to 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 bonds and notes	\$ 21,524	485
State and local government securities	3,725	240
	\$ 25,249	449

The School Fund Account holds only an interest in a money market mutual fund valued at approximately \$1,584,000 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 \$1,937,000 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 \$129,000,000. The Reserve Pool contains funds totaling approximately \$18,762,000 in a bank depository account. The BTI does not have a deposit policy for custodial credit risk.

**5. Investments Measured at Fair Value**

The BTI measures the WV Short Term Bond Pool, the Municipal Bond Commission Account, the School Fund Account and the EDA-AW Account at fair value for financial reporting purposes. GASB Statement No. 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. The BTI categorizes fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America in accordance with GASB Statement No. 72.

The fair value hierarchy established under GASB Statement No. 72 categorizes the inputs to valuation techniques used to measure fair value into three levels as follows:

Level 1 inputs – Quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 inputs – Inputs – other than quoted prices included within Level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs – Unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs.

The table below summarizes the recurring fair value measurements of the investment securities in the WV Short Term Bond Pool in accordance with GASB Statement No. 72 fair value hierarchy levels as of June 30, 2016 (in thousands).

Investment Type	Level 1	Level 2	Level 3	Total
Corporate bonds and notes	\$ -	\$ 386,556	\$ -	\$ 386,556
Corporate asset backed securities	-	227,907	-	227,907
U.S. Treasury notes	89,497	-	-	89,497
U.S. agency mortgage backed securities	-	47,311	-	47,311
Corporate mortgage backed securities	-	29,402	-	29,402
Money market funds	10,077	-	-	10,077
	<u>\$ 99,574</u>	<u>\$ 691,176</u>	<u>\$ -</u>	<u>\$ 790,750</u>

The School Fund Account holds a money market fund reported at a fair value of \$1,584,000 using Level 1 inputs.

The Municipal Bond Commission Account holds U.S. Treasury Notes and Bonds reported at a fair value of \$21,524,000 using Level 1 inputs. The Account also holds Treasury Securities – State and Local Government Series (“SLGS”) issues that are reported at historical cost (face value) of \$3,725,000. SLGS are special purpose securities the U.S. Department of the Treasury issues to state and local government entities, upon request by those entities, to assist them in complying with federal tax laws and Internal Revenue Service arbitrage regulations when they have cash proceeds to invest from their issuance of tax exempt bonds. There is no market for these securities as they may only be redeemed at the U.S. Department of Treasury on or before their stated maturity date at face value plus accrued interest.

The EDA-AW Account holds a U.S. Treasury bond reported at a fair value of \$1,937,000 using Level 1 inputs.

## 6. Capital Assets

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

	June 30, 2015	Increases	Decreases	June 30, 2016
Equipment, at cost	\$ 17	\$ 4	\$ (5)	\$ 16
Accumulated depreciation	(16)	(1)	5	(12)
Equipment, net of accumulated depreciation	<u>\$ 1</u>	<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 4</u>

## 7. Related Party Transactions

### Intergovernmental Investments

The BTI is required by law to enter into certain investment transactions with other state entities. At June 30, 2016, 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, 2016, was 0.20%. 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, 2016, the outstanding balance was \$122,742,402.
- 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, 2016, \$24,499,784 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 \$22,823,976 has been accrued at June 30, 2016.

### **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, 2016, the BTI reimbursed the Treasurer’s Office \$688,000 for services, which includes \$657,000 for management services provided by Treasurer’s Office employees. As of June 30, 2016, the BTI had an amount payable to the Treasurer’s Office totaling \$72,000, 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.

### **8. 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.

### **9. Effect of New Accounting Pronouncements**

The GASB has issued four statements relating to accounting and financial reporting for pension and postemployment benefit plans: Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*; Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; and Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 7*. The provisions of Statements Nos. 73 and 74 are effective for financial statements for periods beginning after June 15, 2016; the provisions of Statement Nos. 75 and 82 are effective for periods beginning after June 15, 2017. Because the BTI has no employees, it does not participate in a pension plan or a postemployment benefit plan and will not be affected by these statements.

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

June 30, 2016

(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>
<b>Assets</b>					
Investments:					
At amortized cost	\$ 1,555,529	\$ 190,078	\$ -	\$129,145	\$ 124,427
At fair value	-	-	790,750	-	-
Receivables:					
Accrued interest	1,224	119	1,906	158	20
Dividends	25	-	3	-	-
Investments sold	-	-	4,002	-	-
Total receivables	<u>1,249</u>	<u>119</u>	<u>5,911</u>	<u>158</u>	<u>20</u>
Total assets	<u>1,556,778</u>	<u>190,197</u>	<u>796,661</u>	<u>129,303</u>	<u>124,447</u>
<b>Liabilities</b>					
Accrued expenses	275	37	239	9	9
Dividends payable	-	-	869	-	-
Investments purchased	-	-	4,404	-	-
Total liabilities	<u>275</u>	<u>37</u>	<u>5,512</u>	<u>9</u>	<u>9</u>
<b>Net Position</b>					
Held in trust for investment pool participants	1,556,503	190,160	791,149	129,294	124,438
Held in trust for individual investment account holders	-	-	-	-	-
Total net position	<u>\$ 1,556,503</u>	<u>\$ 190,160</u>	<u>\$ 791,149</u>	<u>\$129,294</u>	<u>\$ 124,438</u>

(Continued)

<b>Reserve Pool</b>	<b>Municipal Bond Commission Account</b>	<b>School Fund Account</b>	<b>Economic Development Authority - American Woodmark Account</b>	<b>Total</b>
\$ 18,762	\$ -	\$ -	\$ -	\$ 2,017,941
-	25,249	1,584	1,937	819,520
-	47	-	34	3,508
5	-	-	-	33
-	-	-	-	4,002
<u>5</u>	<u>47</u>	<u>-</u>	<u>34</u>	<u>7,543</u>
18,767	25,296	1,584	1,971	2,845,004
-	-	-	1	570
-	-	-	-	869
-	-	-	-	4,404
<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>5,843</u>
18,767	-	-	-	2,810,311
-	25,296	1,584	1,970	28,850
<u>\$ 18,767</u>	<u>\$ 25,296</u>	<u>\$ 1,584</u>	<u>\$ 1,970</u>	<u>\$ 2,839,161</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, 2016

(In Thousands)

	WV Money Market Pool	WV Government Money Market Pool	WV Short Term Bond Pool	WV Bank Pool	Loan Pool
<b>Additions</b>					
Investment income:					
Interest	\$ 4,523	\$ 273	\$ 11,156	\$ 371	\$ 240
Dividends	296	9	44	1	-
Net (amortization) accretion	2,319	275	(1,124)	-	-
Provision for uncollectible loans	-	-	-	-	(507)
Total investment income (loss)	7,138	557	10,076	372	(267)
Investment expenses:					
Investment advisor fees	561	85	720	-	-
Custodian bank fees	82	14	30	-	-
Administrative fees	773	98	320	48	49
Total investment expenses	1,416	197	1,070	48	49
Net investment income (loss)	5,722	360	9,006	324	(316)
Net realized gain (loss) from investments	24	12	(75)	-	-
Net increase in fair value of investments	-	-	2,733	-	-
Net increase (decrease) in net position from operations	5,746	372	11,664	324	(316)
Participant transaction additions:					
Purchase of pool units by participants	9,426,448	365,055	60,344	3,263	9,637
Reinvestment of pool distributions	5,744	372	8,907	324	(316)
Contributions to individual investment accounts	-	-	-	-	-
Total participant transaction additions	9,432,192	365,427	69,251	3,587	9,321
Total additions	9,437,938	365,799	80,915	3,911	9,005
<b>Deductions</b>					
Distributions to pool participants:					
Net investment income (loss)	5,722	360	9,006	324	(316)
Net realized gain (loss) from investments	24	12	(75)	-	-
Total distributions to pool participants	5,746	372	8,931	324	(316)
Participant transaction deductions:					
Redemption of pool units by participants	9,753,701	423,770	42,285	3,264	10,093
Withdrawals from individual investment accounts	-	-	-	-	-
Total participant transaction deductions	9,753,701	423,770	42,285	3,264	10,093
Total deductions	9,759,447	424,142	51,216	3,588	9,777
Net increase (decrease) in net position from operations	(321,509)	(58,343)	29,699	323	(772)
Inter-pool transfers in	26,050	-	-	38,910	-
Inter-pool transfers out	(38,910)	-	-	(26,050)	-
Net inter-pool transfers in (out)	(12,860)	-	-	12,860	-
Change in net position	(334,369)	(58,343)	29,699	13,183	(772)
Net position at beginning of period	1,890,872	248,503	761,450	116,111	125,210
Net position at end of period	\$ 1,556,503	\$ 190,160	\$ 791,149	\$ 129,294	\$ 124,438

(Continued)

<b>Reserve Pool</b>	<b>Municipal Bond Commission Account</b>	<b>School Fund Account</b>	<b>Economic Development Authority - American Woodmark Account</b>	<b>Total</b>
\$ -	\$ 492	\$ -	\$ 90	\$ 17,145
51	-	1	-	402
-	(388)	-	(13)	1,069
-	-	-	-	(507)
<u>51</u>	<u>104</u>	<u>1</u>	<u>77</u>	<u>18,109</u>
-	-	-	-	1,366
-	-	-	-	126
-	<u>1</u>	-	<u>1</u>	<u>1,290</u>
-	<u>1</u>	-	<u>1</u>	<u>2,782</u>
51	103	1	76	15,327
-	-	-	-	(39)
-	<u>21</u>	-	<u>64</u>	<u>2,818</u>
51	124	1	140	18,106
50	-	-	-	9,864,797
51	-	-	-	15,082
-	<u>63,671</u>	<u>581</u>	-	<u>64,252</u>
<u>101</u>	<u>63,671</u>	<u>581</u>	-	<u>9,944,131</u>
152	63,795	582	140	9,962,237
51	-	-	-	15,147
-	-	-	-	(39)
<u>51</u>	-	-	-	<u>15,108</u>
50	-	-	-	10,233,163
-	<u>43,064</u>	<u>1,172</u>	<u>90</u>	<u>44,326</u>
<u>50</u>	<u>43,064</u>	<u>1,172</u>	<u>90</u>	<u>10,277,489</u>
101	43,064	1,172	90	10,292,597
51	20,731	(590)	50	(330,360)
-	-	-	-	64,960
-	-	-	-	(64,960)
-	-	-	-	-
51	20,731	(590)	50	(330,360)
18,716	4,565	2,174	1,920	3,169,521
<u>\$ 18,767</u>	<u>\$ 25,296</u>	<u>\$ 1,584</u>	<u>\$ 1,970</u>	<u>\$ 2,839,161</u>

See accompanying notes to financial statements.

**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities**  
**June 30, 2016**  
*(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		0.630 %	0.397 %	07/15/2016	15,000	\$ 15,001	\$ 15,003
United States Treasury		2.500	0.856	07/15/2016	24,876	24,947	24,932
United States Treasury		1.500	0.600	07/31/2016	25,000	25,019	25,027
United States Treasury		1.000	0.394	08/31/2016	25,000	25,025	25,029
United States Treasury		0.630	0.378	10/15/2016	10,000	10,007	10,008
United States Treasury		1.000	0.533	10/31/2016	10,000	10,015	10,022
United States Treasury		3.130	0.358	10/31/2016	5,000	5,046	5,046
United States Treasury		0.313	F 0.318	10/31/2016	10,000	10,000	10,000
United States Treasury		0.500	0.624	11/30/2016	20,000	19,990	20,011
United States Treasury		0.880	0.461	12/31/2016	10,000	10,021	10,023
United States Treasury		0.750	0.525	01/15/2017	20,000	20,024	20,033
United States Treasury		0.500	0.510	01/31/2017	10,000	9,999	10,003
United States Treasury		0.630	0.533	02/15/2017	8,000	8,005	8,009
United States Treasury		0.630	0.688	05/31/2017	5,000	4,997	5,004
United States Treasury		0.428	F 0.438	10/31/2017	19,500	19,498	19,513
United States Treasury		0.532	F 0.485	01/31/2018	4,800	4,803	4,809
United States Treasury		0.450	F 0.431	04/30/2018	9,000	9,001	9,001
Total U. S. Treasury Issues	14.9%					231,398	231,473
<i>U. S. Government Agency Bonds</i>							
Federal Farm Credit Bank		0.459	F 0.474	11/29/2016	5,000	5,000	5,000
Federal Farm Credit Bank		0.448	F 0.478	12/19/2016	4,500	4,499	4,500
Total U. S. Government Agency Bonds	0.6%					9,499	9,500
<i>Corporate Bonds</i>							
Wells Fargo & Company		1.250	0.590	07/20/2016	11,264	11,268	11,267
Bank of Nova Scotia		0.808	F 0.807	07/29/2016	9,000	9,000	9,003
Bank of Nova Scotia		0.803	F 0.803	08/05/2016	5,000	5,000	5,002
Nordea Bank Finland NY		0.812	F 0.654	08/09/2016	1,000	1,000	1,000
Bank of Montreal		0.716	F 0.687	08/12/2016	10,000	10,000	10,002
Royal Bank of Canada		0.747	F 0.747	09/06/2016	10,000	10,000	9,999
Toronto Dominion Bank		0.792	F 0.792	10/17/2016	8,000	8,000	8,003
Royal Bank of Canada		0.987	F 0.987	02/02/2017	10,000	5,000	5,003
Total Corporate Bonds	3.8%					59,268	59,279
<i>Short Term Issues</i>							
Goldman, Sachs & Co		0.400	0.400	07/01/2016	23,100	23,100	23,100
Merrill Lynch PFS Inc		0.420	0.420	07/01/2016	19,000	19,000	19,000
Credit Suisse New York		0.770	0.560	07/01/2016	10,000	10,000	10,000
Atlantic Asset Securities Corp		0.000	0.416	07/01/2016	13,000	13,000	13,000
ING Funding LLC		0.000	0.406	07/01/2016	1,000	1,000	1,000
Nordea Bank AB		0.000	0.528	07/01/2016	8,000	8,000	8,000
Societe Generale		0.000	0.406	07/01/2016	9,000	9,000	9,000
Starbird Funding Group		0.000	0.619	07/01/2016	10,000	10,000	10,000
Anglesea Funding LLC		0.000	0.681	07/06/2016	15,000	14,999	14,999
Antalis SA		0.000	0.477	07/06/2016	1,790	1,790	1,790
Bank of Tokyo - MIT UFJ NY		0.610	0.610	07/07/2016	10,000	10,000	10,000

(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, 2016**  
*(In thousands)*

<b>WEST VIRGINIA MONEY MARKET POOL (Continued)</b>							
<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>
Canadian Imperial Bank		0.840	0.840	07/07/2016	10,000	10,000	10,000
Erste Abwicklungsanstalt		0.000	0.661	07/07/2016	15,000	14,998	14,998
Massachusetts Mutal Life Insur		0.000	0.416	07/07/2016	8,500	8,499	8,499
Bank of Nova Scotia		0.870	0.870	07/08/2016	5,000	5,000	5,000
Banque et Caisse d'Epargne		0.000	0.396	07/08/2016	15,000	14,999	14,999
Sumitomo Mitsui Banking Corp		0.000	0.396	07/08/2016	10,000	9,999	9,999
Working Capital Management Co		0.000	0.477	07/08/2016	20,000	19,998	19,998
Caterpillar Financial Services		0.000	0.406	07/11/2016	10,000	9,999	9,999
Victory Receivables Corp		0.000	0.589	07/11/2016	10,000	9,998	9,998
HSBC USA Inc		0.000	0.866	07/12/2016	10,000	9,997	9,997
Jupiter Securitization Co LLC		0.000	0.866	07/12/2016	10,000	9,997	9,997
Gotham Funding Corp		0.000	0.467	07/13/2016	20,000	19,997	19,997
Liberty Street Funding LLC		0.000	0.855	07/13/2016	8,000	7,998	7,998
Manhattan Asset Funding Co		0.000	0.528	07/13/2016	10,000	9,998	9,998
Jupiter Securitization Co LLC		0.677	F 0.677	07/13/2016	2,000	2,000	2,000
Jupiter Securitization Co LLC		0.000	0.866	07/14/2016	6,000	5,998	5,998
Nieuw Amsterdam Receivables		0.000	0.416	07/14/2016	11,600	11,598	11,598
Albion Capital Corp SA/LLC		0.000	0.472	07/15/2016	19,792	19,788	19,788
Cancara Asset Securitization		0.000	0.497	07/15/2016	10,000	9,998	9,998
Gotham Funding Corp		0.000	0.467	07/15/2016	5,368	5,367	5,367
Siemens Capital Co LLC		0.000	0.457	07/15/2016	10,000	9,998	9,998
Skandinav Enskilda Bank NY		0.630	0.630	07/18/2016	10,000	10,000	10,000
LMA Americas LLC		0.000	0.467	07/18/2016	20,000	19,996	19,996
Working Capital Management Co		0.000	0.599	07/18/2016	8,000	7,998	7,998
Gotham Funding Corp		0.000	0.467	07/19/2016	10,000	9,998	9,998
LMA Americas LLC		0.000	0.558	07/19/2016	21,000	20,994	20,994
BMW US Capital LLC		0.000	0.406	07/20/2016	13,200	13,197	13,197
Massachusetts Mutal Life Insur		0.000	0.416	07/20/2016	11,000	10,998	10,998
Versailles Commercial Paper LL		0.000	0.517	07/20/2016	5,000	4,999	4,999
Manhattan Asset Funding Co		0.000	0.477	07/21/2016	5,852	5,850	5,850
LMA Americas LLC		0.000	0.558	07/22/2016	4,000	3,999	3,999
Nieuw Amsterdam Receivables		0.000	0.406	07/22/2016	9,000	8,998	8,998
Svenska Handelsbanken		0.540	0.540	07/25/2016	5,000	5,000	5,000
DBS Bank LTD		0.000	0.426	07/26/2016	10,000	9,997	9,997
Erste Abwicklungsanstalt		0.000	0.676	07/26/2016	5,000	4,998	4,998
Mizuho Bank LTD		0.000	0.527	07/26/2016	10,000	9,996	9,996
Manhattan Asset Funding Co		0.000	0.609	07/27/2016	6,000	5,997	5,997
Nordea Bank Finland NY		0.570	0.500	07/29/2016	10,000	10,001	10,001
Rabobank Nederland NV		0.710	0.620	08/01/2016	10,000	10,001	10,001
Mizuho Bank LTD		0.000	0.614	08/01/2016	13,000	12,993	12,993
Starbird Funding Group		0.000	0.619	08/02/2016	10,000	9,995	9,995
Svenska Handelsbanken AB		0.000	0.691	08/03/2016	25,000	24,984	24,984
HSBC USA Inc		0.000	0.871	08/04/2016	10,000	9,992	9,992
Westpac Banking Corp		0.000	0.907	08/04/2016	8,000	7,993	7,993
Skandinaviska Enskilda Bank		0.000	0.599	08/05/2016	5,000	4,997	4,997
Toronto Dominion Bank		0.750	0.750	08/08/2016	2,000	2,000	2,000
DZ Bank NY		0.650	0.650	08/08/2016	10,000	10,000	10,000
Manhattan Asset Funding Co		0.000	0.588	08/08/2016	11,000	10,993	10,993
Erste Abwicklungsanstalt		0.000	0.691	08/09/2016	5,000	4,996	4,996
Barton Capital Corp		0.000	0.538	08/10/2016	10,000	9,994	9,994
Ciesco LLC		0.000	0.579	08/11/2016	9,000	8,994	8,994
Erste Abwicklungsanstalt		0.000	0.671	08/11/2016	20,000	19,985	19,985

(Continued on Next Page)

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**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2016**  
*(In thousands)*

<b>WEST VIRGINIA MONEY MARKET POOL (Continued)</b>							
<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>
Standard Chartered Bank	0.570		0.570	08/12/2016	1,000	1,000	1,000
Fairway Finance Corp	0.000		0.579	08/16/2016	5,000	4,996	4,996
Manhattan Asset Funding Co	0.000		0.558	08/16/2016	30,000	29,979	29,979
Caisse Des Depots ET Con	0.000		0.650	08/17/2016	4,000	3,997	3,997
Svenska Handelsbanken	0.810		0.689	08/17/2016	3,000	3,000	3,000
Wells Fargo Bank	0.850		0.850	08/22/2016	8,000	8,000	8,000
Gotham Funding Corp	0.000		0.609	08/23/2016	10,000	9,991	9,991
Canadian Imperial Bank	0.850		0.850	08/24/2016	5,000	5,000	5,000
United States Treasury	0.000		0.304	08/25/2016	10,000	9,995	9,995
ASB Finance LTD London	0.000		0.937	08/26/2016	5,000	4,993	4,993
Cancara Asset Securitization	0.000		0.609	08/26/2016	10,000	9,991	9,991
Microsoft Corp	0.000		0.436	08/31/2016	10,000	9,993	9,993
Bank Nederlandse Gemeent	0.000		0.620	08/31/2016	20,000	19,979	19,985
Matchpoint Finance PLC	0.000		0.670	09/01/2016	20,000	19,977	19,981
Liberty Street Funding LLC	0.000		0.671	09/07/2016	7,000	6,991	6,992
Skandinaviska Enskilda Bank	0.000		0.589	09/07/2016	8,000	7,991	7,994
DNB Nor Bank ASA	0.620		0.620	09/09/2016	8,000	8,000	8,002
Victory Receivables Corp	0.000		0.619	09/09/2016	7,000	6,992	6,992
Toronto Dominion Bank	1.117	F	0.792	09/09/2016	23,000	23,015	23,018
ANZ National (INTL) LTD	0.000		0.793	09/12/2016	25,000	24,960	24,970
Nationwide Building Soc	0.000		0.660	09/12/2016	890	889	889
Thunder Bay Funding	0.000		0.876	09/12/2016	8,000	7,986	7,990
Sumitomo Mitsui Bank	0.620		0.620	09/14/2016	10,000	10,000	10,001
Thunder Bay Funding Inc	0.000		0.671	09/15/2016	7,000	6,990	6,991
Victory Receivables Corp	0.000		0.619	09/15/2016	8,000	7,990	7,990
Caisse Des Depots ET Con	0.000		0.640	09/16/2016	10,000	9,987	9,987
Fairway Finance Corp	0.000		0.661	09/16/2016	10,000	9,986	9,986
Toronto Dominion Bank	0.980		0.630	09/19/2016	5,000	5,004	5,004
Kells Funding LLC	0.000		0.640	09/20/2016	5,000	4,993	4,993
Svenska Handelsbanken	0.610		0.600	09/21/2016	10,000	10,000	10,001
Chariot Funding LLC	0.000		0.938	09/22/2016	5,000	4,989	4,993
Credit Suisse First Boston	0.000		0.655	09/23/2016	15,000	14,977	14,979
Barton Capital LLC	0.601	F	0.601	09/23/2016	10,000	10,000	10,000
Jupiter Securitization Co LLC	0.000		1.020	09/30/2016	3,710	3,701	3,704
Bank of Montreal	0.660		0.660	10/03/2016	8,000	8,000	8,000
Chariot Funding LLC	0.000		0.897	10/03/2016	3,000	2,993	2,995
National Australia Bank LTD	0.000		0.830	10/03/2016	8,000	7,983	7,989
Nordea Bank AB	0.000		0.814	10/04/2016	8,000	7,983	7,986
Matchpoint Finance PLC	0.000		0.691	10/05/2016	10,000	9,982	9,982
Commonwealth Bank of Australia	0.000		0.835	10/07/2016	5,000	4,989	4,993
DZ Bank NY	0.750		0.750	10/11/2016	10,000	10,000	10,003
Wells Fargo Bank	0.883	F	0.838	10/13/2016	10,000	10,001	10,007
Kells Funding LLC	0.000		0.732	10/17/2016	5,000	4,989	4,990
Old Line Funding Corp	0.000		0.896	10/17/2016	5,000	4,987	4,990
Thunder Bay Funding Inc	0.000		0.691	10/17/2016	8,000	7,984	7,983
Jupiter Securitization Co LLC	0.000		0.907	10/18/2016	500	499	499
JP Morgan Securities LLC	0.000		1.040	10/21/2016	5,000	4,984	4,990
Chariot Funding LLC	0.000		1.020	10/24/2016	5,000	4,984	4,984
Jupiter Securitization Co LLC	0.000		1.020	10/25/2016	5,000	4,984	4,988
BNZ International Funding	0.000		0.865	11/03/2016	8,000	7,976	7,983
United States Treasury	0.000		0.382	11/03/2016	10,000	9,987	9,992

(Continued on Next Page)

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**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2016**  
*(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>
Fairway Finance Corp		0.858	F 0.855	11/07/2016	10,000	10,000	10,004
Bedford Row Funding Corp		0.000	0.865	11/08/2016	10,000	9,970	9,972
ASB Finance LTD London		0.000	0.876	11/09/2016	5,000	4,985	4,988
Chariot Funding LLC		0.000	0.969	11/18/2016	5,000	4,982	4,984
Canadian Imperial Bank		0.940	0.940	11/28/2016	2,000	2,000	2,002
Westpac Securities NZ LTD		0.000	0.968	11/28/2016	5,000	4,980	4,984
Ciesco LP		0.000	0.896	12/13/2016	3,000	2,988	2,988
Charta LLC		0.000	0.937	12/27/2016	5,000	4,977	4,978
Westpac Banking Corp		0.000	0.999	01/04/2017	8,000	7,959	7,965
Chariot Funding LLC		0.000	1.020	01/11/2017	2,495	2,482	2,482
Chariot Funding LLC		0.000	1.020	01/17/2017	2,000	1,989	1,989
Chariot Funding LLC		0.000	1.020	01/18/2017	2,000	1,989	1,989
Jupiter Securitization Co LLC		0.000	1.020	01/27/2017	2,000	1,989	1,988
Chariot Funding LLC		0.000	1.020	02/03/2017	8,100	8,051	8,050
Royal Bank of Canada		1.017	F 1.017	02/27/2017	5,000	5,000	5,002
Bedford Row Funding Corp		0.000	1.071	03/13/2017	4,000	3,970	3,968
Natixis NY Branch		0.613	F 0.613	04/05/2017	8,000	8,000	8,000
Federated Institutional Prime Obligations		0.392	**		72,050	72,050	72,050
Federated Treasury Obligations		0.240	**		200	200	200
Dreyfus Cash Management		0.242	**		120	120	120
<b>Total Short Term Issues</b>	<u>80.7%</u>					<u>1,255,364</u>	<u>1,255,480</u>
<b>Total Money Market Pool</b>	<u>100.0%</u>					<u>\$ 1,555,529</u>	<u>\$ 1,555,732</u>

**WEST VIRGINIA GOVERNMENT MONEY MARKET POOL**

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
United States Treasury		0.500 %	0.241 %	07/31/2016	5,000	\$ 5,001	\$ 5,001
United States Treasury		0.500	0.272	08/31/2016	5,000	5,002	5,002
United States Treasury		1.000	0.373	08/31/2016	8,500	8,509	8,510
United States Treasury		0.880	0.326	09/15/2016	10,000	10,011	10,011
United States Treasury		0.500	0.358	09/30/2016	4,000	4,001	4,001
United States Treasury		0.630	0.314	10/15/2016	4,000	4,004	4,003
United States Treasury		0.313	F 0.318	10/31/2016	3,000	3,000	3,000
United States Treasury		0.880	0.461	12/31/2016	3,000	3,006	3,007
United States Treasury		0.750	0.532	01/15/2017	3,000	3,004	3,005
United States Treasury		0.500	0.510	01/31/2017	2,500	2,500	2,501
United States Treasury		0.630	0.533	02/15/2017	2,500	2,501	2,503
United States Treasury		0.880	0.490	02/28/2017	2,200	2,206	2,206
United States Treasury		0.428	F 0.436	10/31/2017	4,500	4,500	4,503
United States Treasury		0.532	F 0.485	01/31/2018	1,200	1,201	1,202
United States Treasury		0.450	F 0.431	04/30/2018	2,000	2,000	2,000
<b>Total U. S. Treasury Issues</b>	<u>31.8%</u>					<u>60,446</u>	<u>60,455</u>

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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, 2016**  
*(In thousands)*

**WEST VIRGINIA GOVERNMENT MONEY MARKET POOL (Continued)**

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Short Term Issues</i>							
Goldman, Sachs & Co		0.400	0.400	07/01/2016	44,400	44,400	44,400
Federal Home Loan Mort Corp		0.000	0.539	07/05/2016	2,500	2,500	2,500
Federal Home Loan Bank		0.000	0.338	07/06/2016	6,183	6,183	6,183
Federal Home Loan Bank		0.000	0.463	07/08/2016	4,500	4,500	4,500
Federal Home Loan Bank		0.000	0.411	07/13/2016	3,500	3,499	3,500
Federal National Mortgage Assn		0.000	0.539	07/13/2016	2,500	2,500	2,500
Federal Home Loan Bank		0.000	0.345	07/15/2016	2,000	2,000	2,000
Federal Home Loan Bank		0.000	0.503	07/20/2016	3,000	2,999	2,999
United States Treasury		0.000	0.238	07/21/2016	7,000	6,999	6,999
Federal Home Loan Bank		0.000	0.325	07/22/2016	5,000	4,999	4,999
Federal National Mortgage Assn		0.000	0.314	07/27/2016	8,000	7,998	7,998
Federal Home Loan Bank		0.000	0.335	08/05/2016	3,000	2,999	2,999
Federal Farm Credit Bank		0.000	0.314	08/10/2016	2,660	2,659	2,659
Federal Home Loan Bank		0.000	0.345	08/12/2016	7,000	6,997	6,997
Federal Home Loan Bank		0.000	0.452	08/15/2016	3,000	2,998	2,999
Federal Home Loan Bank		0.000	0.411	09/09/2016	3,000	2,998	2,998
Federal Home Loan Bank		0.000	0.391	09/14/2016	5,300	5,296	5,296
Federal Home Loan Bank		0.000	0.426	09/27/2016	2,000	1,998	1,998
Federal Home Loan Bank		0.000	0.447	10/07/2016	3,000	2,996	2,996
Federal Home Loan Bank		0.000	0.447	10/12/2016	3,000	2,996	2,996
Federal Home Loan Bank		0.000	0.467	11/04/2016	3,100	3,095	3,095
Federal Home Loan Bank		0.000	0.447	11/09/2016	3,000	2,995	2,996
Federal Home Loan Bank		0.000	0.462	11/30/2016	3,000	2,994	2,994
Dreyfus Treasury & Agency Cash Management		0.220 **			34	34	34
Total Short Term Issues	<u>68.2%</u>					<u>129,632</u>	<u>129,635</u>
<b>Total Government Money Market Pool</b>	<u>100.0%</u>					<u>\$ 190,078</u>	<u>\$ 190,090</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		1.000 %	0.914 %	03/15/2019	16,000	\$ 16,037	\$ 16,136
United States Treasury		0.880	1.050	05/15/2019	5,000	4,975	5,024
United States Treasury		0.880	0.846	06/15/2019	68,000	68,058	68,337
Total U. S. Treasury Issues	11.3%					89,070	89,497

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**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2016**  
*(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	0.692	F	0.786	03/15/2021	77	76	77
Federal Home Loan Mort Corp	0.692	F	0.784	06/15/2021	73	73	73
Federal Home Loan Mort Corp	0.942	F	0.940	04/15/2027	234	234	236
Federal Home Loan Mort Corp	0.942	F	0.940	04/15/2028	271	271	272
Federal Home Loan Mort Corp	0.642	F	0.709	10/15/2028	454	452	451
Federal Home Loan Mort Corp	0.792	F	0.836	04/15/2029	346	345	345
Federal Home Loan Mort Corp	0.642	F	0.696	05/15/2030	843	840	838
Federal Home Loan Mort Corp	1.042	F	1.030	08/15/2030	143	143	146
Federal Home Loan Mort Corp	0.692	F	0.748	09/15/2030	158	158	159
Federal Home Loan Mort Corp	0.942	F	0.993	09/15/2030	66	66	67
Federal Home Loan Mort Corp	0.742	F	0.794	04/15/2031	393	392	392
Federal Home Loan Mort Corp	0.842	F	0.840	06/15/2031	161	161	161
Federal Home Loan Mort Corp	0.842	F	0.843	07/15/2031	100	100	101
Federal Home Loan Mort Corp	0.842	F	0.840	09/15/2031	575	575	580
Federal National Mortgage Assn	0.753	F	0.764	09/25/2031	498	497	501
Federal Home Loan Mort Corp	0.892	F	0.890	11/15/2031	497	497	498
Federal Home Loan Mort Corp	0.892	F	0.890	12/15/2031	227	227	227
Federal Home Loan Mort Corp	0.892	F	0.890	12/15/2031	162	162	163
Federal Home Loan Mort Corp	0.992	F	0.991	02/15/2032	231	231	234
Federal National Mortgage Assn	0.803	F	0.808	02/25/2032	1,006	1,006	1,014
Federal Home Loan Mort Corp	0.892	F	0.891	03/15/2032	189	189	190
Federal Home Loan Mort Corp	0.942	F	0.941	03/15/2032	187	187	188
Federal Home Loan Mort Corp	0.942	F	0.941	03/15/2032	535	535	538
Federal Home Loan Mort Corp	0.942	F	0.941	04/15/2032	260	260	261
Federal Home Loan Mort Corp	0.942	F	0.941	07/15/2032	576	576	578
Federal National Mortgage Assn	0.796	F	0.800	08/17/2032	593	593	592
Federal Home Loan Mort Corp	0.842	F	0.840	10/15/2032	365	365	368
Federal Home Loan Mort Corp	0.892	F	0.891	11/15/2032	162	162	162
Federal Home Loan Mort Corp	0.842	F	0.840	01/15/2033	293	294	294
Federal Home Loan Mort Corp	0.842	F	0.840	01/15/2033	1,123	1,123	1,124
Federal Home Loan Mort Corp	0.842	F	0.840	02/15/2033	673	673	674
Federal National Mortgage Assn	0.853	F	0.849	03/25/2033	54	54	54
Federal Home Loan Mort Corp	0.892	F	0.903	06/15/2034	376	376	377
Federal Home Loan Mort Corp	0.742	F	0.816	09/15/2035	286	285	287
Federal National Mortgage Assn	0.703	F	1.027	03/25/2036	697	697	695
Government National Mort Assn	0.836	F	0.894	12/20/2060	3,356	3,325	3,327
Government National Mort Assn	0.936	F	0.943	12/20/2060	2,736	2,740	2,721
Government National Mort Assn	1.036	F	1.021	02/20/2061	4,309	4,334	4,303
Government National Mort Assn	0.936	F	0.943	06/20/2062	4,062	4,068	4,039
Government National Mort Assn	0.956	F	0.958	08/20/2062	1,852	1,857	1,844
Government National Mort Assn	0.776	F	0.814	12/20/2062	2,384	2,372	2,356
Government National Mort Assn	0.836	F	0.861	03/20/2063	3,588	3,580	3,558
Government National Mort Assn	0.886	F	0.901	04/20/2063	3,265	3,264	3,240
Government National Mort Assn	1.136	F	1.111	08/20/2063	4,539	4,577	4,547
Government National Mort Assn	0.836	F	0.866	04/20/2065	4,500	4,483	4,458
Total U.S. Agency Issues	6.0%					47,475	47,310

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**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2016**  
*(In thousands)*

<b>WEST VIRGINIA SHORT TERM BOND POOL (Continued)</b>							
<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Corporate Issues</i>							
<i>Corporate Bonds</i>							
Bank of Montreal	1.148	F	1.148	07/15/2016	5,000	5,000	5,001
Royal Bank of Canada	1.117	F	1.117	09/09/2016	5,000	5,000	5,004
American Honda Finance	1.127	F	1.127	10/07/2016	1,580	1,580	1,582
John Deere Capital Corp	0.919	F	0.919	10/11/2016	2,500	2,500	2,502
Kroger Company	1.163	F	1.130	10/17/2016	2,000	2,000	2,001
Morgan Stanley	1.083	F	2.270	10/18/2016	1,500	1,495	1,501
BP Capital Markets PLC	1.052	F	1.052	11/07/2016	5,000	5,000	5,004
Citigroup Inc	1.300		1.334	11/15/2016	2,780	2,780	2,781
Huntington National Bank	1.300		1.052	11/20/2016	2,987	2,990	2,990
Bear Stearns Co Inc	1.044	F	2.024	11/21/2016	4,000	3,985	4,001
Cox Communications Inc	5.880		1.211	12/01/2016	2,000	2,039	2,034
National City Bank	1.003	F	2.380	12/15/2016	1,000	994	1,000
SABMiller Holdings Inc	2.450		1.168	01/15/2017	2,000	2,014	2,013
Manufacturers & Traders Trust	1.013	F	1.012	01/30/2017	4,000	4,000	4,002
Hyundai Capital America	1.450		1.477	02/06/2017	2,000	2,000	2,002
Pepsico Inc	0.950		0.993	02/22/2017	4,100	4,099	4,105
Actavis Funding SCS	1.850		1.874	03/01/2017	2,000	2,000	2,007
Daimler Finance NA	1.008	F	0.000	03/10/2017	-	-	-
Sempra Energy	2.300		1.296	04/01/2017	1,758	1,771	1,773
Duke Energy Corp	1.009	F	1.009	04/03/2017	1,000	1,000	999
MetLife Global Funding	1.009	F	1.009	04/10/2017	4,000	4,000	4,007
National Rural Utilities	0.950		0.982	04/24/2017	3,330	3,329	3,330
Volkswagen Group America	1.024	F	1.024	05/23/2017	2,000	2,000	1,990
Fifth Third Bancorp	1.350		1.365	06/01/2017	5,000	4,999	5,005
Nextera Energy Capital	1.590		1.406	06/01/2017	1,500	1,502	1,504
Fidelity National	1.450		1.481	06/05/2017	1,015	1,015	1,014
Kraft Foods Group Inc	2.250		1.547	06/05/2017	2,000	2,013	2,018
Exelon Corp	1.550		1.585	06/09/2017	1,000	1,000	1,002
Verizon Communications	1.057	F	1.057	06/09/2017	585	585	585
Ford Motor Credit Company	3.000		1.680	06/12/2017	1,000	1,012	1,015
Australia & NZ Banking Group	0.916	F	0.916	06/13/2017	4,000	4,000	4,003
Hess Corp	1.300		1.341	06/15/2017	1,200	1,200	1,192
American Honda Finance	0.837	F	0.798	07/14/2017	1,300	1,300	1,300
Manufacturers & Traders Trust	0.938	F	0.938	07/25/2017	4,750	4,750	4,742
Daimler Finance NA	1.380		1.493	08/01/2017	4,000	3,995	4,008
Weyerhaeuser Company	6.950		1.575	08/01/2017	2,000	2,115	2,108
PRICOA Global Funding	1.350		1.374	08/18/2017	2,000	1,999	2,007
Reynolds American Inc	2.300		1.480	08/21/2017	2,000	2,018	2,024
Nextera Energy Capital	2.060		1.886	09/01/2017	2,000	2,004	2,014
Capital One Bank USA	1.500		1.537	09/05/2017	2,350	2,349	2,349
American Express Credit	0.947	F	0.948	09/22/2017	1,035	1,035	1,033
HP Enterprise CO	2.450		2.479	10/05/2017	4,000	3,999	4,052
Bayer US Finance LLC	0.910	F	0.910	10/06/2017	4,650	4,650	4,628
ERAC USA Finance LLC	6.380		1.763	10/15/2017	1,813	1,919	1,922
Hutch Whampoa International	1.630		1.704	10/31/2017	2,000	1,998	2,009
Mississippi State	1.157	F	1.158	11/01/2017	2,000	2,000	2,001
Duke Energy Progress Inc	0.836	F	0.836	11/20/2017	1,500	1,500	1,495
Alibaba Group Holding	1.630		1.663	11/28/2017	4,000	3,998	4,008
AT&T Inc	1.400		1.793	12/01/2017	3,000	2,984	3,005
Ford Motor Credit Company	1.250	F	1.238	12/06/2017	4,000	4,000	3,979
Carnival Corp	1.880		1.806	12/15/2017	2,000	2,002	2,019
Becton Dickinson & Company	1.800		1.800	12/15/2017	1,200	1,200	1,210
Schlumberger Holdings Corp	1.900		1.917	12/21/2017	1,500	1,500	1,510

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**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2016**  
*(In thousands)*

<b>WEST VIRGINIA SHORT TERM BOND POOL (Continued)</b>							
<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>
Morgan Stanley		1.880	1.911	01/05/2018	2,000	1,999	2,011
Canadian Natural Resources Ltd		1.750	1.776	01/15/2018	735	735	729
American Tower Corporation		4.500	2.202	01/15/2018	2,000	2,069	2,087
Wells Fargo Bank NA		1.650	1.665	01/22/2018	5,000	4,999	5,043
JP Morgan Chase		1.538	F 1.538	01/25/2018	1,000	1,000	1,005
US Bank NA		1.350	1.402	01/26/2018	2,000	1,998	2,007
Capital One Bank USA		1.313	F 1.313	02/05/2018	2,000	2,000	1,998
International Business Machs		1.130	1.229	02/06/2018	2,000	1,997	2,009
MUFG Americas Holding Corp		1.630	1.648	02/09/2018	2,000	1,999	2,002
Discover Bank		2.000	2.101	02/21/2018	2,000	1,997	2,006
PNC Bank NA		1.500	1.509	02/23/2018	5,000	4,999	5,035
Huntington National Bank		1.700	1.748	02/26/2018	2,000	1,998	2,010
American Honda Finance		1.500	1.546	03/13/2018	2,000	1,998	2,020
Goldcorp Inc		2.130	1.979	03/15/2018	2,000	2,005	2,003
Hyundai Capital America		2.000	2.086	03/19/2018	2,000	1,997	2,013
Zimmer Holdings Inc		2.000	2.021	04/01/2018	2,250	2,249	2,269
RCI Banque SA		3.500	2.687	04/03/2018	2,000	2,028	2,065
Bank of Montreal		1.229	F 1.229	04/09/2018	5,000	5,000	5,009
Wal-Mart Stores		1.130	1.144	04/11/2018	5,000	4,998	5,025
Telefonica Emisiones		3.190	2.377	04/27/2018	2,000	2,029	2,054
Citigroup Inc		1.324	F 1.324	04/27/2018	4,000	4,000	3,997
Enterprise Products		1.650	1.691	05/07/2018	2,000	1,999	2,002
BP Capital Markets PLC		1.140	F 1.027	05/10/2018	5,000	5,010	4,978
Grupo Televisa SA		6.000	2.810	05/15/2018	2,629	2,781	2,835
HSBC Bank		1.266	F 1.174	05/15/2018	5,000	5,009	4,979
Wisconsin Energy Corporation		1.650	1.669	06/15/2018	2,000	1,999	2,018
Heinz HJ Company		2.000	2.069	07/02/2018	1,000	999	1,013
CVS Corp		1.900	1.924	07/20/2018	1,500	1,499	1,523
Westpac Banking Corp		1.378	F 1.377	07/30/2018	2,000	2,000	2,003
Shell International Finance		1.900	1.278	08/10/2018	4,000	4,052	4,069
McGraw-Hill Companies Inc		2.500	2.284	08/15/2018	2,000	2,009	2,048
Celgene Corporation		2.130	2.127	08/15/2018	2,860	2,860	2,903
Viacom Inc		2.500	2.090	09/01/2018	2,000	2,017	2,028
HSBC Bank		1.520	F 1.520	09/24/2018	5,000	5,000	4,989
Principal Life Global Fund		2.250	2.297	10/15/2018	2,750	2,747	2,804
Fidelity National		2.850	2.865	10/15/2018	2,000	1,999	2,053
AbbVie Inc		2.000	1.798	11/06/2018	2,000	2,009	2,020
Goldman Sachs		1.726	F 1.678	11/15/2018	8,500	8,510	8,521
Lockheed Martin Corp		1.850	1.909	11/23/2018	2,000	1,997	2,027
Coca-Cola Femsa SAB		2.380	2.403	11/26/2018	3,000	2,998	3,058
Marathon Petroleum Corp		2.700	2.728	12/14/2018	1,170	1,169	1,196
New York Life Global FDG		2.100	2.124	01/02/2019	4,000	3,998	4,088
Bank of America Corp		1.668	F 1.668	01/15/2019	4,000	4,000	4,016
Oracle Corporation		1.208	F 1.208	01/15/2019	4,450	4,450	4,471
Petroleos Mexicanos		3.130	3.125	01/23/2019	300	300	299
Morgan Stanley		1.488	F 1.488	01/24/2019	4,000	4,000	3,993
BB&T Corporation		1.297	F 1.297	02/01/2019	4,000	4,000	4,009
Mondelez International		1.157	F 1.157	02/01/2019	2,000	2,000	1,997
Cisco Systems Inc		1.600	1.601	02/28/2019	1,700	1,700	1,726
Fifth Third Bancorp		2.300	2.330	03/01/2019	625	625	637
Cisco Systems Inc		1.173	F 1.173	03/01/2019	2,350	2,350	2,358
Nissan Motor Acceptance		2.350	2.360	03/04/2019	2,000	1,999	2,044
Stryker Corporation		2.000	2.040	03/08/2019	1,910	1,908	1,942
Citizens Bank NA/RI		2.500	2.504	03/14/2019	1,320	1,320	1,339

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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, 2016**  
*(In thousands)*

<b>WEST VIRGINIA SHORT TERM BOND POOL (Continued)</b>							
<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>
Newell Rubbermaid Inc		2.600	2.608	03/29/2019	1,925	1,925	1,975
Huntington National Bank		2.200	2.233	04/01/2019	1,480	1,479	1,494
Bank of America Corp		1.495	F 1.495	04/01/2019	3,950	3,950	3,941
MassMutual Global Funding		2.350	2.373	04/09/2019	4,000	3,998	4,105
NBC Universal Enterprise		1.970	1.674	04/15/2019	2,000	2,016	2,045
Capital One Financial Corp		2.450	2.466	04/24/2019	3,000	2,999	3,046
Ford Motor Credit Company		2.020	2.021	05/03/2019	1,000	1,000	1,009
Union Bank NA		2.250	2.298	05/06/2019	615	614	625
Apple Computer Inc		0.934	F 0.934	05/06/2019	5,000	5,000	4,993
Comerica Inc		2.130	2.125	05/23/2019	850	850	861
Ryder System Inc		2.550	2.575	06/01/2019	2,100	2,098	2,140
Diamond 1 Fin/Diamond 2		3.480	3.483	06/01/2019	1,950	1,950	1,998
Aetna Inc		1.900	1.926	06/07/2019	2,340	2,338	2,370
Penske Truck Leasing		2.500	2.503	06/15/2019	2,000	1,999	2,022
Emera US Finance LP		2.150	2.159	06/15/2019	830	830	840
Norfolk Southern Corp		5.900	2.147	06/15/2019	2,000	2,214	2,248
Verizon Communications		1.426	F 1.426	06/17/2019	2,000	2,000	2,010
Daimler Finance NA		1.500	1.551	07/05/2019	3,640	3,634	3,635
Molson Coors Brewing Co		1.450	1.213	07/15/2019	770	770	772
American International Grp Inc		2.300	2.343	07/16/2019	4,000	3,995	4,070
Citigroup Inc		2.500	2.513	07/29/2019	5,000	4,998	5,093
CBS Corp		2.300	2.365	08/15/2019	3,000	2,994	3,046
Tyson Foods Inc		2.650	2.664	08/15/2019	1,000	1,000	1,027
Bank of New York Mellon		1.136	F 1.136	09/11/2019	2,100	2,100	2,094
Brit Sky Broadcasting		2.630	2.657	09/16/2019	885	884	900
ERAC USA Finance LLC		2.350	2.380	10/15/2019	2,000	1,998	2,038
US Bank NA		1.114	F 1.114	10/28/2019	4,000	4,000	3,994
Associated Banc-Corp		2.750	2.779	11/15/2019	1,405	1,404	1,422
General Motors Financial Co		2.188	F 2.188	01/15/2020	500	500	495
National Rural Utilities		2.000	2.044	01/27/2020	1,975	1,972	2,016
Union Pacific Corp		1.800	1.845	02/01/2020	1,700	1,697	1,727
Caterpillar Financial Services		2.000	1.716	03/05/2020	4,000	4,040	4,103
AFLAC Inc		2.400	2.406	03/16/2020	2,000	2,000	2,061
Marathon Oil Corp		2.700	2.747	06/01/2020	1,200	1,198	1,130
AT&T Inc		1.561	F 1.567	06/30/2020	2,100	2,100	2,092
General Motors Financial Co		3.200	3.206	07/13/2020	2,000	1,999	2,026
CCO Safari II LLC		3.580	3.583	07/23/2020	2,230	2,230	2,339
JP Morgan Chase		1.843	F 1.843	10/29/2020	3,000	3,000	3,031
Stifel Financial Corp		3.500	3.585	12/01/2020	1,950	1,943	1,977
BAE Systems Holdings Inc		2.850	2.926	12/15/2020	1,790	1,784	1,829
Anheuser Busch Inbev Fin		2.650	2.717	02/01/2021	5,000	4,986	5,185
Regions Financial Corp		3.200	3.223	02/08/2021	1,950	1,948	2,007
Crown Castle INTL Corp		3.400	3.405	02/15/2021	2,000	1,999	2,088
Exelon Corp		2.450	2.455	04/15/2021	1,000	1,000	1,014
Citizens Bank NA/RI		2.550	2.534	05/13/2021	1,800	1,801	1,817
Chevron Corp		1.576	F 1.576	05/16/2021	4,000	4,000	4,022
CVS Corp		2.130	2.184	06/01/2021	1,000	997	1,012
Total U. S. Corporate Bonds	48.9%					383,855	386,557

(Continued on Next Page)

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, 2016**  
*(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>Corporate Asset Backed Issues</i>							
Great American Leasing		1.120	1.126	06/20/2017	1,336	1,336	1,336
BMW Vehicle Lease Trust		0.990	0.993	08/21/2017	1,300	1,300	1,300
Hyundai Auto Lease Trust		1.010	1.017	09/15/2017	2,000	2,000	2,000
MMAF Equipment Finance		0.960	0.968	09/18/2017	1,189	1,189	1,189
Kubota Credit Owner Trust		0.940	0.941	12/15/2017	1,386	1,386	1,386
Ally Auto Receivables Trust		0.920	0.922	02/15/2018	1,545	1,545	1,546
Chrysler Capital Auto Rec		0.910	0.916	04/16/2018	9	9	9
Drive Auto Receivables Trust		1.300	1.310	06/15/2018	911	911	911
Ohio Phase-In-Recovery Funding		0.960	0.957	07/01/2018	749	749	749
Volkswagen Auto Lease Trust		0.990	1.004	07/20/2018	1,250	1,250	1,250
Ford Credit Auto Lease Trust		1.310	1.319	08/15/2018	2,075	2,075	2,081
M&T Bank Auto Trust		1.570	1.578	08/15/2018	3,000	3,000	3,008
Smart Trust		0.967	F 0.968	09/14/2018	3,000	3,000	2,992
Hyundai Auto Lease Trust		1.260	1.270	09/17/2018	3,000	3,000	3,005
California Republic Auto Rec		1.600	1.612	09/17/2018	705	705	706
GM Financial Leasing Trust		1.530	1.542	09/20/2018	2,575	2,575	2,589
Honda Auto Receivables		1.050	1.056	10/15/2018	4,200	4,200	4,207
Drive Auto Receivables Trust		1.380	1.385	10/15/2018	1,515	1,515	1,515
World Omni Auto Lease		1.540	1.556	10/15/2018	3,000	3,000	3,018
Santander Drive Auto Rec Trust		1.550	1.317	10/15/2018	690	692	690
Volkswagen Auto Loan Enh Trst		0.910	1.369	10/22/2018	2,789	2,773	2,784
ARI Fleet Lease Trust		1.110	1.119	11/15/2018	740	740	740
Drive Auto Receivables Trust		1.590	1.601	12/17/2018	1,000	1,000	1,001
Americredit Automobile Rec		0.957	F 0.959	01/08/2019	2,189	2,189	2,189
Ford Credit Floorplan		1.920	1.372	01/15/2019	3,637	3,663	3,652
Ally Master Owner Trust		0.912	F 0.914	01/15/2019	2,500	2,500	2,500
Americredit Automobile Rec		0.900	0.907	02/08/2019	867	867	867
Americredit Automobile Rec		0.940	0.943	02/08/2019	1,586	1,586	1,586
Smart Trust		0.997	F 0.999	02/14/2019	2,600	2,600	2,593
Santander Drive Auto Rec Trust		1.270	1.280	02/15/2019	2,500	2,500	2,501
BMW Vehicle Lease Trust		1.550	1.559	02/20/2019	1,740	1,740	1,745
Penarth Master Trust		0.848	F 0.850	03/18/2019	4,100	4,100	4,088
Enterprise Fleet Financing LLC		1.060	1.067	03/20/2019	93	93	93
Capital Auto Receivables Asset		1.620	1.627	03/20/2019	1,150	1,150	1,153
Gracechurch Card PLC		1.292	F 0.702	05/15/2019	5,000	5,044	5,003
Nextgear Floorplan		1.800	1.812	07/15/2019	4,000	4,000	3,982
Hyundai Auto Lease Trust		1.650	1.661	08/15/2019	5,000	4,999	5,027
CNH Wholesale Master Trust		1.042	F 1.044	08/15/2019	4,000	4,000	4,000
Enterprise Fleet Financing LLC		0.870	0.873	09/20/2019	459	459	458
Master Credit Card Trust		1.198	F 1.100	09/23/2019	4,000	4,000	4,001
Santander Drive Auto Rec Trust		1.890	1.583	10/15/2019	495	497	495
Navistar Financial Dealer Note		1.203	F 1.206	10/25/2019	3,700	3,700	3,688
Americredit Automobile Rec		1.260	1.265	11/08/2019	1,200	1,200	1,200
CNH Equipment Trust		1.050	1.054	11/15/2019	1,444	1,444	1,444
Hyundai Auto Lease Sec		1.800	1.811	12/16/2019	2,000	2,000	2,014
Americredit Automobile Rec		1.270	1.281	01/08/2020	4,000	3,999	4,004
Golden Credit Card Trust		0.882	F 0.858	02/15/2020	4,000	4,002	3,991
Chase Issuance Trust		0.762	F 0.763	02/18/2020	4,000	4,000	4,001
PFS Financing Corp		1.642	F 1.646	02/18/2020	2,900	2,900	2,902
Nissan Auto Lease Trust		1.290	1.296	03/16/2020	2,000	2,000	2,004
Enterprise Fleet Financing LLC		1.050	1.058	03/20/2020	2,300	2,299	2,296
GM Financial Auto Leasing		1.760	1.780	03/20/2020	1,850	1,850	1,855

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See accompanying notes to financial statements.

**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2016**  
*(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>
Evergreen Credit Card Trust	1.162	F	1.165	04/15/2020	3,750	3,750	3,751
PFS Financing Corp	1.062	F	1.064	04/15/2020	2,500	2,500	2,476
GMF Floorplan	0.942	F	0.944	05/15/2020	3,000	3,000	2,980
Americredit Automobile Rec	1.700		1.714	07/08/2020	1,170	1,170	1,178
California Republic Auto Rec	1.560		1.571	07/15/2020	2,000	2,000	2,003
Cards II Trust	0.962	F	0.964	07/15/2020	5,000	5,000	5,000
GE Equipment Small Ticket	1.390		1.396	07/24/2020	689	689	689
Great American Leasing	1.470		1.481	08/15/2020	4,000	3,999	3,995
Barclays Dryrock Trust	1.480		1.501	09/15/2020	3,500	3,500	3,518
Volvo Financial Equipment	1.890		1.900	09/15/2020	1,500	1,500	1,515
First National Master Trust	1.212	F	1.215	09/15/2020	3,500	3,500	3,508
Porsche Innovative Lease	1.260		1.265	09/21/2020	1,700	1,700	1,701
Dell Equipment Finance Trust	1.720		1.728	09/22/2020	2,000	2,000	2,002
AmeriCredit Automobile Rec	1.810		1.822	10/08/2020	1,340	1,340	1,351
Volvo Financial Equipment LLC	1.300		1.304	11/16/2020	2,000	2,000	2,002
Hyundai Floorplan Master Owner	1.810		1.835	03/15/2021	2,450	2,449	2,452
Golden Credit Card Trust	0.892	F	0.894	03/15/2021	2,950	2,950	2,933
Nissan Auto Lease Trust	1.700		1.712	04/15/2021	3,500	3,499	3,524
Nextgear Floorplan	2.142	F	2.152	04/15/2021	2,000	2,000	1,998
Mercedes Benz Auto Lease Trust	1.530		1.538	05/17/2021	1,830	1,830	1,841
GMF Floorplan	1.960		1.875	05/17/2021	3,000	2,999	3,012
Trillium Credit Card Trust II	1.185	F	1.176	05/26/2021	3,800	3,800	3,800
ARI Fleet Lease Trust	0.920		0.925	07/15/2021	954	954	954
Discover Card Master Trust	1.640		1.655	07/15/2021	2,500	2,499	2,533
Macquarie Equipment Funding	1.230		1.234	07/20/2021	3,463	3,462	3,465
Motor PLC	0.933	F	0.946	08/25/2021	304	304	304
Enterprise Fleet Financing LLC	1.830		1.841	09/20/2021	3,500	3,500	3,499
Mercedes-Benz Auto Lease Trust	1.690		1.697	11/15/2021	2,000	2,000	2,006
American Express Master Trust	0.812	F	0.813	12/15/2021	5,000	5,000	5,000
Chrysler Capital Auto Rec	1.960		1.970	01/18/2022	3,000	3,000	3,022
GE Dealer Floorplan	1.098	F	1.101	01/20/2022	5,000	5,000	4,955
SLM Student Loan Trust	1.292	F	1.296	02/15/2022	553	553	553
Navent Student Loan Trust	0.922	F	0.918	05/16/2022	80	80	80
Capital One Multi Asset Trust	0.802	F	0.803	06/15/2022	2,600	2,600	2,586
Motor PLC	1.053	F	1.056	06/25/2022	3,552	3,552	3,550
SLM Student Loan Trust	1.042	F	1.044	07/15/2022	189	189	188
ARI Fleet Lease Trust	0.810		0.846	11/15/2022	205	204	204
SMB Private Education Loan	1.142	F	1.184	02/15/2023	3,166	3,162	3,164
SLMA Student Loan Trust	1.192	F	1.195	10/16/2023	230	230	229
Chesapeake Funding LLC	1.715	F	1.537	04/07/2024	269	271	269
ARI Fleet Lease Trust	2.110		2.124	07/15/2024	3,000	2,999	3,013
Chesapeake Funding LLC	0.885	F	0.886	03/07/2026	3,048	3,048	3,043
Chesapeake Funding LLC	0.965	F	0.967	02/07/2027	2,687	2,687	2,680
Hertz Fleet Lease Funding LP	0.845	F	0.847	04/10/2028	1,806	1,805	1,801
Chesapeake Funding II LLC	1.880		1.888	06/15/2028	2,250	2,250	2,256
SLMA Student Loan Trust	1.542	F	1.547	06/17/2030	4,000	4,000	3,994
Social Professional Loan Progr	1.680		1.687	03/25/2031	1,775	1,775	1,778
Equity One ABS Inc	4.150		4.253	04/25/2034	208	206	209
Sequoia Mortgage Trust	2.500		2.540	05/25/2043	3,688	3,670	3,620
Wells Fargo RBS	1.396	F	1.396	03/15/2044	3,836	3,836	3,837
Commercial Mortgage Trust	1.340		1.345	07/10/2045	108	108	108
JPMBB Commercial Mortgage	1.096	F	1.095	11/15/2045	3,058	3,058	3,065

(Continued on Next Page)

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See accompanying notes to financial statements.

**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2016**  
*(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>
Commercial Mortgage Trust		1.020	1.025	06/10/2046	2,331	2,331	2,330
GS Mortgage Securities Trust		1.510	1.511	09/10/2047	1,249	1,249	1,256
Commercial Mortgage Trust		1.380	1.385	10/10/2047	1,793	1,793	1,799
Lanark Master Issuer PLC		1.154	F 1.156	12/22/2054	6,530	6,530	6,525
Gosforth Funding PLC		1.326	F 1.328	02/15/2058	2,707	2,707	2,699
Silverstone Master		1.185	F 1.187	01/21/2070	4,200	4,200	4,162
Total Corporate Asset Backed Issues	32.5%					257,318	257,309
Total Corporate Issues	81.4%					641,173	643,866
<i>Short Term Issues</i>							
Dreyfus Cash Management		0.242	**		10,077	10,077	10,077
Total Short Term Issues	1.3%					10,077	10,077
<b>Total Short Term Bond Pool</b>	<b>100.00%</b>					<b>\$ 787,795</b>	<b>\$ 790,750</b>

**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>							
Grant County Bank		0.470 %	0.470 %	07/14/2016	2,000	\$ 2,000	\$ 2,000
Jefferson Security Bank		0.470	0.470	07/14/2016	5,000	5,000	5,000
Bank of Romney		0.470	0.470	07/14/2016	4,000	4,000	4,000
WesBanco Bank		0.470	0.470	07/14/2016	9,000	9,000	9,000
Citizens Bank of WV-Elkins		0.470	0.471	07/14/2016	5,000	5,000	5,000
Jefferson Security Bank		0.410	0.410	08/11/2016	5,000	5,000	5,000
Bank of Romney		0.410	0.410	08/11/2016	3,000	3,000	3,000
WesBanco Bank		0.450	0.450	08/11/2016	10,000	10,000	10,000
Bank of Romney		0.520	0.520	09/15/2016	2,000	2,000	2,000
WesBanco Bank		0.520	0.520	09/15/2016	10,000	10,000	10,000
Freedom Bank		0.540	0.540	09/15/2016	2,000	2,000	2,000
Freedom Bank		0.550	0.550	09/15/2016	1,000	1,000	1,000
Grant County Bank		0.480	0.480	10/13/2016	3,000	3,000	3,000
Jefferson Security Bank		0.480	0.480	10/13/2016	5,000	5,000	5,000
Pioneer Community Bank		0.480	0.480	10/13/2016	2,000	2,000	2,000
Bank of Romney		0.480	0.480	10/13/2016	3,000	3,000	3,000
WesBanco Bank		0.480	0.480	10/13/2016	10,000	10,000	10,000
Citizens Bank of WV-Elkins		0.510	0.510	11/10/2016	2,000	2,000	2,000
Bank of Romney		0.510	0.510	11/10/2016	3,000	3,000	3,000
WesBanco Bank		0.510	0.510	11/10/2016	5,000	5,000	5,000
Jefferson Security Bank		0.520	0.515	11/10/2016	5,000	5,000	5,000
United Bank Inc - Parkersburg		0.540	0.540	11/10/2016	10,000	10,000	10,000
Citizens Bank of WV-Elkins		0.530	0.530	12/15/2016	5,000	5,000	5,000
Bank of Romney		0.530	0.530	12/15/2016	3,000	3,000	3,000
Summit Community Bank		0.530	0.530	12/15/2016	5,000	5,000	5,000
WesBanco Bank		0.540	0.540	12/15/2016	10,000	10,000	10,000
Dreyfus Treasury & Agency Cash Management		0.220	**		145	145	145
Total Short Term Issues	100.0%					129,145	129,145
<b>Total West Virginia Bank Pool</b>	<b>100.0%</b>					<b>\$ 129,145</b>	<b>\$ 129,145</b>

F – Floating rate note security.

\* Fair value is determined by a third party pricing service and reported in accordance with GASB 72. Fair value is not determined for loans. Their reported fair value equals amortized cost.

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

See accompanying notes to financial statements.

**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2016**  
*(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		0.200 %			122,743	\$ 122,743	\$ 122,743
WVEDA Non-Recourse Loan		3.000		06/30/2022	24,500	24,500	24,500
Total Intergovernmental Loans						147,243	147,243
Reserve for uncollectable loans					22,824	22,824	22,824
Loans and Mortgages, net of reserve for uncollectable loans	100.0%					124,419	124,419
<i>Short Term Issues</i>							
Dreyfus Treasury & Agency Cash Management		0.220 **			8	8	8
Total Short Term Issues	0.0%					8	8
<b>Total State Loan Pool</b>	<b>100.0%</b>					<b>\$ 124,427</b>	<b>\$ 124,427</b>

**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		0.300 %	0.300 %		18,762	\$ 18,762	\$ 18,762
Total Short Term Issues	100.0%					18,762	18,762
<b>Total Reserve Pool</b>	<b>100.0%</b>					<b>\$ 18,762</b>	<b>\$ 18,762</b>

F – Floating rate note security.

\* Fair value is determined by a third party pricing service and reported in accordance with GASB 72. Fair value is not determined for loans. Their reported fair value equals amortized cost.

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

See accompanying notes to financial statements.

**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2016**  
*(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>							
United States Treasury		0.380 %	0.393 %	10/31/2016	248	\$ 248	\$ 248
United States Treasury		0.880	0.508	11/30/2016	5,939	5,948	5,951
United States Treasury		0.500	0.624	04/30/2017	934	933	934
United States Treasury		8.750	0.001	05/15/2017	1,055	1,136	1,130
United States Treasury		1.880	0.726	10/31/2017	236	240	240
United States Treasury		0.630	0.752	04/30/2018	11,693	11,666	11,701
United States Treasury		9.130	0.001	05/15/2018	1,138	1,332	1,320
State & Local Government		0.260	0.260	09/01/2016	86	86	86
State & Local Government		0.520	0.520	03/01/2017	3,639	3,639	3,639
Total U. S. Treasury Issues	100.0%					25,228	25,249
<b>Total Municipal Bond Commission Pool</b>	<b>100.0%</b>					<b>\$ 25,228</b>	<b>\$ 25,249</b>

**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 Treasury & Agency Cash Management		0.220 **			1,584	\$ 1,584	\$ 1,584
Total Short Term Issues	100.0%					1,584	1,584
<b>Total School Fund</b>	<b>100.0%</b>					<b>\$ 1,584</b>	<b>\$ 1,584</b>

**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	\$ 1,558	\$ 1,937
Total U. S. Treasury Issues	100.0%					1,558	1,937
<b>Total EDA-AW</b>	<b>100.0%</b>					<b>\$ 1,558</b>	<b>\$ 1,937</b>

F – Floating rate note security.

\* Fair value is determined by a third party pricing service and reported in accordance with GASB 72. Fair value is not determined for loans. Their reported fair value equals amortized cost.

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

See accompanying notes to financial statements.



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## **Investment Section**

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## Consolidated Fund Overview at June 30, 2016

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

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

**Total Investments at June 30, 2016:** \$ 2,837,461,000.

**Description of the Consolidated Fund:** The Consolidated Fund under the management of the BTI consisted of nine investment pools and single participant accounts during the year. The 2005 West Virginia Legislature established the BTI, effective July 8, 2005, as a public corporation of the State of West Virginia to make short-term operating funds of the state more accessible to state government. The BTI employs a top-down approach to developing its investment strategy for the management of its funds. Starting with the objectives of the fund, the BTI considers constraints outlined in its investment policy, which includes among other parameters: safety, liquidity, and maximization of rate of return. The Investment Policy is summarized on Pages 89 – 94 of this Investment Section.

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

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

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

Expense ratios for the pools and accounts are detailed in Table 2: Financial Highlights on Page 102 in the Statistical Section.

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

**Economic Environment:** Economic data indicated that the economy improved over the course of fiscal year 2016, although it also indicated that the rate of improvement was slowing. Central banks around the world maintained highly accommodative monetary policies, keeping the markets flooded with liquidity. The effects of the SEC’s reforms to Rule 2a-7 began to be felt, as the flow of funds from prime money funds was mirrored by nearly equivalent flows into government-only funds. The Federal Reserve hiked their fed funds target rate 25 basis points in December 2015 and looked to increase their target at least two more times over the remaining part of the fiscal year. However, weakness in economic data in the first

quarter of 2016, a weak employment report and the scheduled Brexit vote in the second quarter of 2016 put the fed on hold until after fiscal year end.

With the exception of bonds, most investment returns disappointed in fiscal year 2016. The broad US equity market, as measured by the Russell 3000 Index, was lower in fiscal year 2016, returning 2.47%. Developed international equity markets, measured by the MSCI EAFE Index (net), were significantly weaker, posting a negative return of 10.4%. Smaller or emerging markets, represented by the MSCI Emerging Markets Index (net) posted negative returns, falling 11.8%. Commodity markets, as measured by the S&P GSCI Total Return Index, were slightly improved, losing only 24.7% in fiscal year 2016. The domestic bond market, as measured by the Barclays Aggregate Bond Index, was up from 2015, returning 6.00% for fiscal year 2016 versus 1.86% for fiscal year 2015.

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

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

The Schedule of Investments in Securities is presented in the Financial Section on Pages 46-59, and Participant Net Asset Values are presented in the Statistical Section on Page 112.

## **West Virginia Money Market Pool**

### **□ Investment Objectives and Policy Guidelines**

#### Objectives

The West Virginia Money Market Pool was created to invest participants' operating funds. The objective of the pool is to maintain sufficient liquidity to meet the daily disbursements of participants while striving to earn a return above inflation. The pool is structured as a money market fund with the goal of preservation of principal. The pool risk factor is low, and the pool is managed under numerous maturity restrictions, diversification guidelines, and credit limits.

Participants include state agencies and local governments throughout the state.

#### Benchmarks

The performance of the West Virginia Money Market Pool (net of external investment manager fees) will be measured against a blended benchmark of 15% iMoneyNet Treasury & Repo Institutional Average + 85% iMoneyNet First Tier Institutional Average.

#### Investment Managers

The West Virginia Money Market Pool is managed by Federated Investors and UBS Global Asset Management.

#### Maturity Restrictions, Diversification Guidelines and Credit Limits

All restrictions are based upon total dollar percentages of pool holdings using an amortized cost basis. Securities that fall out of compliance may be held to maturity based upon recommendation of the investment manager and investment consultant. The Board may require the investment manager to sell non-compliant securities. Where noted, the date of purchase shall mean the settlement date.

- Weighted average maturity of the West Virginia Money Market Pool shall not exceed 60 days.
- Weighted average final maturity of the pool shall not exceed 90 days.
- Maximum maturity of individual securities cannot exceed 397 days from the date of purchase except for certain variable rate and floating rate U.S. Government securities.
- Variable rate and floating rate securities shall be based on a money market index and shall not have a final maturity longer than 762 days if they are U.S. Government securities, or 397 days if they are not U.S. Government securities.
- Minimum 15% of the pool must be in U.S. Treasury obligations or obligations guaranteed as to payment of interest and principal by the United States of America (inclusive of U.S. Treasury collateralized repurchase agreements and money market funds that invest substantially all of their assets in securities issued by the U.S. Treasury and in related repurchase agreements).
- Repurchase agreements must comply with the requirements of the Repurchase Agreement Policy.
- Money market funds utilized by the pool must be approved in advance by the Board.
- Maximum 5% of the pool may be invested in any one corporate name.
- Maximum 5% of the pool may be invested in any one supranational name.

- Maximum exposure in money market funds is limited to 10% of any individual rated fund at the pool level. The aggregate exposure at the pool level may not exceed 30%.
- Maximum 75% of the pool may be invested in notes with floating rates.
- All corporate securities must be rated A+ or higher (or its equivalent) if long term and A-1 or higher (or its equivalent) if short term.
- All supranational securities must be rated AA or higher (or its equivalent) if long term and A-1 or higher (or its equivalent) if short term.
- Maximum of 20% of the pool may be invested in asset-backed and mortgage-backed securities. Asset-backed commercial paper is not considered an asset-backed security under this limitation.
- Asset-backed and mortgage-backed securities must be rated AAA (or its equivalent).
- Asset-backed commercial paper programs that are eligible for purchase should be fully or partially supported programs that provide adequate diversification by asset type (trade receivables, credit card receivables, auto loans, etc.)
- The pool may not hold inverse floaters.
- The pool may not be leveraged in any manner.
- The pool may not hold unregistered securities or private placements with the exception of securities issued pursuant to the SEC Rule 144A and commercial paper issued pursuant to Rule 4(2) of the Securities Act of 1933.
- The pool shall not acquire any illiquid security if, after acquisition, more than 5% of the pool would be invested in illiquid securities.
- The pool shall not acquire any other security other than daily liquid assets if the fund would have less than 10% of its total assets in daily liquid assets.
- The pool shall not acquire any other security other than weekly liquid assets if the fund would have less than 30% of its total assets in weekly liquid assets.
- If the pool is rated by a nationally recognized statistical rating organization (“NRSRO”), each investment manager is required to comply with any additional maturity, concentration, credit or other restrictions or requirements of the NRSRO for maintenance of the rating.

#### **□ BTI Role**

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

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

#### **□ Income Allocation**

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

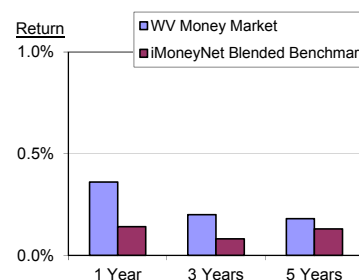
❑ **Asset Allocation – Permissible vs. Actual**

Security Type	Permissible Allocation Maximum Percent of Pool	Actual Allocation June 30, 2016	
		Carrying Value (Thousands)	Percent of Pool
U.S. Treasury obligations	100.0%	\$ 251,380	16.1%
U.S. government agency obligations & FDIC guaranteed obligations	85.0%	9,499	0.6%
Repurchase agreements	85.0%	42,100	2.7%
Commercial paper, asset backed commercial paper, corporate debt and supranational debt (Combined)	75.0%	972,173	62.5%
Certificates of deposit	75.0%	208,007	13.4%
Money market funds	30.0%	72,370	4.7%
Asset-backed & mortgage-backed securities	20.0%	-	-
Municipal securities	15.0%	-	-
Depository accounts	5.0%	-	-
		<u>\$ 1,555,529</u>	<u>100.0%</u>

❑ **Actual Returns**

Actual Annualized Returns for Periods Ended June 30, 2016

	1 Year	3 Years	5 Years
Returns by Investment Manager:			
Federated Investors *	-	-	-
UBS Global	0.34%	0.22%	0.20%
Total pool returns	0.36%	0.20%	0.18%
Benchmark:			
Custom Index **	0.14%	0.08%	0.13%



\* The pool was co-managed by JP Morgan Asset Management until August 1, 2015, when Federated Investors replaced them. Investment manager returns for Federated do not cover more than 11 months of the current fiscal year.

\*\* Benchmark is 15% iMoneyNet Treasury & Repo Institutional Average + 85% iMoneyNet First Tier Institutional Average. Prior to July 1, 2015, BofA Merrill Lynch 3-Month T-bill plus floating hurdle with maximum of 15 bps; prior to January 2013, Merrill Lynch 3-Month T-bill + 15 bps

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



□ **Investments**

For a detailed list of investments in the West Virginia Money Market Pool, see the Schedule of Investments in Securities in the Supplementary Information on Pages 46-49.

## **West Virginia Government Money Market Pool**

### **□ Investment Objectives and Policy Guidelines**

#### Objectives

The West Virginia Government Money Market Pool was created to invest restricted moneys of participants in U.S. Treasury and U.S. government agency obligations. The investment objective of the pool is to preserve capital and maintain sufficient liquidity to meet the daily disbursement needs of participants, while striving to earn a return above inflation. The pool is structured as a money market fund with an emphasis on maintaining a stable dollar value. The risk factor on this pool is low and managed through maturity restrictions. The default risk is minimal due to the types of securities held.

Participants include state agencies and local governments throughout the state.

#### Benchmarks

The performance of the West Virginia Government Money Market Pool (net of external investment manager fees) will be measured against a blended benchmark of 15% iMoneyNet Treasury & Repo Institutional Average + 85% iMoneyNet Government & Agencies Institutional Average.

#### Investment Manager

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

#### Maturity Restrictions, Diversification Guidelines and Credit Limits

All restrictions are based upon total dollar percentages of the pool holdings using an amortized cost basis. Securities that fall out of compliance may be held to maturity based upon recommendation of the investment manager and investment consultant. The Board may require the investment manager to sell non-compliant securities. Where noted, the date of purchase shall mean the settlement date.

- Weighted average maturity of the pool shall not exceed 60 days.
- Weighted average final maturity of the pool shall not exceed 90 days.
- Maximum maturity of individual securities held cannot exceed 397 days from the date of purchase except for certain variable rate and floating rate U.S. government securities.
- Variable rate and floating rate U.S. government securities shall be based on a money market index and shall not have a final maturity longer than 762 days.
- Minimum 15% of the pool must be in U.S. Treasury obligations or obligations guaranteed as to payment of interest and principal by the United States of America (inclusive of U.S. Treasury collateralized repurchase agreements and money market funds that invest substantially all of their assets in securities issued by the U.S. Treasury and in related repurchase agreements).
- Repurchase agreements must comply with the requirements of the Repurchase Agreement Policy.
- Money market funds utilized by the pool must be approved in advance by the Board.
- Maximum exposure in government money market funds is limited to 10% of any individual rated fund at the pool level. The aggregate exposure may not exceed 30%.
- The pool may not hold private placements, or inverse floaters, or be leveraged in any manner.

- The pool shall not acquire any illiquid security if, after acquisition, more than 5% of the pool would be invested in illiquid securities.
- The pool shall not acquire any other security other than daily liquid assets if the fund would have less than 10% of its total assets in daily liquid assets.
- The pool shall not acquire any other security other than weekly liquid assets if the fund would have less than 30% of its total assets in weekly liquid assets.
- If the pool is rated by a Nationally Recognized Statistical Rating Organization (“NRSRO”), the investment manager is required to comply with any additional maturity, concentration, credit or other restrictions or requirements of the NRSRO for maintenance of the rating.

❑ **BTI Role**

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

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

❑ **Income Allocation**

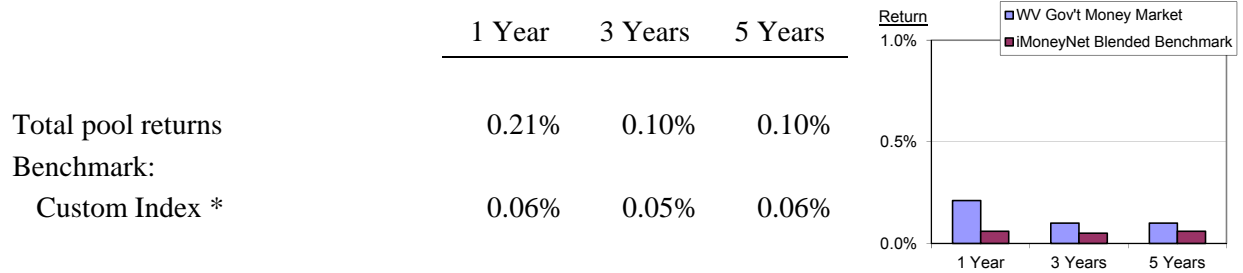
Net investment income and realized gains and losses are declared as dividends and distributed daily to the participants. If the pool incurs an extraordinary loss and distributing the loss would decrease the share value below one dollar (\$1), the Investment Committee will be notified immediately for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

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

Security Type	Permissible Allocation Maximum Percent of Pool	Actual Allocation June 30, 2016	
		Carrying Value (Thousands)	Percent of Pool
U.S. Treasury obligations	100.0%	\$ 67,444	35.5%
U.S. government agency obligations & FDIC guaranteed obligations	85.0%	78,200	41.1%
Repurchase agreements	85.0%	44,400	23.4%
Government money market funds	30.0%	34	0.0%
Depository accounts	5.0%	-	-
		<u>\$ 190,078</u>	<u>100.0%</u>

**Actual Returns**

Actual Annualized Returns for Periods Ended June 30, 2016



\* Benchmark is 15% iMoneyNet Treasury & Repo Institutional Average + 85% iMoneyNet Government & Agencies Institutional Average. Prior to July 1, 2015, BofA Merrill Lynch 3-Month T-bill

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

**Investments**

For a detailed list of investments in the West Virginia Government Money Market Pool, see the Schedule of Investments in Securities in the Supplementary Information on Pages 49-50.

## **West Virginia Short Term Bond Pool**

### **❑ Investment Objectives and Policy Guidelines**

#### Objectives

The West Virginia Short Term Bond Pool was created to invest restricted moneys of the State which have a longer term investment horizon. The goal of the pool is to earn an incremental return over the West Virginia Money Market Pool with an objective of asset growth rather than current income. The pool is structured as a mutual fund and is limited to monthly withdrawals and deposits by participants. The risk factor on this pool is higher than the West Virginia Money Market Pool.

Participants include state agencies and local governments throughout the state.

#### Benchmark

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

#### Investment Manager

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

#### Maturity Restrictions, Diversification Guidelines and Credit Limits

All restrictions are based upon percentage of the pool holdings on a market value basis at the time of the securities purchase. Securities that fall out of compliance may be held to maturity based upon recommendation of the investment manager and investment consultant. The Board may require the investment manager to sell non-compliant securities. Where noted, the date of purchase shall mean the settlement date.

- Effective duration of the West Virginia Short Term Bond Pool shall not exceed 731 days.
- Effective duration of securities cannot exceed five years (1,827 days).
- Effective duration of commercial paper or asset backed commercial paper will not exceed 397 days.
- Minimum 15% of the pool must be in U.S. Treasury obligations or obligations guaranteed as to payment of interest and principal by the United States of America (inclusive of U.S. Treasury collateralized repurchase agreements and money market funds that invest substantially all of their assets in securities issued by the U.S. Treasury and in related repurchase agreements.)
- Maximum 5% of the pool may be invested in any one corporate name or one corporate issue.
- Maximum 5% of the pool may be invested in any one supranational name.
- All long-term corporate securities must be rated BBB- or higher (or its equivalent), provided that no more than 15% may be invested in securities rated BBB- to BBB+ (or its equivalent).
- All long-term supranational securities must be rated AA or higher (or its equivalent).
- All short-term corporate securities, short-term supranational securities, commercial paper or asset backed commercial paper must be rated A-1 or higher (or its equivalent).
- Asset backed and mortgage backed securities must be rated AAA (or its equivalent).
- Maximum 75% of the pool may be invested in floating rate notes.

- Floating rate notes shall be based on a money market index and shall not have an effective duration longer than five years.
- Maximum of 50% of the pool may be invested in asset backed and mortgage backed securities. Asset backed commercial paper is not considered an asset backed security under this limitation.
- Asset backed commercial paper programs that are eligible for purchase should be fully or partially supported programs that provide adequate diversification by asset type (trade receivables, credit card receivables, auto loans, etc.)
- The pool may not hold unregistered securities or private placements with the exception of securities issued pursuant to the SEC Rule 144A, public or municipal securities exempt from registration under Section 3(a)(4) of the Securities Act of 1933, and commercial paper issued pursuant to Rule 4(2) of the Securities Act of 1933.
- The pool may not invest in inverse floaters or be leveraged in any manner.
- Money market and fixed income funds utilized by the pool must be approved in advance by the Board.
- Repurchase agreements must comply with the requirements of the Repurchase Agreement Policy.
- If the pool is rated by a Nationally Recognized Statistical Rating Organization (“NRSRO”), the investment manager is required to comply with any additional maturity, concentration, credit or other restrictions or requirements of the NRSRO for maintenance of the rating.

❑ **BTI Role**

The role of the BTI for the West Virginia Short Term Bond Pool is as follows:

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

❑ **Income Allocation**

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

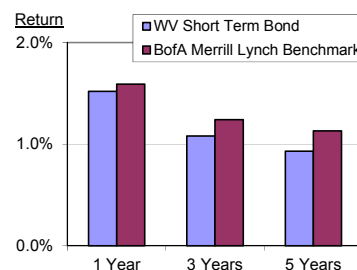
❑ **Asset Allocation – Permissible vs. Actual**

Security Type	Permissible Allocation Maximum Percent of Pool	Actual Allocation June 30, 2016	
		Carrying Value (Thousands)	Percent of Pool
U.S. Treasury obligations	100.0%	\$ 89,497	11.3%
U.S. government agency obligations & FDIC guaranteed obligations	85.0%	47,311	6.0%
Repurchase agreements	85.0%	-	-
Commercial paper, asset backed commercial paper, corporate debt and supranational debt (combined)	75.0%	386,556	48.9%
Asset backed and mortgage backed securities	50.0%	257,309	32.5%
Certificates of deposit	50.0%	-	-
Money market and fixed income funds	30.0%	10,077	1.3%
Municipal securities	15.0%	-	-
Depository accounts	5.0%	-	-
		<b>\$ 790,750</b>	<b>100.0%</b>

❑ **Actual Returns**

Actual Annualized Returns for Periods Ended June 30, 2016

	1 Year	3 Years	5 Years
Total pool returns *	1.52%	1.08%	0.93%
Benchmark **	1.59%	1.24%	1.13%



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

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

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

□ **Investments**

For a detailed list of investments in the West Virginia Short Term Bond Pool, see the Schedule of Investments in Securities in the Supplementary Information on Pages 50-57.



## **West Virginia Bank Pool**

### **❑ Investment Objectives and Policy Guidelines**

#### Objectives

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

#### Benchmark

The performance of the West Virginia Bank Pool will be measured against a custom benchmark of 15% iMoneyNet Treasury & Repo Institutional Average + 85% iMoneyNet First Tier Institutional Average.

#### Investment Manager

None.

#### Maturity Restrictions, Diversification Guidelines and Credit Limits

- To participate in the West Virginia CD Program, a financial institution must be designated as a State Depository in accordance with West Virginia Code §12-1-2(a) and have a branch bank in West Virginia.
- The Board shall establish rules and guidelines for the competitive bidding process. Such rules shall be made available to all interested, qualified financial institutions prior to participation. Qualified, interested financial institutions must agree to the rules and guidelines to participate.
- The minimum bid is \$100,000.00. Bids must be in increments of \$100,000.00 to a maximum of \$10,000,000.00 per parent institution per placement.
- The minimum rate will be equivalent to a the six month return on the West Virginia Money Market Pool or other rate as approved by the BTI chairman.
- Certificates of deposit in excess of insurance coverage by the Federal Deposit Insurance Corporation (FDIC) must be collateralized pursuant to West Virginia code §12-1-4 and Board of Treasury Investments Bank Account Collateral Policy.

### **❑ BTI Role**

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

- Develop investment guidelines.
- Prohibit commingling of funds with any other account in the Consolidated Fund.
- Distribute monthly earnings to participants.
- Calculate monthly net income and net asset value.

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

**☐ Income Allocation**

Net investment income is declared as dividends and distributed on the last day of the month.

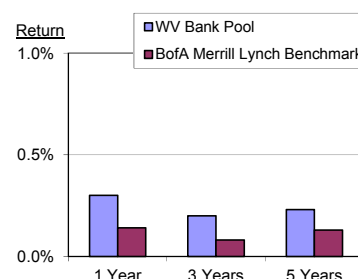
**☐ Asset Allocation – Permissible vs. Actual**

Permissible Allocation		Actual Allocation June 30, 2016	
Security Type	Maximum Percent of Pool	Carrying Value (Thousands)	Percent of Pool
Certificates of deposit	100.0%	\$ 129,000	99.9%
Money market funds	30.0%	145	0.1%
		<u>\$ 129,145</u>	<u>100.0%</u>

**☐ Actual Returns**

Actual Annualized Returns for Periods Ended June 30, 2016

	1 Year	3 Years	5 Years
Total pool returns	0.30%	0.20%	0.23%
Benchmark *	0.14%	0.08%	0.13%



\* Benchmark is 15% iMoneyNet Treasury & Repo Institutional Average + 85% iMoneyNet First Tier Institutional Average; prior to July 1, 2015, BofA Merrill Lynch 3-Month T-bill plus floating hurdle with maximum of 15 bps; prior to January 2013, Merrill Lynch 3-Month T-bill + 15 bps

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

**☐ Investments**

For a detailed list of investments in the West Virginia Bank Pool, see the Schedule of Investments in Securities in the Supplementary Information on Page 57.

## **Loan Pool**

### **❑ Investment Objectives and Policy Guidelines**

#### Objectives

The State Loan Pool is composed of loans made to/by the West Virginia Economic Development Authority (the “EDA”), West Virginia Property Valuation Training and Procedures Commission (the “PVTPC”), and certain FHA/VA housing loans for single-family homes. The State is the sole participant in this pool. The Directors of the BTI Board shall bear no fiduciary responsibility with regard to any of the loans contemplated under §12-6C-11.

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

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

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

#### Benchmarks

None.

#### Investment Manager

None.

#### Maturity Restrictions, Diversification Guidelines and Credit Limits

None.

### **❑ BTI Role**

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

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

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

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

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

- Produce pool financial statements based on information provided by EDA
- Facilitate the transfer of funds to EDA via the State Treasurer’s Office.

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

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

**Income Allocation**

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

**Asset Allocation – Permissible vs. Actual**

Permissible Allocation		Actual Allocation June 30, 2016	
Security Type	Maximum Percent of Pool	Carrying Value (Thousands)	Percent of Pool
Other investments	100.0%	\$ 124,419	100.0%
Money market funds	20.0%	8	0.0%
Depository accounts	5.0%	-	-
		<u>\$ 124,427</u>	<u>100.0%</u>

**Actual Returns**

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

**Investments**

For a detailed list of investments in the Loan Pool, see the Schedule of Investments in Securities in the Supplementary Information on Page 58.

## **Reserve Pool**

### **❑ Investment Objectives and Policy Guidelines**

#### Objectives

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

#### Benchmarks

None.

#### Investment Manager

None.

#### Maturity Restrictions, Diversification Guidelines and Credit Limits

All restrictions are based upon total dollar percentages of Pool holdings using an amortized cost basis. Securities that fall out of compliance may be held to maturity based upon recommendation of the investment manager and investment consultant. The Board may require the investment manager to sell non-compliant securities.

- Maximum maturity of individual securities cannot exceed 397 days from the date of purchase.
- Depository accounts are required to be collateralized as defined in the BTI's Bank Account Collateral Policy.

### **❑ BTI Role**

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

- Develop investment guidelines.
- Provide cash flow information regarding securities held by the pool.
- Record contributions and withdrawals.
- Calculate monthly net income and net asset value.
- Prepare monthly a statement of net position, a statement of changes in net position, and a detailed list of securities.
- The BTI will monitor the net asset value of the West Virginia Money Market and West Virginia Government Money Market Pools on a daily basis in accordance with the BTI's Net Asset Value Monitoring Policy. This policy requires the Chief Financial Officer and Executive Director to develop a formal and written action plan to address the NAV decline when it falls below \$0.9985 per unit. Board members are notified to approve the written action plan.
- If the net asset value falls below \$0.9985 per unit, the BTI will request Board approval to utilize the Reserve Pool to ensure the NAV is stabilized at \$0.9985 per unit.

**Income Allocation**

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

**Asset Allocation – Permissible vs. Actual**

Permissible Allocation		Actual Allocation June 30, 2016	
Security Type	Maximum Percent of Pool	Carrying Value (Thousands)	Percent of Pool
U.S. Treasury obligations	100.0%	\$ -	-
U.S. government agency obligations	100.0%	-	-
Repurchase agreements	100.0%	-	-
Government money market funds	100.0%	-	-
Certificates of deposit	100.0%	-	-
Depository accounts	100.0%	18,762	100.0%
		<u>\$ 18,762</u>	<u>100.0%</u>

**Actual Returns**

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

**Investments**

For a detailed list of investments in the Reserve Pool, see the Schedule of Investments in Securities in the Supplementary Information on Page 58.

## **Municipal Bond Commission Account**

### **❑ Investment Objectives and Policy Guidelines**

#### Objectives

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

#### Benchmarks

None.

#### Investment Manager

None.

#### Maturity Restrictions, Diversification Guidelines and Credit Limits

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

### **❑ BTI Role**

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

- Open an account on behalf of the Commission.
- Develop investment guidelines.
- Prohibit commingling of funds with any other account in the Consolidated Fund.
- Provide cash flow information regarding securities held by the account.
- Provide securities information to the custodian.
- Review signature authorization from the Commission for trade activity.
- Record contributions and withdrawals based upon Commission authorization.
- Provide detailed fee invoice.
- Charge fees for management of the account.
- Calculate monthly net income and net asset value.
- Prepare monthly a statement of net position, a statement of changes in net position, and a detailed list of securities.

☐ **Income Allocation**

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

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

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

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

☐ **Actual Returns**

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

☐ **Investments**

For a detailed list of investments in the Municipal Bond Commission Account, see the Schedule of Investments in Securities in the Supplementary Information on Page 59.



## **School Fund Account**

### **❑ Investment Objectives and Policy Guidelines**

#### Objectives

The School Fund was established by State Code §18-9-5 to contribute toward supporting state public schools. The investment objective is to maintain the irreducible \$1 million principal as defined in State Code §18-9A-16.

#### Benchmarks

None.

#### Investment Manager

None.

#### Maturity Restrictions, Diversification Guidelines and Credit Limits

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

### **❑ BTI Role**

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

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

### **❑ Income Allocation**

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

### **❑ Asset Allocation – Permissible vs. Actual**

The School Fund shall be invested in interest-bearing securities of the United States, or securities, the payment of which as to both principal and interest, has been guaranteed by the United States, or of West Virginia, or of any county, city, town or village, or school district of West Virginia, or if such interest-bearing securities cannot be obtained, then such fund shall be invested in such other solvent interest-bearing securities as shall be approved by the School Fund Board. At June 30, 2016, 100.0% of the School Fund

Account's securities, totaling \$1,584,000, were invested in a money market fund which invests in U.S. Treasury and agency securities.

**Actual Returns**

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

**Investments**

For a detailed list of investments in the School Fund Account, see the Schedule of Investments in Securities in the Supplementary Information on Page 59.

**Economic Development Authority – American Woodmark Account**

**❑ Investment Objectives and Policy Guidelines**

Objectives

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

Benchmarks

None.

Investment Manager

None.

Maturity Restrictions, Diversification Guidelines and Credit Limits

None

**❑ BTI Role**

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

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

**❑ Income Allocation**

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

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

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

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

At June 30, 2016, 100.0% of the EDA – American Woodmark Account’s securities, totaling \$1,937,000, were invested in a U.S. Treasury Bond maturing August 15, 2023.

❑ **Actual Returns**

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

❑ **Investments**

For a detailed list of investments in the EDA – American Woodmark Account, see the Schedule of Investments in Securities in the Supplementary Information on Page 59.

**Schedule of Investment Management Fees**  
**Consolidated Fund**  
**For the Fiscal Year Ended June 30, 2016**  
*(In Thousands)*

External fees:	
Investment advisors:	
WV Money Market Pool	\$ 561
WV Government Money Market Pool	85
WV Short Term Bond Pool	720
	<u>1,366</u>
Custodians:	
WV Money Market Pool	82
WV Government Money Market Pool	14
WV Short Term Bond Pool	30
	<u>126</u>
Total external fees	<u>1,492</u>
Internal fees:	
Investment consultant	148
Fiduciary bond	19
Administration	1,123
Total internal fees	<u>1,290</u>
Total investment management fees	<u><u>\$ 2,782</u></u>

## INVESTMENT POLICY SUMMARY

### I. PURPOSE

The investment policy of the West Virginia Board of Treasury Investments (the “BTI”) is adopted pursuant to Article 6C of Chapter 12 of the West Virginia Code and specifically outlines the investment philosophy and practices of the BTI. It has been developed to provide a fiscal administration, investment, and management plan for the assets entrusted to the Board. The Board has adopted this investment policy to serve as that plan and to provide:

- A clear direction to investment managers and consultants, staff, participants, and any other outside service provider as to the objectives, goals, and restrictions with regard to investment of assets;
- A methodology which allows assets to be structured and invested in a prudent manner; and
- A meaningful basis for the evaluation of asset classes, investment managers and the strategies used to achieve the various investment objectives.

### II. INVESTMENT PHILOSOPHY

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

Agenda Item	Review Schedule
Investment Performance	Quarterly
Investment Manager Rebalancing	Quarterly
Investment Policy	Annually
Fee Schedule and Budget	Annually
Select Rating Agencies	Annually
Stress Testing of Portfolios	Monthly

When required, the BTI may react to trends in the market more quickly by itself or through actions of its Investment Committee.

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

In determining its philosophy toward risk, the BTI considers its fiduciary obligations, statutory requirements, and current market conditions. Additionally, the BTI will consider the participants’ purposes and characteristics, financial conditions, liquidity needs, sources and level of contributions, income and

general business conditions. Based upon these many factors, the BTI identifies when either a more conservative or more aggressive investment approach is warranted.

### **III. INVESTMENT OBJECTIVES**

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

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

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

### **IV. INVESTMENT/ADMINISTRATIVE RESPONSIBILITIES**

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

#### **A. BOARD OF DIRECTORS**

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

The Board shall adopt by-laws and delegate the implementation of the policy to the Investment Committee and staff. The Board shall focus on important policy level issues, maintaining the proper fiduciary perspective and time horizon for analysis of the progress of the policy and the investment returns on the funds, and develop, adopt, review or modify the asset rebalancing plan, investment policy, fee schedule, and budget for the funds at least annually.

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

#### **B. INVESTMENT COMMITTEE**

The primary objective of the Investment Committee is to implement this policy and to do so effectively,

prudently, and in a cost efficient manner in full compliance with all applicable laws, rules, and regulations.

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

- Policies for preservation of capital, risk tolerance, credit standards diversification, rate of return, stability and turnover, liquidity, reasonable costs and fees, permissible investments, maturity ranges, internal controls, safekeeping and custody, valuation methodologies, and calculation of earnings and yields;
- Evaluation, selection, and termination of the investment managers and investment consultant;
- Regular review of and revisions to the investment policy;
- Investigate any reported investment problems or non-compliance;
- Evaluation of investment results to ensure compliance with the investment policy and to determine success of investment activities; and
- Other investment related issues as necessary for the prudent and cost effective investment of the funds.

#### **C. INVESTMENT CONSULTANT**

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

#### **D. INVESTMENT MANAGERS**

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

#### **E. CUSTODIAN**

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

#### **F. INTERNAL AUDITOR**

The Board shall retain an internal auditor to report directly to the Board. As minimum qualifications, the internal auditor shall be a certified public accountant with at least three years' experience as an auditor. The internal auditor shall develop an internal audit plan, with Board approval, for the testing of procedures, internal controls and security of transactions.



#### **G. EXTERNAL AUDITOR**

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

#### **H. NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION**

The BTI shall annually select Nationally Recognized Statistical Rating Organizations ("NRSRO") whom it deems suitable to rely upon for credit ratings. Currently the BTI has selected the following NRSRO's:

- Moody's Investor Services
- Standard & Poor's
- Fitch Ratings
- Dominion Bond Rating Service, Ltd.

#### **V. STANDARD OF CARE**

Any investment made pursuant to this policy shall be made in accordance with the "Uniform Prudent Investor Act" and shall be further subject to the following:

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

#### **VI. GENERAL INVESTMENT GUIDELINES**

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

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

#### **VII. CONFLICT OF INTEREST AND ETHICS**

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

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

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

## **VIII. AUDITOR ACCESS TO RECORDS**

An investment manager of custodian which holds securities for the account of, in trust of, in trust for, or pledged to the BTI, shall be required to allow the BTI or its agents to conduct an audit with respect to such securities or securities transactions for a period of two years after date of any trade executed on behalf of the BTI.

## **IX. OTHER BTI POLICIES**

The policy incorporates policies that govern the day-to-day practices of the BTI, including:

- Pricing Policy
- Net Asset Value Monitoring Policy
- Dividend Reinvestments Policy
- Record Retention Policy
- Outside Service Provider Policy
- Repurchase Agreement Policy
- Securities Lending Program Policy
- Bank Account Collateral Policy
- Investment Manager Due Diligence and Watch List Policy
- Securities Litigation Policy

## **X. MISCELLANEOUS PROVISIONS**

### **A. AMENDMENTS**

Any modification or amendment of this policy may be made by an action adopted at any duly constituted Board meeting; provided, however, that no such modification or amendment shall abrogate the rights and duties of then existing BTI contracts with outside service providers, unless required by operation of law or agreed to by the outside service providers.

### **B. NO RECOURSE**

No provision in this policy shall be the basis for any claim against any director or staff, in his individual or official capacity, or against the BTI itself.

**C. EFFECT UPON EXISTING CONTRACT**

This policy shall not abrogate the rights and duties of the BTI under contracts with outside service providers executed prior to the effective date of this policy, unless required by operation of law or agreed to by the outside service provider.

**D. EFFECT OF FAILURE TO COMPLY AS TO INVESTMENTS**

Failure to comply with this policy shall not invalidate any investment or affect the validity of the authorization of the Board, or their designee, to make such investments, unless required by the Board.

## **Statistical Section**

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## INTRODUCTION TO STATISTICAL SECTION

The Statistical Section of the BTI's CAFR presents information as a historical perspective and a context for understanding what the information in the financial statements, note disclosures, supplementary information, and other financial information says about the BTI's overall financial health.

### **Table 1: Schedules of Additions, Deductions, and Changes in Net Position – Consolidated Fund**

This table presents historical information showing trends in the changes in Consolidated Fund net position and the components of those changes.

### **Table 2: Financial Highlights – Consolidated Fund State Operating Pools**

This table presents historical information showing per share data and ratios for the state operating pools of the Consolidated Fund for the past ten years. The ratio of expenses to average net position represents the percentage of net position used to operate the pool. The ratio of net investment income to average net position represents financial performance of the pool, or the extent to which operations have resulted in changes in net position. The portfolio turnover rate is a measurement of how frequently assets within a fund are bought and sold by the managers.

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

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

### **Table 4: Participation in Consolidated Fund State Operating Pools**

This table presents historical information for the past ten years showing the participation in the Consolidated Fund State Operating Pools that are open to all state agencies and local governments in the state. Many state agencies and local governments have multiple accounts.

### **Table 5: Net Position – Consolidated Fund**

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

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

This table presents historical information showing the total net position and changes in net position of the Operating Fund (a proprietary fund) for the past ten years.

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

This table presents components of total net asset values of the Consolidated Fund Operating and Special Purpose Pools at June 30, 2016, as well as investment unit data.

### **Table 8: Portfolio Statistics – Consolidated Fund Operating Pools**

This table presents weighted average days to maturity, maximum weighted average investment maturity term per BTI investment policy, and money market yields for the Consolidated Fund Operating Pools at June 30, 2016.

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

This table presents major investors in the Consolidated Fund Operating Pools at June 30, 2016.

**Glossary of Financial and Investment Terms**

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

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

Fiscal Year Ended June 30

(In Thousands)

	2016	2015	2014	2013
<b>Additions</b>				
Investment income:				
Interest	\$ 17,145	\$ 14,942	\$ 15,103	\$ 17,579
Dividends	402	1,575	1,653	330
Securities lending income	-	-	-	-
Net accretion (amortization)	1,069	(3,885)	(4,562)	(6,351)
Provision for securities lending loss	-	-	-	(1,629)
Provision for uncollectible loans	(507)	(822)	(1,251)	-
Total investment income	18,109	11,810	10,943	9,929
Investment expenses:				
Investment advisor fees	1,366	1,552	1,486	1,366
Custodian bank fees	126	133	129	132
Administrative fees	1,290	1,298	1,084	593
Securities lending agent fees	-	-	-	-
Securities lending borrower rebates	-	-	-	-
Bad debt expense	-	-	-	-
Total investment expenses	2,782	2,983	2,699	2,091
Net investment income	15,327	8,827	8,244	7,838
Net realized gain (loss) from investments	(39)	(442)	44	2,850
Net increase (decrease) in fair value of investments	2,818	(986)	2,401	(96)
Net increase in net position from operations	18,106	7,399	10,689	10,592
Participant transaction additions:				
Purchase of pool units by participants	9,864,797	10,934,435	10,832,452	11,345,517
Reinvestment of pool distributions	15,082	8,679	8,812	8,277
Contributions to individual investment accounts	64,252	825	356	291,228
Total participant transaction additions	9,944,131	10,943,939	10,841,620	11,645,022
Total additions	9,962,237	10,951,338	10,852,309	11,655,614
<b>Deductions</b>				
Distributions to pool participants:				
Net investment income	15,147	8,714	8,087	6,727
Net realized gain (loss) from investments	(39)	(442)	44	(370)
Total distributions to pool participants	15,108	8,272	8,131	6,357
Participant transaction deductions:				
Redemption of pool units by participants	10,233,163	10,977,054	11,259,269	11,513,580
Withdrawals from individual investment accounts	44,326	20,105	193,011	223,638
Total participant transaction deductions	10,277,489	10,997,159	11,452,280	11,737,218
Total deductions	10,292,597	11,005,431	11,460,411	11,743,575
Change in net position	\$ (330,360)	\$ (54,093)	\$ (608,102)	\$ (87,961)

	2012	2011	2010	2009	2008	2007
\$	17,094	\$ 20,410	\$ 21,499	\$ 35,328	\$ 68,731	\$ 65,625
	461	446	624	2,794	1,684	895
	-	-	-	2,956	23,351	23,974
	(3,986)	6,255	7,700	25,918	65,983	76,182
	(945)	(596)	(1,193)	(6,837)	-	-
	-	-	-	(7,117)	(3,021)	(3,103)
	12,624	26,515	28,630	53,042	156,728	163,573
	1,420	1,399	1,277	1,157	1,060	950
	141	134	107	86	110	107
	1,004	1,052	1,468	1,208	1,256	1,180
	-	-	-	226	1,353	273
	-	-	-	2,054	18,446	23,063
	-	-	-	-	3	-
	2,565	2,585	2,852	4,731	22,228	25,573
	10,059	23,930	25,778	48,311	134,500	138,000
	(12)	6,527	1,576	(1,578)	3,603	(939)
	(1,946)	(11,329)	(770)	8,560	11,033	4,308
	8,101	19,128	26,584	55,293	149,136	141,369
	10,994,105	10,590,080	10,192,912	10,316,680	10,173,315	8,833,687
	10,918	21,531	19,301	48,995	130,263	128,339
	156,312	6,760	4,950	6,708	146,314	113,366
	11,161,335	10,618,371	10,217,163	10,372,383	10,449,892	9,075,392
	11,169,436	10,637,499	10,243,747	10,427,676	10,599,028	9,216,761
	8,862	16,264	17,989	40,788	126,764	128,452
	(114)	6,527	1,576	(1,578)	90	51
	8,748	22,791	19,565	39,210	126,854	128,503
	11,391,935	10,356,782	9,949,245	10,063,667	9,816,801	8,604,738
	21,259	10,949	13,023	26,041	214,011	40,953
	11,413,194	10,367,731	9,962,268	10,089,708	10,030,812	8,645,691
	11,421,942	10,390,522	9,981,833	10,128,918	10,157,666	8,774,194
\$	(252,506)	\$ 246,977	\$ 261,914	\$ 298,758	\$ 441,362	\$ 442,567

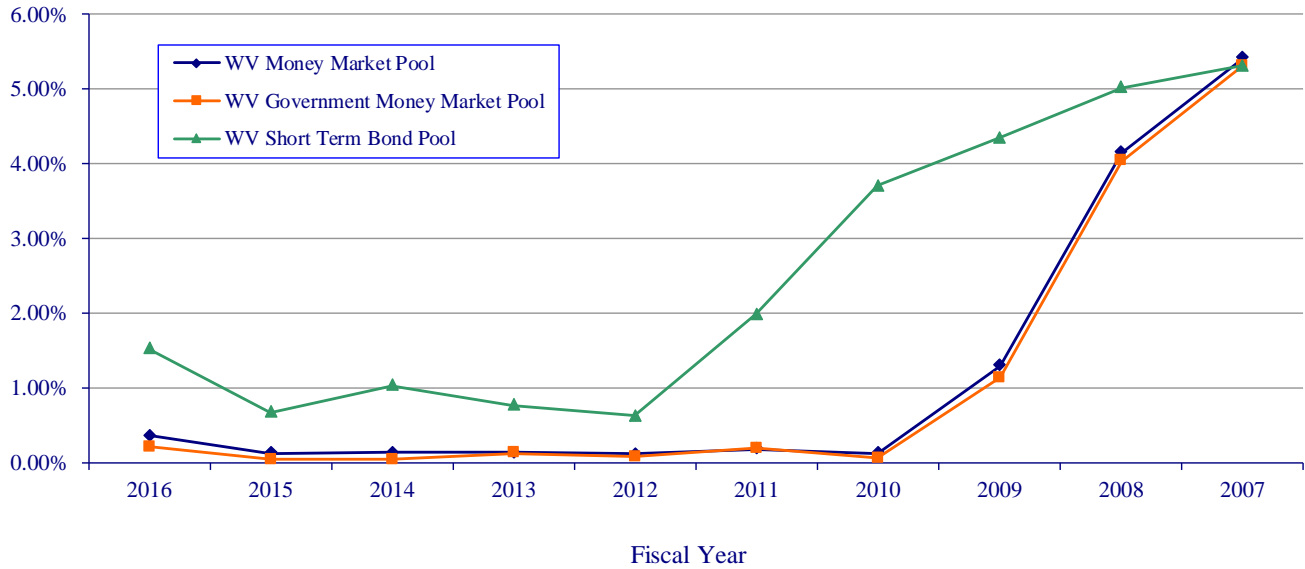
**Table 2: Financial Highlights – Consolidated Fund State Operating Pools**

	Fiscal Year Ended June 30									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
<b>WV Money Market Pool</b>										
Per share data:										
Net asset value at beginning of year	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Net investment income (loss)	-	-	-	-	-	-	-	0.01	0.04	0.05
Net realized and unrealized gain (loss)	-	-	-	-	-	-	-	-	-	-
Net increase (decrease) from operations	-	-	-	-	-	-	-	0.01	0.04	0.05
Distributions to participants	-	-	-	-	-	-	-	0.01	0.04	0.05
Net asset value at end of year	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>
Shares outstanding (in thousands)	1,556,503	1,890,872	1,960,118	2,496,857	2,788,044	3,019,878	2,820,141	2,570,620	2,361,834	2,071,394
Ratio of expenses to average net assets	0.08%	0.08%	0.07%	0.05%	0.06%	0.06%	0.07%	0.07%	0.08%	0.09%
Ratio of net investment income to average net assets	0.27%	0.13%	0.13%	0.14%	0.11%	0.18%	0.14%	1.15%	4.10%	5.28%
<b>WV Government Money Market Pool</b>										
Per share data:										
Net asset value at beginning of year	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Net investment income (loss)	-	-	-	-	0.01	-	-	0.01	0.04	0.06
Net realized and unrealized gain (loss)	-	-	-	-	-	-	-	-	-	-
Net increase (decrease) from operations	-	-	-	-	0.01	-	-	0.01	0.04	0.06
Distributions to participants	-	-	-	-	0.01	-	-	0.01	0.04	0.06
Net asset value at end of year	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>
Shares outstanding (in thousands)	190,160	248,503	238,981	287,253	300,047	262,898	221,265	283,795	187,291	229,917
Ratio of expenses to average net assets	0.09%	0.08%	0.08%	0.06%	0.06%	0.07%	0.08%	0.07%	0.08%	0.08%
Ratio of net investment income to average net assets	0.16%	0.03%	0.02%	0.09%	0.06%	0.15%	0.10%	0.88%	3.90%	5.00%
<b>WV Short Term Bond Pool</b>										
Per share data:										
Net asset value at beginning of year	\$ 101.67	\$ 101.79	\$ 101.47	\$ 100.06	\$ 100.34	\$ 101.35	\$ 100.59	\$ 99.27	\$ 98.55	\$ 98.06
Net investment income (loss)	1.15	0.85	1.20	0.70	0.86	1.56	2.41	2.87	4.26	4.61
Net realized and unrealized gain (loss)	0.34	(0.19)	0.33	1.34	(0.31)	0.40	1.20	0.63	1.92	0.49
Net increase (decrease) from operations	1.49	0.66	1.53	2.04	0.55	1.96	3.61	3.50	6.18	5.10
Distributions to participants	1.13	0.78	1.21	0.63	0.83	2.97	2.85	2.18	5.46	4.61
Net asset value at end of year	<u>\$ 102.03</u>	<u>\$ 101.67</u>	<u>\$ 101.79</u>	<u>\$ 101.47</u>	<u>\$ 100.06</u>	<u>\$ 100.34</u>	<u>\$ 101.35</u>	<u>\$ 100.59</u>	<u>\$ 99.27</u>	<u>\$ 98.55</u>
Shares outstanding (in thousands)	7,754	7,490	7,600	6,083	5,040	4,746	4,496	3,251	3,593	2,331
Ratio of expenses to average net assets	0.14%	0.14%	0.12%	0.07%	0.10%	0.10%	0.14%	0.11%	0.10%	0.10%
Ratio of net investment income to average net assets	1.15%	0.87%	0.78%	0.50%	0.73%	1.26%	2.52%	2.37%	4.19%	4.02%
Portfolio turnover rate	6.53%	4.17%	1.10%	2.48%	11.11%	3.66%	5.07%	17.15%	5.13%	5.24%

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

	Fiscal Year Ended June 30									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
WV Money Market Pool	0.36%	0.12%	0.13%	0.13%	0.11%	0.18%	0.12%	1.29%	4.15%	5.41%
WV Government Money Market Pool	0.21%	0.04%	0.04%	0.12%	0.08%	0.19%	0.06%	1.13%	4.03%	5.31%
WV Short Term Bond Pool	1.52%	0.67%	1.03%	0.77%	0.62%	1.98%	3.70%	4.35%	5.02%	5.31%

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



**Table 4: Participation in Consolidated Fund State Operating Pools**

Fiscal Year Ended June 30

(Net Asset Values Expressed in Thousands)

	2016		2015		2014		2013	
	Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value
<b>WV Money Market Pool:</b>								
State agency accounts	1,196	\$1,462,081	1,275	\$1,804,995	1,336	\$1,869,338	1,347	\$2,427,230
Local government accounts	206	94,422	208	85,877	221	90,780	222	69,627
Accumulated undistributed securities lending income		-		-		-		-
	<u>1,402</u>	<u>\$1,556,503</u>	<u>1,483</u>	<u>\$1,890,872</u>	<u>1,557</u>	<u>\$1,960,118</u>	<u>1,569</u>	<u>\$2,496,857</u>
<b>WV Government Money Market Pool:</b>								
State agency accounts	24	\$ 184,246	23	\$ 202,008	20	\$ 184,523	17	\$ 189,828
Local government accounts	27	5,914	70	46,495	77	54,458	80	97,425
Accumulated undistributed securities lending income		-		-		-		-
	<u>51</u>	<u>\$ 190,160</u>	<u>93</u>	<u>\$ 248,503</u>	<u>97</u>	<u>\$ 238,981</u>	<u>97</u>	<u>\$ 287,253</u>
<b>WV Short Term Bond Pool:</b>								
State agency accounts	37	\$ 787,715	35	\$ 758,066	34	\$ 768,763	12	\$ 611,495
Local government accounts	9	3,434	9	3,384	9	4,837	10	5,756
	<u>46</u>	<u>\$ 791,149</u>	<u>44</u>	<u>\$ 761,450</u>	<u>43</u>	<u>\$ 773,600</u>	<u>22</u>	<u>\$ 617,251</u>

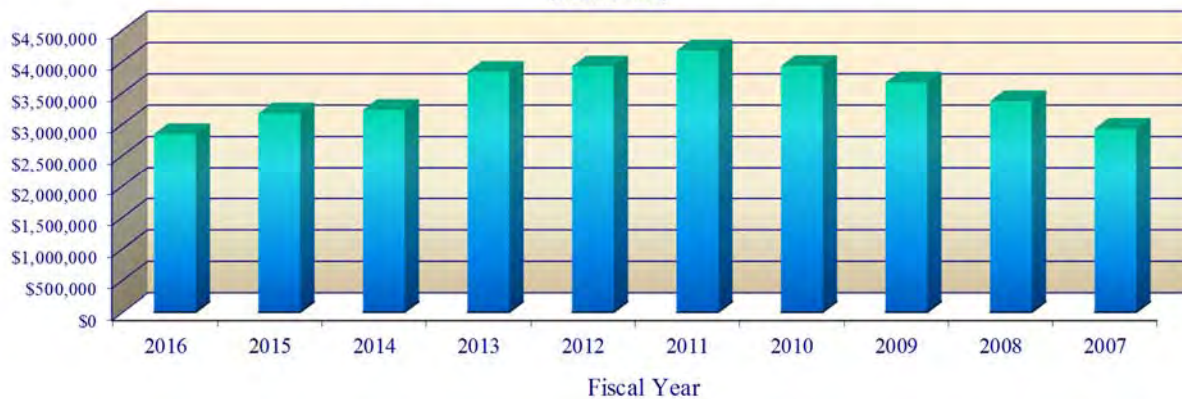
2012		2011		2010		2009		2008		2007	
Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value
1,282	\$2,708,359	1,239	\$2,956,372	1,118	\$2,746,279	1,059	\$2,474,600	1,014	\$2,243,023	999	\$1,988,554
222	79,685	226	63,506	217	73,862	252	96,020	241	118,810	192	82,840
	-		-		14		255		-		-
<b>1,504</b>	<b>\$2,788,044</b>	<b>1,465</b>	<b>\$3,019,878</b>	<b>1,335</b>	<b>\$2,820,155</b>	<b>1,311</b>	<b>\$2,570,875</b>	<b>1,255</b>	<b>\$2,361,833</b>	<b>1,191</b>	<b>\$2,071,394</b>
18	\$ 178,519	15	\$ 184,473	26	\$ 193,292	17	\$ 231,772	15	\$ 170,226	16	\$ 203,339
80	121,528	84	78,425	48	27,973	61	52,023	48	17,065	41	26,578
	-		-		-		63		-		-
<b>98</b>	<b>\$ 300,047</b>	<b>99</b>	<b>\$ 262,898</b>	<b>74</b>	<b>\$ 221,265</b>	<b>78</b>	<b>\$ 283,858</b>	<b>63</b>	<b>\$ 187,291</b>	<b>57</b>	<b>\$ 229,917</b>
14	\$ 499,402	14	\$ 474,511	14	\$ 454,793	10	\$ 326,516	8	\$ 356,618	6	\$ 229,642
9	4,890	10	1,676	8	904	7	460	4	92	5	85
<b>23</b>	<b>\$ 504,292</b>	<b>24</b>	<b>\$ 476,187</b>	<b>22</b>	<b>\$ 455,697</b>	<b>17</b>	<b>\$ 326,976</b>	<b>12</b>	<b>\$ 356,710</b>	<b>11</b>	<b>\$ 229,727</b>

**Table 5: Net Position – Consolidated Fund**

Fiscal Year Ended June 30  
(In Thousands)

	2016	2015	2014	2013
WV Money Market Pool	\$ 1,556,503	\$ 1,890,872	\$ 1,960,118	\$ 2,496,857
WV Government Money Market Pool	190,160	248,503	238,981	287,253
WV Short Term Bond Pool	791,149	761,450	773,600	617,251
WV Bank Pool	129,294	116,111	73,060	70,042
Loss Amortization Pool	-	-	-	-
Loan Pool	124,438	125,210	129,264	118,366
Reserve Pool	18,767	18,716	20,757	21,920
Municipal Bond Commission Account	25,296	4,565	24,538	216,728
Lottery Defeasance Account	-	-	-	-
School Fund Account	1,584	2,174	1,356	1,327
EDA Insurance Account	-	-	-	-
EDA-AW Account	1,970	1,920	1,940	1,972
Department of Highways Account	-	-	-	-
	<u>\$ 2,839,161</u>	<u>\$ 3,169,521</u>	<u>\$ 3,223,614</u>	<u>\$ 3,831,716</u>

**Total Consolidated Fund Net Position**  
(In Thousands)



<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 2,788,044	\$ 3,019,878	\$ 2,820,155	\$ 2,570,875	\$ 2,361,833	\$ 2,071,394
300,047	262,898	221,265	283,858	187,291	229,917
504,292	476,187	455,697	326,976	356,710	229,727
52,590	60,067	60,082	100,215	126,712	-
-	188,544	187,726	184,107	172,077	154,277
106,825	132,181	132,918	127,728	116,748	130,187
19,041	19,179	30,147	44,792	-	-
145,150	9,997	13,916	21,640	24,778	46,265
-	-	-	-	136	304
1,555	1,385	1,393	1,307	1,671	1,760
-	-	-	-	-	451
2,133	1,867	1,907	1,794	1,753	1,639
-	-	-	-	14,825	57,251
<u>\$ 3,919,677</u>	<u>\$ 4,172,183</u>	<u>\$ 3,925,206</u>	<u>\$ 3,663,292</u>	<u>\$ 3,364,534</u>	<u>\$ 2,923,172</u>



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

Fiscal Year Ended June 30

(In Thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b><u>Changes in Net Position</u></b>					
<b>Operating revenues</b>					
Management services	\$ 1,290	\$ 1,297	\$ 1,353	\$ 955	\$ 1,004
Advisor services	1,366	1,553	1,486	1,366	1,420
Custodian services	<u>126</u>	<u>132</u>	<u>129</u>	<u>132</u>	<u>141</u>
Total operating revenues	2,782	2,982	2,968	2,453	2,565
<b>Operating expenses</b>					
Advisor fees	1,366	1,553	1,486	1,364	1,420
Management fees	642	613	591	625	647
Professional service fees	231	229	254	222	212
Fiduciary bond	19	18	44	158	155
Custodian fees	126	132	129	133	141
General and administrative expenses	266	258	216	222	214
Depreciation	<u>1</u>	<u>2</u>	<u>3</u>	<u>3</u>	<u>2</u>
Total operating expenses	<u>2,651</u>	<u>2,805</u>	<u>2,723</u>	<u>2,727</u>	<u>2,791</u>
<b>Operating income (loss)</b>	131	177	245	(274)	(226)
<b>Nonoperating income</b>	-	-	-	-	-
Income (loss) before special item	131	177	245	(274)	(226)
<b>Special item</b>	-	-	-	-	-
Change in net position	<u>\$ 131</u>	<u>\$ 177</u>	<u>\$ 245</u>	<u>\$ (274)</u>	<u>\$ (226)</u>
<b><u>Net Position at Year-End</u></b>					
Investment in capital assets	\$ 4	\$ 1	\$ 3	\$ 5	\$ 7
Unrestricted	<u>810</u>	<u>682</u>	<u>503</u>	<u>256</u>	<u>528</u>
Total net position	<u>\$ 814</u>	<u>\$ 683</u>	<u>\$ 506</u>	<u>\$ 261</u>	<u>\$ 535</u>
<b><u>Restatements of Net Position</u></b>					
Net position at beginning of year	\$ 683	\$ 506	\$ 261	\$ 535	\$ 761
Effect of change in accounting principle	-	-	-	-	-
Net position at beginning of year, restated	<u>\$ 683</u>	<u>\$ 506</u>	<u>\$ 261</u>	<u>\$ 535</u>	<u>\$ 761</u>

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 1,052	\$ 1,468	\$ 1,210	\$ 1,257	\$ 1,179
1,399	1,277	1,158	1,060	949
<u>134</u>	<u>107</u>	<u>85</u>	<u>109</u>	<u>108</u>
2,585	2,852	2,453	2,426	2,236
1,399	1,276	1,158	1,060	949
623	637	598	166	-
222	202	319	196	204
155	155	155	155	155
134	107	85	109	108
217	205	231	566	674
<u>2</u>	<u>3</u>	<u>6</u>	<u>13</u>	<u>5</u>
<u>2,752</u>	<u>2,585</u>	<u>2,552</u>	<u>2,265</u>	<u>2,095</u>
(167)	267	(99)	161	141
<u>-</u>	<u>-</u>	<u>-</u>	<u>14</u>	<u>-</u>
(167)	267	(99)	175	141
<u>-</u>	<u>-</u>	<u>-</u>	<u>38</u>	<u>-</u>
<u>\$ (167)</u>	<u>\$ 267</u>	<u>\$ (99)</u>	<u>\$ 213</u>	<u>\$ 141</u>
\$ 6	\$ 1	\$ 4	\$ 10	\$ 9
<u>755</u>	<u>927</u>	<u>657</u>	<u>750</u>	<u>510</u>
<u>\$ 761</u>	<u>\$ 928</u>	<u>\$ 661</u>	<u>\$ 760</u>	<u>\$ 519</u>
\$ 928	\$ 661	\$ 760	\$ 519	\$ 378
<u>-</u>	<u>-</u>	<u>-</u>	<u>28</u>	<u>-</u>
<u>\$ 928</u>	<u>\$ 661</u>	<u>\$ 760</u>	<u>\$ 547</u>	<u>\$ 378</u>

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

**June 30, 2016**

*(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	\$ 1,556,503	\$ 190,160	\$ 788,193	\$ 129,294	\$ 124,438	\$ 18,767
Accumulated undistributed net investment income (loss)	-	-	-	-	-	-
Accumulated undistributed net realized gain (loss)	-	-	-	-	-	-
Unrealized net appreciation (depreciation) of investments	-	-	2,956	-	-	-
Net position at value	<u>\$ 1,556,503</u>	<u>\$ 190,160</u>	<u>\$ 791,149</u>	<u>\$ 129,294</u>	<u>\$ 124,438</u>	<u>\$ 18,767</u>
Investment unit data:						
Units outstanding	1,556,503,425	190,159,653	7,754,347	129,294,382	124,437,585	18,766,557
Net position, unit price	\$ 1.00	\$ 1.00	\$ 102.03	\$ 1.00	\$ 1.00	\$ 1.00

**Table 8: Portfolio Statistics — Consolidated Fund Operating Pools**

**June 30, 2016**

	<b><u>West Virginia Money Market</u></b>	<b><u>West Virginia Government Money Market</u></b>	<b><u>West Virginia Short Term Bond Pool</u></b>
Weighted Average Days to Maturity	49 days	50 days	N/A
Maximum Weighted Average Investment Maturity Term Per Board Guidelines	60 days	60 days	N/A
Effective Duration	N/A	N/A	462 days
Maximum Effective Duration Per Board Guidelines	N/A	N/A	731 days
Money Market Yield - Monthly	0.50%	0.27%	N/A

The money market yield represents the rate of income, net of expenses, earned over the past month and is not intended to indicate future performance. The return is annualized over a 366-day year, assuming no reinvestment of earnings.

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

**June 30, 2016**

(In Thousands)

<b>WV Money Market Pool</b>			
State Agencies:		Local Governments:	
WV State Treasurer's Office:		Brooke County Board of Education	9,721
State Participation	\$ 75,096	Mercer County Board of Education	19,973
Banking Services	500,203	Fayette County Board of Education	10,705
Safekeeping	18,316	Boone County Commission	7,646
Safe Road Bonds	5	Marshall County Board of Education	13,269
Veterans Lottery	1,242	Fayette County Commission	2,360
Total WV State Treasurer's Office	<u>594,862</u>	Barbour County Board of Education	1,483
Higher Education Policy Commission	245,192	Roane County Board of Education	2,084
Department of Environmental Protection	43,264	Kanawha County Emergency Ambulance Authori	1,989
Department of Health and Human Resources	9,303	City of Parkersburg	3,761
WV Lottery Commission	122,612	Lewis County Board of Education	1,070
Public Employees Insurance Agency	90,719	Wyoming County Board of Education	1,033
Department of Transportation	54,001	Braxton County Board of Education	3,399
Regional Jail Authority	32,376	Lincoln County Board of Education	1,773
Water Development Authority	22,863	City of Hinton	1,286
Division of Natural Resources	64,754	Kanawha EOC	2,117
WV Municipal Pension Oversight Board	28,574	Greenbrier County Board of Education	1,102
Board of Risk and Insurance Management	25,907	Other	<u>9,651</u>
WV Economic Development Authority	45,006	Total net asset value	<u>94,422</u>
Performance and wage bond accounts	23,035		<u>\$ 1,556,503</u>
Department of Education and the Arts	5,720		
School Building Authority	5,286		
Department of Administration	5,394		
WVU	18,223		
WV Housing	7,823		
Other	<u>17,167</u>		
Total State Agencies	<u>1,462,081</u>		

<b>WV Government Money Market Pool</b>	
State Agencies:	
Municipal Bond Commission	\$ 156,688
WV Economic Development Authority	9,320
WV State Treasurer's Office - Safekeeping	7,778
WV Housing	7,753
Other	<u>2,707</u>
Total State Agencies	<u>184,246</u>
Local Governments:	
Jefferson County Board of Education	2,875
Hancock County Commission	1,100
Other	<u>1,939</u>
Total Local Governments	<u>5,914</u>
Total net asset value	<u>\$ 190,160</u>

<b>WV Short Term Bond Pool</b>	
State Agencies:	
WV State Treasurer's Office:	
State Participation	\$ 282,440
Banking Services	165,509
Prepaid Tuition Escrow	<u>19,819</u>
Total WV State Treasurer's Office	<u>467,768</u>
Department of Environmental Protection	251,866
WV Economic Development Authority	17,141
Higher Education Policy Commission	5,690
WV Court of Claims	1,531
WV Parkways Authority	3,208
Department of Transportation	2,103
Division of Culture and History	1,242
WV Lottery Commission	30,633
DHHR - Children's Health Ins	5,732
Other	<u>801</u>
Total State Agencies	<u>787,715</u>
Local Governments:	
City of Charleston	2,792
Other	<u>642</u>
Total Local Governments	<u>3,434</u>
Total net asset value	<u>\$ 791,149</u>

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## Glossary of Financial and Investment Terms

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**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.

**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.