



| WEST VIRGINIA |

# BOARD OF TREASURY INVESTMENTS

A Component Unit of the State of West Virginia

**Audited Financial Statements**  
with Supplementary & Other Financial Information

Year Ended June 30, 2017

**Audited Financial Statements  
With Other Financial Information**

**West Virginia Board of Treasury Investments  
Year Ended June 30, 2017**

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West Virginia Board of Treasury Investments  
 Financial Statements with Other Financial Information  
 For the Year Ended June 30, 2017

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the combined 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, 2017, and the related notes to the financial statements, which collectively comprise the BTI's basic financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of 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 business-type activities and the combined fiduciary funds of the BTI, as of June 30, 2017, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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 combining and individual fund financial statements, the schedule of investments in securities, and other financial information 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 combining and individual fund financial statements and the schedule of investments in securities are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and the schedule of investments in securities are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other financial information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2017 on our consideration of the BTI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BTI's internal control over financial reporting and compliance.

*Brown, Edwards & Company, S. L. P.*

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia  
August 29, 2017



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# West Virginia Board of Treasury Investments

## Management's Discussion and Analysis

June 30, 2017

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, 2017. 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 2017 continued the recent trend of budget woes for the State of West Virginia. In November 2016, the Governor announced a 2% across-the-board budget cut for state agencies. This was the second year in a row where revenue shortfalls resulted in mid-year budget cuts. As with the mid-year cut in fiscal year 2016, no program was spared from cuts, with state aid to public schools cut \$11 million and Medicaid spending reduced by \$25 million. Personal income, consumer sales and business and occupation taxes again fell short of expectations, coming in \$166 million under estimations for the year. However, there were some bright spots in the revenue picture, with severance tax collections ticking up and coming in \$58 million ahead of estimates. Overall for the fiscal year, total revenues fell short of estimates by approximately \$121 million. The shortfall was addressed through mid-year budget cuts, one-time appropriations and borrowings from the state's "rainy day" fund. Although short of fiscal year projections, general revenues were up almost \$64 million over fiscal year 2016 collections. An uptick in revenue collections in the last two months of fiscal year 2017 coupled with an increase in local government investments in the BTI's pools appeared to be the primary sources of the increase 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 0.85%, 0.48%, and 1.31%, respectively, for the year ended June 30, 2017. Fiscal year 2017 experienced something that had not been experienced in over a decade: multiple rate hikes by the Federal Open Market Committee (the "FOMC"). The FOMC raised the benchmark Fed funds rate range a quarter point at the December 2016, March 2017 and June 2017 meetings, increasing the rate range from 0.25% to 0.50% up to a range of 1.00% to 1.25%. In addition to the Fed actively tightening monetary policy, other key central banks signaled that a shift in policy could be possible in the near future. As expected by the BTI's investment managers, the Fed increases were well telegraphed with no real surprises. Similar to last fiscal year, the overall term structure of the Treasury bill curve was flat, with the average spread between the one month and one year Treasury bill staying in the 34 to 36 basis point range. Overall, the market is not convinced that the Fed will be overly aggressive in its tightening campaign and, as of the end of June 2017, there was uncertainty as to when the next rate hike may occur. October 2016 saw the implementation of a floating net asset value ("NAV") for institutional prime money funds as a result of the reforms to SEC Rule 2a7. This affected the front-end markets as there was a massive shift of assets from prime money market funds to government-only money market funds. The inflows into government-only funds, which were permitted to continue using a stable NAV for processing investors' contributions and

withdrawals, increased demand for front-end Treasuries and Agencies, keeping their yields well anchored. Fixed income credit markets performed well during the year, with economic data during the year continuing to reflect moderate growth.

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. The Pool return over fiscal year 2017 more than doubled the return for fiscal year 2016, coming in at 0.85% for the fiscal year. As with fiscal year 2016, a large component of the increase in performance year-over-year was due to rate hikes by the Fed. In addition to the rate hikes, the Pool was able to benefit from being able to continue to process participant transactions using a stable NAV. As a governmental external investment pool, the Pool is able to continue using amortized cost accounting so long as it meets the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 79, *Certain External Investment Pools and Pool Participants*. Effective October 14, 2016, institutional prime money market funds regulated by the SEC were required to begin processing investor transactions using a floating market-based NAV. Investors responded to the change by shifting over \$1 trillion in funds from prime money funds to government-only money market funds in the months leading up to the implementation date. Prime money market fund managers maintained very short weighted average maturity ("WAM") profiles, with many having WAMs in the single digits, as they built up higher than normal liquidity to accommodate the withdrawals. The resulting drop in demand for longer-dated money market instruments pushed up the yields of such instruments. This provided opportunities for the Pool to invest in these longer-dated instruments at higher yields. Post implementation date, the investment managers of the Pool began shortening the WAM profile of the Pool in anticipation of Fed rate hikes. The Fed rate hikes over the fiscal year were well telegraphed, with Treasury Bill yields re-pricing leading into each rate hike. The investment managers decreased the WAM of the Pool, dropping it from the mid-40 day range to the mid to high 30 day range. The managers have increased investment in floating-rate securities over the fiscal year, increasing the allocation from around 11% of the prior fiscal year end to just over 33% as of the end of fiscal year 2017. Exposure to fixed-rate paper maturing in 90 days or less has also increased over the fiscal year, further contributing to the drop in the WAM. The managers are likely to maintain a similar WAM profile over the next year, making adjustments as necessary for significant changes to the Fed's outlook.

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. Fiscal year 2017 returns in the Pool again exceeded prior fiscal year returns, rising from 0.21% to 0.48%. The Pool also benefitted from the Fed rate hikes during the year, but to a lesser extent than the WV Money Market Pool. The \$1+ trillion in assets that have flowed into government only funds has acted as a damper on rates, as demand for short-term Treasury and agency issues has remained elevated. This has only added to the existing demand for high-quality liquid assets that resulted from banking reforms over the past several years. Similar to the WV Money Market Pool, the WV Government Money Market Pool's WAM was shortened up during the year in response to the Fed rate hikes and outlook. The WAM has dropped from the low 50's to the mid to upper 30 day range. Some agency floaters have been added to the holdings in response to rising rates, but overall floating-rate holdings in the pool are not significantly higher than last fiscal year. The manager has maintained a fairly high allocation to overnight repo, as repo yields have generally exceeded the yields available on many shorter dated Treasury and Agency issues. Federal Home Loan Bank ("FHLB") issues made up the bulk of agency debt holdings as a continued oversupply of FHLB discount notes led to more attractive yields as compared to other agency paper. The manager expects to maintain a similar WAM profile over the near term, with adjustments made as necessary for changes to the Fed outlook.

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. Returns for fiscal year 2017 fell below fiscal year 2016 levels, dropping from 1.52% to 1.31%. The drop in performance year-over-year was not surprising given the longer-term nature of the pool and a rising rate environment. While absolute performance was lower year-over-year, performance relative to the benchmark was more than adequate. The annual return of the Pool soundly beat the benchmark, outperforming the benchmark return of 0.25% by 106 basis points. As in prior years, Federated Investors, manager for the pool, managed the pool with a lower duration and higher allocation to credit spread products versus the benchmark. As of fiscal year-end, the average effective duration of the Pool was 1.2 years versus the benchmark duration of 1.9 years. The duration profiles of both the Pool and the benchmark were little changed over the fiscal year. Maintaining the shorter duration versus the benchmark paid off in fiscal year 2017 as the Fed hiked rates three times during the fiscal year. Also contributing to a rise in yields, was the (somewhat) surprising election of Donald Trump in 2016, with yields rallying on expectations that the new President's agenda of tax cuts, regulatory reform, trade, and infrastructure spending could contribute significantly to U.S. economic growth. Yields on the 2-year Treasury jumped dramatically, ending the calendar year up 37 basis points from the levels just prior to the election. Some of the growth expectations were dampened the last half of the fiscal year, as gridlock in Washington appears to have put the brakes on rapid implementation of the President's agenda. Even with the two additional rate hikes after the December 2016 hike, the 2-year Treasury yield only increased another 18 basis points over the last half of the fiscal year. However, yields across the curve were higher year-over-year, and were notably higher in the one year to ten year range, increasing an average of 83 basis points over the prior fiscal year end. By maintaining the shorter duration versus the benchmark, Federated added approximately 32 basis points of outperformance versus the benchmark. With continued expectations of Fed rate hikes, as well as the uplift in yields that will likely result from the Fed embarking on their balance sheet normalization program, Federated will continue to maintain a short duration versus the benchmark. Credit spread products, including corporates, asset-backed securities and mortgage-backed securities, made up nearly 82% of the Pool versus a benchmark allocation of 16%. Credit allocation within the Pool increased slightly from the prior year, while the benchmark allocation fell around 4%. Credit spreads continued tightening throughout the fiscal year based on actual, and expected increases in earnings growth. In the second quarter of calendar year 2017, earnings news was overwhelmingly positive, with more than 50% of companies in the S&P 500 reporting higher earnings than were forecast by Wall Street. This was the second quarter in a row where actual earnings exceeded forecasts, breaking a string of 10 consecutive quarters of firms failing to beat estimates. By the end of the fiscal year, credit spreads were at or near all-time tights. Allocations by the Pool's manager to spread products, along with sector allocation within spread products, added around 60 basis points of outperformance versus the benchmark. Given the tightness of spreads, the allocation to credit products will likely not provide as significant a contribution to performance in the coming year.

## **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, 2017 and 2016 (in thousands).

	2017	2016
Current assets	\$ 1,461	\$ 1,323
Noncurrent assets	4	4
Total assets	1,465	1,327
Current liabilities	474	513
Total liabilities	474	513
Net position:		
Investment in capital assets	4	4
Unrestricted	987	810
Total net position	\$ 991	\$ 814

The net position of the Operating Fund increased by \$177,000 during fiscal year 2017. An increase in current assets of \$138,000 was responsible for the majority of the increase year-over-year. Also contributing the increase was a decline in current liabilities of \$39,000. Noncurrent assets did not materially change during fiscal year 2017.

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 \$1,461,000 comprises \$942,000 in cash and \$519,000 in accounts receivable. The cash balance increased by \$189,000 from 2016, while the accounts receivable balance decreased by \$51,000.

The increase in the cash balance was primarily a result of a net operating income of \$177,000. The remaining \$12,000 increase in cash was a result of the changes in receivables and payables over the fiscal year. These changes are more fully discussed below.

The accounts receivable balance of \$519,000 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 decreased by \$51,000 over the fiscal year end 2016 balance. At the end of fiscal year 2017, there was one month of administrative and three months' custodian fees receivable as compared to the fiscal year 2016 ending balance having two months of each fee type. This change in the number of month's receivables at the end of fiscal year 2017 accounted for \$50,000 of the decrease in receivables. An increase in net assets in the final month of the fiscal year moderated the decline in administrative fees receivable, with June 2017 administrative fees coming in higher than the fees for June 2016. Advisor fees receivable as of the end of fiscal year were approximately \$1,000 less than the



West Virginia Board of Treasury Investments  
Management's Discussion and Analysis (Continued)

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advisor fees receivable as of the end of fiscal year 2016. Net assets over the final quarter of fiscal year 2017 were comparable to the final quarter of fiscal year 2016 which resulted in advisor fees receivable being little changed from the prior fiscal year.

Capital assets, net of accumulated depreciation, did not substantially change during the year. New computer equipment, totaling \$2,000 was purchased during the fiscal year. This increase in capital assets was offset by annual depreciation of \$2,000. There were no asset retirements during fiscal year 2017.

The balance of \$474,000 in current liabilities represents \$418,000 in accounts payable and \$56,000 of reimbursements due the West Virginia State Treasurer's Office (the "STO") at June 30, 2017. The majority of the accounts payable balance represents amounts due for services received from the BTI's investment advisors for the quarter ending June 30, 2017, custodian fees for April, May and June 2017, investment consultant fees for the quarter ending June 2017, and maintenance costs due for the investment management system for June 2017. The \$56,000 in reimbursements due to the STO was for staffing services provided to the BTI, office space rental expense, employee travel and the BTI's share of statewide technology fees charged to the STO. The decrease in accounts payable was attributable to decreases in the amounts due to the STO for office space rental expenses and fewer outstanding invoices as of fiscal year end. At the end of fiscal year 2016, several invoices were held pending vendors' meeting state vendor registration requirements. There were no such issues with vendors at the end of fiscal year 2017. Reimbursements to the STO for office space rental expenses decreased significantly as there were certain make-ready costs due with the first month's rent in 2016 that were not present in 2017. Remaining accounts payable increased modestly from fiscal year 2016 as there were three months of payables for custodial fees at the end of fiscal year 2017 versus only two months at the end of fiscal year 2016.

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, 2017 and 2016 (in thousands).

	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Operating revenues:		
Management services	\$ 1,383	\$ 1,290
Advisor and custodian services	<u>1,461</u>	<u>1,492</u>
Total revenues	<u>2,844</u>	<u>2,782</u>
<b>Expenses</b>		
Operating expenses:		
General and administrative	1,201	1,158
Advisor and custodian fees	1,464	1,492
Depreciation	<u>2</u>	<u>1</u>
Total expenses	<u>2,667</u>	<u>2,651</u>
Increase (decrease) in net position	177	131
Net position at beginning of year	<u>814</u>	<u>683</u>
Net position at end of year	<u>\$ 991</u>	<u>\$ 814</u>

Operating revenues at June 30, 2017 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 2017 increased by \$62,000. The increase in revenue consisted of an increase of \$93,000 in management (administrative) fees charged to the pools, a decrease of \$21,000 in advisor fee revenues, and a decrease of \$10,000 in custodial fees.

Advisor fees are computed based upon market values of the pools. The average market value of assets under management fell again during fiscal year 2017. However, the declines experienced over fiscal year 2017 were not as severe as in prior years. While the WV Money Market and WV Government Money Market Pool balances increased over fiscal year 2016 balances by approximately \$238 million, the average over the fiscal year 2017 was not significantly different than the averages over fiscal year 2016. Advisor fees for these two pools increased by \$7,000 from fiscal year 2016. Advisor fees for the WV Short Term Bond Pool decreased by \$28,000 from fiscal year 2016 as a result of agencies withdrawing approximately \$46 million over the fiscal year. These factors accounted for the net decrease of \$21,000 in advisor fees in fiscal year 2017. Custodian fees declined by a combined \$10,000 as a result of the changes in the assets of these pools. The administrative fee rate was increased slightly for fiscal year 2017 in anticipation of further declines in assets under management. However, the decreases in assets under management were less severe than anticipated resulting in an increase in management fees of \$93,000.

Total operating expenses for the year increased by \$16,000. This includes an increase of \$43,000 in general and administrative expense and a decrease in advisor and custodian fees of \$28,000. Changes in depreciation expense accounted for the remainder of the increase.

General and administrative expenses represent costs associated with operating the BTI that are not considered directly applicable to investment management. Salary reimbursements, investment consulting fees charged by NEPC Investment Consulting and fiduciary bond expenses make up the majority of this expense line item. Salary reimbursements and related expenses decreased by \$5,000 from the prior year. Other general and administrative expenses increased by a net of \$48,000.

A large portion of BTI expenses represent investment advisor fees. The current investment advisors are Federated Investors and UBS Global Asset Management. All investment decisions and trade executions are performed by the investment advisors. The balance of custodian and advisor fees is composed of investment advisor fees of \$1,345,000 and custodian fees of \$119,000. Investment advisor fees decreased by \$21,000 and custodian fees decreased by \$7,000 over fiscal year 2016. The net decrease in investment advisor fees was primarily due to the decline in assets under management. Advisor fees charged to the WV Money Market Pool increased during by \$14,000 fiscal year 2017, despite a lower average balance over the fiscal year. Investment advisors are permitted to utilize their own money funds in the investment pools, subject to a 15% maximum. These money funds are typically used opportunistically in place of repurchase agreements when repo supply is constrained or the manager's funds offer better yields than repo. As a condition of using these funds, the investment advisor must rebate the advisor fee charged to the fund to ensure that the BTI is not double charged for advisor fees and does not pay an advisor fee that is higher than the current contractual rate. The fee rebate is applied to the quarterly invoices from the investment managers and reduces the actual cash fee paid outright by the pool. To be eligible as an investment in the Pool, the money market funds must be rated by Standard & Poor's (to meet Standard & Poor's Pool rating criteria) and must invest in securities in which the Pool may otherwise invest. In June of 2016, UBS dropped Standard & Poor's ratings on their money funds which rendered these funds ineligible as an

investment for the WV Money Market Pool. The reduction in fee rebates for the use of advisor funds is entirely responsible for the apparent increase in advisor fees. When considering gross fees invoiced by the advisors, advisor fees fell by approximately \$11,000, which is in line with the decline in the average assets under management over fiscal year 2017. Advisor fees charged to the WV Government Money Market and WV Short Term Bond Pools fell by \$7,000 and \$28,000, respectively, as compared to fiscal year 2016. The decreases in both of these pools was the result of a decline in the average assets under management over the course of the fiscal year. As a result of the decline in average assets over the fiscal year, custodian fees for the year fell approximately \$7,000 from fiscal year 2016.

### 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, 2017 and 2016 (in thousands).

	2017	2016
<b>Assets</b>		
Investments	\$ 3,002,710	\$ 2,837,461
Receivables	4,020	7,543
Total assets	<u>3,006,730</u>	<u>2,845,004</u>
<b>Liabilities</b>		
Accrued expenses	519	570
Dividends and purchases payable	6,284	5,273
Total liabilities	<u>6,803</u>	<u>5,843</u>
<b>Net Position</b>		
Held in trust for investment pool participants	2,960,796	2,810,311
Held in trust for individual investment account holders	39,131	28,850
Net position	<u>\$ 2,999,927</u>	<u>\$ 2,839,161</u>

As of June 30, 2017, the Consolidated Fund's assets totaled approximately \$3.0 billion and was composed almost entirely of investments in securities. Net position as of the end of fiscal year 2017 was \$160 million higher than the fiscal year end 2016 net position. Fiscal year 2017 was the first fiscal year since 2011 where net position ended higher year-over-year. Although net position had increased as of fiscal year end, the average assets under management over the course of fiscal year 2017 was approximately \$50 million lower than the average for fiscal year 2016.

As detailed below, the BTI experienced an increase in invested funds over the course of the fiscal year. Participant activity increased during fiscal year 2017, with both contributions and withdrawals rising by significant amounts over fiscal year 2016 activity. However, unlike the past several fiscal years, participant contributions exceeded withdrawals, resulting in an increase of \$134.3 million in net position. The net increase from participant activity, along with a net increase in assets from operations, resulted in an increase in net position of \$160 million from fiscal year 2016. The WV Money Market and WV Government Money Market Pools both increased year-over-year, with the WV Money Market Pool rising by \$224 million and the WV Government Money Market Pool rising by \$12 million. The WV Short Term Bond Pool experienced a net decrease, falling by \$37 million as state agencies drew against their invested balances. The net position of the WV Bank Pool fell significantly during the fiscal year, dropping by \$50 million

from fiscal year end 2016. The net position of the Municipal Bond Commission Account was up over 2016, rising by \$10.6 million during the fiscal year. The State Loan Pool was up slightly over the fiscal year, rising by \$0.9 million. The School Fund, 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 fell by \$3.5 million from the fiscal year end 2016 balance. The decrease was composed of a decrease in the receivable for securities sold of \$4.0 million and increase in interest and dividends receivable of \$0.5 million. The WV Short Term Bond Pool had an open sales transaction at the end of fiscal year 2016, but there were no open security sales transactions at the end of fiscal year 2017. Interest and dividends receivable on investments were up modestly at the end of fiscal year 2017, even with the increase in investments year-over-year and three Federal Reserve rate hikes between fiscal year ends. Interest and dividends receivable in the WV Money Market Pool were up approximately \$0.4 million from fiscal year 2016. In response to rising rates, the investment advisors for the West Virginia Money Market Pool have shortened up the portfolio, lowering the WAM to 36 days as of fiscal year-end 2017 from 49 days as of fiscal year-end 2016. The lower WAM was due, in large part, to a shift to investment in fixed rate CD's with shorter maturities and floating rate securities with more frequent resets. The shorter time to reset and payment offset the effects of higher rates. Receivables in the WV Government Money Market Pool will little changed from fiscal year end 2016. The investment manager increased investment in short-dated discount agency securities towards fiscal year end, finding more attractive yields in discount agencies versus interest bearing Treasuries and agencies. This left the interest and dividends receivable flat compared to fiscal year 2016 in spite of an increase in yields and an increase of \$12 million in funds invested in the pool. A drop of \$37 million in investment in the West Virginia Short Term Bond Pool offset the increase in short-term rates, resulting in a modest increase in interest and dividends receivable of \$0.1 million. Other pools and accounts experienced minor fluctuations in receivables year over year.

Total liabilities increased by approximately \$1.0 million since June 30, 2016. 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. Nearly all of the increase in the liabilities resulted from an increase of \$0.8 million in amounts payable for securities purchased by the WV Short Term Bond Pool. Dividends payable in the WV Short Term Bond Pool increased by nearly \$0.2 million as a result of the increases in yields as of fiscal year end. Accrued expenses were down slightly as compared to the end of fiscal year 2016.

Net position is the excess of total assets over total liabilities. As of June 30, 2017, the Consolidated Fund had total net position of approximately \$3.0 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 increased approximately 5.4% from the prior year due to increases in investments in the WV Money Market, WV Government Money Market and Loan Pools and the Municipal Bond Commission Fee Account. These increases were offset slightly by decreases in the WV Short Term Bond and WV Bank Pools. The remaining pools and accounts did not change significantly during the year.

The WV Money Market Pool increased by approximately \$224.5 million from the prior year. The balance of state agency investments in the pool increased by \$156.3 million over the course of the fiscal year, reversing the prior years' trend of declining state agency investment balances. These increases were spread across multiple agencies, with no one single agency being responsible for a significant portion of the increase. Local government investments also increased from fiscal year 2016, rising by approximately

\$32.6 million. Rounding out the increases was an increase in safekeeping deposits of \$35.6 million. Safekeeping deposits comprise funds that are required to be held in trust by the State for performance, wage guarantee and mining and oil and gas reclamation bonds.

Amounts invested in the WV Government Money Market Pool increased by \$11.9 million from fiscal year end 2016. State agency deposits, which make up more than 97% of the funds invested in the Pool, increased by \$14.3 million over the course of fiscal year 2017. The Municipal Bond Commission (the "MBC"), the single largest investor in the Pool, increased their deposits by \$26.6 million. The MBC maintains pooled investment accounts where local governments may deposit surplus funds for investment. Offsetting the increases in MBC investments were \$12.3 million in decreases in other State agency investments. The decreases in State investments were concentrated in accounts for the WV Economic Development Authority (the "EDA") Loan Guaranty program, funds held in trust for the State Small Business Credit Initiative and funds of the West Virginia Housing Development Fund. Direct local government investments in the Pool, which are predominately funds from county school boards, fell by \$2.4 million over fiscal year 2017.

Investments in the State Loan Pool were up slightly for the fiscal year, increasing by \$0.9 million. The balance of the Revolving Loan program increased by \$1.5 million for the year as the EDA increased their borrowings over the fiscal year to fund new loans. The EDA increased their loans by approximately \$19.8 million over the fiscal year. Offsetting the new borrowings were \$18.3 million in principal repayments on existing loans. The remaining decrease in net position was the result of increases in the provision for loan loss reserve for the Non-Recourse Loan of \$0.6 million.

The net position of the WV Short Term Bond Pool decreased by \$37.4 million from fiscal year end 2016. The decrease was primarily the result of State agencies drawing against invested funds. The Division of Environmental Protection drew against invested funds over the year as the investment time horizon of their funds has shortened. Other state agency investments increased over the fiscal year, primarily due to increases in investment earnings.

The net position of the WV Bank Pool decreased significantly during fiscal year 2017. The decrease was primarily the result of increases in short-term rates, which reduced demand for the funds. During the fiscal year, short-term interest rates increased significantly, more than doubling by fiscal year end. As interest rates increased, participation by banks in the auction decreased. Starting with the September 2016 auction, the amount of funds placed at auction dropped by more than half. In February 2017, the BTI decreased the amount offered at auction from \$25 million to \$15 million, in part due to the decline in demand for funds. This decrease in net position in the WV Bank Pool was partially responsible for the increase in net position in the WV Money Market Pool as amounts that were withdrawn from the WV Bank Pool were transferred to 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 \$10.3 million from the prior fiscal year. The MBC was responsible for an increase of \$10.6 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, and yield on, 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. The increase

in investments in the pool was primarily the result of purchase of new SLGS during the fiscal year. The SLGS window was open during a majority of the fiscal year, closing on March 15, 2017 as a result of the expiration debt ceiling suspension. There were no new investments in the account after the closing of the SLGS window. The net position of the School Fund decreased by \$0.2 million while the West Virginia Economic Development Authority ("EDA-AW") account decreased by \$0.1 million during the year.

**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, 2017 and 2016 (in thousands).

	Year Ended June 30,	
	2017	2016
<b>Additions</b>		
Net investment income	\$ 28,073	\$ 15,327
Net realized gain (loss)	128	(39)
Net increase (decrease) in fair value of investments	(1,917)	2,818
Unit purchases and contributions	11,320,573	9,944,131
Total additions	11,346,857	9,962,237
<b>Deductions</b>		
Distributions	27,837	15,108
Unit redemptions and withdrawals	11,158,254	10,277,489
Total deductions	11,186,091	10,292,597
Change in net position	160,766	(330,360)
Net position at beginning of year	2,839,161	3,169,521
Net position at end of year	\$ 2,999,927	\$ 2,839,161

Fiscal year 2017 net investment income increased substantially from fiscal year 2016, primarily as a result three Fed rate hikes over the fiscal year. Although net position ended fiscal year 2017 \$160.8 million higher than fiscal year end 2016, the average invested over the course of the year was approximately \$50 million lower. All pools and accounts, with the exception of the EDA account, experienced increases in net investment income, with a total increase of \$12.7 million from the prior fiscal year. The WV Money Market Pool's net invest income increased by \$9.3 million, the largest increase of all the pools in dollar terms. The WV Government Money Market Pool experienced an increase of \$0.6 million over fiscal year 2016 net income. Net investment income in the WV Short Term Bond Pool was up \$2.1 million from fiscal year 2016. The WV Bank Pool's net investment income rose \$0.4 million, while the State Loan Pool's rose \$0.1 million. The increase in the State Loan Pool's net investment income was due to an increase in the rate on the Revolving Loan, which almost doubled, rising from 0.20% to 0.38%. Net investment income in the MBC Fee Account was up \$0.2 million from fiscal year 2016. The remaining pools and accounts were up slightly or, in the case of EDA, down slightly in fiscal year 2017.

There was substantial pessimism in the market at the end of fiscal year 2016 over whether the Fed would be able to continue raising rates. As of the end of fiscal year 2016, the Fed funds futures markets were not pricing in any Fed rate hikes until 2018 at the earliest. That pessimism would prove to be unjustified as conditions during the year gave the Fed confidence that rate hikes were warranted. The Fed passed on raising rates at the September 2016 meeting in spite of progress in employment and inflation. However, the minutes of the September meeting leaned hawkish, as the committee noted that near-term risks were



balanced and the case for a rate hike had strengthened. The markets were somewhat skeptical, only pricing in a 60% probability of a rate hike by December 2016. As December rolled around, the markets had priced in a rate hike, which did occur at the December meeting. The summary of economic projections related after the meeting were probably more hawkish than many had expected, appearing to indicate that the Fed was leaning toward a more aggressive stance on rates. Economic data, although a little unsteady, indicated sufficient economic growth and strength in the labor markets to warrant further hikes. The Fed raised rates at the March and June 2017 meetings, bringing the Fed funds target rate to a range of 1.00% to 1.25%. In addition to the June 2017 rate hike, the Fed also released its preliminary plans to begin reducing its enlarged \$4.5 trillion balance sheet.

The Treasury bill curve ended the year significantly higher than where it started the fiscal year, benefitting from three Fed rate hikes during the year. However, the term structure of the bill curve remained flat, as the markets still remained skeptical that the Fed will be overly aggressive in their tightening campaign. The money market reforms that were implemented during the fiscal year also weighed on the bill curve, largely the result of the shift in assets from prime money market funds to government-only funds. Yields further out the curve ended the year substantially higher, with the increase in the 1 to 10 year part of the curve averaging around 83 basis points higher than fiscal year-end 2016. At the end of fiscal year 2017, expectations are that the Fed will start letting their balance sheet run off by not reinvesting a portion of maturities and interest receipts. The expectation is that the balance sheet reduction will begin in September 2017. The markets are more uncertain as to whether there will be any further rate hikes during calendar year 2017. As of the end of the fiscal year, the markets were indicating that the next likely rate hike would be December 2017, with a 60% chance of another 25 basis point rate hike at that meeting.

The Fed's rate hikes during the fiscal year were the major contributors to the BTI's two principal stability pools outperforming fiscal year 2016 results. WV Money Market Pool performance more than doubled last year's results, increasing by 49 basis points to 0.85%. In addition to the Fed rate hikes, the effects of the October 2016 implementation of floating NAV's for institutional prime money market funds also helped provide a small uplift to returns. Overall the Treasury Bill curve was up again, year-over-year, with a slight flattening in the term structure as the market was of the opinion that the Fed will not tighten aggressively in the near term. As of fiscal year end, the expectations were for the next rate hike to occur at the December 2017 meeting. The increase in market rates, and, in part, the Pool's exemption from the floating NAV provisions of Rule 2a7, resulted in an increase of net investment income in fiscal year 2017 of \$9.3 million.

The WV Government Money Market Pool also experienced an increase in performance, with the return increasing to 0.48% for fiscal year 2017 from 0.21% for fiscal year 2016. The Fed rate hikes did not have as large an effect on the return of the Pool, as high demand for short-term high quality assets continued to restrain short-term Treasury and Agency yields. With the expectations for Fed rate hikes during the fiscal year, the pool was managed with a shorter WAM, falling from the low to mid 50's to the mid 30's. Some floating-rate agency issues were added to the agency holdings, and maturities of agencies purchased were shorter in tenor. Overnight repurchase agreement allocations were steady, with 20% to 25% of the pool invested in overnight repurchase agreements to take advantage of moves in overnight rates. Net position increased by approximately \$12 million year-over-year, but on average, were lower over the course of fiscal year 2017. These factors contributed to an increase of \$0.6 million in net investment income from fiscal year 2016.

Net investment income in the WV Short Term Bond Pool was up from fiscal year 2016, increasing by 24%, or \$2.1 million, during fiscal year 2017. The increase was the result of higher yields in 2016, which increased by 31 basis points over 2016 yields to 1.72%. Yield increases in the 1 to 3 year section of the curve benefited the pool as new investments and interest and maturity receipts were re-invested at higher yields.

The WV Bank Pool experienced an increase of \$0.4 million in net investment income during fiscal year 2017 despite a 38% decline in investments in the pool. As rates increased over the course of the fiscal year, demand for funds auctioned by the Pool declined, resulting in a lower amount of funds placed with local banks. Demand for funds peaked in August 2016 and remained flat for the remainder of the fiscal year, with the BTI placing an average of \$13 million per auction as compared to the average of \$22 million over the same period in the prior fiscal year. Average rates, however, were significantly higher over fiscal year 2017, averaging 88 basis points versus the fiscal year 2016 average of 37 basis points.

The increase in the Loan Pool's net investment income resulted from an increase in the rate on the Revolving Loan at the beginning of fiscal year 2016. The rate, which increases on July 1 of each fiscal year, almost doubled, increasing from 20 basis points for fiscal year 2016 to 38 basis points for fiscal year 2017. The average amount on loan under the Revolving Loan was higher over the course of the fiscal year, which also contributed to the increase in interest income. For the year, interest income on the Revolving Loan increased by \$0.2 million. Offsetting the increase in interest income, was an increase in loss reserves for the Non-Recourse Loan. Allowances for loan losses on the program increased by \$0.1 million for the year. The net effect of these two factors was a decrease of approximately \$0.1 million in net investment income for the Pool. 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 approximately \$0.2 million over fiscal year 2016. The SLGS window at the U.S. Treasury was open during most of the fiscal year, which resulted in new investments being placed into SLGS rather than into U.S. Treasury Notes or Bonds. While the SLGS purchased over the year had higher interest rates than securities that had matured during the year, the relatively low balance of the fund and low yield of securities purchase did not result in a substantial increase in net investment income.

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 gain of \$128,000. This represents an increase of \$0.1 million from fiscal year 2016. The net realized gain 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 2017 was negative, falling by \$4.7 million from fiscal year 2016. Fiscal year 2017 was marked by both quiet times and much more volatile periods. The first quarter of the fiscal year represented a quiet period, with Treasury yields rising gradually. The yield on the 2-year Treasury yield was up by 18 basis points from fiscal year-end levels. While performance for Treasuries were negative over the first quarter of the fiscal year, credit spread products outperformed, more than offsetting the negative Treasury returns. The second quarter of the fiscal year was anything but quiet. Markets were shocked by the surprising win of Donald Trump in the U.S. presidential election in November 2016. The Real Clear Politics average of national polls placed Hillary Clinton ahead of Trump by a very narrow margin while the betting markets heavily favored Clinton over Trump. The yield on the 2-year Treasury added 18 basis points in the week following the election, about the same increase experienced over the entire first quarter of the fiscal year. The rationale for the spike in yields across the curve following the election were President-elect Trump's stated policy goals of cutting taxes, renegotiating trade agreements, reforming regulations and increasing infrastructure spending. All of these policies were widely viewed by the market as pro-growth policies that could result in an increase in U.S. economic activity. For November 2016, the yield on the WV Short Term Bond Pool was crushed, dropping nearly 30 basis points from the prior month, with the fair value of the pool falling \$3.0 million. Yields on Treasuries edged up over the final month of the quarter, with the Fed raising their benchmark rate by a quarter point at the December 2016 FOMC meeting. Credit spread products rallied through the remainder of the quarter, moderating the effects of the sudden jump in Treasury yields. The remainder of the fiscal year, while not

entirely quiet, was much calmer than the second quarter. The Fed hiked rates at the March 2017 and June 2017 meetings, raising the Fed funds rate another 50 basis points. The 2-year Treasury only added an additional 18 basis points to its yield over the last half of the fiscal year as longer term Treasury yields were less responsive to the Fed rate hikes. Credit markets continued to perform well over the last half of the fiscal year even as President Trump's agenda appeared to have been slowed down significantly in the gridlock of Washington DC politics. Credit spreads continued tightening over this period, providing a boost to the fair value of the WV Short Term Bond Pool. By fiscal year-end, the Pool had recovered approximately \$2.3 million of the decline in fair value experienced in November and December 2016. This left the Pool with a decline in fair value for the year of approximately \$1.7 million. The changes in fair value in the EDA-AW Account and MBC Fee Account were negative for the fiscal year, falling from fiscal year 2016 levels by approximately \$0.2 and \$0.1 million, respectively. These accounts exclusively hold Treasury issues and the changes in fair value were entirely related to previously discussed factors that influenced shifts in the Treasury yield curve. The total drop \$1.9 million in fair value during the year was \$4.4 million less than the increase of \$2.8 million in the prior fiscal year.

### **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.

As previously discussed, Treasury yields were up across the curve in fiscal year 2017. Three Fed rate hikes over the course of the fiscal year helped to push the Treasury curve up from fiscal year 2016 levels. Treasury supply overall increased during the fiscal year, but at a lower rate than in fiscal year 2016. Treasury bill issuances were up significantly during the fiscal year, with supply increasing by \$210 billion during fiscal year 2017. However, a significant increase in the demand for short-dated Treasuries overwhelmed the increased supply and helped to keep short-term Treasury yields depressed. The implementation of floating NAV for prime money market funds in October 2016 led to a sizable shift in assets from prime money funds to government-only money funds. Government-only funds, which were permitted to continue using a stable NAV, experienced inflows of approximately \$705 billion between fiscal year-end 2016 and the end of October 2016. Prime money funds continued to shorten their WAM profiles leading up to the floating NAV implementation date, with prime funds as a whole averaging WAM's in the low to mid-20 day range leading up to October. Prime funds, which had been the natural buyers of short-term financial company debt, curtailed their investment in such instruments and also limited their purchases to shorter-dated paper. This resulted in some stress in the bank funding markets as evidenced by the LIBOR-OIS spread (the difference between LIBOR and the overnight index swap rate), which spiked at 43 basis points in late September 2016. Banks were able to adjust their fund profiles and, as a result, LIBOR-OIS spreads have fallen ever since, ending the fiscal year in the low teens. Yields on short-term financial company debt maturing, which had risen significantly early in the year as a result of the effects of money market reform, fell into more normal ranges as banks adjusted their funding profiles.

Fiscal year 2016 ended with serious concerns over the potential negative economic effects of the United Kingdom (the "U.K.") vote to leave the European Union (the "E.U."). Those concerns soon faded as it became clear that the U.K.'s separation from the E.U. would have little impact on the U.S. in the near term. Once the U.K. invokes Article 50 of the Treaty on European Union, there will be a two year time period before the U.K. is officially out of the E.U. U.S. GDP growth, while uneven during the fiscal year, maintained a growth rate in excess of 1%, ranging from 1.2% to 2.8%. The wave of optimism that swept many business and consumer confidence indicators in the wake of President Trump's victory in November 2016, had faded somewhat by fiscal year-end as the optimism regarding the President's economic agenda

met up with the realities of the office and negotiating with Congress to implement legislative priorities. While confidence indicators still remained elevated, "hard" economic data hasn't quite come into line with expectations. The Citigroup Economic Surprise Index, a diffusion index that measures economic data performance versus expectation, started the year off positive, peaking at 57.9 in March 2017, before reaching a low of -73.60 at the end of the fiscal year. The negative number is more likely an indicator that optimism was running a little too high as opposed to an indication of an economy that is faltering. While there are some drags on economic growth, the economy has performed pretty much as it has since 2010. Economic progress, although unsteady, has given the Fed confidence that the economy is not in need of extraordinary accommodation to sustain growth. The progress on economic growth, coupled with a still improving labor market, gave the Fed the justification to hike rates three times during the fiscal year. However, inflation continues to stubbornly remain below the Fed's target of 2%. The Fed has largely explained away recent inflation trends as being due to temporary factors and is holding firm to their medium term projections that anticipate inflation soon returning to target.

In 2017, General Revenue funds were \$120.7 million below the official estimates and just 2.3% above prior year adjusted receipts. West Virginia balanced its budget through a combination of nearly \$60 million in mid-year budget reductions and \$124.3 million in gap fill revenues, including \$40.4 million from the Revenue Shortfall Reserve Fund. Revenue collections and revenue growth improved during the course of the year from a 1.5% decline during the first quarter to growth of 0.1%, 6.4% and 6.9% during the second, third and fourth quarters of the year, respectively. Natural gas prices troughed at less than \$1.00 per thousand cubic feet in the first half of the fiscal year and then subsequently more than doubled between October and January to current levels generally in excess of \$2.00 per thousand cubic feet. In addition, coal sales also troughed early in the year at an annualized rate of roughly 80 million tons and then subsequently rebounded to an annualized rate of more than 90 million tons. The value of foreign exports improved by nearly 29% from a twelve-month trailing trend trough of \$4.75 billion in October 2016 to a twelve-month trailing amount in excess of \$6.12 billion as of May 2017. Improvement in economic activity during the latter half of the year contributed to a net surplus of revenues over expenditures of more than \$76.0 million. Half of this surplus was appropriated by the Legislature in the Fiscal Year 2018 budget and the remaining half of \$38.0 million was deposited in the Revenue Shortfall Reserve Fund. After subtracting this deposit, the net amount of Revenue Shortfall Reserve Funds used for the Fiscal Year 2017 budget was \$93.7 million.

The Official Fiscal Year 2018 General Revenue estimate of \$4.225 billion is more than \$34 million above actual Fiscal Year 2017 General Revenue funds of nearly \$4.191 billion. Given that final Fiscal Year 2017 general revenue funds relied on more than \$124 million in temporary revenues, the adjusted required revenue growth in the Official Fiscal Year 2018 general revenue estimate is more than \$158 million or 3.1%. The base budget expenditures for Fiscal Year 2018 from General Revenues and lottery revenues are \$4.687 billion, which is \$20.5 million lower than the base budget expenditures included in the Fiscal Year 2017 budget of \$4.707 billion. The Fiscal Year 2018 budget relies on roughly \$140 million in various one-time funding sources, an improvement over \$200 million in one-time funding sources in the original Fiscal Year 2017 budget.

Given such a large reliance on one-time funding sources, the Fiscal Year 2019 budget would require minimum general fund revenue growth of 3.3% over Fiscal Year 2018 estimates just to match the funding level of the Fiscal Year 2018 budget. The economic momentum associated with improving energy markets during the second half of fiscal year 2017 is projected to continue. In particular, natural gas prices are projected to generally remain above \$2.00 per thousand cubic feet. The improvements in the energy sector should also contribute to modest employment and income growth in this fiscal year. In addition, higher road fund fees and taxes enacted in June 2017 should result in additional highway spending during the year with associated economic benefits. Gains associated with possible voter approval of a State Road Bond

Amendment in October 2017 are not reflected in Fiscal Year 2018 revenue estimates, but could be reflected in future year outlooks.

Despite recent economic improvements, the State continues to struggle to balance its ongoing budget with resource limitations reflective of a lack of any net nominal revenue growth over the past five years. Future budget balance may 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 Revenue Shortfall Reserve Fund could also occur.

### **Requests for Information**

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

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

June 30, 2017

*(In Thousands)*

<b>Assets</b>	
Current assets:	
Cash	\$ 942
Receivables	<u>519</u>
Total current assets	1,461
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>4</u>
Total assets	<u>1,465</u>
 <b>Liabilities</b>	
Current liabilities:	
Accounts payable	<u>474</u>
Total liabilities	<u>474</u>
 <b>Net position</b>	
Investment in capital assets	4
Unrestricted	<u>987</u>
Total net position	<u>\$ 991</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, 2017

*(In Thousands)*

<b>Operating revenues</b>	
Management services	\$ 1,383
Advisor services	1,345
Custodian services	<u>116</u>
Total operating revenues	2,844
 <b>Operating expenses</b>	
Advisor fees	1,345
Management fees	637
Professional service fees	265
Fiduciary bond	19
Custodian fees	119
General and administrative	280
Depreciation	<u>2</u>
Total operating expenses	<u>2,667</u>
 <b>Operating income</b>	 <u>177</u>
 Change in net position	 177
Net position at beginning of period	<u>814</u>
Net position at end of period	<u>\$ 991</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, 2017

*(In Thousands)*

<b>Cash flows from operating activities</b>	
Cash received for services	\$ 2,895
Payments to vendors	<u>(2,704)</u>
Net cash provided by operating activities	191
 <b>Cash flows from capital and related financing activities</b>	
Purchase of capital equipment	<u>(2)</u>
Net cash used for capital and related financing activities	<u>(2)</u>
 Net increase in cash	 189
Cash at beginning of period	<u>753</u>
Cash at end of period	<u>\$ 942</u>
 <b>Reconciliation of operating income to net cash used in operating activities</b>	
Operating income	\$ 177
Adjustments to reconcile operating gain to net cash provided by operating activities:	
Depreciation	2
Changes in assets and liabilities:	
Receivables	51
Accounts payable	<u>(39)</u>
Net cash provided by operating activities	<u>\$ 191</u>

*See accompanying notes to financial statements*

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

June 30, 2017

*(In Thousands)*

<b>Assets</b>	
Investments:	
At amortized cost	\$2,208,706
At fair value	<u>794,004</u>
Total investments	3,002,710
Receivables:	
Accrued interest	3,917
Dividends	<u>103</u>
Total receivables	<u>4,020</u>
Total assets	3,006,730
 <b>Liabilities</b>	
Accrued expenses	519
Dividends payable	1,060
Investments purchased	<u>5,224</u>
Total liabilities	<u>6,803</u>
 <b>Net Position</b>	
Held in trust for investment pool participants	2,960,796
Held in trust for individual investment account holders	<u>39,131</u>
Total net position	<u><u>\$2,999,927</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, 2017

(In Thousands)

<b>Additions</b>	
Investment income:	
Interest	\$ 23,420
Dividends	666
Net amortization	7,470
Provision for uncollectible loans	<u>(639)</u>
Total investment income	30,917
Investment expenses:	
Investment advisor fees	1,345
Custodian bank fees	116
Administrative fees	<u>1,383</u>
Total investment expenses	<u>2,844</u>
Net investment income	28,073
Net realized gain from investments	128
Net decrease in fair value of investments	<u>(1,917)</u>
Net increase in net position from operations	26,284
Participant transaction additions:	
Purchase of pool units by participants	11,266,082
Reinvestment of pool distributions	27,979
Contributions to individual investment accounts	<u>26,512</u>
Total participant transaction additions	<u>11,320,573</u>
Total additions	<u>11,346,857</u>
<b>Deductions</b>	
Distributions to pool participants:	
Net investment income	27,709
Net realized gain from investments	<u>128</u>
Total distributions to pool participants	27,837
Participant transaction deductions:	
Redemption of pool units by participants	11,141,869
Withdrawals from individual investment accounts	<u>16,385</u>
Total participant transaction deductions	<u>11,158,254</u>
Total deductions	<u>11,186,091</u>
Change in net position	160,766
Net position at beginning of period	<u>2,839,161</u>
Net position at end of period	<u><u>\$ 2,999,927</u></u>

*See accompanying notes to financial statements*

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# West Virginia Board of Treasury Investments

## Notes to Financial Statements

June 30, 2017

### 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 Consolidated Fund is the statutory title of the fund that collectively refers to the investment pools and accounts that the BTI manages. 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 directly 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 State agency and local government 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. 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. In the 2017 legislative session, the West Virginia State Legislature established a program to provide loan guarantees for borrowings related to projects for the expansion of broadband services to unserved and underserved areas of West Virginia. Under the program, the BTI, subject to a liquidity determination and cash availability, shall make available to the WVEDA, from the Consolidated Fund, in the form of a nonrecourse revolving loan, \$50 million, for the purpose of insuring the payment or repayment of any debt instrument entered into by an entity for purposes of expanding broadband services to unserved and underserved areas of the state. The nonrecourse revolving loan is payable by the WVEDA solely from moneys received in respect to the insured debt instruments.

**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 \$0.9985. 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 statement of financial position 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, 2017, the Loan Pool had an allowance for uncollectible loans of \$23,464,033.

**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 are not charged expenses or are 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 \$942,000 at June 30, 2017. 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, 2017.

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+	\$ 358,377	20.10%
	P-1	A-1	706,150	39.60
Corporate bonds and notes	Aa3	AA-	6,285	0.35
	A1	A	3,200	0.18
U.S. Treasury notes *	Aaa	AA+	97,823	5.49
U.S. Treasury bills *	P-1	A-1+	69,837	3.92
Negotiable certificates of deposit	P-1	A-1+	174,000	9.76
	P-1	A-1	156,476	8.78
Money market funds	Aaa	AAAM	100,005	5.61
Repurchase agreements (underlying securities):				
U.S. Treasury notes *	P-1	A-1	50,000	2.80
U.S. Treasury notes *	NR	A-1	60,800	3.41
			<u>\$ 1,782,953</u>	<u>100.00%</u>

\* U.S. Treasury issues are explicitly guaranteed by the United States government and are not considered to have 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. agency bonds and notes	Aaa	AA+	\$ 8,000	3.96%
U.S. Treasury notes *	Aaa	AA+	35,972	17.81
U.S. Treasury bills *	P-1	A-1+	6,992	3.46
U.S. agency discount notes	P-1	A-1+	99,921	49.47
Money market funds	Aaa	AAAm	2,109	1.04
Repurchase agreements (underlying securities):				
U.S. Treasury notes *	Aaa	AA+	49,000	24.26
			<u>\$ 201,994</u>	<u>100.00%</u>

\* U.S. Treasury issues are explicitly guaranteed by the United States government and are not considered to have 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		
Commercial paper	P-1	A-1+	\$ 9,963	1.32%
	P-1	A-1	13,940	1.85
Corporate asset backed securities	Aaa	AAA	68,441	9.06
	Aaa	NR	79,853	10.58
	NR	AAA	67,375	8.92
	NR	AA	2,003	0.26
Corporate bonds and notes	Aaa	AA+	2,935	0.39
	Aaa	AA+	4,019	0.53
	Aa1	AA+	5,027	0.67
	Aa2	AA+	4,036	0.53

(Continued on next page)

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

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
Corporate bonds and notes (continued)	Aa2	AA	6,989	0.93
	Aa2	AA-	17,124	2.27
	Aa3	AA-	15,106	2.00
	Aa2	A	4,011	0.53
	Aa3	A+	1,104	0.15
	A1	AA-	16,588	2.20
	A1	A+	19,078	2.53
	A1	A	6,355	0.84
	A1	A-	7,276	0.96
	A2	A+	2,616	0.35
	A2	A	25,032	3.32
	A2	A-	10,079	1.33
	A3	A	10,747	1.42
	A3	A-	30,242	4.01
	A3	BBB+	20,183	2.67
	Baa1	A	1,501	0.20
	Baa1	A-	11,991	1.59
	Baa1	BBB+	47,392	6.28
	Baa1	BBB	8,495	1.12
	Baa2	A-	1,018	0.13
	Baa2	BBB	28,770	3.81
	Baa2	BBB-	3,000	0.40
	Baa2	NR	2,000	0.26
	Baa2	BBB+	10,268	1.36
	Baa3	BBB	15,627	2.07
	Baa3	BBB-	7,166	0.95
	Ba1	BBB	2,005	0.27
	Ba1	BBB-	2,304	0.31
	Ba2	BBB-	824	0.11
	NR	BBB+	2,637	0.35
	NR	BBB-	1,990	0.26
U.S. agency mortgage backed securities	Aaa	AA+	37,287	4.94
Corporate mortgage backed securities	Aaa	AAA	4,217	0.56
	Aaa	NR	17,281	2.29
U.S. Treasury notes *	Aaa	AA+	87,588	11.60
Money market funds	Aaa	AAAm	11,479	1.52
			\$ 754,962	100.00%

NR = Not Rated

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

The WV Bank Pool holds an interest in a money market mutual fund valued at approximately \$48,000. 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 \$47,000. 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 \$1,417,000. 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	\$ 110,800	3
U.S. Treasury notes	97,823	44
U.S. Treasury bills	69,837	88
Commercial paper	1,064,527	36
Certificates of deposit	330,476	41
Corporate bonds and notes	9,485	79
Money market funds	100,005	3
	\$ 1,782,953	36

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

Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 49,000	3
U.S. Treasury notes	35,972	65
U.S. Treasury bills	6,992	45
U.S. agency discount notes	99,921	41
U.S. agency bonds and notes	8,000	27
Money market funds	2,109	3
	\$ 201,994	35

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	\$ 355,535	412
Corporate asset backed securities	217,672	423
Commercial paper	23,903	113
U.S. Treasury bonds and notes	87,588	766
U.S. agency mortgage backed securities	37,287	148
Corporate mortgage backed securities	21,498	347
Money market funds	11,479	1
	\$ 754,962	426

The West Virginia Bank Pool holds nonnegotiable certificates of deposit totaling \$79,500,000 with maturity dates ranging from July 2017 through December 2017, and an interest in a money market mutual fund valued at approximately \$48,000. 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 \$47,000 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 \$18,845,000 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	\$ 13,083	302
State and local government securities	22,744	610
	\$ 35,827	498

The School Fund Account holds only an interest in a money market mutual fund valued at approximately \$1,417,000 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 \$1,798,000 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.

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 \$79,500,000. The Reserve Pool contains funds totaling approximately \$18,845,000 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, 2017 (in thousands).

Investment Type	Level 1	Level 2	Level 3	Total
Corporate bonds and notes	\$ -	\$ 355,535	\$ -	\$ 355,535
Corporate asset backed securities	-	217,672	-	217,672
Commercial paper	-	23,903	-	23,903
U.S. Treasury notes	87,588	-	-	87,588
U.S. agency mortgage backed securities	-	37,287	-	37,287
Corporate mortgage backed securities	-	21,498	-	21,498
Money market funds	11,479	-	-	11,479
	<u>\$ 99,067</u>	<u>\$ 655,895</u>	<u>\$ -</u>	<u>\$ 754,962</u>

The School Fund Account holds a money market fund reported at a fair value of \$1,417,000 using Level 1 inputs.

The Municipal Bond Commission Account holds U.S. Treasury Notes and Bonds reported at a fair value of \$13,083,000 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 \$22,744,000. 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 \$1,798,000 using Level 1 inputs.

## 6. Capital Assets

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

	June 30, 2016	Increases	Decreases	June 30, 2017
Equipment, at cost	\$ 16	\$ 2	\$ -	\$ 18
Accumulated depreciation	(12)	(2)	-	(14)
Equipment, net of accumulated depreciation	<u>\$ 4</u>	<u>\$ -</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, 2017, 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, 2017, was 0.38%. 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, 2017, the outstanding balance was \$124,322,462.
- 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, 2017, \$24,459,659 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 \$23,464,033 has been accrued at June 30, 2017.

- c. During its 2017 regular legislative session, the West Virginia State Legislature passed House Bill 3093 ("HB 3093"). The purpose of HB 3093 was to provide for the enhancement and expansion of broadband internet services throughout the state. Under provisions of the bill, the BTI is required to make available to the WVEDA, from the Consolidated Fund, up to \$50 million to insure the payment or repayment of any debt entered into by an entity for purposes of expanding broadband services to unserved and underserved areas of the state. The loan will be structured as a non-recourse, revolving loan that is payable by the WVEDA solely from moneys received in respect to the insured debt instruments. The WVEDA may not insure more than \$10 million per entity in one calendar year. The loan shall have a variable rate equal to the 12-month average yield on the WV Money Market Pool. The rate shall reset quarterly, and the maximum annual adjustment may not exceed 1%. The WVEDA shall make quarterly payments to pay all accrued interest on a loan for

the prior quarter. On a quarterly basis, the WVEDA shall determine the outstanding balance of the insured debt covered by the loan and adjust the outstanding balance of the loan to equal the outstanding balance of the insured debt. The program is effective beginning July 7, 2017.

### **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, 2017, the BTI reimbursed the Treasurer's Office \$704,000 for services, which includes \$637,000 for management services provided by Treasurer's Office employees. As of June 30, 2017, the BTI had an amount payable to the Treasurer's Office totaling \$56,000, of which \$48,000 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 two statements relating to accounting and financial reporting for pension and postemployment benefit 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 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  
Consolidated Fund

June 30, 2017

(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	\$ 1,782,953	\$ 201,994	\$ -	\$ 79,548	\$ 125,366
At fair value	-	-	754,962	-	-
Receivables:					
Accrued interest	1,419	118	2,022	230	40
Dividends	79	-	14	-	-
Total receivables	<u>1,498</u>	<u>118</u>	<u>2,036</u>	<u>230</u>	<u>40</u>
Total assets	1,784,451	202,112	756,998	79,778	125,406
<b>Liabilities</b>					
Accrued expenses	259	42	208	4	6
Dividends payable	-	-	1,060	-	-
Investments purchased	3,225	-	1,999	-	-
Total liabilities	<u>3,484</u>	<u>42</u>	<u>3,267</u>	<u>4</u>	<u>6</u>
<b>Net Position</b>					
Held in trust for investment pool participants	1,780,967	202,070	753,731	79,774	125,400
Held in trust for individual investment account holders	-	-	-	-	-
Total net position	<u>\$ 1,780,967</u>	<u>\$ 202,070</u>	<u>\$ 753,731</u>	<u>\$ 79,774</u>	<u>\$ 125,400</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>
\$ 18,845	\$ -	\$ -	\$ -	\$2,208,706
-	35,827	1,417	1,798	794,004
-	54	-	34	3,917
9	-	1	-	103
<u>9</u>	<u>54</u>	<u>1</u>	<u>34</u>	<u>4,020</u>
18,854	35,881	1,418	1,832	3,006,730
-	-	-	-	519
-	-	-	-	1,060
-	-	-	-	5,224
-	-	-	-	6,803
18,854	-	-	-	2,960,796
-	35,881	1,418	1,832	39,131
<u>\$ 18,854</u>	<u>\$ 35,881</u>	<u>\$ 1,418</u>	<u>\$ 1,832</u>	<u>\$2,999,927</u>

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

For the Year Ended June 30, 2017

(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	\$ 8,500	\$ 829	\$ 12,327	\$ 748	\$ 461
Dividends	517	-	52	2	2
Net (amortization) accretion	7,492	349	(177)	-	-
Provision for uncollectible loans	-	-	-	-	(639)
Total investment income (loss)	<u>16,509</u>	<u>1,178</u>	<u>12,202</u>	<u>750</u>	<u>(176)</u>
Investment expenses:					
Investment advisor fees	575	78	692	-	-
Custodian bank fees	76	13	27	-	-
Administrative fees	818	106	350	50	56
Total investment expenses	<u>1,469</u>	<u>197</u>	<u>1,069</u>	<u>50</u>	<u>56</u>
Net investment income (loss)	15,040	981	11,133	700	(232)
Net realized gain from investments	56	4	68	-	-
Net decrease in fair value of investments	-	-	(1,707)	-	-
Net increase (decrease) in net position from operations	15,096	985	9,494	700	(232)
Participant transaction additions:					
Purchase of pool units by participants	10,940,299	302,675	11,813	679	10,533
Reinvestment of pool distributions	15,093	984	11,347	700	(232)
Contributions to individual investment accounts	-	-	-	-	-
Total participant transaction additions	<u>10,955,392</u>	<u>303,659</u>	<u>23,160</u>	<u>1,379</u>	<u>10,301</u>
Total additions	10,970,488	304,644	32,654	2,079	10,069
<b>Deductions</b>					
Distributions to pool participants:					
Net investment income (loss)	15,040	981	11,133	700	(232)
Net realized gain from investments	56	4	68	-	-
Total distributions to pool participants	<u>15,096</u>	<u>985</u>	<u>11,201</u>	<u>700</u>	<u>(232)</u>
Participant transaction deductions:					
Redemption of pool units by participants	10,781,148	291,749	58,871	679	9,339
Withdrawals from individual investment accounts	-	-	-	-	-
Total participant transaction deductions	<u>10,781,148</u>	<u>291,749</u>	<u>58,871</u>	<u>679</u>	<u>9,339</u>
Total deductions	<u>10,796,244</u>	<u>292,734</u>	<u>70,072</u>	<u>1,379</u>	<u>9,107</u>
Net increase (decrease) in net position from operations	174,244	11,910	(37,418)	700	962
Inter-pool transfers in	75,220	-	-	25,000	-
Inter-pool transfers out	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>(75,220)</u>	<u>-</u>
Net inter-pool transfers in (out)	<u>50,220</u>	<u>-</u>	<u>-</u>	<u>(50,220)</u>	<u>-</u>
Change in net position	224,464	11,910	(37,418)	(49,520)	962
Net position at beginning of period	<u>1,556,503</u>	<u>190,160</u>	<u>791,149</u>	<u>129,294</u>	<u>124,438</u>
Net position at end of period	<u>\$ 1,780,967</u>	<u>\$ 202,070</u>	<u>\$ 753,731</u>	<u>\$ 79,774</u>	<u>\$ 125,400</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>
\$ -	\$ 465	\$ -	\$ 90	\$ 23,420
87	-	6	-	666
-	(180)	-	(14)	7,470
-	-	-	-	(639)
<u>87</u>	<u>285</u>	<u>6</u>	<u>76</u>	<u>30,917</u>
-	-	-	-	1,345
-	-	-	-	116
-	<u>1</u>	<u>1</u>	<u>1</u>	<u>1,383</u>
-	<u>1</u>	<u>1</u>	<u>1</u>	<u>2,844</u>
87	284	5	75	28,073
-	-	-	-	128
-	(85)	-	(125)	(1,917)
87	199	5	(50)	26,284
83	-	-	-	11,266,082
87	-	-	-	27,979
-	<u>26,098</u>	<u>414</u>	<u>-</u>	<u>26,512</u>
<u>170</u>	<u>26,098</u>	<u>414</u>	<u>-</u>	<u>11,320,573</u>
257	26,297	419	(50)	11,346,857
87	-	-	-	27,709
-	-	-	-	128
87	-	-	-	27,837
83	-	-	-	11,141,869
-	<u>15,712</u>	<u>585</u>	<u>88</u>	<u>16,385</u>
83	<u>15,712</u>	<u>585</u>	<u>88</u>	<u>11,158,254</u>
<u>170</u>	<u>15,712</u>	<u>585</u>	<u>88</u>	<u>11,186,091</u>
87	10,585	(166)	(138)	160,766
-	-	-	-	100,220
-	-	-	-	(100,220)
-	-	-	-	-
87	10,585	(166)	(138)	160,766
<u>18,767</u>	<u>25,296</u>	<u>1,584</u>	<u>1,970</u>	<u>2,839,161</u>
<u>\$ 18,854</u>	<u>\$ 35,881</u>	<u>\$ 1,418</u>	<u>\$ 1,832</u>	<u>\$ 2,999,927</u>



**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities**  
**June 30, 2017**  
*(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		0.875 %	0.865 %	07/15/2017	29,500	\$ 29,500	\$ 29,500
United States Treasury		0.500	0.817	07/31/2017	9,000	8,998	8,997
United States Treasury		0.625	0.818	07/31/2017	10,000	9,998	9,998
United States Treasury		0.875	0.733	10/15/2017	5,000	5,002	4,997
United States Treasury		2.250	0.826	11/30/2017	5,000	5,029	5,023
United States Treasury		1.000	1.149	12/31/2017	10,000	9,993	9,992
United States Treasury		1.275	F 1.237	01/31/2018	4,800	4,801	4,808
United States Treasury		1.193	F 1.183	04/30/2018	9,000	9,001	9,015
United States Treasury		1.177	F 1.176	07/31/2018	10,500	10,500	10,519
United States Treasury		1.173	F 1.160	10/31/2018	5,000	5,001	5,009
Total U. S. Treasury Issues	5.5%					97,823	97,858
<i>Corporate Bonds</i>							
Sumitomo Mitsui Bank		1.350	1.328	07/11/2017	1,000	1,000	1,000
Sumitomo Mitsui Bank		1.800	1.309	07/18/2017	2,200	2,200	2,200
Toronto Dominion Bank NY		1.685	F 1.685	08/10/2017	5,000	5,000	5,003
Bank of Montreal		1.682	F 1.261	08/11/2017	3,250	3,252	3,252
Westpac Banking Corp		2.000	1.291	08/14/2017	2,108	2,110	2,109
Toronto Dominion Bank NY		1.723	F 1.722	09/06/2017	5,000	5,000	5,000
Commonwealth Bk Austr NY		1.400	1.337	09/08/2017	1,800	1,800	1,800
Wells Fargo Bank		1.366	F 1.267	10/11/2017	10,000	10,000	10,002
Collateralized CP Co LLC		1.677	F 1.526	11/03/2017	5,000	5,000	5,007
Westpac Banking Corp		1.600	1.539	01/12/2018	444	444	444
Canadian Imperial Bank Comm NY		1.394	F 1.287	01/12/2018	10,000	10,000	10,003
Aust & NZ Banking Group		1.500	1.487	01/16/2018	1,930	1,930	1,930
Crown Point Capital Co		1.516	F 1.516	02/26/2018	8,000	8,000	8,000
Bedford Row Funding Corp		1.397	F 1.397	04/13/2018	15,000	15,000	15,009
Toronto Dominion Bank NY		1.377	F 1.377	05/10/2018	10,000	4,000	4,003
Total Corporate Bonds	4.2%					74,736	74,762
<i>Short Term Issues</i>							
Goldman, Sachs & Co		1.030	1.030	07/03/2017	7,200	7,200	7,200
Merrill Lynch PFS Inc		1.080	1.080	07/03/2017	53,600	53,600	53,600
BNP Paribas SA		1.100	1.100	07/03/2017	50,000	50,000	50,000
Bedford Row Funding Corp		0.000	1.297	07/03/2017	5,000	5,000	5,000
CNPC Finance HK LTD		0.000	1.318	07/03/2017	6,000	6,000	6,000
Matchpoint Finance PLC		0.000	1.217	07/03/2017	33,000	32,998	32,998
Sinopec Century Bright		0.000	1.268	07/03/2017	17,000	16,999	16,999
Starbird Funding Group		0.000	1.217	07/03/2017	23,100	23,098	23,098
Swedbank NY		1.120	1.120	07/05/2017	17,000	17,000	17,000
Sumitomo Mitsui Bank NY		1.140	1.140	07/05/2017	25,000	25,000	25,000
Sumitomo Mitsui Bank NY		1.150	1.150	07/05/2017	5,000	5,000	5,000
Banque et Caisse dEpargne		0.000	1.275	07/05/2017	5,000	4,999	4,999
CNPC Finance HK LTD		0.000	1.318	07/05/2017	19,000	18,997	18,997
Caisse Des Depots ET Con		0.000	1.120	07/05/2017	10,000	9,999	9,999
Sumitomo Mitsui Banking Corp		0.000	1.118	07/05/2017	5,000	4,999	4,999
Bedford Row Funding Corp		1.530	F 1.530	07/05/2017	9,000	9,000	9,000
BNP Paribas NY Branch		0.000	1.116	07/06/2017	25,000	24,996	24,996
CAFCO LLC		0.000	1.327	07/07/2017	5,000	4,999	4,999
Manhattan Asset Funding Co		0.000	1.046	07/07/2017	5,000	4,999	4,999

(Continued on Next Page)

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, 2017**  
*(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>
DBS Bank LTD		0.000	1.118	07/10/2017	10,000	9,997	9,997
Kells Funding LLC		0.000	1.139	07/10/2017	6,200	6,198	6,198
Mitsubishi UFJ Trust & Banking		0.000	1.139	07/10/2017	20,000	19,994	19,994
Starbird Funding Group		0.000	1.241	07/10/2017	4,000	3,999	3,999
JP Morgan Securities LLC		1.470	F 1.475	07/10/2017	10,000	10,000	10,000
Bank of Montreal		0.000	1.159	07/11/2017	5,000	4,998	4,998
CRC Funding LLC		0.000	1.327	07/11/2017	5,000	4,998	4,998
Toyota Credit Canada Inc		0.000	1.306	07/11/2017	5,000	4,998	4,998
United Overseas Bk Sing		0.000	1.190	07/11/2017	7,000	6,998	6,998
DZ Bank AG Deutsche		1.517	F 1.517	07/11/2017	10,000	10,000	10,000
Fairway Finance Corp		0.000	1.119	07/12/2017	8,000	7,997	7,997
JP Morgan Securities LLC		1.476	F 1.475	07/13/2017	10,000	10,000	10,000
Bedford Row Funding Corp		0.000	1.331	07/14/2017	2,000	1,999	1,999
CRC Funding LLC		0.000	1.263	07/14/2017	15,000	14,993	14,993
Old Line Funding Corp		0.000	1.279	07/14/2017	5,000	4,998	4,998
LMA Americas LLC		0.000	1.238	07/17/2017	6,120	6,117	6,117
Australia & New Zealand Bankin		0.000	1.047	07/18/2017	10,000	9,995	9,995
Oversea-Chinese Banking		1.100	1.100	07/19/2017	13,000	13,000	13,000
LMA Americas LLC		0.000	1.168	07/19/2017	1,675	1,674	1,674
Westpac Banking Corp		0.000	1.224	07/19/2017	10,000	9,994	9,994
Bank of Montreal		1.250	1.250	07/20/2017	5,000	5,000	5,000
United States Treasury Bill		0.000	0.621	07/20/2017	10,000	9,997	9,996
Antalis SA		0.000	1.117	07/21/2017	5,000	4,997	4,997
Caisse Des Depots ET Con		0.000	1.149	07/21/2017	10,000	9,994	9,994
Toronto Dominion Bank NY		1.250	1.250	07/24/2017	5,000	5,000	5,000
Caisse Des Depots ET Con		0.000	1.242	07/24/2017	10,000	9,992	9,992
LMA Americas LLC		0.000	1.238	07/24/2017	17,600	17,586	17,586
Manhattan Asset Funding Co		0.000	1.149	07/24/2017	10,000	9,993	9,993
Mizuho Bank LTD		0.000	1.118	07/24/2017	15,000	14,989	14,989
Sumitomo Mitsui Banking Corp		0.000	1.129	07/24/2017	15,000	14,989	14,989
Manhattan Asset Funding		1.356	F 1.356	07/25/2017	15,000	15,000	15,000
Chariot Funding LLC		0.000	1.218	07/26/2017	5,000	4,996	4,996
United Overseas Bk Sing		0.000	1.172	07/28/2017	9,000	8,992	8,992
Societe Generale		0.000	1.259	07/31/2017	10,000	9,990	9,990
Starbird Funding Group		0.000	1.190	08/03/2017	7,500	7,492	7,492
United States Treasury Bill		0.000	0.889	08/03/2017	10,000	9,992	9,993
CAFCO LLC		0.000	1.119	08/04/2017	15,000	14,984	14,984
Bedford Row Funding Corp		1.744	F 1.596	08/04/2017	5,000	5,000	5,000
Canadian Imperial Bank Comm NY		1.170	1.190	08/08/2017	10,000	10,000	10,000
CRC Funding LLC		0.000	1.275	08/08/2017	560	559	559
Ciesco LP		0.000	1.222	08/08/2017	5,000	4,994	4,994
Bank of Montreal		1.400	1.400	08/09/2017	2,000	2,000	2,000
Barton Capital Corp		0.000	1.270	08/14/2017	5,000	4,992	4,992
DZ Bank AG Deutsche		0.000	1.229	08/14/2017	5,375	5,367	5,367
Versailles Commercial Paper LL		1.359	F 1.359	08/14/2017	10,000	10,000	10,003
Svenska Handelsbanken NY		1.422	F 1.422	08/15/2017	5,000	5,000	5,001
NRW Bank		0.000	1.181	08/16/2017	5,000	4,993	4,993
Starbird Funding Group		0.000	1.191	08/16/2017	10,550	10,534	10,534
Bank of Montreal		0.000	1.200	08/17/2017	5,000	4,992	4,992
CAFCO LLC		0.000	1.160	08/17/2017	5,000	4,993	4,993
Bank of Montreal		1.180	1.180	08/18/2017	5,000	5,000	5,000
DBS Bank LTD		0.000	1.169	08/21/2017	10,000	9,984	9,984
NRW Bank		0.000	1.181	08/22/2017	5,000	4,992	4,992
DNB Bank ASA		1.466	F 1.466	08/23/2017	10,000	10,000	10,000
CRC Funding LLC		0.000	1.200	08/24/2017	10,000	9,982	9,982
CRC Funding LLC		0.000	1.200	08/28/2017	5,000	4,990	4,990

(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, 2017**  
*(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>
United States Treasury Bill		0.000	0.793	08/31/2017	20,000	19,974	19,970
Banque et Caisse d'Epargne		0.000	1.224	09/01/2017	10,000	9,979	9,979
Toronto Dominion Bank NY		1.702	F 1.702	09/01/2017	5,000	5,000	5,004
Gotham Funding Corp		0.000	1.220	09/05/2017	2,000	1,996	1,995
Nieuw Amsterdam Receivables		0.000	1.220	09/05/2017	10,000	9,978	9,976
Gotham Funding Corp		0.000	1.241	09/06/2017	17,000	16,961	16,959
Kells Funding LLC		0.000	1.176	09/06/2017	5,000	4,989	4,988
Banque et Caisse d'Epargne		0.000	1.284	09/07/2017	2,535	2,529	2,529
Old Line Funding LLC		1.423	F 1.284	09/07/2017	5,000	5,000	5,001
Toronto Dominion Bank NY		1.400	1.400	09/08/2017	3,000	3,000	3,001
Victory Receivables Corp		0.000	1.271	09/11/2017	13,000	12,967	12,961
Starbird Funding Group		0.000	1.302	09/12/2017	13,000	12,966	12,964
Victory Receivables Corp		0.000	1.282	09/13/2017	6,000	5,984	5,984
Barton Capital LLC		1.397	F 1.397	09/13/2017	10,000	10,000	10,005
Thunder Bay Funding		1.327	F 1.327	09/13/2017	5,000	5,000	5,002
Ciesco LP		0.000	1.302	09/14/2017	5,000	4,987	4,987
Gotham Funding Corp		0.000	1.312	09/15/2017	3,000	2,992	2,992
Thunder Bay Funding Inc		0.000	1.281	09/15/2017	6,529	6,512	6,511
Citibank NA		1.180	1.180	09/18/2017	12,000	12,000	11,998
Bank of Nova Scotia		0.000	1.431	09/18/2017	4,000	3,988	3,989
Fairway Finance Corp		1.362	F 1.362	09/18/2017	10,000	10,000	10,003
Bank of Montreal		1.300	1.300	09/19/2017	5,000	5,000	5,000
Liberty Street Funding LLC		0.000	1.273	09/19/2017	10,000	9,973	9,971
Starbird Funding Group		0.000	1.353	09/19/2017	300	299	299
Oversea-Chinese Banking		1.300	1.300	09/20/2017	3,500	3,500	3,500
Bank of Montreal		1.404	F 1.404	09/21/2017	10,000	10,000	10,004
United Overseas Bank LTD		1.406	F 1.406	09/22/2017	10,000	10,000	10,004
Starbird Funding Group		0.000	1.363	09/25/2017	5,000	4,984	4,983
Cooperatieve Rabobank UA		1.360	1.350	09/27/2017	1,225	1,225	1,225
Ciesco LP		0.000	1.368	10/04/2017	5,000	4,982	4,983
Bank of America NA		1.276	F 1.276	10/05/2017	5,000	5,000	5,000
Liberty Street Funding LLC		0.000	1.274	10/06/2017	10,000	9,966	9,965
Barton Capital LLC		1.464	F 1.357	10/10/2017	15,000	15,000	15,000
Old Line Funding Corp		0.000	1.323	10/12/2017	7,100	7,074	7,073
Bedford Row Funding		1.458	F 1.456	10/12/2017	9,000	9,000	9,007
Wells Fargo Bank		1.734	F 1.586	10/12/2017	10,000	10,000	10,012
Commonwealth Bank of Australia		1.558	F 1.561	10/12/2017	10,000	10,000	10,011
Malayan Banking BHD		0.000	1.471	10/16/2017	8,000	7,966	7,969
Alpine Sec LTD		1.409	F 1.414	10/16/2017	10,000	10,000	10,000
DZ Bank NY		1.300	1.300	10/20/2017	10,000	10,000	10,000
United States Treasury Bill		0.000	0.973	10/26/2017	15,000	14,953	14,950
Malayan Banking BHD		0.000	1.481	10/31/2017	4,000	3,980	3,982
Anglesea Funding LLC		0.000	1.368	11/01/2017	10,000	9,954	9,953
Banque et Caisse d'Epargne		0.000	1.296	11/02/2017	5,000	4,978	4,978
Banque et Caisse d'Epargne		0.000	1.296	11/03/2017	2,000	1,991	1,991
Bank of Montreal		1.522	F 1.522	11/03/2017	5,000	5,000	5,005
Ciesco LP		0.000	1.327	11/07/2017	5,000	4,977	4,975
Wells Fargo Bank		1.559	F 1.562	11/07/2017	9,000	9,000	9,012
Banque et Caisse d'Epargne		0.000	1.347	11/08/2017	10,000	9,952	9,955
Toronto Dominion Bank NY		1.479	F 1.479	11/08/2017	5,000	5,000	5,005
Wells Fargo Bank		1.300	1.300	11/09/2017	5,000	5,000	5,001
Oversea Chinese Banking Corp		1.230	F 1.230	11/09/2017	4,500	4,500	4,500
Collateralized CP Co LLC		1.644	F 1.516	11/09/2017	5,000	5,000	5,006
Oversea - Chinese Banking		0.000	1.338	11/10/2017	10,000	9,952	9,951
Skandinav Enskilda Bank NY		1.335	F 1.335	11/10/2017	10,000	10,000	10,004

(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, 2017**  
*(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>
DNB Nor Bank ASA		1.180	F	1.181	11/13/2017	11,000	10,998
Bank of Nova Scotia		1.480	F	1.480	11/16/2017	8,000	8,007
National Australia Bank		1.460	F	1.460	11/16/2017	9,000	9,008
Svenska Handelsbanken NY		1.260		1.260	11/17/2017	10,000	9,998
Toronto Dominion Bank NY		1.736	F	1.736	11/22/2017	5,000	5,009
Versailles Commercial Paper LL		1.420	F	1.420	11/27/2017	15,000	14,999
Collateralized CP Co LLC		1.572	F	1.572	11/28/2017	5,000	5,006
Old Line Funding LLC		1.367	F	1.216	12/04/2017	9,000	9,000
Anglesea Funding LLC		1.542	F	1.547	12/05/2017	10,000	10,011
Charta LLC		0.000		1.388	12/07/2017	5,000	4,968
Collateralized CP Co LLC		1.467	F	1.467	12/11/2017	4,000	4,004
Charta LLC		0.000		1.430	12/19/2017	5,000	4,965
United States Treasury Bill		0.000		1.106	12/21/2017	15,000	14,924
Citibank NA		1.400		1.400	12/26/2017	5,000	5,000
Westpac Banking Corp		1.727	F	1.581	12/27/2017	9,000	9,018
Thunder Bay Funding		1.374	F	1.226	01/04/2018	5,000	5,000
JP Morgan Chase Bank USA		1.576	F	1.576	01/05/2018	5,000	5,010
Toyota Motor Fin Neth Bv		1.404	F	1.408	01/11/2018	5,000	5,001
Toronto Dominion Bank NY		1.520		1.520	01/16/2018	2,000	2,002
Bedford Row Funding Corp		1.729	F	1.729	01/18/2018	5,000	5,010
Wells Fargo Bank		1.756	F	1.756	01/24/2018	5,000	5,011
Skandinav Enskilda Bank NY		1.182	F	1.180	02/02/2018	8,000	7,999
Toronto Dominion Bank NY		1.440	F	1.440	02/02/2018	5,000	5,005
Barton Capital LLC		1.467	F	1.300	02/02/2018	5,000	4,999
Barton Capital LLC		1.477	F	1.310	02/02/2018	10,000	10,000
Wells Fargo Bank		1.459	F	1.459	02/06/2018	5,000	5,005
ASB Finance LTD		1.619	F	1.619	02/15/2018	9,000	9,019
Alpine Sec LTD		1.409	F	1.413	02/16/2018	5,000	4,999
Thunder Bay Funding LLC		1.372	F	1.372	02/20/2018	7,000	7,000
Alpine Sec LTD		1.466	F	1.466	02/22/2018	10,000	9,999
ANZ National LTD		1.376	F	1.376	03/22/2018	10,000	10,001
Crown Point Capital Co		1.516	F	1.516	03/22/2018	8,000	8,000
Bank of Nova Scotia		0.000		1.483	03/23/2018	5,000	4,946
Bank of Nova Scotia		0.000		1.503	03/27/2018	10,000	9,891
Bedford Row Funding		1.514	F	1.517	03/29/2018	4,000	4,003
Commonwealth Bank of Australia		1.402	F	1.402	04/16/2018	5,000	5,005
BNZ International Funding		1.389	F	1.389	04/18/2018	9,000	9,001
Canadian Imperial Bank		1.308	F	1.308	04/19/2018	5,000	5,002
Canadian Imperial Bank Comm NY		1.442	F	1.442	04/20/2018	5,000	5,002
Wells Fargo Bank		1.284	F	1.284	05/04/2018	9,000	8,996
Commonwealth Bank of Australia		1.424	F	1.317	05/10/2018	5,000	5,003
Rabobank Nederland NV		1.242	F	1.242	05/15/2018	9,000	8,998
Bank of Montreal		1.356	F	1.356	05/23/2018	5,000	5,002
Commonwealth Bank of Australia		1.397	F	1.249	05/31/2018	6,000	6,002
Toronto Dominion Bank NY		1.389	F	1.339	06/15/2018	4,500	4,501
Federated		0.850	**			200	200
Federated		1.120	**			89,594	89,604
BlackRock Liquidity		0.860	**			10,201	10,201
Total Short Term Issues	<u>90.3%</u>					<u>1,610,394</u>	<u>1,610,593</u>
<b>Total Money Market Pool</b>	<u>100.0%</u>					<u>\$ 1,782,953</u>	<u>\$ 1,783,213</u>

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See accompanying notes to financial statements.

**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2017**  
*(In thousands)*

**WEST VIRGINIA GOVERNMENT MONEY MARKET POOL**

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
United States Treasury		0.875 %	0.831 %	07/15/2017	6,000	\$ 6,000	\$ 6,000
United States Treasury		0.625	0.818	07/31/2017	3,000	3,000	2,999
United States Treasury		0.625	0.803	08/31/2017	2,000	1,999	1,999
United States Treasury		1.875	0.769	09/30/2017	8,000	8,022	8,015
United States Treasury		0.875	0.740	10/15/2017	6,000	6,002	5,996
United States Treasury		1.171	F 1.178	10/31/2017	2,500	2,500	2,502
United States Treasury		1.000	1.149	12/31/2017	2,000	1,999	1,998
United States Treasury		0.875	0.848	01/31/2018	1,250	1,250	1,248
United States Treasury		1.275	F 1.237	01/31/2018	1,200	1,200	1,202
United States Treasury		1.193	F 1.183	04/30/2018	2,000	2,000	2,003
United States Treasury		1.173	F 1.165	10/31/2018	2,000	2,000	2,004
Total U. S. Treasury Issues	17.8%					35,972	35,966
<i>U. S. Government Agency Bonds</i>							
Federal Home Loan Bank		1.024	F 1.024	09/14/2017	1,000	1,000	1,000
Federal Home Loan Bank		1.080	F 1.086	10/10/2017	1,500	1,500	1,501
Federal National Mortgage Assn		1.275	F 1.128	01/11/2018	1,500	1,500	1,501
Federal Home Loan Bank		1.179	F 1.179	01/18/2018	1,000	1,000	1,001
Federal Home Loan Bank		1.056	F 1.054	06/05/2018	1,000	1,000	1,000
Federal Home Loan Mort Corp		0.928	F 0.928	07/17/2018	1,000	1,000	1,000
Federal Home Loan Bank		0.988	F 0.994	03/06/2019	1,000	1,000	999
Total U. S. Government Agency Bonds	4.0%					8,000	8,002
<i>Short Term Issues</i>							
Goldman, Sachs & Co		1.030	1.030	07/03/2017	49,000	49,000	49,000
Federal Home Loan Bank		0.000	0.742	07/03/2017	2,000	2,000	2,000
Federal Home Loan Bank		0.000	0.823	07/05/2017	3,000	3,000	3,000
Federal Home Loan Bank		0.000	0.833	07/07/2017	2,500	2,500	2,500
Federal Home Loan Bank		0.000	0.792	07/10/2017	3,000	3,000	2,999
Federal Home Loan Bank		0.000	0.843	07/12/2017	7,000	6,998	6,998
United States Treasury Bill		0.000	0.613	07/13/2017	5,000	4,999	4,999
Federal Home Loan Bank		0.000	0.620	07/14/2017	2,000	2,000	1,999
Federal Home Loan Bank		0.000	0.629	07/19/2017	2,000	1,999	1,999
Federal Home Loan Bank		0.000	1.020	07/21/2017	11,000	10,994	10,994
Federal Home Loan Bank		0.000	0.841	07/24/2017	7,000	6,996	6,996
Federal Home Loan Bank		0.000	0.928	07/26/2017	3,250	3,248	3,248
Federal Home Loan Bank		0.000	0.651	08/01/2017	2,000	1,999	1,998
Federal Home Loan Bank		0.000	1.045	08/03/2017	3,000	2,997	2,997
Federal Home Loan Bank		0.000	0.925	08/04/2017	3,200	3,197	3,197
Federal Home Loan Bank		0.000	0.651	08/09/2017	2,000	1,999	1,998
Federal Home Loan Bank		0.000	0.960	08/11/2017	5,000	4,995	4,995
Federal Home Loan Bank		0.000	0.776	08/16/2017	3,000	2,997	2,996
Federal Home Loan Bank		0.000	0.966	08/23/2017	2,000	1,997	1,997
Federal Home Loan Bank		0.000	0.883	08/25/2017	3,000	2,996	2,996
Federal Home Loan Bank		0.000	1.057	08/29/2017	2,669	2,664	2,665
Federal Home Loan Bank		0.000	1.046	08/30/2017	2,000	1,997	1,997
Federal Home Loan Bank		0.000	1.061	09/06/2017	7,409	7,395	7,395
Federal Home Loan Bank		0.000	1.063	09/08/2017	12,000	11,976	11,976
Federal Home Loan Bank		0.000	0.987	09/11/2017	4,000	3,992	3,992
Federal Home Loan Mort Corp		0.000	0.905	09/15/2017	2,000	1,996	1,996

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**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2017**  
*(In thousands)*

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

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
Federal Farm Credit Bank		0.000	0.712	09/20/2017	1,000	998	998
Federal Home Loan Bank		0.000	1.052	09/27/2017	2,000	1,995	1,995
Federal Home Loan Bank		0.000	1.099	10/27/2017	1,000	996	997
United States Treasury Bill		0.000	0.986	11/02/2017	2,000	1,993	1,993
BlackRock Liquidity		0.860 **			2,109	2,109	2,109
Total Short Term Issues	<u>78.2%</u>					<u>158,022</u>	<u>158,019</u>
<b>Total Government Money Market Pool</b>	<u>100.0%</u>					<u>\$ 201,994</u>	<u>\$ 201,987</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		1.250 %	1.284 %	04/30/2019	3,000	\$ 2,998	\$ 2,993
United States Treasury		0.875	0.846	06/15/2019	19,000	19,011	18,814
United States Treasury		0.750	0.846	07/15/2019	500	499	494
United States Treasury		0.750	0.878	08/15/2019	25,000	24,933	24,660
United States Treasury		1.000	0.992	10/15/2019	39,000	39,007	38,631
United States Treasury		1.375	1.536	12/15/2019	2,000	1,992	1,996
Total U. S. Treasury Issues	11.6%					88,440	87,588
<i>U. S. Agency Issues</i>							
Federal Home Loan Mort Corp		1.409	F 1.509	03/15/2021	37	37	37
Federal Home Loan Mort Corp		1.409	F 1.507	06/15/2021	19	19	19
Federal Home Loan Mort Corp		1.659	F 1.660	04/15/2027	192	192	194
Federal Home Loan Mort Corp		1.659	F 1.660	04/15/2028	220	220	221
Federal Home Loan Mort Corp		1.359	F 1.431	10/15/2028	353	352	351
Federal Home Loan Mort Corp		1.509	F 1.558	04/15/2029	279	278	279
Federal Home Loan Mort Corp		1.759	F 1.750	08/15/2030	126	126	128
Federal Home Loan Mort Corp		1.409	F 1.470	09/15/2030	105	105	106
Federal Home Loan Mort Corp		1.659	F 1.716	09/15/2030	61	61	62
Federal Home Loan Mort Corp		1.459	F 1.517	04/15/2031	374	373	373
Federal Home Loan Mort Corp		1.559	F 1.560	06/15/2031	131	131	131
Federal Home Loan Mort Corp		1.559	F 1.564	07/15/2031	90	90	90
Federal Home Loan Mort Corp		1.609	F 1.611	12/15/2031	195	195	196
Federal Home Loan Mort Corp		1.609	F 1.611	12/15/2031	148	148	148
Federal Home Loan Mort Corp		1.709	F 1.712	02/15/2032	188	188	190
Federal Home Loan Mort Corp		1.609	F 1.611	03/15/2032	159	159	159
Federal Home Loan Mort Corp		1.659	F 1.661	03/15/2032	149	149	150
Federal Home Loan Mort Corp		1.659	F 1.661	03/15/2032	428	428	430
Federal Home Loan Mort Corp		1.659	F 1.661	04/15/2032	205	205	206
Federal Home Loan Mort Corp		1.659	F 1.661	07/15/2032	483	483	485
Federal Home Loan Mort Corp		1.559	F 1.561	10/15/2032	307	307	310
Federal Home Loan Mort Corp		1.609	F 1.611	11/15/2032	150	150	150
Federal Home Loan Mort Corp		1.559	F 1.561	01/15/2033	234	234	234
Federal Home Loan Mort Corp		1.559	F 1.561	02/15/2033	582	582	582
Federal National Mortgage Assn		1.616	F 1.615	03/25/2033	29	29	29

(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, 2017**  
*(In thousands)*

**WEST VIRGINIA SHORT TERM BOND POOL (Continued)**

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
Federal Home Loan Mort Corp		1.609	F	1.624	06/15/2034	314	317
Federal Home Loan Mort Corp		1.459	F	1.539	09/15/2035	233	233
Federal National Mortgage Assn		1.466	F	1.794	03/25/2036	594	591
Government National Mort Assn		1.393	F	1.668	12/20/2060	2,931	2,922
Government National Mort Assn		1.493	F	1.710	12/20/2060	2,482	2,478
Government National Mort Assn		1.593	F	1.787	02/20/2061	3,911	3,933
Government National Mort Assn		1.493	F	1.710	06/20/2062	3,614	3,619
Government National Mort Assn		1.513	F	1.725	08/20/2062	1,693	1,697
Government National Mort Assn		1.333	F	1.585	12/20/2062	2,206	2,194
Government National Mort Assn		1.393	F	1.630	03/20/2063	3,156	3,148
Government National Mort Assn		1.443	F	1.669	04/20/2063	2,945	2,944
Government National Mort Assn		1.693	F	1.875	08/20/2063	4,026	4,060
Government National Mort Assn		1.393	F	1.636	04/20/2065	3,943	3,929
Total U.S. Agency Issues	4.9%					37,294	37,287
<i>Corporate Issues</i>							
<i>Corporate Bonds</i>							
American Honda Finance		1.328	F	1.328	07/14/2017	1,300	1,300
Manufacturers & Traders Trust		1.456	F	1.456	07/25/2017	4,750	4,751
Weyerhaeuser Company		6.950		1.575	08/01/2017	2,000	2,007
PRICOA Global Funding		1.350		1.374	08/18/2017	2,000	2,000
Reynolds American Inc		2.300		1.480	08/21/2017	2,000	2,002
American Express Credit		1.587	F	1.590	09/22/2017	1,035	1,035
HP Enterprise CO		2.450		2.482	10/05/2017	1,362	1,365
Bayer US Finance LLC		1.430	F	1.430	10/06/2017	4,650	4,650
ERAC USA Finance LLC		6.375		1.763	10/15/2017	1,813	1,836
Hutch Whampoa International		1.625		1.704	10/31/2017	2,000	1,999
Mississippi State		1.750	F	1.755	11/01/2017	2,000	1,999
Alibaba Group Holding		1.625		1.663	11/28/2017	4,000	3,999
AT&T Inc		1.400		1.793	12/01/2017	3,000	2,995
Ford Motor Credit Company		1.793	F	1.792	12/06/2017	1,000	1,000
Carnival Corp		1.875		1.806	12/15/2017	2,000	2,001
Schlumberger Holdings Corp		1.900		1.917	12/21/2017	1,500	1,500
Canadian Natural Resources Ltd		1.750		1.776	01/15/2018	735	735
Wells Fargo Bank NA		1.650		1.665	01/22/2018	5,000	4,999
JP Morgan Chase		2.056	F	2.056	01/25/2018	1,000	1,000
US Bank NA		1.350		1.402	01/26/2018	2,000	1,999
International Business Machs		1.125		1.229	02/06/2018	2,000	1,999
MUFG Americas Holding Corp		1.625		1.648	02/09/2018	2,000	2,000
Discover Bank		2.000		2.101	02/21/2018	2,000	1,999
PNC Bank NA		1.500		1.509	02/23/2018	5,000	5,000
Goldcorp Inc		2.125		1.979	03/15/2018	2,000	2,002
Hyundai Capital America		2.000		2.086	03/19/2018	2,000	1,999
Bank of Montreal		1.755	F	1.755	04/09/2018	5,000	5,000
Wal-Mart Stores		1.125		1.144	04/11/2018	5,000	4,999
Telefonica Emisiones		3.192		2.377	04/27/2018	2,000	2,013
Enterprise Products		1.650		1.691	05/07/2018	2,000	1,999
BP Capital Markets PLC		1.695	F	1.580	05/10/2018	5,000	5,005
Grupo Televisa SA		6.000		2.810	05/15/2018	2,629	2,701
HSBC Bank		1.822	F	1.728	05/15/2018	5,000	5,004
Wisconsin Energy Corporation		1.650		1.669	06/15/2018	2,000	1,999
Westpac Banking Corp		1.912	F	1.910	07/30/2018	2,000	2,000
Shell International Finance		1.900		1.278	08/10/2018	4,000	4,027

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**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2017**  
*(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>	
HSBC Bank		2.176	F	2.176	09/24/2018	5,000	5,000	5,034
Principal Life Global Fund		2.250		2.297	10/15/2018	2,750	2,748	2,766
Stanley Black & Decker Inc		1.622		1.618	11/17/2018	1,020	1,020	1,018
Coca-Cola Femsa SAB		2.375		2.403	11/26/2018	3,000	2,999	3,015
Wells Fargo Bank NA		1.800		1.843	11/28/2018	3,000	2,998	3,006
Marathon Petroleum Corp		2.700		2.728	12/14/2018	1,170	1,170	1,179
New York Life Global FDG		2.100		2.124	01/02/2019	4,000	3,998	4,019
Bank of America Corp		2.198	F	2.198	01/15/2019	4,000	4,000	4,050
Oracle Corporation		1.738	F	1.738	01/15/2019	4,450	4,450	4,488
Petroleos Mexicanos		3.125		3.125	01/23/2019	300	300	302
BB&T Corporation		1.830	F	1.830	02/01/2019	4,000	4,000	4,028
Mondelez International		1.690	F	1.690	02/01/2019	2,000	2,000	2,008
Cisco Systems Inc		1.600		1.601	02/28/2019	1,700	1,700	1,700
Fifth Third Bancorp		2.300		2.330	03/01/2019	625	625	628
Cisco Systems Inc		1.702	F	1.702	03/01/2019	2,350	2,350	2,367
Nissan Motor Acceptance		2.350		2.360	03/04/2019	2,000	2,000	2,011
Citizens Bank NA/RI		2.500		2.504	03/14/2019	1,320	1,320	1,330
Newell Rubbermaid Inc		2.600		1.716	03/29/2019	362	367	366
Huntington National Bank		2.200		2.233	04/01/2019	1,480	1,479	1,482
Bank of America Corp		2.018	F	2.018	04/01/2019	3,950	3,950	3,986
MassMutual Global Funding		2.350		2.373	04/09/2019	4,000	3,998	4,036
Capital One Financial Corp		2.450		2.466	04/24/2019	3,000	2,999	3,016
American Express Credit		1.875		1.896	05/03/2019	2,000	1,999	2,000
Ford Motor Credit Company		2.021		2.021	05/03/2019	1,000	1,000	998
Union Bank NA		2.250		2.298	05/06/2019	615	614	618
Apple Computer Inc		1.479	F	1.479	05/06/2019	5,000	5,000	5,027
Comerica Inc		2.125		2.125	05/23/2019	850	850	848
Ryder System Inc		2.550		2.575	06/01/2019	2,100	2,099	2,122
Diamond 1 Fin/Diamond 2		3.480		3.483	06/01/2019	1,950	1,949	1,996
Penske Truck Leasing		2.500		2.503	06/15/2019	2,000	2,000	2,010
Emera US Finance LP		2.150		2.163	06/15/2019	830	830	829
Norfolk Southern Corp		5.900		2.147	06/15/2019	2,000	2,143	2,152
Verizon Communications		2.037	F	2.037	06/17/2019	2,000	2,000	2,015
Daimler Finance NA		1.500		1.551	07/05/2019	3,640	3,636	3,605
Molson Coors Brewing Co		1.450		1.467	07/15/2019	770	770	761
American International Grp Inc		2.300		2.343	07/16/2019	4,000	3,997	4,021
TEVA Pharmaceuticals NE		1.700		1.703	07/19/2019	2,350	2,350	2,329
Citigroup Inc		2.500		2.513	07/29/2019	5,000	4,999	5,045
CBS Corp		2.300		2.365	08/15/2019	3,000	2,996	3,020
Tyson Foods Inc		2.650		2.664	08/15/2019	1,000	1,000	1,013
Bank of New York Mellon		1.708	F	1.708	09/11/2019	2,100	2,100	2,114
Nissan Motor Acceptance		1.756	F	1.756	09/13/2019	2,000	2,000	2,007
Brit Sky Broadcasting		2.625		2.657	09/16/2019	885	884	891
JP Morgan Chase Bank		1.650		1.685	09/23/2019	1,110	1,109	1,104
Shire Acq Inv Ireland DA		1.900		1.928	09/23/2019	2,000	1,999	1,991
Fifth Third Bancorp		1.625		1.682	09/27/2019	2,290	2,287	2,268
ERAC USA Finance LLC		2.350		2.380	10/15/2019	2,000	1,999	2,003
Danone SA		1.691		1.691	10/30/2019	1,770	1,770	1,756
Daimler Finance NA		1.792	F	1.790	10/30/2019	4,000	4,000	4,017
Public Service Enterprise Grp		1.600		1.640	11/15/2019	740	739	732
Associated Banc-Corp		2.750		2.779	11/15/2019	1,405	1,404	1,415
Abbott Laboratories		2.350		2.384	11/22/2019	2,985	2,983	3,007
Ford Motor Credit Company		2.155	F	2.155	01/09/2020	2,000	2,000	2,014
Nissan Motor Acceptance		2.250		2.252	01/13/2020	2,000	2,000	2,005
Broadcom Crp / Caymn FI		2.375		2.454	01/15/2020	2,000	1,996	2,003

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**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2017**  
*(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>
Exelon Generation Co LLC		2.950	2.621	01/15/2020	1,500	1,512	1,523
National Rural Utilities		2.000	2.044	01/27/2020	1,975	1,973	1,980
SunTrust Bank		2.250	2.263	01/31/2020	3,920	3,919	3,937
Smithfield Foods Inc		2.700	2.715	01/31/2020	820	820	825
Caterpillar Financial Services		2.000	1.716	03/05/2020	4,000	4,030	3,997
Huntington National Bank		1.738	F 1.738	03/10/2020	1,750	1,750	1,755
AFLAC Inc		2.400	2.406	03/16/2020	2,000	2,000	2,021
duPont EI de Nemours Co		1.700	F 1.700	05/01/2020	2,000	2,000	2,012
Daimler Finance NA		1.701	F 1.701	05/05/2020	1,350	1,350	1,353
Qualcomm Inc		2.100	2.102	05/20/2020	2,250	2,250	2,260
MetLife Global Funding		2.050	2.051	06/12/2020	4,000	4,000	3,996
Ford Motor Credit Company		2.018	F 2.018	06/12/2020	2,000	2,000	2,000
Bank of Montreal		1.686	F 1.686	06/15/2020	4,000	4,000	4,000
AT&T Inc		2.226	F 2.226	06/30/2020	2,100	2,100	2,127
AIG Global Funding		2.150	2.172	07/02/2020	2,000	1,999	1,999
General Motors Financial Co		3.200	3.206	07/13/2020	2,000	2,000	2,038
Charter Communications		3.579	3.582	07/23/2020	2,230	2,230	2,304
JP Morgan Chase		2.377	F 2.375	10/29/2020	3,000	3,000	3,064
Stifel Financial Corp		3.500	3.585	12/01/2020	1,950	1,945	1,990
BAE Systems Holdings Inc		2.850	2.926	12/15/2020	1,790	1,785	1,814
Goldman Sachs Group Inc		2.023	F 2.023	12/27/2020	4,000	4,000	4,007
Anheuser Busch Finance		2.650	2.717	02/01/2021	5,000	4,989	5,067
Regions Financial Corp		3.200	3.223	02/08/2021	1,950	1,948	1,994
Crown Castle INTL Corp		3.400	3.405	02/15/2021	2,000	2,000	2,054
Exelon Corp		2.450	2.455	04/15/2021	1,000	1,000	997
Citizens Bank NA/RI		2.550	2.534	05/13/2021	1,800	1,801	1,801
Chevron Corp		2.130	F 2.130	05/16/2021	4,000	4,000	4,094
CVS Corp		2.125	2.184	06/01/2021	1,000	998	988
Citizens Financial Group		2.375	2.386	07/28/2021	2,660	2,659	2,637
Microsoft Corporation		1.550	1.572	08/08/2021	3,000	2,997	2,935
Ryder System Inc		2.250	2.296	09/01/2021	1,250	1,248	1,234
Commonwealth Bank of Australia		2.053	F 2.052	09/06/2021	4,000	4,000	4,029
BP Capital Markets PLC		2.120	F 2.120	09/16/2021	2,220	2,220	2,259
Fortis Inc		2.100	2.154	10/04/2021	1,100	1,098	1,077
Roper Technologies INC		2.800	2.834	12/15/2021	2,000	1,997	2,017
Toyota Motor Credit Corp		1.995	F 1.850	01/11/2022	5,000	5,000	5,069
General Motors Financial Co		2.708	F 2.708	01/14/2022	3,640	3,640	3,712
Morgan Stanley		2.336	F 2.177	01/20/2022	6,000	6,041	6,060
Capital One Financial Corp		2.171	F 2.171	03/09/2022	2,060	2,060	2,056
Petroleos Mexicanos		4.878	F 4.878	03/11/2022	2,000	2,000	2,157
Eversource Energy		2.750	2.780	03/15/2022	2,900	2,896	2,922
Verizon Communications		2.250	F 2.250	03/16/2022	1,670	1,670	1,690
Ford Motor Credit Company		2.565	F 2.573	03/28/2022	2,860	2,860	2,879
Citigroup Inc		2.116	F 2.116	04/25/2022	4,000	4,000	4,022
Goldman Sachs Group Inc		2.277	F 2.211	04/26/2022	4,000	4,012	4,030
Becton Dickinson & Company		2.253	F 2.252	06/06/2022	2,000	2,000	2,005
AstraZeneca Group PLC		1.848	F 1.848	06/10/2022	2,150	2,150	2,152
Reckitt Benckiser TSY		1.856	F 1.856	06/24/2022	4,000	4,000	4,004
Compass Bank		2.875	2.910	06/29/2022	2,000	1,997	1,992
Healthcare Trust of America		2.950	2.963	07/01/2022	2,000	1,999	2,001
Total U. S. Corporate Bonds	46.6%					349,834	351,501

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**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2017**  
*(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>							
Ohio Phase-In-Recovery Funding	0.958		0.957	07/01/2018	197	197	197
Ford Credit Auto Lease Trust	1.310		1.319	08/15/2018	1,861	1,861	1,861
Smart Trust	1.659	F	1.665	09/14/2018	1,204	1,204	1,203
GM Financial Leasing Trust	1.530		1.542	09/20/2018	1,559	1,558	1,559
Honda Auto Receivables	1.050		1.056	10/15/2018	1,508	1,508	1,507
World Omni Auto Lease	1.540		1.556	10/15/2018	3,000	3,000	3,001
Volkswagen Auto Loan Trust	0.910		1.369	10/22/2018	222	221	221
ARI Fleet Lease Trust	1.110		1.119	11/15/2018	234	234	234
BMW Vehicle Lease Trust	1.550		1.559	02/20/2019	1,740	1,740	1,740
Capital Auto Receivables Asset	1.620		1.627	03/20/2019	1,085	1,085	1,085
Drive Auto Receivables Trust	1.740		1.751	06/17/2019	2,200	2,200	2,200
Hyundai Auto Lease Trust	1.650		1.661	08/15/2019	5,000	4,999	5,003
Master Credit Card Trust	1.964	F	1.972	09/23/2019	4,000	4,000	4,019
Americredit Automobile Rec	1.260		1.265	11/08/2019	376	376	375
CNH Equipment Trust	1.050		1.054	11/15/2019	583	583	582
Drive Auto Receivables Trust	1.670		1.681	11/15/2019	3,800	3,800	3,800
Hyundai Auto Lease Trust	1.800		1.811	12/16/2019	2,000	2,000	2,003
Americredit Automobile Rec	1.270		1.281	01/08/2020	2,054	2,054	2,052
Drive Auto Receivables Trust	1.770		1.781	01/15/2020	2,000	2,000	2,001
Golden Credit Card Trust	1.599	F	1.578	02/15/2020	4,000	4,001	4,007
PFS Financing Corp	2.359	F	2.368	02/18/2020	2,900	2,900	2,912
BMW Vehicle Lease Trust	1.570		1.570	02/20/2020	1,000	1,000	996
Drive Auto Receivables Trust	1.860		1.870	03/16/2020	1,000	1,000	1,000
Enterprise Fleet Financing LLC	1.050		1.058	03/20/2020	388	388	388
Securitized Term Auto Receivab	1.524		1.529	03/25/2020	2,900	2,900	2,888
Evergreen Credit Card Trust	1.879	F	1.886	04/15/2020	3,750	3,750	3,767
PFS Financing Corp	1.779	F	1.785	04/15/2020	2,500	2,500	2,500
Ford Credit Auto Lease Trust	2.020		2.037	06/15/2020	2,500	2,500	2,505
BMW Vehicle Lease Trust	2.180		2.190	06/22/2020	5,100	5,100	5,129
Americredit Automobile Rec	1.700		1.713	07/08/2020	1,170	1,170	1,170
Kubota Credit Owner Trust	1.500		1.517	07/15/2020	2,500	2,499	2,484
California Republic Auto Rec	1.560		1.571	07/15/2020	2,000	2,000	1,998
Cards II Trust	1.679	F	1.685	07/15/2020	5,000	5,000	5,000
Great American Leasing	1.470		1.481	08/15/2020	2,108	2,108	2,108
Capital Auto Receivables Asset	1.540		1.551	08/20/2020	1,350	1,350	1,348
GM Financial Auto Leasing	2.260		2.277	08/20/2020	1,650	1,650	1,654
Santander Drive Auto Rec	1.770		1.777	09/15/2020	2,250	2,250	2,251
Volvo Financial Equipment	1.890		1.900	09/15/2020	1,500	1,500	1,500
First National Master Trust	1.929	F	1.937	09/15/2020	3,500	3,500	3,504
Dell Equipment Finance Trust	1.720		1.728	09/22/2020	1,730	1,730	1,731
Americredit Automobile Rec	1.810		1.822	10/08/2020	1,340	1,340	1,342
Volvo Financial Equipment LLC	1.300		1.304	11/16/2020	1,569	1,569	1,568
Hyundai Floorplan Master Owner	1.810		1.825	03/15/2021	2,450	2,449	2,448
Golden Credit Card Trust	1.609	F	1.614	03/15/2021	2,950	2,950	2,958
Nissan Auto Lease Trust	1.700		1.712	04/15/2021	3,500	3,499	3,500
Hyundai Auto Lease Securitized	2.130		2.143	04/15/2021	4,000	4,000	4,022
Nextgear Floorplan	2.859	F	2.876	04/15/2021	2,000	2,000	2,032
PFS Financing Corp	1.739	F	1.745	03/15/2021	3,000	3,000	3,006
Mercedes Benz Auto Lease Trust	1.530		1.538	05/17/2021	1,830	1,830	1,830
Trillium Credit Card Trust II	1.936	F	1.944	05/26/2021	3,800	3,800	3,818
GM Financial Auto Leasing	2.180		2.200	06/21/2021	1,500	1,500	1,497

(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, 2017**  
*(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>
Discover Card Master Trust		1.640	1.655	07/15/2021	2,500	2,500	2,500
Macquarie Equipment Funding		1.230	1.234	07/20/2021	582	582	581
Master Credit Card Trust		2.260	2.281	07/21/2021	4,000	3,999	4,032
Dell Equipment Finance Trust		1.650	1.656	07/22/2021	850	850	850
Great American Leasing		2.110	1.977	08/15/2021	2,000	2,006	2,003
Nextgear Floorplan		2.190	2.210	09/15/2021	2,000	2,000	1,993
Enterprise Fleet Financing LLC		1.830	1.841	09/20/2021	2,505	2,505	2,505
Navistar Financial Dealer Note		2.566	F 2.580	09/27/2021	4,600	4,600	4,625
PFS Financing Corp		1.870	1.878	10/15/2021	1,250	1,250	1,244
Mercedes-Benz Auto Lease Trust		1.690	1.697	11/15/2021	2,000	2,000	2,001
AmeriCredit Automobile Rec		1.980	1.980	12/20/2021	2,400	2,400	2,402
Chrysler Capital Auto Rec		1.960	1.970	01/18/2022	3,000	3,000	3,001
GMF Floorplan		2.220	2.237	01/18/2022	2,000	2,000	2,008
GE Dealer Floorplan		1.862	F 1.869	01/20/2022	5,000	5,000	5,033
Enterprise Fleet Financing LLC		2.040	2.057	02/22/2022	1,375	1,375	1,369
Nextgear Floorplan		2.540	2.556	04/18/2022	4,000	4,000	4,012
Cards II Trust		1.529	F 1.534	04/18/2022	2,800	2,800	2,803
First National Master Trust		1.559	F 1.564	04/18/2022	1,200	1,200	1,201
Dell Equipment Finance Trust		2.140	2.152	04/22/2022	2,650	2,650	2,654
Mercedes-Benz Auto Lease		1.520	1.520	06/15/2022	1,160	1,160	1,157
Capital One Multi Asset Trust		1.519	F 1.524	06/15/2022	2,600	2,600	2,611
Motor PLC		1.816	F 1.822	06/25/2022	960	960	961
Navistar Financial Dealer Note		2.489	F 2.004	06/27/2022	2,575	2,575	2,581
SLM Student Loan Trust		1.759	F 1.765	07/15/2022	19	19	19
Enterprise Fleet Financing LLC		2.130	2.141	07/20/2022	1,500	1,500	1,502
Bank of America Credit Card		1.950	1.969	08/15/2022	3,000	2,999	3,010
World Omni Auto Lease Security		2.320	2.332	08/15/2022	1,500	1,500	1,509
Nissan Auto Lease Trust		2.040	2.049	09/15/2022	2,275	2,275	2,270
Mercedes Benz Auto Lease		2.010	2.021	01/17/2023	1,750	1,749	1,753
Enterprise Fleet Financing		2.220	2.220	01/20/2023	1,800	1,800	1,800
Great American Leasing Rec		2.360	2.373	01/20/2023	4,750	4,749	4,753
SMB Private Education Loan		1.859	F 1.906	02/15/2023	963	962	964
GM Financial Consumer Auto		2.060	2.076	05/16/2023	3,500	3,499	3,507
ARI Fleet Lease Trust		2.110	2.124	07/15/2024	3,000	3,000	3,003
Discover Card Master Trust		1.649	F 1.655	07/15/2024	1,250	1,250	1,257
American Express Credit Acct		1.609	F 1.614	09/16/2024	3,300	3,300	3,321
Capital One Multi Asset Trust		1.669	F 1.675	09/16/2024	2,500	2,500	2,522
ARI Fleet Lease Trust		2.280	2.296	04/15/2026	5,000	4,999	4,998
Hertz Fleet Lease Funding LP		1.517	F 1.522	04/10/2028	410	410	410
Chesapeake Funding II LLC		1.880	1.888	06/15/2028	2,165	2,165	2,163
Chesapeake Funding II LLC		1.990	1.999	05/15/2029	4,180	4,179	4,180
SLMA Student Loan Trust		2.259	F 2.269	06/17/2030	4,000	4,000	4,043
Social Professional Loan Progr		1.680	1.687	03/25/2031	838	838	839
Cosmopolitan Hotel Trust		2.559	F 2.572	11/15/2033	3,600	3,600	3,627
Equity One ABS Inc		4.145	4.253	04/25/2034	65	65	65
Social Professional Loan Progr		2.066	F 2.075	07/25/2039	2,136	2,136	2,152
Sequoia Mortgage Trust		2.500	2.540	05/25/2043	3,023	3,009	2,934
Wells Fargo RBS		2.122	F 2.118	03/15/2044	3,462	3,462	3,474
JPMBB Commercial Mortgage		1.644	F 1.816	11/15/2045	2,280	2,280	2,289
Commercial Mortgage Trust		1.024	1.026	06/10/2046	1,125	1,125	1,122

(Continued on Next Page)

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**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2017**  
*(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>
GS Mortgage Securities Trust		1.509	1.514	09/10/2047	884	884	881
Commercial Mortgage Trust		1.381	1.385	10/10/2047	1,160	1,160	1,156
Gosforth Funding PLC		1.882	F 1.884	02/15/2058	1,793	1,793	1,799
Silverstone Master		1.706	F 1.709	01/21/2070	4,200	4,200	4,217
Total Corporate Asset Backed Issues	<u>31.7%</u>					238,772	239,170
Total Corporate Issues	78.2%					588,606	590,671
<i>Short Term Issues</i>							
Bank of Nova Scotia		0.000	1.434	08/21/2017	4,000	3,992	3,993
National Australia Bank LTD		0.000	1.289	10/11/2017	5,000	4,982	4,983
JP Morgan Securities LLC		0.000	1.373	10/24/2017	5,000	4,978	4,979
Nordea Bank AB		0.000	1.174	10/24/2017	5,000	4,977	4,980
CA Imperial Bank of Comm		0.000	1.518	12/22/2017	5,000	4,964	4,968
Royal Bank of Canada		1.900	F 1.900	02/01/2022	4,000	4,000	4,034
BlackRock		0.860	**		11,479	11,479	11,479
Total Short Term Issues	<u>5.2%</u>					39,372	39,416
<b>Total Short Term Bond Pool</b>	<u>100.0%</u>					<u>\$ 753,712</u>	<u>\$ 754,962</u>

<b>WEST VIRGINIA BANK POOL</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>Short Term Issues</i>							
Citizens Bank of WV-Elkins		0.910 %	0.910 %	07/13/2017	5,000	\$ 5,000	\$ 5,000
Grant County Bank		0.910	0.910	07/13/2017	2,000	2,000	2,000
Bank of Romney		0.910	0.910	07/13/2017	3,000	3,000	3,000
WesBanco Bank		0.910	0.910	07/13/2017	10,000	10,000	10,000
Jefferson Security Bank		0.950	0.950	08/10/2017	5,000	5,000	5,000
Mountain Valley Bank		0.950	0.950	08/10/2017	2,000	2,000	2,000
Bank of Romney		0.950	0.950	08/10/2017	1,500	1,500	1,500
WesBanco Bank		0.950	0.950	08/10/2017	6,500	6,500	6,500
Bank of Romney		1.000	1.000	09/14/2017	1,000	1,000	1,000
WesBanco Bank		1.000	1.000	09/14/2017	10,000	10,000	10,000
Grant County Bank		1.120	1.120	10/12/2017	3,000	3,000	3,000
WesBanco Bank		1.120	1.120	10/12/2017	10,000	10,000	10,000
Citizens Bank of WV-Elkins		1.060	1.060	11/09/2017	2,000	2,000	2,000
Bank of Romney		1.060	1.060	11/09/2017	1,500	1,500	1,500
WesBanco Bank		1.060	1.060	11/09/2017	10,000	10,000	10,000
Citizens Bank of WV-Elkins		1.250	1.250	12/14/2017	5,000	5,000	5,000
Bank of Romney		1.250	1.250	12/14/2017	2,000	2,000	2,000
BlackRock Liquidity		0.860	**		48	48	48
Total Short Term Issues	<u>100.0%</u>					79,548	79,548
<b>Total West Virginia Bank Pool</b>	<u>100.0%</u>					<u>\$ 79,548</u>	<u>\$ 79,548</u>

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**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2017**  
*(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		0.380 %			124,323	\$ 124,323	\$ 124,323
WVEDA Non-Recourse Loan		3.000			24,460	24,460	24,460
Total Intergovernmental Loans						148,783	148,783
Reserve for uncollectable loans					23,464	23,464	23,464
Loans and Mortgages, net of reserve for uncollectable loans	100.0%					125,319	125,319
<i>Short Term Issues</i>							
BlackRock Liquidity		0.860 **			47	47	47
Total Short Term Issues	0.0%					47	47
<b>Total State Loan Pool</b>	<b>100.0%</b>					<b>\$ 125,366</b>	<b>\$ 125,366</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		0.530 %	0.530 %		18,845	\$ 18,845	\$ 18,845
Total Short Term Issues	100.0%					18,845	18,845
<b>Total Reserve Pool</b>	<b>100.0%</b>					<b>\$ 18,845</b>	<b>\$ 18,845</b>

**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		1.880 %	0.726 %	10/31/2017	236	\$ 237	\$ 237
United States Treasury		0.625	0.752	04/30/2018	11,693	11,681	11,631
United States Treasury		9.125	0.001	05/15/2018	1,138	1,229	1,215
State & Local Governments		0.550	0.550	11/01/2017	380	380	380
State & Local Governments		0.630	0.630	05/01/2018	2,981	2,981	2,981
State & Local Governments		0.700	0.700	11/01/2018	326	326	326
State & Local Governments		0.750	0.750	05/01/2019	19,057	19,057	19,057
Total U. S. Treasury Issues	100.0%					35,891	35,827
<b>Total Municipal Bond Commission Pool</b>	<b>100.0%</b>					<b>\$ 35,891</b>	<b>\$ 35,827</b>

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**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2017**  
*(In thousands)*

**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>							
BlackRock Liquidity		0.860 **			1,417	\$ 1,417	\$ 1,417
Total Short Term Issues	<u>100.0%</u>					<u>1,417</u>	<u>1,417</u>
<b>Total School Fund</b>	<u>100.0%</u>					<u>\$ 1,417</u>	<u>\$ 1,417</u>

**EDA - AW**

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
United States Treasury Bond		6.250 %	4.929 %	08/15/2023	1,445	\$ 1,545	\$ 1,798
Total U. S. Treasury Issues	<u>100.0%</u>					<u>1,545</u>	<u>1,798</u>
<b>Total EDA-AW</b>	<u>100.0%</u>					<u>\$ 1,545</u>	<u>\$ 1,798</u>

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## **Other Financial Information**



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

**JUNE 30, 2017**

*(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	\$ 1,780,967	\$ 202,070	\$ 752,482	\$ 79,774	\$ 125,400	\$ 18,854
Accumulated undistributed net investment income (loss)	-	-	-	-	-	-
Accumulated undistributed net realized gain (loss)	-	-	-	-	-	-
Unrealized net appreciation (depreciation) of investments	-	-	1,249	-	-	-
Net position at value	<u>\$ 1,780,967</u>	<u>\$ 202,070</u>	<u>\$ 753,731</u>	<u>\$ 79,774</u>	<u>\$ 125,400</u>	<u>\$ 18,854</u>
Investment unit data:						
Units outstanding	1,780,966,575	202,070,459	7,403,353	79,774,174	125,358,925	18,853,624
Net position, unit price	\$ 1.00	\$ 1.00	\$ 101.81	\$ 1.00	\$ 1.00	\$ 1.00

# WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

## PORTFOLIO STATISTICS (UNAUDITED)

JUNE 30, 2017

	<u>West Virginia Money Market</u>	<u>West Virginia Government Money Market</u>	<u>West Virginia Short Term Bond Pool</u>
Weighted Average Days to Maturity	36 days	35 days	N/A
Maximum Weighted Average Investment Maturity Term Per Board Guidelines	60 days	60 days	N/A
Effective Duration	N/A	N/A	426 days
Maximum Effective Duration Per Board Guidelines	N/A	N/A	731 days
Money Market Yield - Monthly	1.12%	0.80%	N/A

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

# WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

## PARTICIPANT NET ASSET VALUES (UNAUDITED)

JUNE 30, 2017

(IN THOUSANDS)

<b>WV Money Market Pool</b>			
State Agencies:		Local Governments:	
WV State Treasurer's Office:		Brooke County Board of Education	3,773
State Participation	\$ 123,883	Mercer County Board of Education	21,120
Banking Services	500,460	Fayette County Board of Education	14,320
Safekeeping	31,159	Boone County Commission	6,688
Safe Road Bonds	33	Marshall County Board of Education	1,611
Veterans Lottery	1,222	Fayette County Commission	2,354
Total WV State Treasurer's Office	<u>656,757</u>	Roane County Board of Education	2,665
Higher Education Policy Commission	247,198	Kanawha County Emergency Ambulance Authority	2,006
Department of Environmental Protection	37,812	City of Parkersburg	4,218
Department of Health and Human Resources	26,451	Wyoming County Board of Education	1,042
WV Lottery Commission	107,887	Braxton County Board of Education	3,707
Public Employees Insurance Agency	124,808	Kanawha EOC	3,115
Department of Transportation	93,856	Lincoln County Board of Education	2,573
Regional Jail Authority	24,570	Wood County Board of Education	41,533
Water Development Authority	21,869	Greenbrier County Board of Education	1,001
Division of Natural Resources	63,904	Tyler County Board of Education	4,504
WV Municipal Pension Oversight Board	29,082	Other	10,792
Board of Risk and Insurance Management	37,025	Total net asset value	<u>127,022</u>
WV Economic Development Authority	29,407		<u>\$ 1,780,967</u>
Performance and wage bond accounts	46,977		
WVU	29,676		
WV Housing	23,070		
Department of Commerce	22,643		
Insurance Commission	11,126		
Other	19,827		
Total State Agencies	<u>1,653,945</u>		

<b>WV Government Money Market Pool</b>	
State Agencies:	
Municipal Bond Commission	\$ 183,380
WV Economic Development Authority	5,857
Other	9,290
Total State Agencies	<u>198,527</u>
Local Governments:	
Jefferson County Board of Education	1,433
Hancock County Commission	1,105
Other	1,005
Total Local Governments	<u>3,543</u>
Total net asset value	<u>\$ 202,070</u>

<b>WV Short Term Bond Pool</b>	
State Agencies:	
WV State Treasurer's Office:	
State Participation	\$ 285,901
Banking Services	167,537
Prepaid Tuition Escrow	21,069
Total WV State Treasurer's Office	<u>474,507</u>
Department of Environmental Protection	207,798
WV Economic Development Authority	17,351
Higher Education Policy Commission	5,759
WV Court of Claims	1,333
WV Parkways Authority	3,248
Department of Transportation	2,129
Division of Culture and History	1,005
WV Lottery Commission	31,008
DHHR - Children's Health Ins	5,300
Other	818
Total State Agencies	<u>750,256</u>
Local Governments:	
City of Charleston	2,826
Other	649
Total Local Governments	<u>3,475</u>
Total net asset value	<u>\$ 753,731</u>

## 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.



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities and the combined 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, 2017, and the related notes to the financial statements, which collectively comprise the BTI’s basic financial statements, and have issued our report thereon dated August 29, 2017.

**Internal Control over Financial Reporting**

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

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

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



## Compliance and Other Matters

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

## Purpose of this Report

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

*Brown, Edwards & Company, S. L. P.*

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia  
August 29, 2017