



AUDITED FINANCIAL STATEMENTS WITH OTHER FINANCIAL INFORMATION
FISCAL YEAR ENDED JUNE 30, 2013

| WEST VIRGINIA |

BOARD OF TREASURY
INVESTMENTS

A COMPONENT UNIT OF THE STATE OF WEST VIRGINIA

**Audited Financial Statements
With Other Financial Information**

**West Virginia Board of Treasury Investments
Year Ended June 30, 2013**

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West Virginia Board of Treasury Investments
 Financial Statements with Other Financial Information
 For the Year Ended June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the proprietary and fiduciary funds of the West Virginia Board of Treasury Investments (the BTI), a component unit of the State of West Virginia, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the BTI's basic financial statements. We also have audited the combining and individual fiduciary fund financial statements, and the schedule of investments in securities, as listed in the table of contents as of and for the year ended June 30, 2013.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the proprietary and fiduciary funds of the BTI, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then



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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements, that collectively comprise the BTI's basic financial statements. The other financial information included on pages 58 to 63 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2013, on our consideration of the BTI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BTI's internal control over financial reporting and compliance.

Charleston, West Virginia
August 22, 2013

West Virginia Board of Treasury Investments

Management's Discussion and Analysis

June 30, 2013

As management of the West Virginia Board of Treasury Investments (the "BTI"), we offer readers of the financial statements of the BTI this discussion and analysis of the BTI's financial performance for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented in this section in conjunction with the BTI's financial statements, including notes to the financial statements, which follow this section.

The BTI serves as an investment vehicle for the operating cash of West Virginia State agencies and authorities, local governments such as cities and counties, and other political subdivisions throughout the State. The various investment pools and individual investment accounts managed by the BTI are collectively known as the Consolidated Fund. The Consolidated Fund's investment pools and accounts contain short-term fixed income instruments that are managed for the sole benefit of the participants.

Financial Highlights

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

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

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

The WV Government Money Market Pool's objective is to preserve capital and maintain sufficient liquidity to meet the daily disbursements of participants, while earning a return above inflation. The benchmark for the WV Government Money Market Pool is the Merrill Lynch 3-Month T-Bill. The portfolio beat its investment policy benchmark by 1 basis point for the fiscal year. The pool was managed with a weighted average maturity profile in the low to mid 50 day range in an effort to lock in rates higher than those available in the sub 3 month maturity range. As with the WV Money Market Pool, the WV Government Money Market Pool faces a challenging investment environment over the next fiscal year with Fed funds futures projecting no increase in rates until early 2015.

The WV Short Term Bond Pool is structured as a mutual fund with the objective of asset growth rather than current income. The benchmark for the WV Short Term Bond Pool is the Merrill Lynch U.S. Corporate & Government, 1-3 Years, A Rated and Above Index plus 10 basis points. The portfolio beat its investment policy benchmark by 2 basis points for the fiscal year. The pool return for the year was 0.77% versus the benchmark return of 0.75%. The performance advantage versus the benchmark was largely attributable to an overweight in credit products versus the benchmark. Credit products include non-Agency CMO's, CMBS, ABS and corporate bonds. As of June 30, 2013, credit products comprised 63% of the pool versus the benchmark weight of 15%. The pool continues to maintain a low duration relative to the benchmark coming in at 0.89 versus the benchmark duration of 1.84.

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

Overview of the Financial Statements

This report presents the operating results and financial position of the BTI, which is composed of a proprietary fund and fiduciary fund. The proprietary fund is an internal service fund, or operating fund, used to account for activities that provide investment and administrative services on behalf of the State and other participants in the Consolidated Fund. The fiduciary fund is used to account for the activities of the Consolidated Fund, which is made up of ten legally separate investment pools and accounts. There are three external investment pools, three special-purpose internal investment pools, and four individual investment accounts, all of which are included in the fiduciary fund. The BTI is the trustee, or fiduciary, for participants in the Consolidated Fund. Financial statements for the proprietary fund and the fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") for governmental entities.

The Statement of Net Position presents information on the proprietary fund's assets and liabilities, with the difference between the two reported as net position. This statement is categorized into current and non-current assets and liabilities. For purposes of the financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity or which are collectible or becoming due within 12 months of the statement's date.

The Statement of Revenues, Expenses and Changes in Fund Net Position reflects the operating and non-operating revenues and expenses of the proprietary fund for the operating year. Operating revenues primarily consist of investment service fees charged to the Consolidated Fund with significant operating

expenses composed of salaries and benefits, investment advisor fees, investment management system expenses, professional service fees, and fiduciary bond fees.

The Statement of Cash Flows reflects the proprietary fund's cash flows from operating activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash and cash equivalents for the year.

The Statement of Fiduciary Net Position presents information on the fiduciary fund's assets and liabilities, with the difference between the two reported as net position held in trust for investment pool participants and individual investment account holders.

The Statement of Changes in Fiduciary Net Position reports the additions and deductions to the fiduciary fund for the year. Additions are composed of investment income, such as interest, dividends, and accretion; investment expenses such as investment advisor fees, custodian bank fees, administrative fees; and purchases of pool units, reinvestments of pool distributions, and contributions to individual investment accounts. Deductions represent distributions to pool participants, redemption of units by pool participants, and withdrawals from individual investment accounts.

The State of West Virginia reports the proprietary fund as an internal service fund in its Comprehensive Annual Financial Report ("CAFR"). An internal service fund is used to report any activity that provides goods or services to other funds, departments, or agencies of the State and its component units, or to other governments, on a cost-reimbursement basis. The State reports the portions of the Consolidated Fund pools and accounts held by state agencies and component units as investment holdings of those entities within the appropriate fund reporting categories for those entities. The State reports the portions of the Consolidated Fund held by local governments, municipalities, and other political subdivisions as investment trust funds, a type of fiduciary fund. Fiduciary fund reporting is used to account for resources held for the benefit of parties outside the governmental entity, and those resources are not available to support operations of that entity.

Financial Analysis of the Operating Fund

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

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

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

The majority of the proprietary fund's net position consists of current assets. Current assets comprise cash and accounts receivable that will be used to pay investment advisor, custodian, and administrative costs. The current asset balance of \$730,000 is composed of \$264,000 in cash and \$466,000 in accounts receivable. While the cash balance declined significantly from 2012, down \$299,000, accounts receivable increased modestly by \$23,000 over the prior year.

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

The accounts receivable balance of \$466,000 represents fees that have been accrued but not withdrawn from the investment pools at June 30, 2013 to pay investment advisor, custodian, and administrative costs. In accordance with *WV State Code §12-6C-19*, the Board may charge fees to the pools for reasonable and necessary expenses incurred for rendering services. The fees charged to the pools are categorized into direct expenses (investment advisor and custodian fees) and indirect expenses (administrative costs). As part of the BTI monthly operations, administrative and custodial fees accrued in the prior month are transferred from the pools to the BTI's operating fund in the following month to pay for all necessary and reasonable expenses. Investment advisor fees are accrued daily or monthly and transferred to the Operating Fund quarterly to coincide with the receipt of advisor invoices. For FY 2013, the BTI utilized excess securities lending loss reserves to reduce the administrative fees charged to the WV Money Market Pool and the WV Short Term Bond Pool. After calculating the fee for the pools, an amount of the excess reserves attributable to each pool was offset against the monthly fee total. These amounts were then transferred on a quarterly basis. The periodic nature of these transfers results in the accounts receivable balance. The \$23,000 increase in accounts receivable was primarily related to the excess securities lending reserve fee reductions, as without these amounts, accounts receivable would have been down from the prior year by approximately \$10,000 due to the previously mentioned reduction in administrative fees for FY 2013.

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

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

software. The net decrease in current liabilities from June 30, 2012 is primarily composed of lower investment manager fees for the quarter ended June 30, 2013 and lower custodian bank fees for May and June 2013.

Net position of the BTI's proprietary fund is composed of net investment in capital assets and unrestricted net position. Capital asset expenditures of \$1,000 or more (\$500 or more for certain computer equipment) are capitalized at cost and reported net of accumulated depreciation. Unrestricted net position represents net position not restricted to their use by legal, contractual or enabling legislation constraints.

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

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

Operating revenues at June 30, 2013 consist of investment advisor, custodian, and management fees billed to the pools by the operating fund to cover the cost of providing investment management services. The fees charged to the pools are categorized into direct or indirect expenses. All direct fees, investment advisor and custodian, are charged directly to the pools as the fee is incurred. All indirect expenses, i.e. insurance, staff costs, and rent, are charged to the pools based upon a fixed basis point fee against the net position of the pool. The fees collected are deposited in a special account in the State Treasurer's Office created and designated the Board of Treasury Investments Fee Fund in accordance with *West Virginia Code §12-6C-19*.

Operating revenues for fiscal year 2013 decreased by \$110,000. This decrease in revenue consisted of a decrease of \$53,000 in advisor fee revenues, a decrease of \$9,000 in custodial fees, and a decrease of \$48,000 in management (administrative) fees charged to the pools.

Advisor fees are computed based upon market values of the pools. Although investment manager contract fees did not change during the year, the average market value of assets under management was lower during fiscal year 2013 resulting in lower fees. A portion of custodian fees are based upon the market value of assets. Since the average balance of assets was lower during fiscal year 2013, the custodian fees also decreased. The significant decrease in management fee revenue was due to the reduction in administrative fees charged to the pool during fiscal year 2013 and lower asset balances during the year.

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

General and administrative expenses represent costs associated with operating the BTI that are not considered directly applicable to investment management. Salaries, investment consulting fees charged by NEPC Investment Consulting and fiduciary bond expenses make up the overwhelming majority of this expenses line item. Staff salaries and related expenses decreased by \$23,000 from the prior year. The decrease was due to staffing changes including the retirement of the former Executive Director towards the end of fiscal year 2012. In addition, one staff member resigned to pursue other opportunities and the position was not filled. This decrease in expense was offset by increases in investment consulting fees of \$4,000, auditing fees of approximately \$5,000, investment management system support and maintenance fees of approximately \$6,000, and server and desktop software maintenance fees of \$9,000. Other general and administrative expenses decreased by a net of \$2,000.

A large portion of BTI expenses represent investment advisor fees. The current investment advisors are JP Morgan Asset Management, Federated Investors, and UBS Global Asset Management. All investment decisions and trade executions are performed by the investment advisors. The balance of custodian and advisor fees comprises investment advisor fees of \$1,364,000 and custodian fees of \$133,000. The net decrease in investment advisor fees of \$56,000 was primarily due to decreases in participant investments in the WV Money Market Pool. This decrease in assets also resulted in lower custodian fees, with the total custodian fees falling by a net of \$8,000.

Financial Analysis of the Consolidated Fund

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

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

As of June 30, 2013, the Consolidated Fund's assets totaled \$3.8 billion and was composed almost entirely of investments in securities. As was experienced in 2012, 2013 also saw total assets decline over the year. The decline was not as severe in 2013, as the assets dropped just over 2.3% versus 6.4% in 2012. The decrease in assets resulted from participants drawing against their investment balances during the year.

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

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

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

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

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

During the year, the WV Short Term Bond, WV Bank, State Loan and Reserve pools experienced increases in their balances. The WV Short Term Bond Pool increased by \$113.0 million as state agencies sought a rate of return higher than that available in the WV Money Market Pool. The State Loan Pool investment balance increased by \$11.5 million as the West Virginia Economic Development Authority increased their draws under the Revolving Loan program. The net increase in the Revolving Loan program was \$13.2 million. This was offset by increases in the loan loss reserve for the Non-Recourse Loan. The reserve related to this loan increased by \$1.6 million as the value of the collateral underlying the loan continued to deteriorate. Investments in the WV Bank Pool increased by \$17.5 million due to the BTI increasing the number of BidWV CD auctions held during the year. The balance of the Reserve Pool increased by approximately \$2.9 million due to the receipt of a settlement from a class action lawsuit filed against BNY

Mellon for losses incurred by clients utilizing BNY's pooled securities lending collateral reinvestment funds. See Note 8 of the financial statements for more information on the securities lending settlement.

Net position held in trust for individual account holders represent individual state agency accounts with specific investment needs. Each agency has 100% ownership of the underlying investments in its pool and is solely responsible for the investment decisions in accordance with the legal restrictions applicable to those assets. Net position for individual account holders increased \$71.2 million or 48% from the prior year. The entire increase was related to new investments made by the Municipal Bond Commission, which totaled \$71.6 million, net of maturities. The net position of the School Fund and West Virginia Economic Development Authority accounts decreased during the year by approximately \$0.4 million in total.

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

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

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

Over the past fiscal year, conditions in the global financial markets were driven in large part by actions by central banks, which flooded the system with liquidity and helped stem sovereign risk concerns in Europe. Last July, in an attempt to calm concerns around European peripheral countries, the European Central Bank (ECB) President Mario Draghi said that the central bank would do "whatever it takes" to save the euro. This was followed by the announcement of the outright monetary transactions (OMT) program in early August 2012 whereby the ECB would buy 1-3 year sovereign debt of a country that applied for aid under the program. Away from the Eurozone, the Federal Reserve announced a new round of quantitative easing (QE) which was open-ended in nature and included a commitment to purchase \$40 billion per month in Agency MBS securities. The Fed added \$45 billion of long-term Treasuries to the program in December 2012. In April 2013, the Bank of Japan (BOJ) announced that it would be unleashing a massive program

of quantitative easing that will double the country's money supply. Under the program, the BOJ is promising to purchase \$1.4 trillion in Japanese government bonds through monthly purchases over a two year period.

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

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

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

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

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

The State Loan Pool experienced a \$2.1 million decrease in net investment income due to the rate on the WV Revolving Loan program falling from 1.17% in fiscal year 2012 to 0.17% in fiscal year 2013. In addition to a lower rate in the Revolving Loan Program, increases in loan loss reserves for the Non-Recourse Loan program further reduced income. During 2013, reserves for this program were increased by \$1.6

million which accounted for the majority of the decline in net investment income for the pool. See Note 6 to the audited financial statements for more information on the loan programs of the State Loan Pool. The remaining \$0.1 million decrease in net investment income is attributable to declines in the income for the WV Reserve Pool and the WV Bank Pool, net of an increase in the income for the Municipal Bond Commission Account.

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

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

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

Economic Factors

The Consolidated Fund is designed to address the short-term liquidity needs of the participants which focus on safety of principal, maximization of yield, and conformance with state law and other pertinent legal restrictions. The Board recognizes that risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investments. However, the Investment Policy of the BTI invests assets in a manner that minimize risks with the primary objectives of safety and liquidity.

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

Against the backdrop of highly accommodative actions by central banks around the globe, the US economy began to show signs of sustained economic momentum. In particular, the housing market returned to posting solid year over year home price gains (+12.2% per the May S&P/Case-Shiller 20-city composite). The gains were aided by low mortgage rates and an improving labor market. However concerns about budgetary compromise in Congress and the uncertainty surrounding the "fiscal cliff" at the end of 2012, caused businesses to remain cautious about undertaking large capital investments. Still, consumers reacted

favorably at the cash register driven in large part by the positive wealth effects of rising home and stock prices.

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

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

Requests for Information

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

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

June 30, 2013

(In Thousands)

Assets	
Current assets:	
Cash	\$ 264
Receivables	466
Total current assets	730
Noncurrent assets:	
Capital assets, net of accumulated depreciation	5
Total assets	735
 Liabilities	
Current liabilities:	
Accounts payable	474
Total liabilities	474
 Net position	
Net investment in capital assets	5
Unrestricted	256
Total net position	\$ 261

See accompanying notes to financial statements

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

For the Year Ended June 30, 2013

(In Thousands)

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

See accompanying notes to financial statements

West Virginia Board of Treasury Investments
Statement of Cash Flows
Proprietary Fund

For the Year Ended June 30, 2013

(In Thousands)

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

See accompanying notes to financial statements

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

June 30, 2013

(In Thousands)

Assets	
Investments:	
At amortized cost	\$3,209,799
At fair value	<u>619,073</u>
Total investments	3,828,872
Receivables:	
Accrued interest	3,514
Dividends	<u>20</u>
Total receivables	3,534
Total assets	<u>3,832,406</u>
 Liabilities	
Accrued expenses	398
Dividends payable	<u>292</u>
Total liabilities	<u>690</u>
 Net Position	
Held in trust for investment pool participants	3,611,689
Held in trust for individual investment account holders	<u>220,027</u>
Total net position	<u><u>\$3,831,716</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, 2013

(In Thousands)

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

See accompanying notes to financial statements

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West Virginia Board of Treasury Investments

Notes to Financial Statements

June 30, 2013

1. Organization and Operations

The West Virginia Board of Treasury Investments (the “BTI”) is charged with managing the individual investment pools and accounts of the Consolidated Fund under authority of West Virginia State Code Chapter 12, Article 6C, West Virginia Treasury Investments Act. The West Virginia Legislature established the BTI as a public corporation of the State of West Virginia, to make short-term operating funds of the state more accessible to state government and to allow the West Virginia Investment Management Board (the “IMB”), which had managed the Consolidated Fund, to focus on the state’s long-term trust investments. The BTI operates on a fiscal year that begins July 1 and ends June 30.

The accompanying financial statements include the operations of the BTI as well as investment balances and transactions of the individual investment pools and accounts of the Consolidated Fund under management of the BTI. The BTI provides a business-type activity that charges fees on a cost-reimbursement basis and is shown in the separate proprietary fund financial statements. Investment activities of the Consolidated Fund are shown in the separate fiduciary fund financial statements.

The West Virginia State Treasurer’s Office provides direct administrative and management services to the BTI. The BTI does not employ a staff, but reimburses the Treasurer’s Office for all personnel expenses of Treasury employees assigned to administer and manage the BTI. The Treasurer’s Office also provides various supplementary administrative services. A five-member Board of Directors governs the BTI. The State Governor, State Treasurer, and State Auditor serve as ex officio members of the Board. The Governor appoints the two remaining members subject to the advice and consent of the State Senate. Of the two members appointed by the Governor, one shall be a certified public accountant and one shall be an attorney, and both shall have experience in finance, investing and management. The State Treasurer is Chairman of the Board.

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

WV Money Market – This pool consists of the operating funds of the State, funds held by State agencies, and funds from local governments who desire the opportunity to invest with the State. Its purpose is to provide for the investment of all surplus funds and to supply the daily cash needs of the State. The pool is co-managed by JP Morgan Asset Management and UBS Global Asset Management.

WV Government Money Market – This pool consists of investors who wish to invest in a pool that restricts its investments to U.S. Government Obligations, U.S. Government Agency Obligations, or repurchase agreements. The pool is managed by UBS Global Asset Management.

WV Short Term Bond – This pool consists of the operating funds of the State that are not needed immediately to fund the State’s liquidity requirements. The pool is managed by Federated Investors.

WV Bank – This pool consists of certificates of deposit purchased by the State through the BidWV auction program. The program purchases CDs from state banks and depositories to make state investment funds available for consumer and business loans within the state.

Loans – This pool is composed of loans made by the State. The \$1 unit price is used for accounting purposes only. The State is the sole participant in this pool. Within the Loan Pool is a non-recourse loan made by the West Virginia Economic Development Authority (the “WVEDA”) to the West Virginia Enterprise Advancement Corporation (the “WVEAC”), which in turn invests the funds in the West Virginia Enterprise Capital Fund, LLC (the “WVECF”), which then invests the money in venture capital funds. The WVEAC is a non-profit corporation that has a common board of directors with the WVEDA. The non-recourse loan program was authorized pursuant to WV Code §12-6-9, which requires the BTI to transfer up to \$25,000,000 in State funds to the WVEDA. The funds transferred by the BTI are to be repaid with proceeds received by the WVEDA from the WVEAC, which will make repayment to the WVEDA from the proceeds it receives from the WVECF. The Loan Pool is restricted by statute to receiving 3% earnings on the funds transferred to the WVEDA. Although the non-recourse loan made by the WVEDA may earn an excess of 3%, only 3% will be given to the Loan Pool, and the WVEDA will retain the rest. The BTI is not responsible for exercising any discretion over or making any decisions in regard to the lending, investing and repayment activities of the non-recourse loan program, or for any other loans in the Loan Pool. The WVEDA provides all bookkeeping and accounting records of the non-recourse loan program. The BTI’s role is to transfer the funds to the WVEDA when requested and to maintain an accounting for the loans within the Loan Pool based on information provided by the WVEDA.

Reserve – This pool is composed of an interest-bearing depository account with BB&T. The pool was created to provide an added layer of security for the WV Money Market and WV Government Money Market Pools. The objective of this pool is to provide support for the WV Money Market and WV Government Money Market Pools to ensure their unit net position does not fall below \$0.9975. The State is the sole participant in this pool. Other funds are transferred to this pool as management deems necessary.

Participant Directed Accounts – The BTI also maintains pools for individual State agencies with specific investment needs. These pools are collectively referred to as Participant Directed Accounts, and include the following: Municipal Bond Commission, School Fund, and Economic Development Authority – American Woodmark (“EDA – AW”). The Banking Services account was established for a temporary period during the year. Each agency is the sole owner of the investments in its pool and is responsible for the investment decisions in accordance with the legal restrictions applicable to those assets. The BTI serves as custodian of these pools and has no discretion over investment and financial decisions made for them.

The BTI is authorized by West Virginia Code Chapter 12, Article 6C, Section 9, to invest in United States government and agency obligations, commercial paper, corporate bonds, repurchase agreements, asset-backed securities, and investments in accordance with the Linked Deposit Program, which is a program using financial institutions in the state to reduce loan costs to small businesses by offsetting interest reductions on the loans with certificates of deposit, loans approved by the Legislature, and any other programs authorized by the Legislature. In addition to the restrictions in investment types, at no time shall more than seventy-five percent of the Consolidated Fund be invested in any bond, note, debenture, commercial paper or other evidence of indebtedness of any private corporation or association and at no time shall more than five percent be invested in securities issued by a single private corporation or association. Further, no less than fifteen percent of the Consolidated Fund shall be invested in any direct obligation of or obligation guaranteed by the United States government.

2. Significant Accounting Policies

Basis of Accounting

The financial statements of the BTI are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Under this method of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

An internal service fund, which is a type of proprietary fund, is used to account for investment management services provided by the BTI on a cost-reimbursement basis. An investment trust fund, which is a type of fiduciary fund, is used to account for each of the investment pools and accounts of the Consolidated Fund. The Consolidated Fund is composed of three external investment pools (WV Money Market, WV Government Money Market, and WV Short Term Bond), three internal investment pools (WV Bank, Loans, and Reserve) and three individual investment accounts (Municipal Bond Commission, School Fund, and Economic Development Authority – American Woodmark. A fourth account, Banking Services, was opened temporarily during the year).

Budgetary Information

The Board's annual operating budget is appropriated by the Legislature from fees collected by the BTI.

Cash Equivalents

Cash equivalents are short-term investments with maturities when acquired of 90 days or less.

Capital Assets

Capital asset expenditures of \$1,000 (\$500 in the case of certain computer equipment) or more with a useful life greater than one year are capitalized at cost and reported net of accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The estimated useful lives are three years.

Wages, Compensated Absences, Retirement Plan and Other Postemployment Benefits

The BTI has no employees. The State Treasurer's Office provides administrative and management services to the BTI. As a result, the BTI does not accrue for compensated absences and other postemployment benefits or directly contribute to the state retirement plan. Management services provided are recorded as management fees paid to the State Treasurer's Office.

Income Taxes

The BTI is a public corporation organized under laws of the State of West Virginia and, as such, is exempt from federal and state taxation. Accordingly, the financial statements have been prepared recognizing that the BTI is not subject to federal or state income taxes.

Revenues and expenses – Proprietary fund

Operating revenues of the BTI's proprietary fund come from services provided to the investment pools and accounts of the Consolidated Fund. Revenues of the proprietary fund also are derived from vendor fees charged directly to the investment pools and accounts and paid by the proprietary fund, such as investment advisor fees and custodian fees. Operating expenses of the proprietary fund represent payments for services provided under contract, such as investment advisors and consultants, fiduciary bond fees, and custodian fees; general and administrative expenses of the BTI, such as administrative and management services, office equipment, office supplies, and office space; and depreciation of capital assets. Revenues and expenses are recorded when earned and incurred in accordance with the economic resources measurement focus and the accrual basis of accounting.

Net Position – Proprietary fund

Management has adopted Governmental Accounting Standards Board ("GASB") Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The Statement also amends net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The proprietary fund does not report any deferred outflows or inflows of resources. The effect of the statement on the BTI's financial reporting is to rename net assets as net position.

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

The GASB has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses or expenditures) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities. Although the provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012, BTI management has chosen to implement it early for fiscal year 2013. At this point, this Statement does not affect these financial statements because neither the BTI's proprietary nor fiduciary fund contains deferred outflows or inflows of resources.

Use of Estimates

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

Investment Accounting

Investment Valuation The BTI is an investment vehicle of the State and its component units, all of which are government entities. The investments of the WV Money Market, WV Government Money Market, WV Bank, Loan, Reserve, and Municipal Bond Commission pools or accounts are carried at amortized cost, as permissible under Government Accounting Standards Board ("GASB") Statement Number 31, as amended

by GASB Statement Number 59. The WV Money Market and WV Government Money Market pools are considered “2a7-like” investment pools and, as such, are reported at amortized cost, which approximates fair value. A 2a7-like pool operates in conformity with the Securities and Exchange Commission (the “SEC”) Rule 2a7 of the Investment Company Act of 1940, which allows money market mutual funds to use amortized cost to report net assets (position). A pool must satisfy all SEC requirements of Rule 2a7 to qualify as a 2a7-like pool. A 2a7-like pool is not necessarily registered with the SEC as an investment company, but it would qualify as a money market fund should it be registered. The specific exceptions to fair value reporting for the other pools as defined in professional standards are as follows:

Pool	Exception
WV Bank	Nonnegotiable certificates of deposit with redemption terms that do not consider market rates
Loan	Loans receivable arising from real estate lending activities
Reserve	Nonparticipating investment contract with redemption terms that do not consider market rates
Municipal Bond Commission	Irrevocable trust meeting the requirements of a legal or in-substance defeasance

The investments of the remaining pools are reported at fair value, which is determined by a third party pricing service based on asset portfolio pricing models and other sources. The BTI determines fair value at the end of each month. Investments in commingled investment pools are valued at the reported unit values of the individual funds. Commissions on the purchases of securities by the BTI are a component of the security price quoted by the seller and are included in the investment cost.

Repurchase Agreements The BTI uses only tri-party repurchase agreements. Under the terms of a tri-party repurchase agreement, the seller transfers collateral securities to an account of the BTI’s manager/agent at the seller’s custodian bank. This arrangement perfects the BTI’s lien on the collateral and effectively protects the BTI from a default by the seller. The BTI requires sellers in repurchase transactions to pledge collateral of at least 102% of the cash borrowed from the BTI. If the seller defaults and the fair value of the collateral declines, realization of the collateral by the BTI may be delayed or limited.

Asset-Backed Securities Certain pools invest in various asset-backed securities and structured corporate debt. The securities are reported at fair value. The pools invest in these securities to enhance yields on investments. Changes in market interest rates affect the cash flows of these securities and may result in changes in fair value. The overall return or yield on these securities depends on the changes in the interest and principal payment pattern and market value of the underlying assets.

Investment Transactions Investment transactions are accounted for on a trade date basis.

Investment Gains and Losses Gains and losses on the sale of investment securities are recognized at the time of sale by the average cost method. The calculation of realized gains and losses is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments

held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year.

Interest Income Interest income is recognized as earned on the accrual method with one exception. The cash received method of income recognition is used for the interest on the WVEDA Non-Recourse Loan held by the Loan Pool. Under this method, income is recognized when received.

Dividend Income Dividend income is recognized on the ex-dividend date.

Amortization Discounts and premiums on securities purchased are amortized over the life of the respective securities using the scientific method of amortization. This method maintains a constant book yield over the life of the security. The amortization of asset-backed securities considers the effect of prepayments on the life of the security. Historical prepayment speeds are obtained from market data vendors and are updated annually. The effect of changing prepayment assumptions is reported in the Combined Statement of Changes in Fiduciary Net Position in the year of the change.

Allowance for Loan Losses The allowance for loan losses is available to absorb future loan losses. The allowance is increased by provisions charged against operations and reduced by charge-offs (losses), net of recoveries. The provision is based on several factors including: analytical reviews of loan loss experience in relationship to outstanding loans; a continuing review of problem loans and overall portfolio quality, including analysis of the quality of the underlying collateral; and management's judgment on the impact of current and expected economic conditions on the portfolio. At June 30, 2013, the Loan Pool had an allowance for uncollectible loans of \$20,244,415.

Distributions to Participants The net income of the WV Money Market and WV Government Money Market Pools are declared as dividends and distributed daily to the participants based upon their pro rata participation in the pools. The distributions of net investment income are credited to the participants' accounts in the form of dividend reinvestments in the pool and have been included in distributions to participants and reinvestment of distributions as presented on the Statement of Changes in Fiduciary Net Position.

The monthly net income of the WV Short Term Bond Pool is declared as a dividend on the last day of the month and distributed to the participants in the pool on the first day of the following month. Distributions are paid in the form of reinvestments in the pools and have been included in distributions to participants and reinvestment of distributions as presented on the Statement of Changes in Fiduciary Net Position.

The net income of the WV Bank Pool is determined monthly and reinvested in the pool. The earnings are transferred periodically to the State Participation Account which represents invested cash of the state not specifically allocated to individual agencies.

The net income of the Loan Pool is determined monthly and distributed to the participant on the last day of the month. Distributions are paid in the form of reinvestments in the pool and have been included in distributions to participants and reinvestment of distributions as presented on the Statement of Changes in Fiduciary Net Position.

The net income of the Reserve Pool is declared as a dividend and distributed on the last day of the month. If the pool incurs a loss resulting in negative income, the loss will be distributed on the last day of the month.

Expenses Each pool is charged for its direct investment-related cost and for its allocated share of other expenses. The other expenses are allocated to the pools based on asset size. Certain pools cannot be

charged expenses or must be charged a reduced expense. The BTI proprietary fund pays all expenses on behalf of the pools and is subsequently reimbursed by the pools.

3. Cash and Cash Equivalents

The internal service fund's cash on deposit with the State Treasurer's Office was approximately \$264,000 at June 30, 2013. The cash is pooled with other deposits from the State's agencies, departments, boards and commissions and is subject to coverage by the Federal Deposit Insurance Corporation ("FDIC") or collateralized by securities held by the State or its agents in the State's name. Cash equivalents are short-term, highly liquid investments having original maturities of 90 days or less. The internal service fund did not hold any cash equivalents at June 30, 2013.

Custodial credit risk of cash deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The BTI does not have a deposit policy for custodial credit risk. BTI management does not believe any of its operating fund's deposits are exposed to custodial credit risk.

4. Investments and deposits

The BTI has adopted an investment policy in accordance with the "Uniform Prudent Investor Act." The "prudent investor rule" guides those with responsibility for investing the money for others. Such fiduciaries must act as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The BTI's investment policy is to invest assets in a manner that strives for maximum safety, provides adequate liquidity to meet all operating requirements, and achieves the highest possible investment return consistent with the primary objectives of safety and liquidity. The BTI recognizes that risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investments. Due to the short-term nature of the Consolidated Fund, the BTI believes that it is imperative to review and adjust the investment policy in reaction to interest rate market fluctuations/trends on a regular basis and has adopted a formal review schedule. Investment policies have been established for each investment pool and account of the Consolidated Fund.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Two of the BTI's pools, the WV Money Market and WV Government Money Market Pools, have been rated AAAM by Standard & Poor's. A fund rated "AAAM" has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. "AAAM" is the highest principal stability fund rating assigned by Standard & Poor's. Neither the BTI itself nor any of the other Consolidated Fund pools or accounts has been rated for credit risk by any organization. Of the Consolidated Fund pools and accounts, six are subject to credit risk: WV Money Market Pool, WV Government Money Market Pool, WV Short Term Bond Pool, WV Bank Pool, Loan Pool, and School Fund Account.

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

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all corporate bonds to be rated AA- by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P-1 by Moody's. The pool must have at least 15% of its assets in U.S. Treasury issues. The following table provides information on the credit ratings of the WV Money Market Pool's investments (in thousands):

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
Commercial paper	P-1	A-1+	\$ 243,538	9.76%
	P-1	A-1	726,857	29.12
Corporate bonds and notes	Aa3	AA-	10,000	0.40
U.S. agency bonds	Aaa	AA+	66,603	2.67
U.S. Treasury notes *	Aaa	AA+	279,755	11.21
U.S. Treasury bills *	P-1	A-1+	34,993	1.40
Negotiable certificates of deposit	Aa1	AA-	10,000	0.40
	Aa2	A+	9,000	0.36
	Aa3	AA-	15,000	0.60
	P-1	A-1+	50,000	2.00
	P-1	A-1	160,000	6.41
	P-2	A-1	15,000	0.60
	P-1	A-1+	445,784	17.86
U.S. agency discount notes	Aaa	AAAm	200,012	8.02
Repurchase agreements (underlying securities):				
U.S. Treasury notes *	Aaa	AA+	188,826	7.57
U.S. agency notes	Aaa	AA+	40,500	1.62
			<u>\$ 2,495,868</u>	<u>100.00%</u>

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

The BTI limits the exposure to credit risk in the WV Government Money Market Pool by limiting the pool to U.S. Treasury issues, U.S. government agency issues, money market funds investing in U.S. Treasury issues and U.S. government agency issues, and repurchase agreements collateralized by U.S. Treasury issues and U.S. government agency issues. The pool must have at least 15% of its assets in U.S. Treasury issues. The following table provides information on the credit ratings of the WV Government Money Market Pool's investments (in thousands):

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
U.S. agency bonds	Aaa	AA+	\$ 5,000	1.74%
U.S. Treasury notes *	Aaa	AA+	50,112	17.45
U.S. Treasury bills *	P-1	A-1+	4,999	1.74
U.S. agency discount notes	P-1	A-1+	125,474	43.69
Money market funds	Aaa	AAAm	99	0.04
Repurchase agreements (underlying securities):				
U.S. agency notes	Aaa	AA+	101,500	35.34
			<u>\$ 287,184</u>	<u>100.00%</u>

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

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

The BTI limits the exposure to credit risk in the WV Short Term Bond Pool by requiring all corporate bonds to be rated A by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P-1 by Moody's. Mortgage-backed and asset-backed securities must be rated AAA by Standard & Poor's and Aaa by Moody's. The following table provides information on the credit ratings of the WV Short Term Bond Pool's investments (in thousands):

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
Corporate asset backed securities	Aaa	AAA	\$ 53,681	8.72%
	Aaa	NR	59,810	9.71
	NR	AAA	37,411	6.07
	NR	AA+	2,514	0.41
	* Caa1	CCC	932	0.15
	* Caa3	D	367	0.06
	* Caa3	NR	24	0.00
	* Ca	CCC	308	0.05
	* Ca	D	95	0.02
	* NR	NR	3,819	0.62
Corporate bonds and notes	Aa2	AA+	3,002	0.49
	Aa2	AA	12,731	2.07
	Aa2	AA-	9,192	1.49
	Aa3	AA-	33,034	5.36
	Aa3	A+	11,693	1.90
	A1	AA+	13,295	2.16
	A1	AA	4,118	0.67
	A1	A+	47,500	7.71
	A1	A	13,522	2.19
	A2	A+	9,348	1.52
	A2	A	47,709	7.75
	A2	A-	5,052	0.82
	A3	A-	7,986	1.30
	* Baa1	A-	2,416	0.39
	* Baa2	A-	6,959	1.13
U.S. agency bonds	Aaa	AA+	9,986	1.62
U.S. Treasury notes **	Aaa	AA+	140,154	22.76
U.S. agency mortgage backed securities ***	Aaa	AA+	73,692	11.97
Money market funds	Aaa	AAAm	5,457	0.89
			<u>\$ 615,807</u>	<u>100.00%</u>

NR = Not Rated

* These securities were not in compliance with BTI Investment Policy at June 30, 2013. The securities were in compliance when originally acquired, but were subsequently downgraded. BTI management and its investment advisors have determined that it is in the best interests of the participants to hold the securities for optimal outcome.

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

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

The WV Bank Pool holds an interest in a money market mutual fund valued at approximately \$12,000. The mutual fund is rated AAAM by Standard & Poor's and Aaa by Moody's. The BTI does not have a policy specifically addressing credit risk in the WV Bank Pool.

The Loan Pool is composed of loans made by the State. The pool holds intergovernmental loans and an investment in a money market mutual fund of approximately \$151,000. The mutual fund is rated AAAM by Standard & Poor's and Aaa by Moody's. The loans are not rated; however, because there is the potential for defaults on the loans, the pool is subject to credit risk related to the loans. The BTI addresses this credit risk by establishing and regularly evaluating a reserve for uncollectible loans.

The School Fund Account holds only an interest in a money market mutual fund valued at approximately \$1,327,000. The mutual fund is rated AAAM by Standard & Poor's and Aaa by Moody's. The BTI does not have a policy specifically addressing credit risk in the School Fund Account.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. All Consolidated Fund pools and accounts are subject to interest rate risk.

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

Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 229,326	3
U.S. Treasury notes	279,755	132
U.S. Treasury bills	34,993	77
Commercial paper	970,395	43
Certificates of deposit	259,000	66
U.S. agency discount notes	445,784	47
Corporate bonds and notes	10,000	60
U.S. agency bonds	66,603	139
Money market funds	200,012	1
	\$ 2,495,868	52

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

Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 101,500	3
U.S. Treasury notes	50,112	103
U.S. Treasury bills	4,999	76
U.S. agency discount notes	125,474	67
U.S. agency bonds	5,000	34
Money market funds	99	1
	\$ 287,184	50

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

Security Type	Carrying Value (In Thousands)	Effective Duration (Days)
U.S. Treasury notes	\$ 140,154	491
Corporate bonds and notes	227,557	293
Corporate asset backed securities	158,961	471
U.S. agency bonds	9,986	583
U.S. agency mortgage backed securities	73,692	60
Money market funds	5,457	1
	\$ 615,807	358

The West Virginia Bank Pool holds nonnegotiable certificates of deposit totaling \$70,000,000 with maturity dates ranging from July 2013 through December 2013, and an interest in a money market mutual fund valued at approximately \$12,000. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in this pool arising from increasing interest rates.

The Loan Pool holds an interest in a money market mutual fund in the amount of approximately \$151,000 with a weighted average maturity of one day. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in this pool arising from increasing interest rates.

The Reserve Pool maintains funds totaling approximately \$21,915,000 in a bank depository account. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in this pool arising from increasing interest rates.

The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in the Municipal Bond Commission Account arising from increasing interest rates. The following table provides information on the weighted average maturities for the various asset types in the Municipal Bond Commission Account:

Security Type	Carrying Value (In Thousands)	WAM (Days)
U.S. Treasury strips	\$ 1,944	503
U.S. Treasury bonds and notes	47,943	405
State and local government securities	166,580	324
	<u>\$ 216,467</u>	<u>344</u>

The School Fund Account holds only an interest in a money market mutual fund valued at approximately \$1,327,000 with a weighted average maturity of one day. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in this pool arising from increasing interest rates.

The EDA-AW Account holds only a U.S. Treasury bond valued at approximately \$1,939,000 that matures August 15, 2023. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in this pool arising from increasing interest rates.

Other Risks of Investing

Other risks of investing can include concentration of credit risk, custodial credit risk, and foreign currency risk. None of the Consolidated Fund's investment pools or accounts is exposed to these risks as described below.

Concentration of credit risk is the risk of loss attributed to the magnitude of a Consolidated Fund pool or account's investment in a single corporate issuer. The BTI investment policy prohibits those pools and accounts permitted to hold corporate securities from investing more than 5% of their assets in any one corporate name or one corporate issue.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. The BTI or its agent does not release cash or securities until the counterparty delivers its side of the transaction.

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. None of the Consolidated Fund's investment pools or accounts holds interests in foreign currency or interests valued in foreign currency.

Deposits

Custodial credit risk of deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits include nonnegotiable certificates of deposit. The WV Bank Pool contains nonnegotiable certificates of deposit valued at \$70,000,000. The Reserve Pool contains funds

totaling approximately \$21,915,000 in a bank depository account. The BTI does not have a deposit policy for custodial credit risk.

5. Capital Assets

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

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

6. Related Party Transactions

Intergovernmental Investments

The BTI is required by law to enter into certain investment transactions with other state entities. At June 30, 2013, the BTI's intergovernmental investments, which are assets of the Loan Pool, included the following:

- a. The "WVEDA Revolving Loan" is an obligation of the West Virginia Economic Development Authority (WVEDA). The terms of the loan program require the BTI to make available on a revolving basis up to \$175,000,000 for the WVEDA to use to fund economic development initiatives. The interest rate is reset on July 1 of each year and is based on the twelve month return of the WV Money Market Pool. The rate for the year ending June 30, 2013, was 0.17%. The rate has a 1% annual adjustment cap. The WVEDA makes monthly principal and interest payments calculated on a 120-month amortization of the outstanding balance. At June 30, 2013, the outstanding balance was \$113,584,553.
- b. The "WVEDA Non-recourse Loan" represents an obligation of the WVEDA. The BTI assumed the loan as of July 8, 2005. The loan was originally entered into with the West Virginia Investment Management Board on April 9, 2002. The terms of the loan allow for the WVEDA to borrow up to \$25,000,000 from the BTI through June 29, 2012. As of March 2010, the WVEDA had borrowed the maximum amount. The funds borrowed by the WVEDA are to be loaned, without recourse, to the West Virginia Enterprise Advancement Corporation (WVEAC), for investment in the West Virginia Enterprise Capital Fund, to fund certain venture capital initiatives. The loan earns interest at 3%, which is fixed for the term of the loan. The WVEDA is required to make annual principal payments of \$10,000 plus accrued interest for the first ten years. However, in the event the WVEDA has not received any returns from the investment with the WVEAC, these payments may be deferred through June 30, 2012. Beginning June 30, 2013, the WVEDA was expected to make principal and interest payments sufficient to repay all outstanding principal and accrued interest in full by June 30, 2022. On June 24, 2013, the BTI was notified by the WVEDA that the WVEDA had not received monetary returns from its venture capital investments and therefore would be unable to make the scheduled payment on June 30, 2013. At June 30, 2013, \$24,862,000 of principal was outstanding.

Because of the uncertain collectability of this loan, the BTI has elected to recognize income when the cash is received. Additionally, a valuation reserve of \$20,244,415 has been accrued at June 30, 2013.

The following table details the amount of interest that has not been recognized as income and the expected receipt of which has been deferred in accordance with the provisions of the loan.

Fiscal Year 2008 interest deferred	\$ 17,055
Fiscal Year 2009 interest deferred	657,953
Fiscal Year 2010 interest deferred	702,859
Fiscal Year 2011 interest deferred	747,600
Fiscal Year 2012 interest deferred	747,110
Fiscal Year 2013 interest deferred	744,833
Total interest deferred	\$ 3,617,410

Interpool Investments

Reserve Pool assets totaling \$17,127,000 that had been redeemed from the Reserve Pool and invested in the WV Short Term Bond Pool were returned to their originating account in June 2013 and are no longer considered a part of assets available to provide support for the unit net position of the WV Money Market Pool and the WV Government Money Market Pool.

Transactions with State Treasurer’s Office

The State Treasurer’s Office provides various services to the BTI, some of which are reimbursed by the BTI, and others of which the Treasurer provides at no cost to the BTI. During the year ended June 30, 2013, the BTI reimbursed the Treasurer’s Office \$658,000 for services, which includes \$628,000 for management services provided by Treasurer’s Office employees. As of June 30, 2013, the BTI had an amount payable to the Treasurer’s Office totaling \$58,000, of which \$49,000 was for management services provided by Treasurer’s Office employees. Also during the year, the Treasurer’s Office provided services valued at approximately \$16,000 at no cost to the BTI.

7. Risk Management

The BTI is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

Board members are covered by a \$5 million blanket bond and general liability and property coverage of \$1 million per occurrence through the West Virginia State Board of Risk and Insurance Management (“BRIM”). The BTI has obtained additional coverage of \$45 million faithful performance bond through an outside underwriter. There have been no claims since the inception of the BTI.

8. Securities Lending Settlement

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

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

9. Effect of New Accounting Pronouncements

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

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

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

June 30, 2013

(In Thousands)

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

* The Banking Services Participant Account was closed in December 2012

See accompanying notes to financial statements.

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

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

For the Year Ended June 30, 2013

(In Thousands)

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

* The Banking Services Participant Account was closed in December 2012

See accompanying notes to financial statements.

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

West Virginia Board of Treasury Investments
Schedule of Investments in Securities
June 30, 2012
(In thousands)

WEST VIRGINIA MONEY MARKET POOL

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

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F – Floating rate note security.

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** 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, 2013
(In thousands)

WEST VIRGINIA MONEY MARKET POOL (Continued)

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

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F – Floating rate note security.

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See accompanying notes to financial statements.

West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)
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(In thousands)

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

F – Floating rate note security.

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See accompanying notes to financial statements.

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

WEST VIRGINIA GOVERNMENT MONEY MARKET POOL

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

F – Floating rate note security.

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See accompanying notes to financial statements.

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

WEST VIRGINIA SHORT TERM BOND POOL

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

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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, 2013
(In thousands)

WEST VIRGINIA SHORT TERM BOND POOL (Continued)

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

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See accompanying notes to financial statements.

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

WEST VIRGINIA SHORT TERM BOND POOL (Continued)

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

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

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WEST VIRGINIA SHORT TERM BOND POOL (Continued)

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
Holmes Master Issuer PLC		1.677 F	1.528	10/15/2054	1,844	1,845	1,857
Holmes Master Issuer PLC		1.627 F	1.630	10/15/2054	2,461	2,461	2,476
Holmes Master Issuer PLC		1.927 F	1.876	10/15/2054	8,000	8,075	8,139
Fosse Master Issuer PLC		1.677 F	1.681	10/18/2054	1,500	1,500	1,528
Lanark Master Issuer PLC		0.741 F	0.777	12/22/2054	8,500	8,500	8,500
Silverstone Master		1.826 F	1.830	01/21/2055	2,500	2,500	2,559
Total Corporate Asset Backed Issues	<u>25.8%</u>					<u>160,027</u>	<u>158,959</u>
Total Corporate Issues	<u>62.8%</u>					<u>387,596</u>	<u>386,515</u>
<i>Short Term Issues</i>							
Dreyfus Cash Management Institutional Fund		0.050 **			5,457	5,457	5,457
Total Short Term Issues	<u>0.9%</u>					<u>5,457</u>	<u>5,457</u>
Total Short Term Bond Pool	<u>100.00%</u>					<u>\$ 617,027</u>	<u>\$ 615,807</u>

WEST VIRGINIA BANK POOL

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Short Term Issues</i>							
BB&T		0.160 %	0.160 %	07/11/2013	5,000	\$ 5,000	\$ 5,000
Jefferson Security Bank		0.160	0.160	07/11/2013	5,000	5,000	5,000
WesBanco Bank		0.160	0.160	07/11/2013	5,000	5,000	5,000
BB&T		0.160	0.160	08/15/2013	5,000	5,000	5,000
WesBanco Bank		0.160	0.160	08/15/2013	5,000	5,000	5,000
BB&T		0.160	0.160	09/12/2013	5,000	5,000	5,000
Jefferson Security Bank		0.160	0.160	09/12/2013	5,000	5,000	5,000
WesBanco Bank		0.160	0.160	09/12/2013	5,000	5,000	5,000
BB&T		0.160	0.160	10/10/2013	5,000	5,000	5,000
Jefferson Security Bank		0.160	0.160	10/10/2013	5,000	5,000	5,000
WesBanco Bank		0.160	0.160	10/10/2013	5,000	5,000	5,000
BB&T		0.140	0.140	12/12/2013	5,000	5,000	5,000
Jefferson Security Bank		0.140	0.140	12/12/2013	5,000	5,000	5,000
WesBanco Bank		0.140	0.140	12/12/2013	5,000	5,000	5,000
Dreyfus Cash Management		0.010 **			12	12	12
Total Short Term Issues	<u>100.0%</u>					<u>70,012</u>	<u>70,012</u>
Total West Virginia Bank Pool	<u>100.0%</u>					<u>\$ 70,012</u>	<u>\$ 70,012</u>

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(In thousands)

STATE LOAN POOL

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

RESERVE POOL

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Short Term Issues</i>							
Reserve Pool Depository Account		0.250 %	0.250 %		21,915	\$ 21,915	\$ 21,915
Total Short Term Issues	100.0%					21,915	21,915
Total Reserve Pool	100.0%					\$ 21,915	\$ 21,915

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(In thousands)

MUNICIPAL BOND COMMISSION

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

SCHOOL FUND

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Short Term Issues</i>							
Dreyfus Cash Management Treasury Institutional Fund		0.010	**		1,327	\$ 1,327	\$ 1,327
Total Short Term Issues	<u>100.0%</u>					<u>1,327</u>	<u>1,327</u>
Total School Fund	<u>100.0%</u>					<u>\$ 1,327</u>	<u>\$ 1,327</u>

F – Floating rate note security.

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

** Rate represents last business day of the month.

See accompanying notes to financial statements.

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

EDA - AW							
<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
United States Treasury Bond		6.250 %	4.929 %	08/15/2023	1,445	\$ 1,596	\$ 1,939
Total U. S. Treasury Issues	<u>100.0%</u>					<u>1,596</u>	<u>1,939</u>
Total EDA-AW	<u>100.0%</u>					<u>\$ 1,596</u>	<u>\$ 1,939</u>

F – Floating rate note security.

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

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

See accompanying notes to financial statements.

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Other Financial Information

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

JUNE 30, 2013

(IN THOUSANDS EXCEPT FOR INVESTMENT UNIT DATA)

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

WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

PORTFOLIO STATISTICS (UNAUDITED)

JUNE 30, 2013

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

WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

PARTICIPANT NET ASSET VALUES (UNAUDITED)

JUNE 30, 2013

(IN THOUSANDS)

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

WV Government Money Market Pool	
State Agencies:	
Municipal Bond Commission	\$ 164,703
WV Housing Development Fund	8,546
WV Economic Development Authority	9,270
WV State Treasurer's Office - Safekeeping Account	6,786
Department of Environmental Protection	6,283
Other	2,787
Total State Agencies	<u>198,375</u>
Local Governments:	
Preston County Board of Education	29,296
Hardy County Board of Education	20,232
Kanawha County Sheriff	13,899
Pleasants County Board of Education	17,111
Marion County Board of Education	2,817
Calhoun County Board of Education	1,153
Jefferson County Board of Education	1,654
Hancock County Commission	1,098
Other	1,619
Total Local Governments	<u>88,879</u>
Total net asset value	<u>\$ 287,254</u>

WV Short Term Bond Pool	
State Agencies:	
WV State Treasurer's Office:	
State Participation	\$ 273,721
Banking Services	160,399
Prepaid Tuition Escrow	16,244
Total WV State Treasurer's Office	<u>450,364</u>
Department of Environmental Protection	66,498
WV Economic Development Authority	16,612
Department of Administration	10,475
Higher Education Policy Commission	5,514
WV Court of Claims	3,481
Public Employees Insurance Agency	53,839
WV Parkways Authority	3,109
Department of Transportation	2,039
Division of Culture and History	1,896
Other	777
Total State Agencies	<u>614,604</u>
Local Governments:	
City of Charleston	1,033
Hatfield McCoy Trail	1,003
Other	612
Total Local Governments	<u>2,648</u>
Total net asset value	<u>\$ 617,252</u>

Glossary of Financial and Investment Terms

Agency Securities - Securities issued by U.S. Government agencies, such as the Federal Home Loan Bank. These securities have high credit ratings but are not backed by the full faith and credit of the U.S. Government.

Asset-Backed Notes - Financial instruments collateralized by one or more types of assets including real property, mortgages, and receivables.

Banker's Acceptance - A high quality, short-term negotiable discount note drawn on and accepted by banks that are obligated to pay the face amount at maturity.

Basis Point - The smallest measure used in quoting yields or returns. One basis point is 0.01% of yield. One hundred basis points equals 1%. For example, a yield that changed from 8.75% to 9.50% increased by 75 basis points.

Benchmark - A standard unit used as the basis of comparison; a universal unit that is identified with sufficient detail so that other similar classifications can be compared as being above, below, or comparable to the benchmark.

Capital Gain (Loss) - Also known as capital appreciation (depreciation), capital gain (loss) measures the increase (decrease) in value of an asset over time.

Certificates of Deposit (CDs) - A debt instrument issued by banks, usually paying interest, with maturities ranging from seven days to several years.

Commercial Paper - Short-term obligations with maturities ranging from one to 270 days. They are issued by banks, corporations, and other borrowers to investors with temporarily idle cash.

Compounded Annual Total Return - Compounded annual total return measures the implicit annual percentage change in value of an investment, assuming reinvestment of dividends, interest, and realized capital gains, including those attributable to currency fluctuations. In effect, compounded annual total return smoothes fluctuations in long-term investment returns to derive an implied year-to-year annual return.

Consumer Price Index (CPI) - A measure of change in consumer prices, as determined by a monthly survey of the U.S. Bureau of Labor Statistics. Components of the CI include housing costs, food, transportation, electricity, etc.

Cumulative Rate of Return - A measure of the total return earned for a particular time period. This calculation measures the absolute percentage change in value of an investment over a specified period, assuming reinvestment of dividends, interest income, and realized capital gains. For example, if a \$100 investment grew to \$120 in a two-year period, the cumulative rate of return would be 20%.

Derivative - Derivatives are generally defined as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. For example, an option is a derivative instrument because its value derives from an underlying stock, stock index, or future.

Discount Rate - The interest rate that the Federal Reserve charges banks for loans, using government securities or eligible paper as collateral.

Expense Ratio - The amount, expressed as a percentage of total investment, that shareholders pay for mutual fund operating expenses and management fees.

Federal Funds Rate - The interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. The federal funds rate is one of the most sensitive indicators of the direction of interest rates because it is set daily by the market.

Federal Reserve Board - The governing body of the Federal Reserve System (twelve regional Federal banks monitoring the commercial and savings banks in their regions). The board establishes FRS policies on such key matters as reserve requirements and other regulations, sets the discount rate, and tightens or loosens the availability of credit in the economy.

Gross Domestic Product (GDP) - Total final value of goods and services produced in the United States over a particular period or time, usually one year. The GDP growth rate is the primary indicator of the health of the economy.

Index - A benchmark used in executing investment strategy which is viewed as an independent representation of market performance. An index implicitly assumes cost-free transactions; some assume reinvestment of income. Examples: S&P Index, Lehman Brothers Aggregate Index, Russell 2000 Index.

Inflation - A measure of the rise in price of goods and services, as happens when spending increases relative to the supply of goods on the market, i.e. too much money chasing too few goods.

Investment Income - The equity dividends, bond interest, and/or cash interest paid on an investment.

Market Value - Also known as fair value. The price at which buyers and sellers trade similar items in an open marketplace. Stocks and bonds are valued at a market price. Real estate is valued on an appraised basis.

Maturity Date - The date on which the principal amount of a bond or other debt instrument becomes payable or due.

Money Market Fund - An open-ended mutual fund that invests in commercial paper, bankers' acceptances, repurchase agreements, government securities, certificates of deposit, and other highly liquid and safe securities and pays money market rates of interest. The fund's net asset value remains a constant \$1 per share - only the interest rate goes up or down.

Net Asset Value (NAV) - The total assets minus total liabilities, including any valuation gains or losses on investments or currencies, and any accrued income or expense.

Par Value - The stated or face value of a stock or bond. It has little significance for common stocks; however, for bonds it specifies the payment amount at maturity.

Principal - Face value of an obligation, such as a bond or a loan, that must be repaid at maturity.

Realized Gain (Loss) - A gain (loss) that has occurred financially. The difference between the principal amount received and the cost basis of an asset realized at sale.

Repurchase Agreements (Repos) - An agreement to purchase securities from an entity for a specified amount of cash and to resell the securities to the entity at an agreed upon price and time. Repos are widely used as a money market instrument.

Reverse Repurchase Agreements (Reverse Repos) - An agreement to sell securities to an entity for a specified amount of cash and to repurchase the securities from the entity at an agreed upon price and time.

Treasury Bill (T-Bill) - Short-term, highly liquid government securities issued at a discount from the face value and returning the face amount at maturity.

Treasury Bond or Note - Debt obligations of the Federal government that make semi-annual coupon payments and are sold at or near par value in denominations of \$1,000 or more.

Turnover - The minimum of security purchases or sales divided by the fiscal year's beginning and ending market value for a given portfolio.

Unrealized Gain (Loss) - A profit (loss) that has not been realized through the sale of a security. The gain (loss) is realized when a security or futures contract is actually sold or settled.

Variable Rate Note - Floating rate notes with a coupon rate adjusted at set intervals, such as daily, weekly, or monthly, based on different interest rate indices, such as LIBOR, Fed Funds, and Treasury Bills.

Volatility - A statistical measure of the tendency of a market price or yield to vary over time. Volatility is said to be high if the price, yield, or return typically changes dramatically in a short period of time.

Yield - The return on an investor's capital investment.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the West Virginia Board of Treasury Investments (the BTI), a component unit of the State of West Virginia, as of and for the year ended June 30, 2013, 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 22, 2013.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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



Purpose of this Report

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

Gibbons & Kawash, A.C.

Charleston, West Virginia
August 22, 2013



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

www.wvbti.com