



— | WEST VIRGINIA | —

BOARD OF TREASURY INVESTMENTS

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2018

WEST VIRGINIA
**BOARD OF TREASURY
INVESTMENTS**

**Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2018**

A Component Unit of the State of West Virginia

James C. Justice, II
Governor

John D. Perdue, Chairman
West Virginia State Treasurer

John B. McCuskey
West Virginia State Auditor

Glenda Probst
Appointed by the Governor

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

*Prepared by the Board of Treasury Investments Staff
315 70th Street SE
Charleston, West Virginia 25304
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October 31, 2018

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

I am pleased to present you with the June 30, 2018, Comprehensive Annual Financial Report (“CAFR”) for the West Virginia Board of Treasury Investments (the “BTI”). The report is a review of the financial and investment conditions of the State of West Virginia’s Consolidated Fund. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, rests with the management of the BTI. An independent certified public accounting firm has audited the basic financial statements contained in this report.

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

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

Sincerely,

John D. Perdue
State Treasurer
Chairman of the Board

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www.wvbt.org

ACKNOWLEDGEMENTS

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West Virginia Board of Treasury Investments
315 70 Street SE
Charleston, West Virginia 25304

Staff:

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

We invite you to visit our web site at www.wvbt.org

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Introductory Section

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October 31, 2018

Members of the West Virginia Board of Treasury Investments

Honorable Members of the West Virginia Legislature

Participants in the State of West Virginia's Consolidated Fund

Citizens of West Virginia

Ladies and Gentlemen:

I am pleased to present you with the June 30, 2018, Comprehensive Annual Financial Report (“CAFR”) for the West Virginia Board of Treasury Investments (the “BTI”). The report is a complete review of the financial status of the State of West Virginia’s short-term operating funds (the “Consolidated Fund”). Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, rests with the management of the BTI. The BTI’s financial statements have been audited by Brown, Edwards & Company, L.L.P. The independent audit provides reasonable assurance that the financial statements for the fiscal year ended June 30, 2018, are free of material misstatement, whether due to fraud or error. The independent audit involved performing procedures to obtain evidence about amounts and disclosures in the financial statements; comprehensive risk assessment as well as assessing the accounting principles used and the reasonableness of significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor rendered an unmodified opinion that the BTI’s financial statements for the fiscal year ended June 30, 2018, are fairly presented in all material respects in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The independent auditor’s report is presented as the first component of the financial section of this report.

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

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

Profile of the West Virginia Board of Treasury Investments

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

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

The Consolidated Fund provides for the investment of moneys not currently needed to fund state governmental operations, as well as providing the opportunity for local governments to participate in large investment pools, and for those funds statutorily required to be invested in the Consolidated Fund. As of June 30, 2018, the Consolidated Fund had \$4.4 billion in total assets. The Consolidated Fund is made up of nine legally separate investment pools and accounts: three external investment pools, three special-purpose internal investment pools, and three individual investment accounts. A more detailed description of the investment pools that make up the Consolidated Fund are found in Note 1 of the Notes to the Financial Statements.

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

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

Investment Activities

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

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

Economic Review & Other Financial Information

Economic growth in the United States was improved from the prior fiscal year, strengthening from approximately 2.1% over fiscal year 2017 to just over 3.0% for fiscal year 2018. Growth fell from the 3.0% rate experienced in the final quarter of fiscal year 2017, but unlike the past few fiscal years, growth remained above 2.0% for the entire fiscal year. The final quarter of the fiscal year saw an acceleration in the GDP growth rate with the final quarter of the fiscal year coming in at a very strong 4.1% annual rate. This was the strongest growth rate experienced by the economy since the 4.9% rate in the third quarter of calendar year 2014 and the fourth highest rate since the Great Recession in 2008. Major contributors to growth were increases in consumer and business spending, increases in exports and increases in government spending at the state and federal levels. Exports were a strong contributor, adding approximately 1.1% to the growth rate, likely the result of a surge in soybean exports as Chinese buyers rushed to obtain supplies prior to the imposition of China's 25% tariff on soybean imports. At the state level, West Virginia experienced improvements in its economy as well. Payroll employment was up during fiscal year 2018 as private sector employment began accelerating in the second half of the fiscal year. The growth was broad based, with increases in the areas of construction, mining, professional services and several other sectors of the state's economy. The growth in West Virginia was attributed to several large-scale interstate natural gas pipeline construction projects, enhanced public-sector highway expenditures and an uptick in foreign exports.

Labor market performance was also steady during fiscal year 2018 as the headline unemployment rate trended down over the fiscal year. After reaching a low of 3.8% in May 2018, the rate ticked up to 4.0% in June 2018. The increase in the rate in June was viewed as a positive development as it appeared to be the result of an increase in the labor force participation rate. The labor force participation rate, a measure of the number of people available to work as a percentage of the total population, rose 0.2% in June as more than 600,000 people entered the job market looking for work. The participation rate at the end of fiscal year 2018 was up 0.1% from June 2017. The number of long-term unemployed also showed improvement over the fiscal year, falling from 1.7 million as of June 2017 to 1.5 million as of June 2018. Average hourly earnings growth improved from fiscal year 2017's 2.5% to 2.7% as of June 2018. This number, while positive, was less than expected given the overall improvements in the labor market. The West Virginia labor market performance continued to lag national performance as overall unemployment ticked up, rising from 5.0% as of June 2017 to 5.4% as of June 2018. Part of the increase in unemployment in West Virginia was also due to an increase in labor force participation. As previously mentioned, wage growth in West Virginia experienced an upswing during the fiscal year.

Inflation, as measured by Core Personal Consumption and Expenditures Less Food and Energy ("Core PCE"), moved closer to the Federal Reserve's (the "Fed") target of 2.0%, rising from 1.5% as of June 2017 to 1.9% as of June 2018. Core PCE is the preferred measure of the Fed in gauging inflation over the longer run as the Fed views it as a better measure for identifying inflation trends. The Fed still expected that over the medium term that inflation would stabilize around their 2% objective. As of the end of the fiscal year,

there was no indication that the Fed had any significant concerns regarding inflation that would cause them to put their rate normalization campaign on hold.

At the end of fiscal year 2017, the U.S. Treasury Department had been employing extraordinary measures to maintain federal debt under the debt ceiling that had been re-instituted in March 2017. Projections were that the Treasury would run up against the debt ceiling if the issue was not resolved by late October or early November 2017. A deal was reached in September 2017 between President Donald Trump and the U.S. Congress to suspend the debt ceiling and fund the government through December 8, 2017. The debt ceiling was re-instituted on December 9, 2017, and set at the current federal debt level. The U.S. Treasury again employed extraordinary measures to maintain federal debt under the ceiling. Initially it was expected that this would give the U.S. Congress until late March to early April 2018 to develop a new plan. This deadline moved up because of the drop in federal tax receipts resulting from the December 2017 tax reform package. In late January 2018, Steven Mnuchin, Treasury Secretary, urged Congress to lift the debt ceiling by the end of February to ensure that the government could continue to pay its bills. Yields on short-dated Treasury bills maturing in early March began to rise as there were concerns in the market as to whether Congress would be able to reach a compromise to address the debt ceiling. Congress was able to reach a deal as Democrats and Republicans reached an agreement on a spending bill that suspended the debt ceiling through March 1, 2019.

The growth in the global economy over fiscal year 2018, as well as strong growth in the U.S., generally supported the Fed's continued policy normalization. Early in the fiscal year, the Fed passed on hiking rates at its September 2017 meeting. Instead, the Fed announced that it was proceeding with normalizing its balance sheet with reductions starting in October 2017. Under the plan, the Fed is only reinvesting maturing principal proceeds in excess of \$10 billion, with any amounts under that cap allowed to roll off. The cap increases each quarter by \$10 billion, up to a maximum of \$50 billion per quarter starting in October 2018. The effects on short-term Treasury and agency MBS yields were projected to be minimal. The Summary of Economic Projections released subsequent to the September 2017 meeting indicated that the Fed would likely resume its hiking campaign in December 2017 and, should economic conditions continue on their projected path, raise rates at least three times during calendar year 2018. In December 2018, the Fed hiked the benchmark rate 25 basis points. Projections released subsequent to this meeting continued to show that the Fed anticipated hiking rates at least three times during calendar year 2018. In January 2018, Jerome Powell began his tenure as the new Fed Chair and the markets expected that he would continue with former Chair Yellen's post-financial crisis policies. With the markets expecting a 25 basis point hike during the March 2018 meeting, most discussions revolved around what kind of changes Chair Powell might introduce at the post-meeting press conference. After the meeting, during which the Fed voted to raise rates by 25 basis points, Chair Powell did not provide any surprises and communicated that there had been little change in the Fed's outlook. Around the June 2018 meeting, there were concerns regarding the brewing trade war between the U.S. and its trade partners and the flattening of the yield curve, but this did not dissuade the Fed from raising rates by 25 basis points for the third time during the fiscal year. Chair Powell reiterated the Fed's basis policy position, that the U.S. economy was growing and there was, at present, no factors that would cause the Fed to take a pause in its rate normalization campaign. The benchmark Fed rate ended the fiscal year up 75 basis points, at a range of 1.75% to 2.00%.

Treasury yields ended fiscal year 2018 higher, primarily because of the three rate hikes by the Fed over the course of the fiscal year. An increase in bill supply, subsequent to the suspension of the debt ceiling in February 2018, also placed upward pressure on bill yields. The increase in the bill supply was driven by a widening federal deficit, which increased the U.S. government's borrowings in the latter half of the fiscal year. Net bill supply increased by over \$190 billion from February to June 2018, an increase that nearly equaled the net issuance for all of fiscal year 2017. While the overall Treasury yield curve exhibited a pattern of flattening out, the shorter end of the curve steepened as compared to the end of fiscal year 2017,

with the spread between six-month and one-year bills rising to 22 basis points from 10 basis points at the end of fiscal year 2018. USD LIBOR was up year-over-year, with one-month USD LIBOR increasing by 86 basis points during fiscal year 2018 and three-month USD LIBOR increasing by 104 basis points. Longer dated Treasury yields did not change significantly during the fiscal year. The rise in rates over the fiscal year were not felt as strongly in Treasury maturities over 3 years. The five-year Treasury ended the year up 84 basis points while the yield on the ten-year Treasury was up only 54 basis points year-over-year.

Performance in the WV Money Market and WV Government Money Market Pools increased significantly during fiscal year 2018. The primary driver for the increase in performance in these pools were three rate hikes by the Fed during the year. The WV Money Market Pool return rose by 74 basis points, increasing from 0.80% for fiscal year 2017 to 1.54% for fiscal year 2018. The WV Government Money Market Pool tripled its prior fiscal year return, increasing from 0.42% to 1.26%. While the average coupon of securities in the WV Short Term Bond Pool benefited from the rate hikes over the fiscal year, the rising yields more than offset the increase in coupon yields as the fair value of securities held by the pool fell. Returns, net of manager fees, for the pool fell approximately 12 basis points during the fiscal year, dropping from 1.26% for fiscal year 2017 to 1.14% for fiscal year 2018.

Major Initiatives

- *Standard and Poor's AAAM Rating*

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

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

- *Issuance of Request for Proposals for WV Short Term Bond Pool Investment Management Services*

The BTI exercised the final renewal option for the investment management services contract for the WV Short Term Bond Pool in September 2017. A Request for Proposals ("RFP") was issued in March 2018 seeking proposals from qualified investment managers to provide investment management services for the Pool. As of the response deadline in May 2018, the BTI received twenty-three proposals from interested investment managers. As of fiscal year-end 2018, BTI staff were in the process of evaluating the proposals.

- *Certificate of Achievement for Excellence in Financial Reporting*

The BTI received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting for the June 30, 2017 Comprehensive Annual Financial Report ("CAFR"). The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment. This is the twelfth consecutive year that the BTI has received this prestigious award.

- *Budget Surplus*

For fiscal year 2018, actual fee collections were in line with estimates. Because of conservative management of expenditures, the BTI ended the year with a budget surplus of \$503,000. With this surplus, the BTI operated in surplus territory for the thirteenth consecutive year. With revenue collections during fiscal year 2018 being under estimates, the BTI is maintaining the administrative fee at fiscal year 2017 levels.

- *Peer Group Benchmark*

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

The WV Money Market Pool peer group includes 308 discrete tier 1 funds comprising \$542 billion in assets. The Pool ranked first out the 308 funds for the 1-year, 3-year and 5-year periods ending June 30, 2018. This high ranking was attributed to the low effective investment management fee paid to the Pool's investment managers. As of June 30, 2018, the effective investment management fee was 3.10 basis points.

The WV Government Money Market Pool peer group comprises 601 discrete Treasury and Agency focused government funds totaling \$2,003 billion in assets. The performance of the Pool ranked second in the 3-month, 1-year and 5-year time periods ending June 30, 2018 and ranked first over the three-year time period ending June 30, 2018. As with the WV Money Market Pool, this high ranking versus the peer group was attributed to the favorable investment management fee schedule. As of June 30, 2018, the effective investment management fee was 3.06 basis points.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (the "GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the BTI for its comprehensive annual financial report for the fiscal year ended June 30, 2017. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

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

Respectfully, I hereby submit the Comprehensive Annual Financial Report of the West Virginia Board of Treasury Investments for the Year Ended June 30, 2018.

Sincerely,

A handwritten signature in black ink, appearing to read "Karl V. Shanholtzer III". The signature is fluid and cursive, with a prominent initial "K" and a long, sweeping tail.

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



Government Finance Officers Association

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

Presented to

**West Virginia Board of Treasury
Investments**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

PRINCIPAL OFFICIALS



John D. Perdue
WV State Treasurer
Chairman



James C. Justice, II
Governor, State of WV
Vice Chairman



John B. McCuskey
WV State Auditor
Director



Glenda Probst
Director

Photo
Not
Available

Michael L. Glasser
Director

INVESTMENT PHILOSOPHY

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

OBJECTIVES

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

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

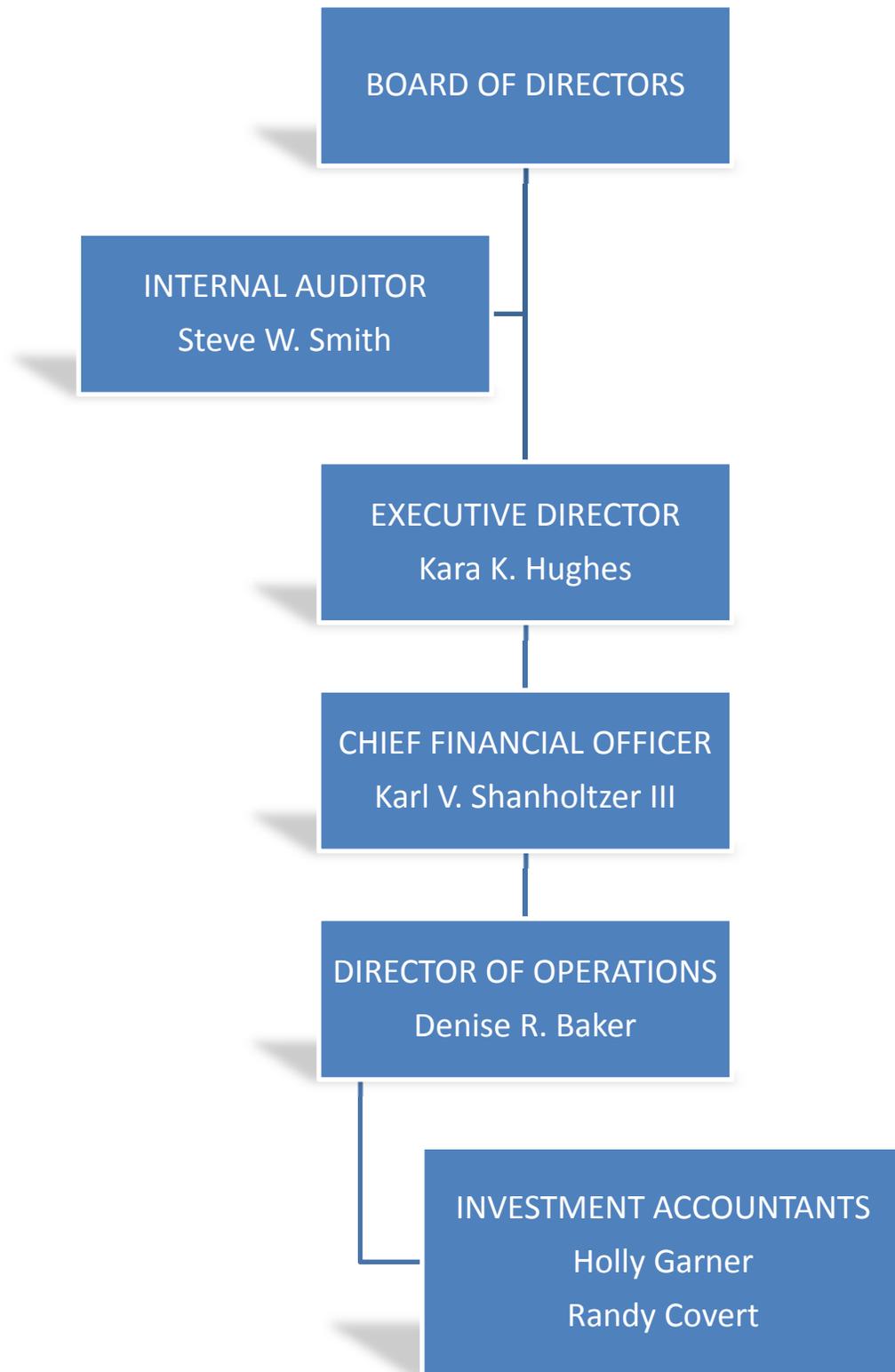
WEST VIRGINIA
**BOARD OF TREASURY
INVESTMENTS**

MISSION STATEMENT

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



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



The following Treasurer’s Office employees provide professional support services to the Board as needed: Christina Merbedone, *Assistant General Counsel*; Bryan Archer, *Deputy Treasurer of Administration*; and Wilma Harrison, *Legal Assistant*.

**CONSULTING AND PROFESSIONAL SERVICES
AS OF JUNE 30, 2018**

INDEPENDENT AUDITOR

Brown, Edwards & Company, L.L.P.
Charleston, West Virginia

LEGAL COUNSEL

West Virginia State Treasurer's Office
Charleston, West Virginia

INVESTMENT SYSTEM

State Street Global Exchange
Princeton, New Jersey

MASTER CUSTODIAN

BNY Mellon
Pittsburgh, Pennsylvania

INVESTMENT CONSULTANT AND PERFORMANCE MEASUREMENT

NEPC, LLC Investment Consultants
Atlanta, Georgia

INVESTMENT MANAGERS

Federated Investors
Pittsburgh, Pennsylvania

UBS Asset Management
Chicago, Illinois

The Schedule of Investment and Management Fees is on Page 91 in the Investment Section of this report.

Financial Section

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the combined fiduciary funds of the West Virginia Board of Treasury Investments (the "BTI"), a component unit of the State of West Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the BTI's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the combined fiduciary funds of the BTI, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the BTI's basic financial statements. The introductory section, combining and individual fund financial statements, the schedule of investments in securities, and the investment and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory, investment, and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2018 on our consideration of the BTI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BTI's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia
September 3, 2018

West Virginia Board of Treasury Investments

Management's Discussion and Analysis

June 30, 2018

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, 2018. 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

Over the past several fiscal years, the State of West Virginia has experienced budgetary pain as actual revenues have fallen short of estimates, resulting in mid-year budget cuts and shortfalls in revenue collections. The budgetary picture had brightened somewhat by the end of fiscal year 2017, with an uptick in revenue collections over the last two months of the fiscal year. While the positive trends in revenue collections carried over into fiscal year 2018, collections fell short of estimates during the first few months of the fiscal year. By December 2017, however, the 59-month streak of collections falling short of estimates was finally broken. For the first time since 2012, year-to-date collections exceeded estimates, resulting in a small surplus of \$2.7 million for the fiscal year. By the end of the fiscal year, the mid-year surplus had risen from \$2.7 million to just over \$20.2 million. The largest contributor to the surplus was an increase in personal income tax collections, which were \$59.6 million ahead of estimates for the year. Consumer use and sales tax fell short of estimates for the year, as did severance taxes, but each were still up as compared to fiscal year 2017 collections. While the positive budgetary situation contributed to the increase in the BTI's investment pools' net position over the fiscal year, the largest contributor to the increase were the proceeds from bond issuances during the fiscal year. During fiscal year 2018, two bond issuances resulted in an increase of almost \$1.2 billion.

Rates of return for the Consolidated Fund's WV Money Market, WV Government Money Market, and WV Short Term Bond Pools were 1.54%, 1.26%, and 1.14%, respectively, for the year ended June 30, 2018. For fiscal year 2018, the Federal Reserve (the "Fed") continued on its path of interest rate policy normalization. The Fed has not been aggressive in their approach, preferring to pursue a gradual path and emphasizing clear communication of the Fed's future path of monetary policy. Over the course of the fiscal year, the Federal Open Market Committee (the "FOMC") hiked the federal funds target rate range three times, for a total increase in the range of 75 basis points. The rate hikes were telegraphed well in advance, with no real surprises during the fiscal year. In addition to the rate hikes, the Fed also initiated a program of quantitative tightening by beginning to shrink its balance sheet, which had grown to over \$4.5 trillion through its quantitative easing programs in the wake of the 2008 financial crisis. Under the quantitative tightening program, the Fed gradually let securities roll off its balance sheet, starting with \$30 billion in Treasury securities in the fourth quarter of 2017 and gradually increasing the amount to \$90 billion in the second quarter of calendar year 2018. Adding to the increased Treasury supply from quantitative tightening, the U.S. Treasury increased issuance in the first half of calendar year 2018 to fund the increased

federal budget deficit resulting from tax cuts passed by the U.S. Congress in February 2018. The front end of the Treasury yield curve steepened modestly in 2018, with the spread between the one-month and one-year Treasury bill averaging 44 basis points for fiscal year 2018 versus 36 basis points for fiscal year 2017. The tax reform passed in early 2018 also had the effect of pushing short-term credit spreads wider in the first quarter of calendar year 2018. Provisions in the tax reform, known as the Tax Cut and Jobs Act (the “TCJA”), assessed a one-time tax on earnings held overseas by corporations. This effectively “freed” up the cash and allowed it to be brought back onshore for general corporate use. Some companies began liquidating their foreign held portfolios, which pressured short-term corporate spreads higher.

The WV Money Market Pool is structured as a money market fund with the goal of preservation of principal. The benchmark for the WV Money Market Pool was a blended benchmark composed of fifteen percent of the iMoneyNet Treasury & Repo Institutional Average plus eighty-five percent of the iMoneyNet First Tier Institutional Average. The Pool return over fiscal year 2018 nearly doubled the return for fiscal year 2017, rising from 0.80% for fiscal year 2017 to 1.54% for fiscal year 2018. While the average net position of the pool was over \$380 million higher than the average for fiscal year 2017, the largest factor in the increase in performance was the series of rate hikes by the Fed discussed previously. The pool was managed over the course of the fiscal year with the expectation that the Fed would continue to raise rates. As such, the weighted average maturity (“WAM”) was maintained throughout the fiscal year in the mid to high 30-day range to take advantage of rising rates. Allocations to Treasury securities were kept close to the required 15% minimum given the low absolute level of Treasury yields. Similar to fiscal year 2017, the investment managers focused on investing in short-dated fixed-rate paper (commercial paper, certificates of deposit, asset-backed commercial paper) and longer-dated floating rate securities. With the expectation of two more rate hikes over the remainder of calendar year 2018, the managers will continue to maintain a low WAM and pursue their current investment strategy. The outlook for rate hikes in 2019 is not as clear and is dependent upon how the economy evolves over the coming months.

The WV Government Money Market Pool’s objective is to preserve capital and maintain sufficient liquidity to meet the daily disbursement requirements of participants, while earning a return above inflation. The benchmark for the WV Government Money Market Pool is a blended benchmark composed of fifteen percent of the iMoneyNet Treasury & Repo Institutional Average plus eighty-five percent of the iMoneyNet Government & Agencies Institutional Average. Returns of 1.26% for fiscal year 2018 were triple the 0.42% return experienced during fiscal year 2017. As with the WV Money Market Pool, the increase in returns in the WV Government Money Market Pool was primarily the result of rate hikes by the Fed during the fiscal year. Similar to the WV Money Market Pool, the WV Government Money Market Pool’s WAM was shortened up during the year in response to the Fed rate hikes and outlook. However, the manager has further decreased the WAM of the pool from the mid to upper 30 day range to a range in the low 20’s. The flatness of the Treasury bill curve limited attractive opportunities out the curve. Overnight repo yields continued to exceed the yield of many shorter-dated Treasury and Agency securities, resulting in the manager maintaining an allocation of 20% to 25% in repo throughout much of the fiscal year. Exposure to floating-rate securities was increased during the fiscal year, primarily in the form of Federal Home Loan Bank (“FHLB”) floating-rate issues, rising from 8% of the pool to more than 24% of the pool by fiscal year end. The manager expects to maintain a similar WAM profile over the near term, with adjustments made as necessary for changes to the Fed outlook.

The WV Short Term Bond Pool is structured as a mutual fund with the objective of asset growth rather than current income. The benchmark for the WV Short Term Bond Pool is the BofA Merrill Lynch U.S. Corporate & Government, 1-3 Years, A Rated and Above Index plus 10 basis points. Fiscal year 2018 returns were again lower than the prior fiscal year, falling from 1.26% for fiscal year 2017 to 1.14% for fiscal year 2018. The drop in performance year-over-year was not unexpected, given current rising rate environment and longer-term nature of the pool. Performance of the pool was under the performance of the WV Money Market and WV Government Money Market Pools, but still well ahead of benchmark returns. The WV Short Term Bond Pool outperformed the benchmark return of 0.30% by just over 84 basis points. Federated Investors has continued to manage the pool with an effective duration at 55% to 60% of

the benchmark duration. The pool duration was down from 1.2 years at the end of fiscal year 2017 to 1.02 years at the end of fiscal year 2018. The effective duration of the pools benchmark as of fiscal year end 2018 was at 1.84 years. Yields across the curve rose during the fiscal year, with the two-year Treasury yield rising by 111 basis points during the year. By maintaining the lower duration versus the benchmark, Federated added approximately 86 basis points of alpha to pool performance versus the benchmark. The pool also continued to maintain a heavier weighting to credit spread products, such as corporates, asset-backed and mortgage-backed securities, with over 83% of the pool invested in such securities versus a benchmark allocation to credit of only 18%. Credit spreads tightened through the first half of the fiscal year, but began widening in the latter half of the fiscal year, subtracting slightly from the pool's performance. With an expectation of continued tightening by the Fed over the remainder of 2018, and possibly into 2019, the manager will continue to maintain a short duration versus the benchmark. Allocations to credit products are anticipated to remain similar in the coming year, given their yield advantage over government securities.

Overview of the Financial Statements

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

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

The Statement of Revenues, Expenses and Changes in Net Position reflects the operating and non-operating revenues and expenses of the proprietary fund for the operating year. Operating revenues primarily consist of investment service fees charged to the Consolidated Fund with significant operating expenses composed of salaries and benefits, investment advisor fees, investment management system expenses, professional service fees, and fiduciary bond fees.

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

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

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

accounts. Deductions represent distributions to pool participants, redemption of units by pool participants, and withdrawals from individual investment accounts.

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

Financial Analysis of the Operating Fund

Net position. The following is the condensed Statements of Net Position of the proprietary fund, which represents the assets, liabilities, and net position generated by the operating activities of the BTI, as of June 30, 2018 and 2017 (in thousands).

| | 2018 | 2017 |
|------------------------------|-----------------|---------------|
| Current assets | \$ 1,651 | \$ 1,461 |
| Noncurrent assets | 5 | 4 |
| Total assets | <u>1,656</u> | <u>1,465</u> |
| Current liabilities | 609 | 474 |
| Total liabilities | <u>609</u> | <u>474</u> |
| Net position: | | |
| Investment in capital assets | 5 | 4 |
| Unrestricted | 1,042 | 987 |
| Total net position | <u>\$ 1,047</u> | <u>\$ 991</u> |

The net position of the Operating Fund increased by \$56,000 during fiscal year 2018. The increase in net position was the result of an increase in current assets of \$190,000 that was partially offset by an increase in current liabilities of \$135,000. Noncurrent assets did not materially change during fiscal year 2018.

The majority of the proprietary fund’s net position consists of current assets. Current assets are composed of cash and accounts receivable that will be used to pay investment advisor, custodian, and administrative costs. The current asset balance of \$1,651,000 comprises \$1,034,000 in cash and \$617,000 in accounts receivable. The cash and accounts receivable balances increased from 2017 by \$92,000 and \$98,000, respectively.

The increase in the cash balance was primarily a result of a net operating income of \$56,000. The majority of the remaining \$36,000 increase in cash was a result of the changes in receivables and payables over the fiscal year. The changes in receivables and payables are more fully discussed below.

The accounts receivable balance of \$617,000 represents fees that have been accrued but not withdrawn from the investment pools at June 30, 2018 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 operations, administrative and custodial fees accrued in the investment pools are periodically transferred from the pools to the BTI's operating fund to pay for all necessary and reasonable expenses. Investment advisor and custodial fees are accrued daily or monthly and transferred to the operating fund to coincide with the receipt of advisor and custodial invoices. The periodic nature of these transfers results in the accounts receivable balance. Accounts receivable increased by \$98,000 over the fiscal year end 2017 balance. At the end of fiscal year 2018, there was six months' custodian fees receivable as compared to the fiscal year 2017 ending balance having three months' custodian fees receivable. This change in the number of months of custodian fees receivable at the end of fiscal year 2018 accounted for \$25,000 of the increase in receivables. The increase in number of months of custodian fees accrued at the end of fiscal year 2018 was the result of a compliance issue with the custodian's West Virginia unemployment insurance which prevents the BTI from paying any invoices until the compliance issue is resolved. Increases in net position in the Consolidated Fund over the last quarter, and more specifically, over the last month of the fiscal year resulted in an increase in both administrative and advisor fees receivable. June 2018 administrative fees receivable were approximately \$9,000 higher than June 2017 while advisor fees receivable increased by \$64,000 over the fiscal year-end 2017 balance.

Capital assets, net of accumulated depreciation, did not substantially change during the year. New computer equipment, totaling \$3,000 was purchased during the fiscal year. This increase in capital assets was offset by annual depreciation of \$2,000. There were no asset retirements during fiscal year 2018.

The balance of \$609,000 in current liabilities represents \$553,000 in accounts payable and \$56,000 of reimbursements due to the West Virginia State Treasurer's Office (the "STO") at June 30, 2018. The majority of the accounts payable balance represents amounts due for services received from the BTI's investment advisors for the quarter ending June 30, 2018, custodian fees for November 2017 through June 2018, investment consultant fees for the quarter ending June 2018, and maintenance costs due for the investment management system for May and June 2018. The \$56,000 in reimbursements due to the STO was for staffing services provided to the BTI, office space rental and utilities expenses, and the BTI's share of other office expenses paid on the BTI's behalf by the STO. The amounts payable to the BTI's investment advisors for the final quarter of fiscal year 2018 were \$64,000 greater than the amounts payable at the end of fiscal year 2017. The increase in advisor fees payable was the result of a higher level of assets under management during the last quarter of fiscal year 2018 as compared to the last quarter of fiscal year 2017. Custodian fees payable increased by \$55,000 over the fiscal year 2017 custodian fees payable. The increase in custodian fees payable was the result of the above-mentioned compliance issue with the custodian bank. Additionally, invoices for November 2017 through January 2018 that were submitted for payment prior to fiscal year end and the compliance hold being placed on the custodian remained in process and unpaid over fiscal year end. Maintenance costs payable to the BTI's investment management system vendor increased by \$13,000 over the fiscal year end 2017 payable balance as a result of the May 2018 invoice not being received by the BTI until after fiscal year end. The remaining \$3,000 increase in accounts payable was the result of invoices for software licenses purchased and professional services rendered during fiscal year 2018. The amount due to the STO was little changed from fiscal year 2017.

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

Changes in net position. The following is the condensed Statements of Revenues, Expenses and Changes in Net Position of the operating fund for the periods ended June 30, 2018 and 2017 (in thousands).

| | <u>2018</u> | <u>2017</u> |
|-----------------------------------|------------------------|----------------------|
| Revenues | | |
| Operating revenues: | | |
| Management services | \$ 1,245 | \$ 1,383 |
| Advisor and custodian services | <u>1,597</u> | <u>1,461</u> |
| Total revenues | <u>2,842</u> | <u>2,844</u> |
| Expenses | | |
| Operating expenses: | | |
| General and administrative | 1,190 | 1,201 |
| Advisor and custodian fees | 1,594 | 1,464 |
| Depreciation | <u>2</u> | <u>2</u> |
| Total expenses | <u>2,786</u> | <u>2,667</u> |
| Increase in net position | 56 | 177 |
| Net position at beginning of year | <u>991</u> | <u>814</u> |
| Net position at end of year | <u><u>\$ 1,047</u></u> | <u><u>\$ 991</u></u> |

Operating revenues at June 30, 2018 consist of investment advisor, custodian, and management fees billed to the pools by the operating fund to cover the cost of providing investment management services. The fees charged to the pools are categorized into direct or indirect expenses. All direct expenses, investment advisor and custodian fees are charged directly to the pools as they are incurred. All indirect expenses, i.e. insurance, staff costs, and rent, are charged to the pools based upon a fixed basis point fee against the net position of the pool. The fees collected are deposited in a special account in the STO created and designated the Board of Treasury Investments Fee Fund in accordance with *West Virginia Code §12-6C-19*.

Operating revenues for fiscal year 2018 decreased by \$2,000. The decrease in revenue consisted of a decrease of \$138,000 in management (administrative) fees charged to the pools, an increase of \$118,000 in advisor fee revenues, and an increase of \$18,000 in custodial fees.

Advisor fees are computed based upon market values of the pools. The average market value of assets under management were higher over the course of fiscal year 2018 for the WV Money Market and WV Government Money Market Pools. The WV Money Market Pool average increased by \$463 million for fiscal year 2018 while the WV Government Money Market Pool average increased by \$10 million. As a result of the increase in assets under management, advisor fees for the WV Money Market Pool increased by \$143,000. Advisor fees for the WV Government Money Market Pool did not increase substantially, rising by only \$2,000 over fiscal year 2017 levels. Offsetting these increases was a decrease in the advisor fees for the WV Short Term Bond Pool. Average assets under management for the WV Short Term Bond Pool decreased again during fiscal year 2018, falling by \$30 million from fiscal year 2017. This resulted in a decrease in advisor fees from fiscal year 2017 of \$27,000. These factors accounted for the net increase of \$118,000 in advisor fees in fiscal year 2018. Custodian fees increased by a combined \$18,000 as a result of the changes in the assets of these pools. The BTI utilized excess cash from fiscal year 2017 to lower the administrative fee by 1 basis point for fiscal year 2018. The BTI had anticipated that lowering the administrative fee for fiscal year 2018 would result in a decrease of approximately \$450,000 in administrative fee revenues collected. However, the increases in assets under management offset the decrease in the administrative fee, resulting in a drop in administrative fees of only \$138,000.

Total operating expenses for the year increased by \$119,000. This includes a decrease of \$11,000 in general and administrative expense and an increase in advisor and custodian fees of \$130,000. Depreciation expense was unchanged from the prior fiscal year.

General and administrative expenses represent costs associated with operating the BTI that are not considered directly applicable to investment management. Salary reimbursements, investment consulting fees charged by NEPC Investment Consulting and fiduciary bond expenses make up the majority of this expense line item. Salary reimbursements and related expenses increased by \$33,000 from the prior year. Offsetting that was a decrease in professional services expenses of \$21,000 that primarily resulted from lower fees charged by the BTI's independent audit firm. Other general and administrative expenses decreased by a net of \$23,000, primarily due to one-time expenditures during fiscal year 2017 related to the BTI moving to new offices. There were no such moving related expenses incurred during fiscal year 2018.

A large portion of the BTI's expenses represent investment advisor fees. The current investment advisors are Federated Investors and UBS Global Asset Management. All investment decisions and trade executions are performed by the investment advisors. The balance of custodian and advisor fee expense is composed of investment advisor fees of \$1,463,000 and custodian fees of \$131,000. Investment advisor fees increased by \$118,000 and custodian fees increased by \$12,000 over fiscal year 2017. The net increase in investment advisor fees was the result of increases in assets under management during fiscal year 2018 in the WV Money Market and WV Government Money Market Pools. As previously discussed, advisor fees charged to these pools increased by \$143,000 and \$2,000, respectively, during fiscal year 2018. This was offset by a decrease in advisor fees for the WV Short Term Bond Pool of \$27,000 during fiscal year 2018. This decline in advisor fees was the result of a decline in the assets under management in the WV Short Term Bond Pool during the fiscal year. Custodian fees increased by \$12,000 during fiscal year 2018, primarily due to the aforementioned increase in assets under management during the fiscal year.

Financial Analysis of the Consolidated Fund

Net position. The following is combined, condensed Statements of Fiduciary Net Position of the Consolidated Fund fiduciary funds as of June 30, 2018 and 2017 (in thousands).

| | 2018 | 2017 |
|---|---------------------|---------------------|
| Assets | | |
| Investments | \$ 4,429,361 | \$ 3,002,710 |
| Receivables | 6,123 | 4,020 |
| Total assets | <u>4,435,484</u> | <u>3,006,730</u> |
| Liabilities | | |
| Accrued expenses | 616 | 519 |
| Dividends and purchases payable | 5,386 | 6,284 |
| Total liabilities | <u>6,002</u> | <u>6,803</u> |
| Net Position | | |
| Held in trust for investment pool participants | 4,398,144 | 2,960,796 |
| Held in trust for individual investment account holders | 31,338 | 39,131 |
| Net position | <u>\$ 4,429,482</u> | <u>\$ 2,999,927</u> |

As of June 30, 2018, the Consolidated Fund's assets totaled approximately \$4.4 billion and were composed almost entirely of investments in securities. Net position as of the end of fiscal year 2018 was over \$1.4 billion higher than the fiscal year end 2017 net position. The largest contribution to the increase in net position was the investment of nearly \$1.2 billion in proceeds from bond issuances for highway construction. Other state agency and local government investments in the Consolidated Fund increased by \$297 million over the course of fiscal year 2018.

As more fully discussed below, the BTI experienced a net increase in invested funds during fiscal year 2018. The overwhelming majority of the increase was in the WV Money Market Pool, which saw an increase of almost \$1.5 billion in net position. The WV Government Money Market Pool also increased year-over-year, adding approximately \$10 million over fiscal year 2017. The net position of the WV Bank Pool rose modestly from fiscal year 2017, increasing by \$1.7 million. Pools and accounts that experienced decreases in net position from fiscal year 2017 were the WV Short Term Bond Pool, State Loan Pool and Municipal Bond Commission Account. The WV Short Term Bond Pool decreased by \$44.2 million as state agencies drew against their invested balances. Loan balances were down for fiscal year 2018, resulting in a decrease of \$16.2 million in the State Loan Pool's net position. The net position of the Municipal Bond Commission Account fell from 2017, declining by \$7.5 million during the fiscal year. The School Fund, Reserve Pool and West Virginia Economic Development Authority Account were little changed from the prior fiscal year.

The receivables balance is composed of accrued interest and dividends. Receivables increased by \$2.1 million over the fiscal year end 2017 balance. The increase was overwhelmingly composed of an increase in interest receivable in excess of \$2.0 million, with a small increase in dividends receivable accounting for the remainder. An increase in investments year-over-year and three Fed rate hikes during the fiscal year were the primary reasons for the overall increase in interest receivable. Interest and dividends receivable increased by almost \$1.4 million from fiscal year 2017 in the West Virginia Money Market Pool. Consistent with fiscal year 2017, the Pool's investment managers maintained a WAM in the mid to upper 30 day range over the course of fiscal year 2018. The exposure to interest bearing securities decreased over the year, from approximately 51% of the pool's assets at the end of fiscal year 2017 to approximately 43% at the end of fiscal year 2018. However, the weighted average coupon of the interest bearing securities has increased from 1.31% to almost 2.91% at the end of fiscal year 2018. The increase in assets, as well as increase in coupon rates, was responsible for the \$1.3 million increase in interest receivable in the WV Money Market Pool from fiscal year 2017. The interest receivable balance of the WV Government Money Market Pool was down slightly from fiscal year 2018 as the investment manager moved away from fixed-rate Treasury securities in favor of adding more exposure to floating rate agency securities with monthly resets and payments. The shift in the mix of interest bearing securities resulted in the interest receivable balance dropping slightly in spite of the modest increase in assets and increase in coupons year-over-year. The interest receivable balance of the WV Short Term Bond Pool increased by nearly \$0.5 million from fiscal year 2017 as a result of the increase in interest rates. The effect of the increase in interest rates was moderated by the decline of \$44 million in investments in the pool. The WV Bank Pool had an increase of almost \$0.2 million in interest receivable, primarily as a result of increasing interest rates in the last half of the fiscal year. The remaining pools and accounts experienced minor fluctuations in receivables year over year.

Total liabilities decreased by approximately \$0.8 million since June 30, 2017. Total liabilities consist of accrued expenses, representing accrued manager fees, custodian bank fees and administrative fees, and dividends and purchases payable, representing dividends payable to participants in the WV Short Term Bond Pool and amounts payable for securities purchases settling in the following accounting period. The majority of the decrease in liabilities was the result of changes in the amounts payable for securities purchased in the WV Money Market and the WV Short Term Bond Pools. Payables for investments purchased in the WV Money Market Pool dropped by \$3.2 million while the WV Short Term Bond Pool liability increased by \$2.0 million. Dividends payable in the WV Short Term Bond Pool increased by over

\$0.3 million as a result of the increases in yields as of fiscal year end. Accrued expenses were up slightly as compared to the end of fiscal year 2017.

Net position is the excess of total assets over total liabilities. As of June 30, 2018, the Consolidated Fund had total net position of just over \$4.4 billion. The net position consists of funds held in trust for investment pool participants and individual account holders. Investment pool participants are those participants investing in the WV Money Market, WV Government Money Market, WV Short Term Bond, WV Bank, Reserve, and Loan Pools. Net position for investment pool participants increased approximately 48.6% from the prior year due to increases in investments in the WV Money Market, WV Government Money Market and WV Bank Pools. These increases were offset slightly by decreases in the WV Short Term Bond and State Loan Pools. Net position of the individual accounts was down by 19.9% from fiscal year 2017. The largest decline in net position was in the Municipal Bond Commission Account, which fell by nearly 21% from the prior fiscal year. The remaining pools and accounts did not change significantly during the year.

Net position of the WV Money Market Pool increased by approximately \$1.5 billion from the prior year. The balance of state agency investments in the pool increased by \$1.4 billion over the course of the fiscal year. The West Virginia Department of Transportation (DOT) was responsible for over \$1.2 billion of the increase in state agency investments. The DOT investments were from the proceeds of bonds issued during fiscal year 2018 for highway construction. State participation, which represents cash of the state not invested for the benefit of a particular agency, increased by \$159.8 million over the 2017 fiscal year end balance. Balances invested for other state agencies increased by \$88.4 million year-over-year. Local government investments also increased from fiscal year 2017, rising by approximately \$51.9 million.

Net position of the WV Government Money Market Pool increased by \$10.3 million from fiscal year end 2017. State agency deposits, which made up almost 99% of the funds invested in the Pool at the end of fiscal year 2018, increased by \$11.3 million over the course of fiscal year 2018. The Municipal Bond Commission (the "MBC"), the single largest investor in the Pool, increased their investments by \$5.7 million. The MBC maintains pooled investment accounts where local governments may deposit surplus funds for investment. In addition to the MBC, the West Virginia Housing Development Fund increased their investments by \$2.0 million, while the Division of Environmental Protection (the "DEP") and the WV Economic Development Authority (the "EDA") increased their investments by \$2.0 million and \$1.6 million, respectively. Direct local government investments in the Pool, which are predominately funds from county school boards, fell by \$1.0 million over fiscal year 2018.

The net position of the WV Short Term Bond Pool decreased by \$44.2 million from fiscal year end 2017. The decrease was primarily the result the DEP drawing against invested funds over the year as the investment time horizon of their funds has shortened. The amounts withdrawn by the DEP were transferred to the WV Money Market Pool, which has an investment horizon more in line with the shorter-term nature of the DEP's time horizon. Other state agency investments increased over the fiscal year, generally as a result of the reinvestment of earnings over the course of the fiscal year.

Investments in the State Loan Pool fell during the fiscal year, declining by \$16.2 million. The balance of the Revolving Loan program decreased by \$17.6 million for the year as the EDA paid down the outstanding balance on the loan. In addition to regular monthly principal payments totaling \$10.8 million, the EDA made additional principal payments totaling \$9.9 million during the year. Offsetting the principal payments were loan draws during the fiscal year totaling only \$3.1 million. As more fully discussed in the Notes to the Financial Statements, during its 2017 regular legislative session, the West Virginia State Legislature passed House Bill 3093 ("HB 3093") to create a loan program to insure the payment or repayment of any debt entered into by an entity for the purposes of expanding broadband services to unserved and underserved areas of the state. One loan, for approximately \$1.5 million, was made to the EDA during the fiscal year

under this loan program. The remaining change in net position was the result of net income earned and distributed in the pool during the year.

The net position of the WV Bank Pool increased by \$1.7 million during fiscal year 2018. The demand for funds offered through the West Virginia CD program was stable during the year. The BTI continued offering \$15 million at auction during fiscal year 2018, placing approximately 90% of the funds offered at auction.

The balance of the Reserve Pool did not change significantly over the fiscal year. There were no contributions or redemptions in the pool during the year. The \$272,000 increase in net position was the result of interest earnings that were reinvested in the account.

Net position held in trust for individual account holders represent individual state agency accounts with specific investment needs. Each agency has 100% ownership of the underlying investments in its pool and is solely responsible for the investment decisions in accordance with the legal restrictions applicable to those assets. Net position for individual account holders decreased by \$7.8 million from the prior fiscal year. The MBC was responsible for \$7.5 million of the decrease in net position for individual account holders. The MBC account holds investments escrowed to defease certain municipal bond issues. Levels of investment in this account are affected by municipal refinancing/refunding activity levels and the availability of, and yield on, eligible assets. Over the course of the fiscal year, the MBC withdrew \$16.5 million as securities held in the account matured. Only one contribution, in the amount of \$8.6 million, was made during the fiscal year to purchase a State and Local Government Series security that will mature in October 2018. For the remaining accounts, the net position of the School Fund decreased by \$0.2 million while the West Virginia Economic Development Authority – American Woodmark (“EDA-AW”) account decreased by \$0.1 million during the year.

Changes in net position. The following is a combined, condensed Statements of Changes in Fiduciary Net Position of the Consolidated Fund fiduciary funds for the years ended June 30, 2018 and 2017 (in thousands).

| | Year Ended June 30, | |
|---|---------------------|--------------|
| | 2018 | 2017 |
| Additions | | |
| Net investment income | \$ 56,265 | \$ 28,073 |
| Net realized gain (loss) | (583) | 128 |
| Net decrease in fair value of investments | (5,460) | (1,917) |
| Unit purchases and contributions | 11,623,844 | 11,320,573 |
| Total additions | 11,674,066 | 11,346,857 |
| Deductions | | |
| Distributions | 55,275 | 27,837 |
| Unit redemptions and withdrawals | 10,189,236 | 11,158,254 |
| Total deductions | 10,244,511 | 11,186,091 |
| Change in net position | 1,429,555 | 160,766 |
| Net position at beginning of year | 2,999,927 | 2,839,161 |
| Net position at end of year | \$ 4,429,482 | \$ 2,999,927 |

Fiscal year 2018 net investment income increased substantially from fiscal year 2017, primarily as a result three Fed rate hikes over the fiscal year. The increase in net position throughout the year also contributed

to the increase in net investment income. All pools and accounts, with the exception of the EDA account, experienced increases in net investment income, with a total increase of \$28.2 million from the prior fiscal year. The WV Money Market Pool's net investment income increased by \$21.2 million, the largest increase of all the pools in dollar terms. The WV Government Money Market Pool experienced an increase of \$1.9 million over fiscal year 2017 net income. Net investment income in the WV Short Term Bond Pool was up \$3.2 million from fiscal year 2017. The State Loan Pool's net investment income rose \$1.2 million, while the WV Bank Pool's rose \$0.4 million. The increase in the State Loan Pool's net investment income was the result of two factors: there were no write-downs in the value of the Non-Recourse Loan during the fiscal year and an increase in the rate on the Revolving Loan. The rate on the loan, which resets annually at the beginning of each fiscal year, more than doubled, rising from 0.38% to 0.89%. Net investment income in the MBC Fee Account was up \$0.2 million from fiscal year 2017. The remaining pools and accounts were up slightly or, in the case of EDA, down slightly in fiscal year 2018.

At the end of fiscal year 2017, the markets were anticipating that the next interest rate move by the Fed would occur in December 2017, but only assigned a 60% probability of a 25 basis point rate hike at that meeting. Although inflation continued to be weaker than expected in the early part of the fiscal year, FOMC committee members continued to re-iterate their belief that temporary factors were bringing down inflation and that such factors would dissipate and inflation would stabilize around the Fed's 2% target over the next few years. After the September 2017 meeting, Fed Chair Janet Yellen indicated that the Fed was concerned about inflation data, but that those concerns did not appear to warrant a change to the Fed's plan for gradual rate hikes, essentially confirming that a December rate hike was in play. The Fed ultimately did raise rates at the December meeting, hiking the fed funds range a quarter point. The Summary of Economic Projections released after the meeting indicated that the median forecast for rates for calendar year 2018 implied at least three rate hikes for 2018. January 2018 marked the last meeting for Fed Chair Yellen as Jerome Powell, President Donald Trump's appointee, assumed the position of Chair of the Federal Reserve. Mr. Powell was widely viewed as a safe pick for the position and was expected to mostly continue Chair Yellen's post-financial crisis policies. As the March 2018 meeting rolled around, the markets were largely anticipating a rate hike at the meeting, with most of the debate revolving around whether, and what, changes there would be to the Fed's messaging at Chair Powell's first post-FOMC press conference. The Fed announced another 25 basis point increase in the fed funds rate range and, at his first press conference, Chair Powell largely communicated that not much had changed in the Fed's outlook and stressed that one decision was made at the March meeting: raising the fed funds rate 25 basis points. Inflation began to pick up in the final quarter of the fiscal year, hitting the Fed's target of 2% in April 2018. This was the first time in six years that inflation, as measured by the core Personal Consumption Expenditure ("PCE") price index, had achieved the Fed's target. The core PCE index is the favored measure of inflation trends used by the Fed as it measures the prices paid by consumers for goods and services without the volatility caused by movements in food and energy prices. By the end of the fiscal year, there were some concerns regarding the global economy, with a trade war developing between the U.S. and its trading partners and an overall flattening of the yield curve. However, these concerns did not dissuade the Fed from raising rates again, with another 25 basis point hike announced after the June 2018 meeting. The last hike of the fiscal year brought the fed funds rate to a range of 1.75% to 2.00%. At the post-meeting press conference, Chair Powell reiterated the Fed's basic policy position, which was that the U.S. economy is moving forward at a growth rate that exceeds its expected long-run rate and that this, and other factors, make a strong case for continued gradual increases in the fed funds rate.

The Fed's rate hikes during the fiscal year were the major contributors to the BTI's two principal stability pools outperforming fiscal year 2017 results. WV Money Market Pool performance nearly doubled last year's results, increasing by 74 basis points to 1.54%. This was the largest factor in the \$21.2 million increase in net investment income over fiscal year 2017 levels. The other significant factor that contributed to the increase in net investment income was the increase in net position during fiscal year 2018. As previously discussed, the net position of the pool increased by almost \$1.5 billion during the fiscal year. Although the majority of the increase occurred in the final month of the fiscal year, the average net position over the first eleven months of the fiscal year 2018 was nearly \$400 million higher than fiscal year 2017.

The WV Government Money Market Pool experienced the greatest increase in performance year-over-year, with fiscal year 2018's return of 1.26% tripling fiscal year 2017's 0.42% return. In dollar terms, the net investment income of the pool increased by \$1.9 million from fiscal year 2017 levels. The average of the net position of the pool over the fiscal year was modestly higher, increasing approximately \$10 million from fiscal year 2017 levels. The higher net position did contribute to the increase in net investment income, but, unlike fiscal year 2017, the Fed rate hikes were the largest factor in the increase in performance of the pool year-over-year. The pool's manager brought the pool's WAM in even further over the fiscal year from 2017's mid-30 day range to a range in the low 20's. Because of the flatness of the Treasury bill curve, the manager chose to keep a high allocation to repo during fiscal year 2018, with around a quarter of the pool invested in repo for much of the year. Repo rates were around 2.0% at the end of the fiscal year, which exceeded the 1.8% yield available in short-dated Treasuries. The manager also added some additional exposure to agency floating rate securities, increasing the allocation to around 25% of the pool.

Although the WV Short Term Bond Pool's performance fell short of fiscal year 2017 levels, net investment income increased by \$3.2 million, or 29%, year-over-year. The increase in net investment income was the result of higher yields in 2018, which increased by 111 basis points over 2017 yields to 2.82%. Yield increases in the 1 to 3 year area of the curve benefited the pool as new investments and interest and maturity receipts were re-invested at higher yields. The pool's allocation to floating rate securities also helped raise interest income as these securities reset to higher coupon rates as money market rates rose during the year.

The WV Bank Pool experienced an increase of \$0.4 million in net investment income during fiscal year 2018. Placement rates during fiscal year 2018 were lower than those of fiscal year 2017, with the BTI placing an average of \$13.5 million per auction in fiscal year 2018 versus an average of \$15.3 million in fiscal year 2017. However, the average rate for the placements increased in fiscal year 2018, rising from 0.88% in fiscal year 2017 to 1.69% in fiscal year 2018.

Over half of the \$1.2 million increase in the Loan Pool's net investment income over fiscal year 2017 levels was the result of there being no increase in the loss reserves for the Non-Recourse Loan during fiscal year 2018. This accounted for just over \$0.6 million of the increase year-over-year. The remainder of the increase was the result of the annual rate reset on the Revolving Loan. The rate, which is reset on July 1 of each fiscal year, increased by 51 basis points from 38 basis points for fiscal year 2017 to 89 basis points for fiscal year 2018. Moderating the effects of the rate increase was a decline in the outstanding balance of the Revolving Loan. During the fiscal year, the EDA made additional principal payments on the loan, decreasing the outstanding balance by \$17.6 million. See Note 7 to the audited financial statements for more information on the loan programs of the Loan Pool.

Net investment income for the MBC Account was up approximately \$0.2 million over fiscal year 2017. A new SLGS issue was purchased in the second quarter of the fiscal year that had a significantly higher yield than existing securities in the account, increasing net investment income for the year. The increase in net investment income was partially offset by the loss of income from the decrease in the net position of the account. Net position decreased as a result of the proceeds of maturities of holdings being withdrawn from the account instead of being reinvested in the account.

Net investment income for the remaining pools was comparable to the prior fiscal year.

For the year, the investment pools had a combined net realized loss of \$583,000. This represents a decrease of \$711,000 from fiscal year 2017. The net realized loss was the result of normal trading activity related to generating liquidity, taking advantage of opportunities or repositioning portfolios to stay within policy limits.

The net change in fair value for fiscal year 2018 was negative, falling by \$3.5 million from fiscal year 2017. The largest factor in the overall decrease in fair value was the decline in fair value experienced by the WV

Short Term Bond Pool. Over the course of fiscal year 2018 the fair value of the pool fell \$5.4. The fiscal year 2018 decline in fair value was \$3.7 million greater than the decline experienced in fiscal year 2017. The primary drivers for the decline in fair value for 2018 were the three Fed rate hikes during fiscal year 2018 and a reversal in credit spread tightening that had occurred in prior fiscal years. The rate increases by the Fed had a more significant effect in the three year and under part of the Treasury yield curve, pushing up yields in that tenor range. Credit spreads, which had been trending downward since February 2016, reached their post-financial crisis lows in February 2018 before widening out over the last few months of the fiscal year. The WV Short Term Bond Pool, which holds longer dated/duration corporate securities and has a fair value measured at market value, experienced a decline in fair value as a result of the rise in Treasury yields in the 1 to 3 year portion of the curve and the reversal of credit spread tightening.

The change in the fair value of the MBC Account was positive for the year, increasing year-over-year by \$0.2 million. The change in the fair value of the MBC Account was due to the maturity of securities during the year with a market-based fair value. The remaining holdings of the pool are not tradeable securities and have a fair value equal to historical cost. See Note 5 to the financial statements, which more fully discusses the fair value of the holdings of the MBC Account. The changes in fair value in the EDA-AW Account was similar to the prior year.

Economic Factors

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

As previously discussed, yields were up across the curve in fiscal year 2018. Three Fed rate hikes over the course of the fiscal year helped to push the Treasury curve up from fiscal year 2017 levels. Treasury supply overall increased during the fiscal year, increasing by approximately \$944 billion across all tenors. Treasury bill issuances were up significantly again in fiscal year 2018, with supply increasing by \$440 billion in net new issuance during fiscal year 2018. Subsequent to a deal to lift the debt ceiling until March 2019, a glut of new bill issuance hit the market in February and March 2018, which pressured bank funding rates and USD LIBOR rates. Increases in these rates also pushed up yields on corporate paper. Also pressuring LIBOR was the repatriation of foreign earnings that occurred as a result of the TCJA, which was signed into law on December 22, 2017. In addition to the cuts in personal and corporate tax rates, provisions of the TCJA allowed corporations to repatriate foreign earnings at more favorable rates. Corporate treasurers began liquidating offshore bank debt holdings, which decreased the demand for foreign bank debt. This forced the foreign banks to make up for lost funding by issuing more short-term commercial paper and certificates of deposit. Also working to force up yields are the global reserve requirements of the Basel III agreements and the Fed's High Quality Liquid Asset ("HQLA") requirements, which have resulted in the need for banks to bid up reserves. This benefited the BTI's money market pools, as yields were more attractive for reinvestment and floating rate securities indexed to USD LIBOR reset to higher coupon rates. While the WV Short Term Bond Pool has benefited from these rates in form of higher coupon rates and higher yields on reinvestments, it has also weighed on the market value of existing portfolio earnings.

Over the course of fiscal year 2018, economic news has been mostly positive. Reported economic growth in the U.S., as measured by Gross Domestic Product ("GDP"), stayed above 2% for all quarters during the fiscal year. GDP growth for the fourth quarter of the fiscal year is expected to be in excess of 4%, which would be the strongest growth rate the U.S. economy has seen since the third calendar quarter of 2014. Underlying components of GDP have also been mostly solid, pointing to continued economic growth over the next few quarters. Tax reform, in the form of the TCJA, was signed into law on December 22, 2017,

cutting personal and corporate tax rates and also providing for a favorable tax rate on the repatriation of foreign earnings of domestic corporations. The net effect on corporate bottom lines was a boost in net income and earnings per share growth. Although there was some expectation that lower tax rates might dampen corporate issuance of debt, there were high overall levels of new issue bonds, with new issues in support of mergers and acquisitions leading the way. Employment has also been a strength in the economy over the fiscal year, with the unemployment rate falling to 4.0% by fiscal year end. In addition to the improving headline rate, there have also been improvements in the participation rate and wage inflation. Overall inflation, which had been persistently below the Fed's target rate of 2%, finally reached that target, posting a 2% increase year-over-year in April 2018 and ended the fiscal year at 2.2%. However, there were some negative economic news the latter half of the fiscal year, mostly in the form of budding trade wars between the U.S. and its trading partners and a flattening of the yield curve. The Trump administration, citing national security concerns, unfair trade practices, and a desire to decrease the U.S. trade deficit, unilaterally enacted a variety of tariffs on imports of steel, aluminum, and other goods imported from the European Union, Canada, Mexico, China and other countries. These countries/trade unions have responded in kind, enacting tariffs on goods imported from the U.S. Further tariff announcements by the U.S. were expected to occur subsequent to year-end, as the U.S. seeks to increase the pressure other countries to further open their markets for U.S. goods. Corporate response to the tariffs has been mixed, with the corporate community largely coming out against the tariffs. Certain industries, such as the steel industry, have embraced the tariffs, while others, such as the auto industry, have been critical of the tariffs, citing increased component costs that will result in price increases for automobiles manufactured in the U.S. There may be negative pressure on corporate earnings going forward as companies may be forced to increase prices, and likely suffer a decrease in sales, or absorb the costs imposed by tariffs, thereby decreasing the bottom line. The Treasury yield curve was also proving to be a source of pessimism, as the yield curve continued flattening. The 2-year/10-year Treasury spread had fallen to 33 basis points by year end, and was projected by some to possibly become negative by the end of calendar year 2018. A negative spread, or inversion of the yield curve, could be seen as a possible warning sign of an oncoming recession, which might force the Fed to pause in their normalization campaign. The Fed has indicated that these are concerns going forward, but there is no impediment to the Fed shifting policy should the economy stumble.

For the State of West Virginia, fiscal year 2018 marked a significant improvement over prior fiscal years. General Revenue collections were \$20.2 million above the official fiscal year 2018 estimates and 3.7% above prior year adjusted receipts. Unadjusted General Revenue collections included \$34.6 million in one-time special revenue transfers in 2018, as compared with nearly \$99.8 million in one-time special revenue transfers in the prior year. During the first half of the year, revenue growth was led by a 46 percent gain in Severance Tax collections due to growth in energy prices and a rebound in coal production. Severance Tax collections slowed a bit during the second half of the year as markets stabilized. However, other tax sources picked up the slack as the breadth of economic growth spread beyond the mining sector to the construction, manufacturing and service sectors. Following several years of general stagnation, payroll employment reversed course and began rising in fiscal year 2018. Private sector employment growth began accelerating from 0.3 percent during the first quarter to more than 1.0 percent during the second half of the year with gains in the areas of construction, mining, warehousing, transportation, professional services, health care services and leisure and hospitality. A major contributing factor to the recent employment upswing is the current construction of several large-scale interstate natural gas pipeline projects in the region. These projects along with enhanced public-sector highway expenditures and continued growth in foreign exports were all significant factors in recent economic expansion and tax collection growth. The cumulative fiscal year growth rate in Personal Income Tax collections accelerated from just 1.8 percent at the end of September to 6.1 percent by the end of June. The cumulative growth rate in wage and salary withholding tax collections accelerated from 4.5 percent at the end of September to 6.0 percent by the end of June. The cumulative growth rate in Consumer Sales Tax collections accelerated from just 1.0 percent at the end of September to 2.7 percent by the end of June. The combination of conservative budgeting practices and continued improvement in economic activity contributed to a net budgetary surplus of more than \$36.1 million at the close of Fiscal year 2018. Out of this budgetary surplus, nearly \$18.1 million was deposited in the Revenue Shortfall Reserve Fund and nearly \$13.8 million was appropriated by the Legislature in the

fiscal year 2019 Budget Bill. An unappropriated surplus balance of \$4.3 million is available for future appropriation.

The Official Fiscal Year 2019 General Revenue estimate of nearly \$4.440 billion is more than \$194 million above actual fiscal year 2018 General Revenue collections of more than \$4.245 billion. The base budget expenditures for fiscal year 2019 from General Revenues and lottery revenues are \$4.881 billion, \$193.8 million higher than the base budget expenditures included in the fiscal year 2018 budget of \$4.687 billion. The fiscal year 2019 budget relies on roughly \$108 million in net one-time funding sources, an improvement over \$140 million in one-time funding sources in the original fiscal year 2018 budget. A sizeable portion of the one-time funds came from a larger than originally anticipated State matching share cash balance in the Medicaid Program along with the diversion of more than \$13 million in funds originally designated for deposit in the Old Workers' Compensation Debt Fund and an additional \$14 million from surplus Lottery funds. However, the net use of one-time funds was effectively reduced by more than one-third due to a Legislative decision to appropriate \$58 million less in the fiscal year 2019 budget than the amount of the Governor's Official Revenue Estimate.

The economic momentum associated with various gas pipeline construction projects and several major State road projects will continue in fiscal year 2019. In addition, the national economy shows little or no signs of slowing with general stability for the energy sector. These factors should contribute to moderate employment and income growth in this fiscal year. Economic activity and tax revenues associated with the issuance of future voter approved State Road Bonds will also contribute to revenue growth in future years beyond this fiscal year.

The future State budget picture has greatly improved as the result of the recent economic improvements and an extended pattern of conservative budgeting. As a result, no additional revenue transfers from the Revenue Shortfall Reserve Fund should be necessary for budget balance over the next year. However, tax revenue collection patterns remain highly volatile relative to past long-term historical trends. The continuation of conservative budgeting practices should aid in the rebuilding of reserve fund balances during times of prosperity to levels necessary for the State to weather the next recession whenever such time arises.

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, 2018

(In Thousands)

| | |
|---|------------------------|
| Assets | |
| Current assets: | |
| Cash | \$ 1,034 |
| Receivables | <u>617</u> |
| Total current assets | 1,651 |
| Noncurrent assets: | |
| Capital assets, net of accumulated depreciation | <u>5</u> |
| Total assets | <u>1,656</u> |
| Liabilities | |
| Current liabilities: | |
| Accounts payable | <u>609</u> |
| Total liabilities | <u>609</u> |
| Net position | |
| Investment in capital assets | 5 |
| Unrestricted | <u>1,042</u> |
| Total net position | <u><u>\$ 1,047</u></u> |

See accompanying notes to financial statements

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

For the Year Ended June 30, 2018

(In Thousands)

| | |
|-------------------------------------|------------------------|
| Operating revenues | |
| Management services | \$ 1,245 |
| Advisor services | 1,463 |
| Custodian services | <u>134</u> |
| Total operating revenues | 2,842 |
| Operating expenses | |
| Advisor fees | 1,463 |
| Management fees | 670 |
| Professional service fees | 244 |
| Fiduciary bond | 20 |
| Custodian fees | 131 |
| General and administrative | 256 |
| Depreciation | <u>2</u> |
| Total operating expenses | <u>2,786</u> |
| Operating income | <u>56</u> |
| Change in net position | 56 |
| Net position at beginning of period | <u>991</u> |
| Net position at end of period | <u><u>\$ 1,047</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, 2018

(In Thousands)

| | |
|--|------------------------|
| Cash flows from operating activities | |
| Cash received for services | \$ 2,744 |
| Payments to vendors | <u>(2,649)</u> |
| Net cash provided by operating activities | 95 |
| Cash flows from capital and related financing activities | |
| Purchase of capital equipment | <u>(3)</u> |
| Net cash used for capital and related financing activities | <u>(3)</u> |
| Net increase in cash | 92 |
| Cash at beginning of period | 942 |
| Cash at end of period | <u><u>\$ 1,034</u></u> |
| Reconciliation of operating income to net cash provided by operating activities | |
| Operating income | \$ 56 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 2 |
| Changes in assets and liabilities: | |
| Receivables | (98) |
| Accounts payable | <u>135</u> |
| Net cash provided by operating activities | <u><u>\$ 95</u></u> |

See accompanying notes to financial statements

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

June 30, 2018

(In Thousands)

| | |
|---|---------------------------|
| Assets | |
| Investments: | |
| At amortized cost | \$3,685,584 |
| At fair value | 743,777 |
| Total investments | <u>4,429,361</u> |
| Receivables: | |
| Accrued interest | 5,952 |
| Dividends | 167 |
| Other | 4 |
| Total receivables | <u>6,123</u> |
| Total assets | <u>4,435,484</u> |
| Liabilities | |
| Accrued expenses | 616 |
| Dividends payable | 1,386 |
| Investments purchased | 4,000 |
| Total liabilities | <u>6,002</u> |
| Net Position | |
| Held in trust for investment pool participants | 4,398,144 |
| Held in trust for individual investment account holders | 31,338 |
| Total net position | <u><u>\$4,429,482</u></u> |

See accompanying notes to financial statements

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

For the Year Ended June 30, 2018

(In Thousands)

| | |
|---|----------------------------|
| Additions | |
| Investment income: | |
| Interest | \$ 35,994 |
| Dividends | 1,648 |
| Net amortization | 21,465 |
| Provision for uncollectible loans | - |
| Total investment income | <u>59,107</u> |
| Investment expenses: | |
| Investment advisor fees | 1,463 |
| Custodian bank fees | 134 |
| Administrative fees | 1,245 |
| Total investment expenses | <u>2,842</u> |
| Net investment income | 56,265 |
| Net realized loss from investments | (583) |
| Net decrease in fair value of investments | <u>(5,460)</u> |
| Net increase in net position from operations | 50,222 |
| Participant transaction additions: | |
| Purchase of pool units by participants | 11,558,987 |
| Reinvestment of pool distributions | 55,550 |
| Contributions to individual investment accounts | 9,307 |
| Total participant transaction additions | <u>11,623,844</u> |
| Total additions | <u>11,674,066</u> |
| Deductions | |
| Distributions to pool participants: | |
| Net investment income | 55,858 |
| Net realized loss from investments | (583) |
| Total distributions to pool participants | <u>55,275</u> |
| Participant transaction deductions: | |
| Redemption of pool units by participants | 10,171,762 |
| Withdrawals from individual investment accounts | 17,474 |
| Total participant transaction deductions | <u>10,189,236</u> |
| Total deductions | <u>10,244,511</u> |
| Change in net position | 1,429,555 |
| Net position at beginning of period | <u>2,999,927</u> |
| Net position at end of period | <u><u>\$ 4,429,482</u></u> |

See accompanying notes to financial statements

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West Virginia Board of Treasury Investments

Notes to Financial Statements

June 30, 2018

1. Organization and Operations

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

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

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

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

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

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

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

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

Loan – This pool is composed of loans made by the State. Within the Loan Pool is a non-recourse loan made by the West Virginia Economic Development Authority (the “WVEDA”) to the West Virginia Enterprise Advancement Corporation (the “WVEAC”), which in turn invests the funds in the West Virginia Enterprise Capital Fund, LLC (the “WVECF”), which then invests the money in venture capital funds. The WVEAC is a non-profit corporation that has a common board of directors with the WVEDA. The non-recourse loan program was authorized pursuant to WV Code §12-6-9, which requires the BTI to transfer up to \$25,000,000 in State funds to the WVEDA. The funds transferred by the BTI are to be repaid with proceeds received by the WVEDA from the WVEAC, which will make repayment to the WVEDA from the proceeds it receives from the WVECF. The Loan Pool is restricted by statute to receiving 3% earnings on the funds transferred to the WVEDA. Although the non-recourse loan made by the WVEDA may earn in excess of 3%, only 3% will be given to the Loan Pool, and the WVEDA will retain the rest. The BTI is not responsible for exercising any discretion over or making any decisions in regard to the lending, investing and repayment activities of the non-recourse loan program, or for any other loans in the Loan Pool. The WVEDA provides all bookkeeping and accounting records of the non-recourse loan program. The BTI’s role is to transfer the funds to the WVEDA when requested and to maintain an accounting for the loans within the Loan Pool based on information provided by the WVEDA. In the 2017 legislative session, the West Virginia State Legislature established a program to provide loan guarantees for borrowings related to projects for the expansion of broadband services to unserved and underserved areas of West Virginia. Under the program, the BTI, subject to a liquidity determination and cash availability, shall make available to the WVEDA, from the Consolidated Fund, in the form of a nonrecourse revolving loan, \$50 million, for the purpose of insuring the payment or repayment of any debt instrument entered into by an entity for purposes of expanding broadband services to unserved and underserved areas of the state. The nonrecourse revolving loan is payable by the WVEDA solely from moneys received in respect to the insured debt instruments.

Reserve – This pool is composed of an interest-bearing depository account with United Bank. The pool was created to provide an added layer of security for the WV Money Market and WV Government Money Market Pools. The objective of this pool is to provide support for the WV Money Market and WV Government Money Market Pools to ensure their unit net position does not fall below \$0.9985. The State is the sole participant in this pool. Other funds are transferred to this pool as management deems necessary.

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

The BTI is authorized by West Virginia Code Chapter 12, Article 6C, Section 9, to invest in United States government and agency obligations, commercial paper, corporate bonds, repurchase agreements, asset-backed securities, and investments in accordance with the Linked Deposit Program, which is a program using financial institutions in the state to reduce loan costs to small businesses by offsetting interest

reductions on the loans with certificates of deposit, loans approved by the Legislature, and any other programs authorized by the Legislature. In addition to the restrictions in investment types, at no time shall more than seventy-five percent of the Consolidated Fund be invested in any bond, note, debenture, commercial paper or other evidence of indebtedness of any private corporation or association and at no time shall more than five percent be invested in securities issued by a single private corporation or association. Further, no less than fifteen percent of the Consolidated Fund shall be invested in any direct obligation of or obligation guaranteed by the United States government.

2. Significant Accounting Policies

Basis of Accounting

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

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

Budgetary Information

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

Cash Equivalents

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

Capital Assets

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

Wages, Compensated Absences, Retirement Plan and Other Postemployment Benefits

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

Income Taxes

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

Revenues and Expenses – Proprietary Fund

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

Net Position – Proprietary Fund

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

Use of Estimates

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

Investment Accounting

Investment Carrying Value The BTI is an investment vehicle of the State, its component units, and local governments, all of which are government entities. The investments of the WV Money Market, WV Government Money Market, WV Bank, Loan, and Reserve pools or accounts are carried at amortized cost, as permissible under Governmental Accounting Standards Board ("GASB") Statement No. 31, as amended by GASB Statement Nos. 72 and 79. The WV Money Market and WV Government Money Market pools measure all investments at amortized cost for financial reporting purposes in accordance with criteria established in GASB Statement No. 79. The criteria specify that the pools must transact with their participants at a stable net asset value per share and meet requirements for portfolio maturity, portfolio quality, portfolio diversification, portfolio liquidity, and shadow pricing. The BTI does not place any limitations or restrictions on participant withdrawals from the WV Money Market and WV Government Money Market pools, such as redemption notice periods, maximum transaction amounts, nor possess authority to impose liquidity fees or redemption gates.

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

The investments of the remaining pools and participant accounts are reported at fair value, which is determined by third party pricing services based on asset portfolio pricing models and other sources. The BTI measures fair value at the end of each month. See Note 5 for a discussion and summary of the measurement of the fair values. Investments in commingled investment pools are valued at the reported unit values of the individual funds. Commissions on the purchases of securities by the BTI are a component of the security price quoted by the seller and are included in the investment cost.

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

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

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

Investment Gains and Losses Gains and losses on the sale of investment securities are recognized at the time of sale by the average cost method. The calculation of realized gains and losses is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year.

Interest Income Interest income is recognized as earned on the accrual method with one exception. The cost recovery method of income recognition is used for the interest on the WVEDA Non-Recourse Loan held by the Loan Pool. Under this method, interest income will only be recognized once the principal balance of the loan has been recovered.

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

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

Allowance for Loan Losses The allowance for loan losses is available to absorb future loan losses. The allowance is increased by provisions charged against operations and reduced by charge-offs (losses), net of recoveries. The provision is based on several factors including: analytical reviews of loan loss experience in relationship to outstanding loans; a continuing review of problem loans and overall portfolio quality,

including analysis of the quality of the underlying collateral; and management's judgment on the impact of current and expected economic conditions on the portfolio. At June 30, 2018, the Loan Pool had an allowance for uncollectible loans of \$23,464,033.

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

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

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

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

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

Expenses Each pool is charged for its direct investment-related cost and for its allocated share of other expenses. The other expenses are allocated to the pools based on asset size. Certain pools are not charged expenses or are charged a reduced expense. The BTI proprietary fund pays all expenses on behalf of the pools and is subsequently reimbursed by the pools.

3. Cash and Cash Equivalents

The internal service fund's cash on deposit with the State Treasurer's Office was approximately \$1,034,000 at June 30, 2018. 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, 2018.

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

4. Investments and Deposits

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

Credit Risk

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

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all long-term corporate debt be rated A+ or higher by Standard & Poor’s (or its equivalent) and short-term corporate debt be rated at A-1 or higher by Standard & Poor’s (or its equivalent). The pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America. The following table provides information on the credit ratings of the WV Money Market Pool’s investments (in thousands):

| Security Type | Credit Rating | | Carrying Value (in Thousands) | Percent of Pool Assets |
|--|---------------|------|----------------------------------|---------------------------|
| | Moody’s | S&P | | |
| U.S. Treasury notes * | Aaa | AA+ | \$ 90,330 | 2.77% |
| U.S. Treasury bills * | P-1 | A-1+ | 252,084 | 7.72 |
| Corporate bonds and notes | P-1 | A-1 | 18,078 | 0.55 |
| Commercial Paper | P-1 | A-1+ | 473,172 | 14.50 |
| | P-1 | A-1 | 1,351,128 | 41.39 |
| | P-2 | A-1 | 44,600 | 1.37 |
| Negotiable certificates of deposit | P-1 | A-1+ | 205,501 | 6.30 |
| | P-1 | A-1 | 458,300 | 14.04 |
| Money market funds | Aaa | AAAm | 143,067 | 4.38 |
| Repurchase agreements (underlying securities): | | | | |
| U.S. agency bonds and notes | Aaa | AA+ | 227,800 | 6.98 |
| | | | \$ 3,264,060 | 100.00% |

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

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

| Security Type | Credit Rating | | Carrying Value (in Thousands) | Percent of Pool Assets |
|--|---------------|------|----------------------------------|---------------------------|
| | Moody's | S&P | | |
| U.S. Treasury notes * | Aaa | AA+ | \$ 10,973 | 5.17% |
| U.S. Treasury bills * | P-1 | A-1+ | 23,950 | 11.28 |
| U.S. agency bonds and notes | Aaa | AA+ | 52,300 | 24.63 |
| U.S. agency discount notes | P-1 | A-1+ | 76,734 | 36.14 |
| Money market funds | Aaa | AAAm | 247 | 0.12 |
| Repurchase agreements (underlying securities): | | | | |
| U.S. Treasury notes * | Aaa | AA+ | 41,614 | 19.60 |
| U.S. agency bonds and notes | Aaa | AA+ | 6,486 | 3.06 |
| | | | <u>\$ 212,304</u> | <u>100.00%</u> |

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

The BTI limits the exposure to credit risk in the WV Short Term Bond Pool by requiring all long-term corporate debt be rated BBB- or higher by Standard & Poor's (or its equivalent) and all short-term corporate debt be rated A-1 or higher by Standard & Poor's (or its equivalent). Mortgage-backed and asset-backed securities must be rated AAA by Standard & Poor's (or its equivalent). The pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America. The following table provides information on the credit ratings of the WV Short Term Bond Pool's investments (in thousands):

| Security Type | Credit Rating | | Carrying Value (in Thousands) | Percent of Pool Assets |
|--|---------------|-----|----------------------------------|---------------------------|
| | Moody's | S&P | | |
| U.S. Treasury notes * | Aaa | AA+ | \$ 86,189 | 12.10% |
| U.S. agency collateralized mortgage obligations * | Aaa | AA+ | 32,546 | 4.57 |
| Corporate fixed- and floating-rate bonds and notes | Aaa | AAA | 2,878 | 0.40 |
| | Aa1 | AA+ | 5,012 | 0.70 |
| | Aa2 | AA+ | 3,990 | 0.56 |
| | Aa2 | AA- | 7,094 | 1.00 |
| | Aa2 | A+ | 9,940 | 1.39 |
| | Aa3 | AA- | 13,999 | 1.96 |

(Continued on next page)

* U.S. Treasury issues and U.S. agency collateralized mortgage obligations are explicitly guaranteed by the United States government and are not considered to have credit risk.

| Security Type | Credit Rating | | Carrying Value (in Thousands) | Percent of Pool Assets |
|---|---------------|------|----------------------------------|---------------------------|
| | Moody's | S&P | | |
| Corporate fixed- and floating-rate bonds and notes (continued) | Aa3 | A+ | 5,084 | 0.71 |
| | A1 | AA- | 11,813 | 1.66 |
| | A1 | A+ | 10,595 | 1.49 |
| | A1 | A | 6,306 | 0.88 |
| | A1 | A- | 3,273 | 0.46 |
| | A2 | A+ | 5,968 | 0.84 |
| | A2 | A | 27,673 | 3.89 |
| | A2 | A- | 11,531 | 1.62 |
| | A3 | A | 8,974 | 1.26 |
| | A3 | A- | 29,872 | 4.19 |
| | A3 | BBB+ | 27,112 | 3.80 |
| | Baa1 | A | 2,828 | 0.40 |
| | Baa1 | A- | 8,922 | 1.25 |
| | Baa1 | BBB+ | 28,242 | 3.96 |
| | Baa1 | BBB | 13,078 | 1.84 |
| | Baa2 | A- | 1,016 | 0.14 |
| | Baa2 | BBB+ | 8,353 | 1.17 |
| | Baa2 | BBB | 30,250 | 4.25 |
| | Baa2 | BBB- | 2,946 | 0.41 |
| | Baa3 | BBB+ | 3,003 | 0.42 |
| | Baa3 | BBB | 8,548 | 1.20 |
| | Baa3 | BBB- | 12,378 | 1.74 |
| | Baa3 | NR | 2,135 | 0.30 |
| | Ba1 | A- | 350 | 0.05 |
| | Ba1 | BBB | 2,007 | 0.28 |
| | Ba1 | BBB- | 6,219 | 0.87 |
| | NR | BBB+ | 2,572 | 0.36 |
| | NR | BBB- | 1,953 | 0.28 |
| Collateralized mortgage obligations | Aaa | AAA | 14,773 | 2.07 |
| | Aaa | NR | 3,308 | 0.46 |
| Commercial mortgage-backed securities | Aaa | NR | 3,014 | 0.42 |
| Asset-backed securities | Aaa | AAA | 87,146 | 12.23 |
| | Aaa | NR | 88,599 | 12.44 |
| | NR | AAA | 66,039 | 9.27 |
| Money market funds | Aaa | AAAm | 5,054 | 0.71 |
| | | | \$ 712,582 | 100.00% |

NR = Not Rated

The WV Bank Pool holds an interest in a money market mutual fund valued at approximately \$60,000. 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 \$34,000. 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 \$1,252,000. 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) |
|------------------------------------|----------------------------------|---------------|
| U.S. Treasury notes | \$ 90,330 | 73 |
| U.S. Treasury bills | 252,084 | 69 |
| Corporate bonds and notes | 18,078 | 21 |
| Commercial paper | 1,868,900 | 36 |
| Negotiable certificates of deposit | 663,801 | 29 |
| Repurchase agreements | 227,800 | 3 |
| Money market funds | 143,067 | 3 |
| | \$ 3,264,060 | 34 |

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) |
|-----------------------------|----------------------------------|---------------|
| U.S. Treasury notes | \$ 10,973 | 76 |
| U.S. Treasury bills | 23,950 | 43 |
| U.S. agency bonds and notes | 52,300 | 17 |
| U.S. agency discount notes | 76,734 | 20 |
| Repurchase agreements | 48,100 | 3 |
| Money market funds | 247 | 3 |
| | \$ 212,304 | 21 |

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 and bonds | \$ 86,189 | 472 |
| U.S. agency collateralized mortgage obligations | 32,546 | 56 |
| Corporate fixed-rate bonds and notes | 178,097 | 696 |
| Corporate floating-rate bonds and notes | 147,817 | 44 |
| Collateralized mortgage obligations | 18,081 | 106 |
| Commercial mortgage-backed securities | 3,014 | 52 |
| Asset-backed securities | 241,784 | 374 |
| Money market funds | 5,054 | - |
| | \$ 712,582 | 372 |

The West Virginia Bank Pool holds nonnegotiable certificates of deposit totaling \$81,000,000 with maturity dates ranging from July 2018 through December 2018, and an interest in a money market mutual fund valued at approximately \$60,000. The money market mutual fund has a weighted average maturity of one day. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to losses in this pool arising from increasing interest rates.

The Loan Pool holds an interest in a money market mutual fund in the amount of approximately \$34,000 with a weighted average maturity of one day. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to losses in this pool arising from increasing interest rates.

The Reserve Pool maintains funds totaling approximately \$19,092,000 in a bank depository account and an interest in a money market mutual fund valued at approximately \$1,000. The money market mutual fund has a weighted average maturity of one day. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to losses in this pool arising from increasing interest rates.

The Municipal Bond Commission Account holds three State and Local Government Series securities valued at \$28,257,000 with a weighted average maturity of 236 days. 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 School Fund Account holds only an interest in a money market mutual fund valued at approximately \$1,252,000 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 \$1,686,000 that matures August 15, 2023. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in this pool arising from increasing interest rates.

Other Risks of Investing

Other risks of investing can include concentration of credit risk, custodial credit risk, and foreign currency risk.

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

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

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

Deposits

Custodial credit risk of deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits include nonnegotiable certificates of deposit. The WV Bank Pool contains nonnegotiable certificates of deposit valued at \$81,000,000. The Reserve Pool contains funds totaling approximately \$19,092,000 in a bank depository account. The BTI does not have a deposit policy for custodial credit risk.

5. Investments Measured at Fair Value

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

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

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

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

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

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

The table below summarizes the recurring fair value measurements of the investment securities in the WV Short Term Bond Pool in accordance with GASB Statement No. 72 fair value hierarchy levels as of June 30, 2018 (in thousands).

| Investment Type | Level 1 | Level 2 | Level 3 | Total |
|---|-----------|------------|---------|------------|
| U.S. Treasury Notes | \$ 86,189 | \$ - | \$ - | \$ 86,189 |
| U.S. agency collateralized mortgage obligations | - | 32,546 | - | 32,546 |
| Corporate fixed-rate bonds and notes | - | 178,097 | - | 178,097 |
| Corporate floating-rate bonds and notes | - | 147,817 | - | 147,817 |
| Collateralized mortgage obligations | - | 18,081 | - | 18,081 |
| Commercial mortgage-backed securities | - | 3,014 | - | 3,014 |
| Asset-backed securities | - | 241,784 | - | 241,784 |
| Money market funds | 5,054 | - | - | 5,054 |
| | \$ 91,423 | \$ 621,339 | \$ - | \$ 712,582 |

The valuation methodologies and inputs presented below are used in the fair value measurements for investments in securities in the WV Short Term Bond Pool classified as Level 2 in the preceding table.

U.S. Agency Collateralized Mortgage Obligations

Level 2 U.S. agency collateralized mortgage obligations are evaluated using predicted cash flows, adjusted by an applicable spread/yield/price adjustment incorporating benchmark yields, collateral performance, and prevailing market conditions.

Corporate Fixed-Rate Bonds and Notes

Level 2 corporate fixed-rate bonds and notes are priced using spread, yield and price based evaluations. For spread- and yield-based evaluations, a bullet (non-call) spread scale is created for relevant maturities for each issuer. The spreads are based on the new issue market, secondary trading and dealer quotes. For price-based evaluations, evaluators use recently executed transactions of similar securities and dealer quotes to arrive at appropriate pricing.

Corporate Floating-Rate Bonds and Notes

Level 2 corporate floating-rate bonds are evaluated by calculating current and future coupons, then discounting each cash flow by an appropriate discount margin. A basic yield scale covering a range of quality ratings and maturities is established for the corresponding indices. The yield scale consists of discount margins obtained from primary and secondary dealers in the new issue market. Final yields are calculated by adding the appropriate discount margin to each forward rate plus special adjustments to capture issue-specific characteristics, as applicable. The resulting yields are then used to discount each cash flow.

Collateralized Mortgage Obligations

Level 2 collateralized mortgage obligations are evaluated using predicted cash flows, adjusted by an applicable spread/yield/price adjustment incorporating benchmark yields, collateral performance, and prevailing market conditions.

Commercial Mortgage-Backed Securities

Level 2 commercial mortgage-backed securities are evaluated using predicted cash flows, adjusted by an applicable spread/yield/price adjustment incorporating benchmark yields, collateral performance, third-party real estate analysis, and prevailing market conditions.

Asset-Backed Securities

Level 2 asset-backed securities are evaluated using predicted cash flows, adjusted by an applicable spread/yield/price adjustment incorporating benchmark yields, collateral performance, and prevailing market conditions.

The School Fund Account holds a money market fund reported at a fair value of \$1,252,000 using Level 1 inputs.

The Municipal Bond Commission Account holds Treasury Securities – State and Local Government Series (“SLGS”) issues that are reported at historical cost (face value) of \$28,257,000. SLGS are special purpose securities the U.S. Department of the Treasury issues to state and local government entities, upon request by those entities, to assist them in complying with federal tax laws and Internal Revenue Service arbitrage regulations when they have cash proceeds to invest from their issuance of tax exempt bonds. There is no market for these securities as they may only be redeemed at the U.S. Department of Treasury on or before their stated maturity date at face value plus accrued interest.

The EDA-AW Account holds a U.S. Treasury bond reported at a fair value of \$1,686,000 using Level 1 inputs.

6. Capital Assets

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

| | June 30, 2017 | Increases | Decreases | June 30, 2018 |
|--|---------------|-----------|-----------|---------------|
| Equipment, at cost | \$ 18 | \$ 3 | \$ - | \$ 21 |
| Accumulated depreciation | (14) | (2) | - | (16) |
| Equipment, net of accumulated depreciation | \$ 4 | \$ 1 | \$ - | \$ 5 |

7. Related Party Transactions

Intergovernmental Investments

The BTI is required by law to enter into certain investment transactions with other state entities. At June 30, 2018, 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, 2018, was 0.89%. 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, 2018, the outstanding balance was \$106,680,600.
- 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, 2018, \$24,335,828 of principal was outstanding.

Because of the uncertain collectability of this loan, the BTI has elected to recognize income on a cost recovery basis. Any payments received will be applied to reduce the outstanding principal balances until that balance is fully recovered. Any amounts received after recovery of the principal balance will be recognized as interest income when received. Additionally, a valuation reserve of \$23,464,033 has been accrued at June 30, 2018.

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

shall make quarterly payments to pay all accrued interest on a loan for the prior quarter. On a quarterly basis, the WVEDA determines the outstanding balance of the insured debt covered by the loan and adjusts the outstanding balance of the loan to equal the outstanding balance of the insured debt. At June 30, 2018, the outstanding balance was \$1,480,000.

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, 2018, the BTI reimbursed the Treasurer's Office \$746,000 for services, which includes \$669,000 for management services provided by Treasurer's Office employees. As of June 30, 2018, the BTI had an amount payable to the Treasurer's Office totaling \$56,000, of which \$42,000 was for management services provided by Treasurer's Office employees. Also during the year, the Treasurer's Office provided services valued at approximately \$16,000 at no cost to the BTI.

8. Risk Management

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

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

9. Effect of New Accounting Pronouncements

The GASB has issued two statements relating to accounting and financial reporting for pension and postemployment benefit plans: Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; and Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 7*. The provisions of Statement Nos. 75 and 82 are effective for periods beginning after June 15, 2017. Because the BTI has no employees, it does not participate in a pension plan or a postemployment benefit plan and is not affected by these statements.

The GASB has issued two statements relating to accounting and financial reporting for debt: Statement No. 86, *Certain Debt Extinguishment Issues*; and Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The provisions of Statement No. 86 are effective for reporting periods beginning after June 15, 2017. The provision of Statement No. 88 are effective for reporting periods beginning after June 15, 2018. The primary objective of this Statement No. 86 is to improve consistency in accounting and financial reporting for in-substance defeasance of debt. The primary objective of Statement No. 88 is to improve information disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. Because the BTI does not issue debt and does not engage in borrowings, it is not affected by these statements.

The GASB has issued a statement relating to financial accounting and reporting for leases: Statement No. 87, *Leases*. The objective of Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and reporting for leases by governments. The provision of Statement No. 87 are effective for reporting periods beginning after December 15, 2019. BTI management has not determined the effect, if any, this statement will have on its financial statements.

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

June 30, 2018

(In Thousands)

| | WV Money Market Pool | WV Government Money Market Pool | WV Short Term Bond Pool | WV Bank Pool | Loan Pool |
|---|---------------------------------|--|--|-------------------------|-------------------|
| Assets | | | | | |
| Investments: | | | | | |
| At amortized cost | \$ 3,264,060 | \$ 212,304 | \$ - | \$ 81,060 | \$ 109,067 |
| At fair value | - | - | 712,582 | - | - |
| Receivables: | | | | | |
| Accrued interest | 2,738 | 94 | 2,474 | 390 | 82 |
| Dividends | 157 | - | 7 | 1 | - |
| Other | 4 | - | - | - | - |
| Total receivables | <u>2,899</u> | <u>94</u> | <u>2,481</u> | <u>391</u> | <u>82</u> |
| Total assets | <u>3,266,959</u> | <u>212,398</u> | <u>715,063</u> | <u>81,451</u> | <u>109,149</u> |
| Liabilities | | | | | |
| Accrued expenses | 367 | 44 | 198 | 3 | 4 |
| Dividends payable | - | - | 1,386 | - | - |
| Investments purchased | - | - | 4,000 | - | - |
| Total liabilities | <u>367</u> | <u>44</u> | <u>5,584</u> | <u>3</u> | <u>4</u> |
| Net Position | | | | | |
| Held in trust for investment pool participants | 3,266,592 | 212,354 | 709,479 | 81,448 | 109,145 |
| Held in trust for individual investment account holders | - | - | - | - | - |
| Total net position | <u>\$ 3,266,592</u> | <u>\$ 212,354</u> | <u>\$ 709,479</u> | <u>\$ 81,448</u> | <u>\$ 109,145</u> |

(Continued)

| Reserve Pool | Municipal Bond Commission Account | School Fund Account | Economic Development Authority - American Woodmark Account | Total |
|---------------------|--|----------------------------|---|--------------------|
| \$ 19,093 | \$ - | \$ - | \$ - | \$3,685,584 |
| - | 28,257 | 1,252 | 1,686 | 743,777 |
| 33 | 107 | - | 34 | 5,952 |
| - | - | 2 | - | 167 |
| - | - | - | - | 4 |
| <u>33</u> | <u>107</u> | <u>2</u> | <u>34</u> | <u>6,123</u> |
| 19,126 | 28,364 | 1,254 | 1,720 | 4,435,484 |
| - | - | - | - | 616 |
| - | - | - | - | 1,386 |
| - | - | - | - | 4,000 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,002</u> |
| 19,126 | - | - | - | 4,398,144 |
| - | 28,364 | 1,254 | 1,720 | 31,338 |
| <u>\$ 19,126</u> | <u>\$ 28,364</u> | <u>\$ 1,254</u> | <u>\$ 1,720</u> | <u>\$4,429,482</u> |

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

For the Year Ended June 30, 2018

(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 | \$ 16,802 | \$ 1,151 | \$ 15,141 | \$ 1,143 | \$ 1,032 |
| Dividends | 1,452 | 7 | 119 | 10 | 7 |
| Net (amortization) accretion | 19,649 | 1,890 | 22 | - | - |
| Total investment income (loss) | <u>37,903</u> | <u>3,048</u> | <u>15,282</u> | <u>1,153</u> | <u>1,039</u> |
| Investment expenses: | | | | | |
| Investment advisor fees | 719 | 80 | 664 | - | - |
| Custodian bank fees | 90 | 13 | 31 | - | - |
| Administrative fees | 811 | 91 | 268 | 30 | 43 |
| Total investment expenses | <u>1,620</u> | <u>184</u> | <u>963</u> | <u>30</u> | <u>43</u> |
| Net investment income | 36,283 | 2,864 | 14,319 | 1,123 | 996 |
| Net realized gain (loss) from investments | 12 | 2 | (597) | - | - |
| Net increase (decrease) in fair value of investments | <u>-</u> | <u>-</u> | <u>(5,426)</u> | <u>-</u> | <u>-</u> |
| Net increase (decrease) in net position from operations | 36,295 | 2,866 | 8,296 | 1,123 | 996 |
| Participant transaction additions: | | | | | |
| Purchase of pool units by participants | 11,260,936 | 282,092 | 10,987 | 1,061 | 3,663 |
| Reinvestment of pool distributions | 36,262 | 2,865 | 14,032 | 1,123 | 996 |
| Contributions to individual investment accounts | - | - | - | - | - |
| Total participant transaction additions | <u>11,297,198</u> | <u>284,957</u> | <u>25,019</u> | <u>2,184</u> | <u>4,659</u> |
| Total additions | 11,333,493 | 287,823 | 33,315 | 3,307 | 5,655 |
| Deductions | | | | | |
| Distributions to pool participants: | | | | | |
| Net investment income | 36,284 | 2,864 | 14,319 | 1,123 | 996 |
| Net realized gain (loss) from investments | 12 | 2 | (597) | - | - |
| Total distributions to pool participants | <u>36,296</u> | <u>2,866</u> | <u>13,722</u> | <u>1,123</u> | <u>996</u> |
| Participant transaction deductions: | | | | | |
| Redemption of pool units by participants | 9,811,022 | 274,673 | 63,845 | 1,060 | 20,914 |
| Withdrawals from individual investment accounts | - | - | - | - | - |
| Total participant transaction deductions | <u>9,811,022</u> | <u>274,673</u> | <u>63,845</u> | <u>1,060</u> | <u>20,914</u> |
| Total deductions | <u>9,847,318</u> | <u>277,539</u> | <u>77,567</u> | <u>2,183</u> | <u>21,910</u> |
| Net increase (decrease) in net position from operations | 1,486,175 | 10,284 | (44,252) | 1,124 | (16,255) |
| Inter-pool transfers in | | | | | |
| Inter-pool transfers in | 25,250 | - | - | 25,800 | - |
| Inter-pool transfers out | <u>(25,800)</u> | <u>-</u> | <u>-</u> | <u>(25,250)</u> | <u>-</u> |
| Net inter-pool transfers in (out) | <u>(550)</u> | <u>-</u> | <u>-</u> | <u>550</u> | <u>-</u> |
| Change in net position | 1,485,625 | 10,284 | (44,252) | 1,674 | (16,255) |
| Net position at beginning of period | <u>1,780,967</u> | <u>202,070</u> | <u>753,731</u> | <u>79,774</u> | <u>125,400</u> |
| Net position at end of period | <u>\$ 3,266,592</u> | <u>\$ 212,354</u> | <u>\$ 709,479</u> | <u>\$ 81,448</u> | <u>\$ 109,145</u> |

(Continued)

| <u>Reserve Pool</u> | <u>Municipal Bond Commission Account</u> | <u>School Fund Account</u> | <u>Economic Development Authority - American Woodmark Account</u> | <u>Total</u> |
|---------------------|--|----------------------------|---|---------------------|
| \$ 234 | \$ 400 | \$ - | \$ 91 | \$ 35,994 |
| 38 | - | 15 | - | 1,648 |
| - | (81) | - | (15) | 21,465 |
| <u>272</u> | <u>319</u> | <u>15</u> | <u>76</u> | <u>59,107</u> |
| - | - | - | - | 1,463 |
| - | - | - | - | 134 |
| - | 1 | - | 1 | 1,245 |
| <u>-</u> | <u>1</u> | <u>-</u> | <u>1</u> | <u>2,842</u> |
| 272 | 318 | 15 | 75 | 56,265 |
| - | - | - | - | (583) |
| - | 64 | - | (98) | (5,460) |
| <u>272</u> | <u>382</u> | <u>15</u> | <u>(23)</u> | <u>50,222</u> |
| 248 | - | - | - | 11,558,987 |
| 272 | - | - | - | 55,550 |
| - | 8,598 | 709 | - | 9,307 |
| <u>520</u> | <u>8,598</u> | <u>709</u> | <u>-</u> | <u>11,623,844</u> |
| 792 | 8,980 | 724 | (23) | 11,674,066 |
| 272 | - | - | - | 55,858 |
| - | - | - | - | (583) |
| <u>272</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>55,275</u> |
| 248 | - | - | - | 10,171,762 |
| - | 16,497 | 888 | 89 | 17,474 |
| <u>248</u> | <u>16,497</u> | <u>888</u> | <u>89</u> | <u>10,189,236</u> |
| 520 | 16,497 | 888 | 89 | 10,244,511 |
| 272 | (7,517) | (164) | (112) | 1,429,555 |
| - | - | - | - | 51,050 |
| - | - | - | - | (51,050) |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 272 | (7,517) | (164) | (112) | 1,429,555 |
| 18,854 | 35,881 | 1,418 | 1,832 | 2,999,927 |
| <u>\$ 19,126</u> | <u>\$ 28,364</u> | <u>\$ 1,254</u> | <u>\$ 1,720</u> | <u>\$ 4,429,482</u> |

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

WEST VIRGINIA MONEY MARKET POOL

| <u>SECURITY NAME</u> | <u>% of POOL</u> | <u>COUPON</u> | <u>YIELD</u> | <u>MATURITY</u> | <u>UNITS</u> | <u>AMORTIZED COST</u> | <u>FAIR VALUE*</u> |
|----------------------------------|------------------|---------------|--------------|-----------------|--------------|-----------------------|--------------------|
| <i>U.S. Treasury Notes</i> | | | | | | | |
| United States Treasury | | 2.124 % | F 2.087 % | 07/31/2018 | 10,500 | \$ 10,500 | \$ 10,501 |
| United States Treasury | | 0.750 | 1.952 | 08/31/2018 | 20,000 | 19,961 | 19,962 |
| United States Treasury | | 1.000 | 1.978 | 09/15/2018 | 20,000 | 19,960 | 19,962 |
| United States Treasury | | 0.750 | 2.005 | 09/30/2018 | 20,000 | 19,939 | 19,939 |
| United States Treasury | | 1.375 | 1.988 | 09/30/2018 | 20,000 | 19,970 | 19,970 |
| Total U. S. Treasury Notes | 2.8% | | | | | 90,330 | 90,334 |
| <i>U.S. Treasury Bills</i> | | | | | | | |
| United States Treasury | | 0.000 | 1.757 | 07/05/2018 | 12,000 | 11,998 | 11,998 |
| United States Treasury | | 0.000 | 1.688 | 07/19/2018 | 37,000 | 36,971 | 36,970 |
| United States Treasury | | 0.000 | 1.816 | 08/02/2018 | 20,000 | 19,969 | 19,969 |
| United States Treasury | | 0.000 | 1.884 | 08/09/2018 | 12,000 | 11,977 | 11,977 |
| United States Treasury | | 0.000 | 1.859 | 08/16/2018 | 45,000 | 44,897 | 44,897 |
| United States Treasury | | 0.000 | 1.898 | 08/23/2018 | 20,000 | 19,946 | 19,947 |
| United States Treasury | | 0.000 | 1.915 | 08/30/2018 | 20,000 | 19,938 | 19,939 |
| United States Treasury | | 0.000 | 1.946 | 09/06/2018 | 17,000 | 16,940 | 16,942 |
| United States Treasury | | 0.000 | 1.966 | 09/20/2018 | 5,000 | 4,979 | 4,979 |
| United States Treasury | | 0.000 | 2.045 | 11/08/2018 | 20,000 | 19,856 | 19,858 |
| United States Treasury | | 0.000 | 2.121 | 11/23/2018 | 25,000 | 24,793 | 24,799 |
| United States Treasury | | 0.000 | 2.108 | 12/06/2018 | 20,000 | 19,820 | 19,823 |
| Total U. S. Treasury Bills | 7.7% | | | | | 252,084 | 252,098 |
| <i>Corporate Bonds and Notes</i> | | | | | | | |
| Sumitomo Mitsui Bank | | 2.500 | 2.334 | 07/19/2018 | 5,505 | 5,505 | 5,505 |
| Sumitomo Mitsui Bank | | 1.950 | 2.347 | 07/23/2018 | 9,575 | 9,573 | 9,573 |
| Rabobank Nederland NV | | 2.256 | F 2.256 | 01/10/2019 | 3,000 | 3,000 | 3,000 |
| Total Corporate Bonds and Notes | 0.6% | | | | | 18,078 | 18,078 |
| <i>Commercial Paper</i> | | | | | | | |
| Caterpillar Financial Services | | 0.000 | 2.137 | 07/02/2018 | 10,000 | 10,000 | 10,000 |
| Chariot Funding LLC | | 0.000 | 1.924 | 07/02/2018 | 1,734 | 1,734 | 1,734 |
| DZ Bank AG NY | | 0.000 | 1.917 | 07/02/2018 | 62,279 | 62,279 | 62,279 |
| Liberty Street Funding LLC | | 0.000 | 2.366 | 07/02/2018 | 5,000 | 5,000 | 4,999 |
| LMA Americas LLC | | 0.000 | 2.157 | 07/02/2018 | 5,000 | 5,000 | 5,000 |
| United Overseas Bank | | 0.000 | 2.345 | 07/02/2018 | 10,000 | 10,000 | 9,998 |
| Victory Receivables Corp | | 0.000 | 2.366 | 07/02/2018 | 11,000 | 11,000 | 10,998 |
| Societe Generale | | 0.000 | 2.009 | 07/03/2018 | 25,000 | 24,999 | 24,999 |
| Anglesea Funding LLC | | 0.000 | 2.239 | 07/03/2018 | 10,000 | 9,999 | 9,999 |
| CNPC Finance HK LTD | | 0.000 | 2.282 | 07/03/2018 | 20,000 | 19,999 | 19,999 |
| Skandinaviska Enskilda Bank | | 0.000 | 1.912 | 07/03/2018 | 8,000 | 8,000 | 8,000 |
| Versailles Commercial Paper | | 0.000 | 2.363 | 07/03/2018 | 2,250 | 2,250 | 2,249 |
| Antalis SA | | 0.000 | 2.354 | 07/05/2018 | 5,200 | 5,199 | 5,199 |
| CNPC Finance HK LTD | | 0.000 | 2.262 | 07/05/2018 | 25,000 | 24,995 | 24,995 |
| DZ Bank AG NY | | 0.000 | 2.086 | 07/05/2018 | 15,000 | 14,997 | 14,996 |
| Manhattan Asset Funding | | 0.000 | 2.399 | 07/05/2018 | 2,000 | 2,000 | 1,999 |
| Mitsubishi UFJ Trust & Banking | | 0.000 | 2.044 | 07/06/2018 | 12,000 | 11,997 | 11,997 |
| Victory Receivables Corp | | 0.000 | 2.033 | 07/06/2018 | 12,500 | 12,497 | 12,497 |
| Nieuw Amrsterdam | | 0.000 | 2.262 | 07/06/2018 | 12,000 | 11,997 | 11,997 |
| Antalis SA | | 0.000 | 2.397 | 07/09/2018 | 10,000 | 9,995 | 9,995 |

(Continued on Next Page)
F – Floating rate note security.
** Fair value is determined by a third party pricing service and reported in accordance with GASB 72. Fair value is not determined for loans. Their reported fair value equals amortized cost.*
*** Rate represents last business day of the month.*

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

| WEST VIRGINIA MONEY MARKET POOL (Continued) | | | | | | | |
|--|------------------|---------------|--------------|-----------------|--------------|-----------------------|--------------------|
| <u>SECURITY NAME</u> | <u>% of POOL</u> | <u>COUPON</u> | <u>YIELD</u> | <u>MATURITY</u> | <u>UNITS</u> | <u>AMORTIZED COST</u> | <u>FAIR VALUE*</u> |
| Nissan Motor | | 0.000 | 2.075 | 07/09/2018 | 12,500 | 12,495 | 12,495 |
| Skandinaviska Enskilda Bank | | 0.000 | 1.960 | 07/09/2018 | 8,000 | 7,997 | 7,997 |
| Victory Receivables Corp | | 0.000 | 2.021 | 07/09/2018 | 20,000 | 19,992 | 19,992 |
| ANZ National LTD | | 2.206 | F 2.206 | 07/09/2018 | 5,000 | 5,000 | 5,000 |
| Antalis SA | | 0.000 | 2.111 | 07/10/2018 | 15,000 | 14,993 | 14,993 |
| Manhattan Asset Funding | | 0.000 | 2.011 | 07/10/2018 | 23,940 | 23,929 | 23,929 |
| Barton Capital Corp | | 0.000 | 2.366 | 07/11/2018 | 5,000 | 4,997 | 4,997 |
| Bedford Row Funding Corp | | 2.447 | F 2.447 | 07/11/2018 | 5,000 | 5,000 | 5,000 |
| Antalis SA | | 0.000 | 2.355 | 07/12/2018 | 6,000 | 5,996 | 5,996 |
| Bedford Row Funding Corp | | 0.000 | 1.621 | 07/12/2018 | 10,000 | 9,996 | 9,996 |
| Danske Corp | | 0.000 | 2.325 | 07/12/2018 | 12,000 | 11,992 | 11,992 |
| Gotham Funding Corp | | 0.000 | 2.022 | 07/12/2018 | 5,000 | 4,997 | 4,997 |
| LMA Americas LLC | | 0.000 | 2.082 | 07/12/2018 | 16,000 | 15,991 | 15,991 |
| Manhattan Asset Funding | | 0.000 | 2.082 | 07/12/2018 | 35,000 | 34,980 | 34,980 |
| Barton Capital Corp | | 0.000 | 2.137 | 07/09/2018 | 24,000 | 23,985 | 23,985 |
| NRW Bank | | 0.000 | 2.096 | 07/09/2018 | 10,000 | 9,994 | 9,994 |
| Sheffield Receivables | | 0.000 | 2.367 | 07/09/2018 | 12,000 | 11,991 | 11,991 |
| Industrial & Commercial Bank | | 0.000 | 2.194 | 07/09/2018 | 15,000 | 14,987 | 14,987 |
| Thunder Bay Funding | | 0.000 | 2.346 | 07/10/2018 | 10,000 | 9,991 | 9,990 |
| Collateralized CP Co LLC | | 0.000 | 1.720 | 07/10/2018 | 2,000 | 1,999 | 1,999 |
| MUFG Bank LTD/NY | | 0.000 | 2.366 | 07/11/2018 | 10,000 | 9,990 | 9,990 |
| Toyota Credit Puerto Rico | | 0.000 | 1.700 | 07/11/2018 | 9,000 | 8,993 | 8,990 |
| Mitsubishi UFJ Trust & Banking | | 0.000 | 2.376 | 07/11/2018 | 12,000 | 11,987 | 11,987 |
| Albion Capital Corp | | 0.000 | 2.167 | 07/12/2018 | 25,402 | 25,375 | 25,375 |
| Bank of Nova Scotia | | 2.254 | F 2.254 | 07/12/2018 | 5,000 | 5,000 | 5,000 |
| Toyota Credit Canada | | 0.000 | 2.408 | 07/12/2018 | 10,000 | 9,986 | 9,987 |
| Matchpoint Finance PLC | | 0.000 | 2.387 | 07/12/2018 | 20,000 | 19,973 | 19,973 |
| Nieuw Amrsterdam | | 0.000 | 2.114 | 07/12/2018 | 25,000 | 24,970 | 24,970 |
| Collateralized CP Co LLC | | 0.000 | 1.741 | 07/12/2018 | 5,000 | 4,995 | 4,995 |
| Old Line Funding LLC | | 0.000 | 2.351 | 07/13/2018 | 5,000 | 4,993 | 4,993 |
| DBS Bank LTD | | 0.000 | 2.061 | 07/13/2018 | 11,500 | 11,484 | 11,484 |
| Federation Des Caisses | | 0.000 | 2.102 | 07/13/2018 | 25,000 | 24,965 | 24,965 |
| Albion Capital Corp | | 0.000 | 2.188 | 07/16/2018 | 10,000 | 9,985 | 9,985 |
| Collateralized CP Co LLC | | 0.000 | 1.772 | 07/16/2018 | 2,500 | 2,497 | 2,497 |
| Gotham Funding Corp | | 0.000 | 2.335 | 07/17/2018 | 6,000 | 5,989 | 5,989 |
| DNB Bank ASA | | 2.253 | F 2.136 | 07/18/2018 | 6,000 | 6,000 | 6,000 |
| Bank of Nova Scotia | | 2.263 | F 2.264 | 07/19/2018 | 4,000 | 4,000 | 4,000 |
| Collateralized CP Co LLC | | 2.313 | F 2.314 | 07/19/2018 | 5,000 | 5,000 | 5,000 |
| MUFG Bank LTD/NY | | 0.000 | 2.356 | 07/19/2018 | 6,000 | 5,988 | 5,988 |
| Bedford Row Funding Corp | | 0.000 | 2.413 | 07/20/2018 | 4,000 | 3,992 | 3,992 |
| Nieuw Amrsterdam | | 0.000 | 2.138 | 07/20/2018 | 15,000 | 14,974 | 14,974 |
| Credit Suisse First Boston NY | | 0.000 | 2.366 | 07/20/2018 | 10,000 | 9,980 | 9,980 |
| MUFG Bank LTD/NY | | 0.000 | 2.379 | 07/23/2018 | 10,000 | 9,980 | 9,980 |
| Canadian Imperial Bank | | 2.260 | F 2.171 | 07/23/2018 | 10,000 | 10,000 | 10,000 |
| Old Line Funding LLC | | 2.260 | F 2.171 | 07/23/2018 | 5,000 | 5,000 | 5,000 |
| Cancara Asset Sec LLC | | 0.000 | 2.315 | 07/24/2018 | 10,000 | 9,978 | 9,978 |
| Collateralized CP Co LLC | | 0.000 | 1.782 | 07/24/2018 | 5,000 | 4,991 | 4,991 |
| HSBC Bank PLLC | | 2.246 | F 2.217 | 07/25/2018 | 3,500 | 3,500 | 3,500 |
| Barton Capital Corp | | 0.000 | 2.157 | 07/26/2018 | 25,000 | 24,947 | 24,947 |
| Cancara Asset Sec LLC | | 0.000 | 2.325 | 07/26/2018 | 5,000 | 4,988 | 4,988 |
| Barton Capital Corp | | 0.000 | 2.218 | 07/27/2018 | 25,000 | 24,941 | 24,941 |
| Toronto Dominion Bank | | 0.000 | 2.253 | 07/27/2018 | 12,000 | 11,971 | 11,971 |
| Banque Et Caisse Epargne | | 0.000 | 2.090 | 07/30/2018 | 5,000 | 4,988 | 4,988 |
| Kells Funding LLC | | 0.000 | 2.188 | 07/30/2018 | 5,000 | 4,987 | 4,987 |
| NRW Bank | | 0.000 | 2.198 | 07/30/2018 | 20,000 | 19,950 | 19,950 |

(Continued on Next Page)

F – Floating rate note security.

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

** Rate represents last business day of the month.

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

| WEST VIRGINIA MONEY MARKET POOL (Continued) | | | | | | | |
|--|------------------|---------------|--------------|-----------------|--------------|-----------------------|--------------------|
| <u>SECURITY NAME</u> | <u>% of POOL</u> | <u>COUPON</u> | <u>YIELD</u> | <u>MATURITY</u> | <u>UNITS</u> | <u>AMORTIZED COST</u> | <u>FAIR VALUE*</u> |
| Old Line Funding LLC | | 0.000 | 2.390 | 07/31/2018 | 9,000 | 8,975 | 8,976 |
| Sheffield Receivables | | 0.000 | 2.325 | 07/31/2018 | 4,000 | 3,989 | 3,989 |
| Starbird Funding Corp | | 0.000 | 2.346 | 08/01/2018 | 15,000 | 14,960 | 14,960 |
| Barton Capital Corp | | 0.000 | 2.213 | 08/01/2018 | 25,000 | 24,935 | 24,935 |
| Albion Capital Corp | | 0.000 | 2.346 | 08/01/2018 | 8,500 | 8,476 | 8,475 |
| Old Line Funding LLC | | 0.000 | 2.423 | 08/02/2018 | 5,000 | 4,985 | 4,986 |
| Alpine Securitization | | 2.313 | F 2.313 | 08/02/2018 | 5,350 | 5,350 | 5,350 |
| Caterpillar Financial Services | | 0.000 | 2.239 | 08/02/2018 | 10,000 | 9,972 | 9,972 |
| MUFG Bank LTD/NY | | 0.000 | 2.454 | 08/03/2018 | 10,000 | 9,967 | 9,967 |
| Starbird Funding Corp | | 0.000 | 2.335 | 08/03/2018 | 12,000 | 11,962 | 11,963 |
| Sheffield Receivables | | 0.000 | 2.315 | 08/03/2018 | 12,000 | 11,962 | 11,962 |
| Sheffield Receivables | | 0.000 | 2.476 | 08/06/2018 | 10,000 | 9,966 | 9,967 |
| Charta LLC | | 0.000 | 2.210 | 08/06/2018 | 25,000 | 24,922 | 24,922 |
| CAFCO LLC | | 0.000 | 2.231 | 08/06/2018 | 25,000 | 24,919 | 24,919 |
| Mizuho Bank Ltd | | 0.000 | 2.315 | 08/07/2018 | 5,000 | 4,982 | 4,983 |
| Old Line Funding LLC | | 0.000 | 2.348 | 08/09/2018 | 4,000 | 3,986 | 3,986 |
| Versailles Commercial Paper | | 2.353 | F 2.353 | 08/10/2018 | 10,000 | 10,000 | 10,000 |
| Barton Capital Corp | | 0.000 | 2.324 | 08/10/2018 | 8,000 | 7,971 | 7,971 |
| Old Line Funding LLC | | 0.000 | 2.251 | 08/10/2018 | 7,000 | 6,975 | 6,975 |
| Cancara Asset Sec LLC | | 0.000 | 2.305 | 08/10/2018 | 10,000 | 9,962 | 9,961 |
| Gotham Funding Corp | | 0.000 | 2.314 | 08/13/2018 | 20,000 | 19,918 | 19,918 |
| Barton Capital Corp | | 0.000 | 2.346 | 08/13/2018 | 6,000 | 5,975 | 5,974 |
| Gotham Funding Corp | | 0.000 | 2.323 | 08/13/2018 | 12,015 | 11,965 | 11,965 |
| Collateralized CP Co LLC | | 0.000 | 1.945 | 08/13/2018 | 11,000 | 10,961 | 10,953 |
| Federation Des Caisses | | 0.000 | 2.325 | 08/13/2018 | 25,000 | 24,894 | 24,896 |
| Danske Corp | | 0.000 | 2.284 | 08/13/2018 | 12,900 | 12,844 | 12,841 |
| Sheffield Receivables | | 0.000 | 2.356 | 08/13/2018 | 26,000 | 25,883 | 25,882 |
| Sumitomo Mit/Singapore | | 0.000 | 2.376 | 08/14/2018 | 17,000 | 16,923 | 16,925 |
| DBS Bank LTD | | 0.000 | 2.315 | 08/15/2018 | 11,000 | 10,950 | 10,949 |
| Commonwealth Bank of Australia | | 2.247 | F 2.257 | 08/15/2018 | 5,000 | 5,000 | 5,001 |
| Commonwealth Bank of Australia | | 2.247 | F 2.247 | 08/15/2018 | 3,000 | 3,000 | 3,001 |
| Caterpillar Financial Services | | 0.000 | 2.345 | 08/16/2018 | 24,750 | 24,628 | 24,618 |
| Sumitomo Mit/Singapore | | 0.000 | 2.387 | 08/16/2018 | 17,000 | 16,915 | 16,915 |
| Thunder Bay Funding | | 0.000 | 2.315 | 08/17/2018 | 20,581 | 20,481 | 20,479 |
| Fairway Finance Corp | | 0.000 | 2.336 | 08/20/2018 | 20,000 | 19,899 | 19,897 |
| Sumitomo Mitsui Banking Corp | | 0.000 | 2.346 | 08/20/2018 | 15,000 | 14,922 | 14,921 |
| Manhattan Asset Funding | | 0.000 | 2.345 | 08/20/2018 | 25,000 | 24,866 | 24,857 |
| Sumitomo Mitsui Trust Bank | | 0.000 | 2.335 | 08/21/2018 | 25,000 | 24,866 | 24,863 |
| Old Line Funding Corp | | 0.000 | 2.567 | 08/21/2018 | 5,000 | 4,970 | 4,970 |
| Barton Capital LLC | | 2.231 | F 2.231 | 08/22/2018 | 5,000 | 5,000 | 5,001 |
| Sumitomo Mitsui Trust Bank | | 0.000 | 2.346 | 08/23/2018 | 5,000 | 4,973 | 4,972 |
| Canadian Imperial Bank | | 2.332 | F 2.332 | 08/23/2018 | 9,000 | 9,000 | 9,000 |
| Anglesea Funding LLC | | 0.000 | 2.555 | 08/24/2018 | 10,000 | 9,937 | 9,942 |
| Versailles Commercial Paper | | 0.000 | 2.388 | 08/24/2018 | 25,000 | 24,852 | 24,848 |
| Versailles Commercial Paper | | 0.000 | 2.388 | 08/27/2018 | 10,000 | 9,940 | 9,938 |
| Bedford Row Funding Corp | | 2.487 | F 2.471 | 08/27/2018 | 5,000 | 5,000 | 5,004 |
| Versailles Commercial Paper | | 0.000 | 2.399 | 08/27/2018 | 25,000 | 24,838 | 24,834 |
| Thunder Bay Funding | | 2.296 | F 2.256 | 08/28/2018 | 7,000 | 7,000 | 7,001 |
| Anglesea Funding LLC | | 2.487 | F 2.500 | 08/28/2018 | 15,000 | 15,000 | 15,012 |
| Westpac Banking Corp | | 0.000 | 1.756 | 08/30/2018 | 5,500 | 5,473 | 5,463 |
| Commonwealth Bank of Australia | | 2.273 | F 2.272 | 08/31/2018 | 6,000 | 6,000 | 6,001 |
| Collateralized CP II Co | | 2.488 | F 2.488 | 08/31/2018 | 5,000 | 5,000 | 5,004 |
| United Overseas Bank | | 0.000 | 2.403 | 09/05/2018 | 16,000 | 15,888 | 15,885 |
| Fairway Finance Corp | | 2.425 | F 2.425 | 09/05/2018 | 6,000 | 6,000 | 6,003 |
| Collateralized CP Co LLC | | 2.335 | F 2.338 | 09/06/2018 | 8,600 | 8,600 | 8,602 |
| Old Line Funding LLC | | 0.000 | 2.414 | 09/06/2018 | 18,000 | 17,859 | 17,856 |

(Continued on Next Page)

F – Floating rate note security.

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** Rate represents last business day of the month.

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

| WEST VIRGINIA MONEY MARKET POOL (Continued) | | | | | | | | |
|---|------------------|---------------|--------------|-----------------|--------------|-----------------------|--------------------|--------|
| <u>SECURITY NAME</u> | <u>% of POOL</u> | <u>COUPON</u> | <u>YIELD</u> | <u>MATURITY</u> | <u>UNITS</u> | <u>AMORTIZED COST</u> | <u>FAIR VALUE*</u> | |
| Bedford Row Funding Corp | | 2.509 | F | 2.509 | 09/06/2018 | 5,000 | 5,000 | 5,004 |
| Versailles Commercial Paper | | 2.398 | F | 2.410 | 09/07/2018 | 15,000 | 15,000 | 15,000 |
| Chariot Funding LLC | | 0.000 | | 2.478 | 09/07/2018 | 6,000 | 5,946 | 5,945 |
| Anglesea Funding LLC | | 2.435 | F | 2.447 | 09/10/2018 | 10,000 | 10,000 | 10,000 |
| ANZ National LTD | | 2.325 | F | 2.325 | 09/10/2018 | 6,000 | 6,000 | 6,001 |
| ASB Finance LTD | | 2.485 | F | 2.485 | 09/10/2018 | 6,000 | 6,000 | 6,005 |
| Anglesea Funding LLC | | 2.441 | F | 2.454 | 09/11/2018 | 5,000 | 5,000 | 5,000 |
| Ciesco LLC | | 0.000 | | 2.515 | 09/12/2018 | 5,000 | 4,942 | 4,940 |
| Commonwealth Bank of Australia | | 2.362 | F | 2.362 | 09/13/2018 | 5,000 | 5,000 | 5,003 |
| Collateralized CP II Co | | 2.522 | F | 2.431 | 09/14/2018 | 2,000 | 2,000 | 2,002 |
| Westpac Banking Corp | | 2.320 | F | 2.231 | 09/14/2018 | 5,000 | 5,000 | 5,001 |
| Bedford Row Funding Corp | | 2.306 | F | 2.306 | 09/14/2018 | 5,000 | 5,000 | 5,000 |
| Collateralized CP Co LLC | | 2.489 | F | 2.478 | 09/17/2018 | 5,000 | 5,000 | 5,001 |
| Old Line Funding LLC | | 2.335 | F | 2.335 | 09/17/2018 | 8,000 | 8,000 | 7,998 |
| Toyota Motor Credit Corp | | 2.431 | F | 2.443 | 09/17/2018 | 10,000 | 10,000 | 10,006 |
| Toronto Dominion Bank | | 2.449 | F | 2.438 | 09/19/2018 | 6,000 | 6,000 | 6,000 |
| Toronto Dominion Bank | | 2.300 | F | 2.311 | 09/20/2018 | 5,250 | 5,250 | 5,250 |
| Alpine Securitization | | 2.310 | F | 2.321 | 09/21/2018 | 15,000 | 15,000 | 15,000 |
| Bank of Nova Scotia | | 2.361 | F | 2.361 | 09/21/2018 | 6,000 | 6,000 | 6,000 |
| Commonwealth Bank of Australia | | 2.432 | F | 2.432 | 09/24/2018 | 5,000 | 5,000 | 5,005 |
| Bank of Nova Scotia | | 2.356 | F | 2.271 | 09/24/2018 | 25,000 | 25,000 | 24,991 |
| Collateralized CP Co LLC | | 2.366 | F | 2.285 | 09/25/2018 | 6,000 | 6,000 | 6,000 |
| Australia & New Zealand Bank | | 2.347 | F | 2.281 | 09/25/2018 | 8,000 | 8,000 | 7,999 |
| Canadian Imperial Bank | | 2.367 | F | 2.295 | 09/25/2018 | 6,000 | 6,000 | 6,000 |
| Collateralized CP Co LLC | | 2.387 | F | 2.320 | 09/26/2018 | 5,000 | 5,000 | 5,000 |
| Toronto Dominion Bank | | 2.377 | F | 2.310 | 09/28/2018 | 15,000 | 15,000 | 15,000 |
| Toronto Dominion Bank | | 2.377 | F | 2.310 | 10/01/2018 | 12,000 | 12,000 | 12,000 |
| Canadian Imperial Bank | | 2.542 | F | 2.537 | 10/01/2018 | 5,000 | 5,000 | 5,001 |
| Toronto Dominion Bank | | 2.512 | F | 2.512 | 10/02/2018 | 10,000 | 10,000 | 10,003 |
| Old Line Funding LLC | | 2.488 | F | 2.485 | 10/03/2018 | 10,750 | 10,750 | 10,750 |
| ASB Finance LTD | | 2.506 | F | 2.502 | 10/04/2018 | 5,000 | 5,000 | 5,000 |
| Bedford Row Funding Corp | | 2.407 | F | 2.333 | 10/05/2018 | 30,000 | 30,000 | 29,993 |
| Bedford Row Funding Corp | | 2.437 | F | 2.365 | 10/05/2018 | 5,000 | 5,000 | 5,000 |
| Toronto Dominion Bank | | 2.497 | F | 2.442 | 10/09/2018 | 5,000 | 5,000 | 5,000 |
| Total Commercial Paper | 57.3% | | | | | 1,868,900 | 1,868,873 | |
| <i>Negotiable Certificates of Deposit</i> | | | | | | | | |
| Citibank NA | | 2.240 | | 2.240 | 07/02/2018 | 12,000 | 12,000 | 12,000 |
| Canadian Imperial Bank | | 1.570 | | 1.570 | 07/03/2018 | 5,000 | 5,000 | 5,000 |
| Bank of Montreal | | 2.165 | F | 2.165 | 07/05/2018 | 8,000 | 8,000 | 8,000 |
| Canadian Imperial Bank | | 1.570 | | 1.570 | 07/05/2018 | 5,000 | 5,000 | 5,000 |
| Swedbank AB | | 1.900 | | 1.900 | 07/05/2018 | 5,000 | 5,000 | 5,000 |
| KBC Bank NV NY | | 1.920 | | 1.920 | 07/05/2018 | 25,000 | 25,000 | 25,000 |
| Sumitomo Mitsui Trust | | 1.940 | | 1.940 | 07/05/2018 | 40,000 | 40,000 | 40,000 |
| Canadian Imperial Bank | | 1.590 | | 1.590 | 07/06/2018 | 5,000 | 5,000 | 5,000 |
| Mizuho Bank Ltd | | 2.340 | | 2.340 | 07/06/2018 | 11,000 | 11,000 | 11,000 |
| The Norinchukin Bank | | 2.000 | | 2.000 | 07/11/2018 | 25,000 | 25,000 | 25,000 |
| Toronto Dominion Bank | | 1.600 | | 1.600 | 07/20/2018 | 5,000 | 5,000 | 4,999 |
| Skandivan Enskilda Bank NY | | 1.910 | | 1.910 | 07/25/2018 | 6,000 | 6,000 | 6,000 |
| Wells Fargo Bank | | 2.000 | | 2.000 | 07/30/2018 | 10,000 | 10,000 | 10,000 |
| Bank of Montreal | | 2.100 | | 2.100 | 08/03/2018 | 10,000 | 10,000 | 10,000 |
| Credit Industrial | | 1.590 | | 2.240 | 08/10/2018 | 1,400 | 1,399 | 1,399 |
| Skandivan Enskilda Bank NY | | 2.425 | F | 2.425 | 08/13/2018 | 6,000 | 6,000 | 6,003 |
| Bank of Montreal | | 2.660 | F | 2.476 | 08/16/2018 | 3,400 | 3,401 | 3,401 |

(Continued on Next Page)

F – Floating rate note security.

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** Rate represents last business day of the month.

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

| WEST VIRGINIA MONEY MARKET POOL (Continued) | | | | | | | | |
|--|------------------|---------------|--------------|-----------------|--------------|-----------------------|--------------------|--------|
| <u>SECURITY NAME</u> | <u>% of POOL</u> | <u>COUPON</u> | <u>YIELD</u> | <u>MATURITY</u> | <u>UNITS</u> | <u>AMORTIZED COST</u> | <u>FAIR VALUE*</u> | |
| Westpac Banking Corp | | 2.264 | F | 2.264 | 08/20/2018 | 5,000 | 5,000 | 5,001 |
| Sumitomo Mitsui Bank NY | | 2.388 | F | 2.388 | 08/21/2018 | 2,500 | 2,500 | 2,501 |
| Svenska Handelsbanken NY | | 2.261 | F | 2.241 | 08/24/2018 | 25,000 | 25,001 | 25,006 |
| Natixis | | 2.340 | | 2.340 | 08/31/2018 | 20,000 | 20,000 | 20,007 |
| Toronto Dominion Bank | | 2.325 | F | 2.325 | 09/05/2018 | 6,000 | 6,000 | 6,003 |
| Svenska Handelsbanken NY | | 2.378 | F | 2.346 | 09/11/2018 | 6,000 | 6,000 | 6,003 |
| Mitsubishi UFJ Trust & Banking | | 2.320 | | 2.320 | 09/13/2018 | 12,000 | 12,000 | 12,002 |
| Westpac Banking Corp | | 1.570 | | 1.570 | 09/14/2018 | 2,500 | 2,500 | 2,497 |
| Bank of Montreal | | 2.298 | F | 2.298 | 09/21/2018 | 10,000 | 10,000 | 10,000 |
| Toronto Dominion Bank | | 2.321 | F | 2.321 | 09/25/2018 | 5,000 | 5,000 | 5,002 |
| Sumitomo Mitsui Trust | | 2.320 | | 2.320 | 10/03/2018 | 15,000 | 15,000 | 15,001 |
| Toronto Dominion Bank | | 2.290 | F | 2.191 | 10/04/2018 | 6,000 | 6,000 | 6,001 |
| Royal Bank of Canada | | 1.700 | | 2.050 | 10/05/2018 | 500 | 500 | 499 |
| Bank of Montreal | | 2.386 | F | 2.386 | 10/09/2018 | 6,000 | 6,000 | 6,003 |
| Canadian Imperial Bank | | 2.445 | F | 2.445 | 10/16/2018 | 6,000 | 6,000 | 6,004 |
| Royal Bank of Canada | | 2.383 | F | 2.383 | 10/17/2018 | 6,000 | 6,000 | 5,999 |
| Bank of Montreal | | 2.325 | F | 2.325 | 10/17/2018 | 5,000 | 5,000 | 5,001 |
| Skandinavisk Enskilda Bank NY | | 2.415 | F | 2.415 | 10/17/2018 | 6,000 | 6,000 | 6,003 |
| Canadian Imperial Bank | | 2.325 | F | 2.325 | 10/18/2018 | 3,000 | 3,000 | 3,000 |
| Oversea-Chinese Banking | | 2.275 | F | 2.864 | 10/18/2018 | 20,000 | 20,000 | 20,002 |
| Canadian Imperial Bank | | 2.324 | F | 2.324 | 10/22/2018 | 3,000 | 3,000 | 3,000 |
| DNB Bank ASA | | 2.384 | F | 2.384 | 10/22/2018 | 6,000 | 6,000 | 6,003 |
| Toronto Dominion Bank | | 1.750 | | 1.750 | 10/22/2018 | 5,000 | 5,000 | 4,991 |
| Svenska Handelsbanken NY | | 2.271 | F | 2.271 | 10/23/2018 | 4,000 | 4,000 | 4,000 |
| Bank of Montreal | | 2.331 | F | 2.331 | 10/25/2018 | 5,000 | 5,000 | 5,000 |
| Wells Fargo Bank | | 2.313 | F | 2.324 | 10/26/2018 | 5,000 | 5,000 | 5,001 |
| DNB Bank ASA | | 2.354 | F | 2.236 | 10/30/2018 | 6,000 | 6,000 | 6,002 |
| Canadian Imperial Bank | | 2.307 | F | 2.307 | 11/13/2018 | 7,000 | 7,000 | 7,001 |
| Oversea-Chinese Banking | | 2.317 | F | 2.270 | 11/13/2018 | 5,500 | 5,501 | 5,502 |
| Oversea-Chinese Banking | | 2.327 | F | 2.327 | 11/14/2018 | 6,000 | 6,000 | 6,002 |
| Svenska Handelsbanken NY | | 2.275 | F | 2.275 | 11/19/2018 | 6,000 | 6,000 | 6,000 |
| Royal Bank of Canada | | 2.403 | F | 2.403 | 11/27/2018 | 6,000 | 6,000 | 6,003 |
| Sumitomo Mitsui Bank NY | | 2.354 | F | 2.354 | 11/29/2018 | 5,000 | 5,000 | 5,001 |
| Royal Bank of Canada | | 2.474 | F | 2.474 | 12/06/2018 | 5,000 | 5,000 | 5,004 |
| Rabobank Nederland NV | | 2.195 | F | 2.195 | 12/07/2018 | 8,000 | 8,000 | 7,999 |
| Citibank NA | | 2.486 | F | 2.487 | 12/12/2018 | 6,000 | 6,000 | 6,005 |
| Swedbank AB | | 2.257 | F | 2.236 | 12/12/2018 | 15,000 | 15,000 | 15,002 |
| Wells Fargo Bank | | 2.517 | F | 2.517 | 12/27/2018 | 8,000 | 8,000 | 8,007 |
| Royal Bank of Canada | | 2.458 | F | 2.458 | 01/03/2019 | 3,000 | 3,000 | 3,003 |
| ASB Finance LTD | | 2.487 | F | 2.462 | 01/04/2019 | 6,000 | 6,000 | 6,006 |
| Bank of Nova Scotia | | 2.487 | F | 2.462 | 01/04/2019 | 6,000 | 6,000 | 6,002 |
| Bank of Montreal | | 2.251 | F | 2.251 | 01/04/2019 | 5,000 | 5,000 | 5,000 |
| Royal Bank of Canada | | 2.251 | F | 2.251 | 01/04/2019 | 3,000 | 3,000 | 3,001 |
| Royal Bank of Canada | | 2.501 | F | 2.495 | 01/04/2019 | 5,000 | 5,000 | 5,003 |
| Bank of Montreal | | 2.275 | F | 2.275 | 01/07/2019 | 5,000 | 5,000 | 5,000 |
| Svenska Handelsbanken NY | | 2.394 | F | 2.399 | 01/28/2019 | 5,000 | 4,999 | 4,998 |
| Bank of Montreal | | 2.439 | F | 2.428 | 02/01/2019 | 6,000 | 6,000 | 5,998 |
| Wells Fargo Bank | | 2.528 | F | 2.528 | 02/01/2019 | 5,000 | 5,000 | 5,004 |
| Bank of Montreal | | 2.455 | F | 2.455 | 02/14/2019 | 6,000 | 6,000 | 6,000 |
| Bank of Montreal | | 2.364 | F | 2.364 | 02/22/2019 | 5,000 | 5,000 | 5,001 |
| Canadian Imperial Bank | | 2.480 | F | 2.480 | 03/01/2019 | 5,000 | 5,000 | 5,006 |
| Bank of Nova Scotia | | 2.283 | F | 2.283 | 03/06/2019 | 10,000 | 10,000 | 9,999 |
| Westpac Banking Corp | | 2.526 | F | 2.527 | 03/12/2019 | 5,000 | 5,000 | 5,009 |
| Skandinavisk Enskilda Bank NY | | 2.287 | F | 2.287 | 03/14/2019 | 8,000 | 8,000 | 7,999 |
| Nordea Bank AB NY | | 2.541 | F | 2.541 | 03/15/2019 | 7,000 | 7,000 | 7,006 |

(Continued on Next Page)

F – Floating rate note security.

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** Rate represents last business day of the month.

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

| WEST VIRGINIA MONEY MARKET POOL (Continued) | | | | | | | |
|--|------------------|---------------|--------------|-----------------|--------------|-----------------------|---------------------|
| <u>SECURITY NAME</u> | <u>% of POOL</u> | <u>COUPON</u> | <u>YIELD</u> | <u>MATURITY</u> | <u>UNITS</u> | <u>AMORTIZED COST</u> | <u>FAIR VALUE*</u> |
| Bank of Montreal | | 2.585 | F | 2.585 | 03/18/2019 | 5,000 | 5,000 |
| Royal Bank of Canada | | 2.605 | F | 2.605 | 03/20/2019 | 5,000 | 5,007 |
| Wells Fargo Bank | | 2.594 | F | 2.594 | 03/22/2019 | 10,000 | 10,018 |
| Wells Fargo Bank | | 2.567 | F | 2.569 | 04/12/2019 | 5,000 | 5,004 |
| Wells Fargo Bank | | 2.563 | F | 2.563 | 04/17/2019 | 15,000 | 15,009 |
| Canadian Imperial Bank | | 2.542 | F | 2.535 | 04/18/2019 | 5,000 | 5,000 |
| Toronto Dominion Bank | | 2.491 | F | 2.491 | 04/23/2019 | 5,000 | 5,004 |
| Wells Fargo Bank | | 2.560 | F | 2.560 | 04/25/2019 | 5,000 | 5,002 |
| Svenska Handelsbanken NY | | 2.459 | F | 2.459 | 04/30/2019 | 6,000 | 6,000 |
| Nordea Bank AB NY | | 2.401 | F | 2.401 | 05/21/2019 | 6,000 | 5,997 |
| Canadian Imperial Bank | | 2.441 | F | 2.441 | 05/24/2019 | 10,000 | 10,000 |
| Wells Fargo Bank | | 2.461 | F | 2.468 | 06/07/2019 | 25,000 | 24,998 |
| Royal Bank of Canada | | 2.539 | F | 2.489 | 06/07/2019 | 5,000 | 5,000 |
| Total Negotiable Certificates of Deposit | 20.2% | | | | | 663,801 | 663,934 |
| <i>Repurchase Agreements</i> | | | | | | | |
| Goldman, Sachs & Co | | 2.050 | | 2.050 | 07/02/2018 | 33,800 | 33,800 |
| Merrill Lynch PFS Inc | | 2.100 | | 2.100 | 07/02/2018 | 194,000 | 194,000 |
| Total Repurchase Agreements | 7.0% | | | | | 227,800 | 227,800 |
| <i>Money Market Funds</i> | | | | | | | |
| Federated | | 1.850 | ** | | 200 | 200 | 200 |
| Federated | | 2.110 | ** | | 141,993 | 142,005 | 142,007 |
| BlackRock Liquidity | | 1.840 | ** | | 862 | 862 | 862 |
| Total Money Market Funds | 4.4% | | | | | 143,067 | 143,069 |
| Total Money Market Pool | 100.0% | | | | | \$ 3,264,060 | \$ 3,264,186 |

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 Notes</i> | | | | | | | |
| United States Treasury | | 0.625 % | F | 1.777 % | 06/30/2018 | 2,000 | \$ 2,000 |
| United States Treasury | | 0.750 | F | 1.987 | 09/30/2018 | 9,000 | 8,973 |
| Total U. S. Treasury Notes | 5.2% | | | | | 10,973 | 10,973 |
| <i>U.S. Treasury Bills</i> | | | | | | | |
| United States Treasury | | 0.000 | | 1.775 | 07/05/2018 | 1,000 | 1,000 |
| United States Treasury | | 0.000 | | 1.620 | 07/19/2018 | 2,000 | 1,998 |
| United States Treasury | | 0.000 | | 1.625 | 07/26/2018 | 4,000 | 3,996 |
| United States Treasury | | 0.000 | | 1.846 | 08/09/2018 | 6,000 | 5,988 |
| United States Treasury | | 0.000 | | 1.907 | 08/16/2018 | 3,000 | 2,993 |
| United States Treasury | | 0.000 | | 1.898 | 08/23/2018 | 4,000 | 3,989 |
| United States Treasury | | 0.000 | | 1.946 | 09/06/2018 | 4,000 | 3,986 |
| Total U. S. Treasury Bills | 11.3% | | | | | 23,950 | 23,949 |

(Continued on Next Page)

F – Floating rate note security.

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** Rate represents last business day of the month.

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

| WEST VIRGINIA GOVERNMENT MONEY MARKET POOL (Continued) | | | | | | | |
|---|------------------|---------------|--------------|-----------------|--------------|-----------------------|--------------------|
| <u>SECURITY NAME</u> | <u>% of POOL</u> | <u>COUPON</u> | <u>YIELD</u> | <u>MATURITY</u> | <u>UNITS</u> | <u>AMORTIZED COST</u> | <u>FAIR VALUE*</u> |
| <i>U. S. Government Agency Bonds and Notes</i> | | | | | | | |
| Federal Home Loan Bank | | 1.850 | F | 1.850 | 07/05/2018 | 2,000 | 2,000 |
| Federal Home Loan Mort Corp | | 2.123 | F | 2.123 | 07/17/2018 | 1,000 | 1,000 |
| Federal Home Loan Bank | | 1.961 | F | 1.961 | 07/25/2018 | 1,000 | 1,000 |
| Federal Home Loan Bank | | 1.928 | F | 1.928 | 08/15/2018 | 1,000 | 1,000 |
| Federal Home Loan Bank | | 1.976 | F | 1.976 | 08/24/2018 | 1,000 | 1,000 |
| Federal Home Loan Bank | | 1.921 | F | 1.921 | 09/12/2018 | 1,000 | 1,000 |
| Federal Home Loan Bank | | 2.005 | F | 2.005 | 09/17/2018 | 1,500 | 1,500 |
| Federal Home Loan Bank | | 1.865 | F | 1.865 | 10/05/2018 | 2,000 | 2,000 |
| Federal Home Loan Bank | | 1.916 | F | 1.916 | 10/10/2018 | 2,500 | 2,500 |
| Federal Home Loan Bank | | 1.911 | F | 1.911 | 10/12/2018 | 1,000 | 1,000 |
| Federal Home Loan Bank | | 1.906 | F | 1.906 | 10/12/2018 | 1,000 | 1,000 |
| Federal Home Loan Bank | | 1.945 | F | 1.945 | 10/16/2018 | 1,000 | 1,000 |
| Federal Home Loan Bank | | 1.955 | F | 1.955 | 10/16/2018 | 1,000 | 1,000 |
| Federal Home Loan Bank | | 2.152 | F | 2.184 | 10/26/2018 | 1,000 | 1,000 |
| Federal Home Loan Bank | | 1.982 | F | 1.990 | 10/26/2018 | 1,000 | 1,000 |
| Federal Home Loan Bank | | 1.901 | F | 1.901 | 11/02/2018 | 1,000 | 1,000 |
| Federal Home Loan Bank | | 1.940 | F | 1.939 | 11/08/2018 | 1,000 | 1,000 |
| Federal Home Loan Bank | | 1.935 | F | 1.935 | 11/16/2018 | 1,000 | 1,000 |
| Federal Home Loan Bank | | 1.959 | F | 1.959 | 11/20/2018 | 1,000 | 1,000 |
| Federal Home Loan Bank | | 1.978 | F | 1.978 | 11/27/2018 | 1,000 | 1,000 |
| Federal Home Loan Bank | | 1.943 | F | 1.949 | 11/29/2018 | 1,000 | 1,000 |
| Federal Home Loan Bank | | 1.915 | F | 1.915 | 12/07/2018 | 1,250 | 1,250 |
| Federal Home Loan Bank | | 1.975 | F | 1.975 | 12/17/2018 | 1,500 | 1,500 |
| Federal Home Loan Bank | | 1.985 | F | 1.985 | 12/18/2018 | 1,000 | 1,000 |
| Federal Home Loan Bank | | 1.970 | F | 1.970 | 12/18/2018 | 2,000 | 2,000 |
| Federal Home Loan Bank | | 1.993 | F | 1.993 | 12/21/2018 | 1,300 | 1,300 |
| Federal Home Loan Bank | | 1.976 | F | 1.976 | 12/24/2018 | 2,000 | 2,000 |
| Federal Home Loan Bank | | 2.032 | F | 2.032 | 12/28/2018 | 1,250 | 1,250 |
| Federal Home Loan Bank | | 1.967 | F | 1.967 | 01/28/2019 | 1,000 | 1,000 |
| Federal Home Loan Bank | | 1.921 | F | 1.921 | 02/04/2019 | 1,000 | 1,000 |
| Federal Home Loan Bank | | 1.870 | F | 1.870 | 02/05/2019 | 1,000 | 1,000 |
| Federal Home Loan Bank | | 1.900 | F | 1.900 | 02/08/2019 | 2,000 | 2,000 |
| Federal Home Loan Bank | | 1.979 | F | 1.979 | 02/22/2019 | 1,000 | 1,000 |
| Federal Home Loan Bank | | 2.021 | F | 1.980 | 02/25/2019 | 1,000 | 1,000 |
| Federal Home Loan Bank | | 2.079 | F | 2.085 | 03/06/2019 | 1,000 | 1,000 |
| Federal Home Loan Bank | | 2.005 | F | 2.005 | 03/19/2019 | 1,000 | 1,000 |
| Federal Home Loan Bank | | 1.927 | F | 1.954 | 03/22/2019 | 2,000 | 2,000 |
| Federal Home Loan Bank | | 1.923 | F | 1.931 | 04/05/2019 | 2,500 | 2,500 |
| Federal Home Loan Bank | | 1.997 | F | 1.985 | 04/10/2019 | 1,500 | 1,500 |
| Federal Home Loan Bank | | 1.997 | F | 2.019 | 04/24/2019 | 1,000 | 1,000 |
| Federal Farm Credit Bank | | 2.007 | F | 1.896 | 05/30/2019 | 1,000 | 1,000 |
| Total U. S. Government Agency Bonds and Notes | 24.6% | | | | | 52,300 | 52,297 |
| <i>U.S. Agency Discount Notes</i> | | | | | | | |
| Federal Farm Credit Bank | | 0.000 | | 1.835 | 07/05/2018 | 31,000 | 30,995 |
| Federal Home Loan Bank | | 0.000 | | 1.779 | 07/06/2018 | 3,000 | 2,999 |
| Federal Home Loan Bank | | 0.000 | | 1.772 | 07/09/2018 | 300 | 300 |
| Federal Home Loan Bank | | 0.000 | | 1.767 | 07/09/2018 | 1,500 | 1,500 |
| Federal Home Loan Bank | | 0.000 | | 1.870 | 07/10/2018 | 3,000 | 2,999 |
| Federal Home Loan Bank | | 0.000 | | 1.844 | 07/13/2018 | 5,500 | 5,497 |
| Federal Home Loan Bank | | 0.000 | | 1.894 | 07/18/2018 | 12,000 | 11,990 |

(Continued on Next Page)

F – Floating rate note security.

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** Rate represents last business day of the month.

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

| WEST VIRGINIA GOVERNMENT MONEY MARKET POOL (Continued) | | | | | | | |
|---|------------------|---------------|--------------|-----------------|--------------|-----------------------|--------------------|
| <u>SECURITY NAME</u> | <u>% of POOL</u> | <u>COUPON</u> | <u>YIELD</u> | <u>MATURITY</u> | <u>UNITS</u> | <u>AMORTIZED COST</u> | <u>FAIR VALUE*</u> |
| Federal Home Loan Bank | | 0.000 | 1.917 | 08/01/2018 | 7,000 | 6,989 | 6,989 |
| Federal Home Loan Bank | | 0.000 | 1.885 | 08/03/2018 | 1,000 | 998 | 998 |
| Federal Home Loan Bank | | 0.000 | 1.921 | 08/06/2018 | 1,000 | 998 | 998 |
| Federal Home Loan Bank | | 0.000 | 1.927 | 08/07/2018 | 1,000 | 998 | 999 |
| Federal Home Loan Bank | | 0.000 | 1.914 | 08/08/2018 | 1,000 | 998 | 998 |
| Federal Home Loan Bank | | 0.000 | 1.896 | 08/14/2018 | 2,000 | 1,997 | 1,995 |
| Federal Home Loan Bank | | 0.000 | 1.936 | 08/15/2018 | 4,000 | 3,991 | 3,991 |
| Federal Home Loan Bank | | 0.000 | 1.944 | 09/12/2018 | 2,500 | 2,490 | 2,490 |
| Federal Home Loan Bank | | 0.000 | 1.989 | 10/04/2018 | 1,000 | 995 | 995 |
| Total U.S. Agency Discount Notes | 36.1% | | | | | 76,734 | 76,733 |
| <i>Repurchase Agreements</i> | | | | | | | |
| Goldman, Sachs & Co | | 2.050 | 2.050 | 07/02/2018 | 48,100 | 48,100 | 48,101 |
| Total Repurchase Agreements | 22.7% | | | | | 48,100 | 48,101 |
| <i>Money Market Funds</i> | | | | | | | |
| BlackRock Liquidity | | 1.840 ** | | | 247 | 247 | 247 |
| Total Money Market Funds | 0.1% | | | | | 247 | 247 |
| Total Government Money Market Pool | 100.0% | | | | | \$ 212,304 | \$ 212,300 |

| 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 Notes and Bonds</i> | | | | | | | |
| United States Treasury | | 0.750 % | 0.920 % | 08/15/2019 | 18,500 | \$ 18,465 | \$ 18,162 |
| United States Treasury | | 1.000 | 0.992 | 10/15/2019 | 39,000 | 39,004 | 38,288 |
| United States Treasury | | 1.500 | 1.763 | 10/31/2019 | 11,000 | 10,962 | 10,863 |
| United States Treasury | | 1.375 | 1.536 | 12/15/2019 | 2,000 | 1,996 | 1,969 |
| United States Treasury | | 1.875 | 1.893 | 12/31/2019 | 10,000 | 9,997 | 9,911 |
| United States Treasury | | 2.500 | 2.551 | 05/31/2020 | 3,000 | 2,997 | 2,998 |
| United States Treasury | | 2.500 | 2.508 | 06/30/2020 | 4,000 | 3,999 | 3,998 |
| Total U. S. Treasury Notes and Bonds | 12.1% | | | | | 87,420 | 86,189 |
| <i>U.S. Agency Collateralized Mortgage Obligations</i> | | | | | | | |
| Federal Home Loan Mort Corp | | 2.169 | F 2.433 | 03/15/2021 | 15 | 15 | 15 |
| Federal Home Loan Mort Corp | | 2.169 | F 2.431 | 06/15/2021 | 9 | 9 | 9 |
| Federal Home Loan Mort Corp | | 2.573 | F 2.582 | 04/15/2027 | 151 | 151 | 153 |
| Federal Home Loan Mort Corp | | 2.573 | F 2.583 | 04/15/2028 | 173 | 173 | 174 |
| Federal Home Loan Mort Corp | | 2.273 | F 2.356 | 10/15/2028 | 283 | 282 | 282 |
| Federal Home Loan Mort Corp | | 2.423 | F 2.482 | 04/15/2029 | 226 | 226 | 226 |
| Federal Home Loan Mort Corp | | 2.673 | F 2.672 | 08/15/2030 | 115 | 115 | 117 |
| Federal Home Loan Mort Corp | | 2.323 | F 2.395 | 09/15/2030 | 82 | 82 | 82 |
| Federal Home Loan Mort Corp | | 2.573 | F 2.642 | 09/15/2030 | 56 | 56 | 56 |
| Federal Home Loan Mort Corp | | 2.373 | F 2.442 | 04/15/2031 | 301 | 301 | 301 |
| Federal Home Loan Mort Corp | | 2.473 | F 2.482 | 06/15/2031 | 108 | 108 | 108 |

(Continued on Next Page)

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** Rate represents last business day of the month.

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

| WEST VIRGINIA SHORT TERM BOND POOL (Continued) | | | | | | | | |
|---|------------------|---------------|--------------|-----------------|--------------|-----------------------|--------------------|--------|
| <u>SECURITY NAME</u> | <u>% of POOL</u> | <u>COUPON</u> | <u>YIELD</u> | <u>MATURITY</u> | <u>UNITS</u> | <u>AMORTIZED COST</u> | <u>FAIR VALUE*</u> | |
| Federal Home Loan Mort Corp | | 2.473 | F | 2.486 | 07/15/2031 | 65 | 65 | 65 |
| Federal Home Loan Mort Corp | | 2.523 | F | 2.533 | 12/15/2031 | 155 | 156 | 156 |
| Federal Home Loan Mort Corp | | 2.523 | F | 2.533 | 12/15/2031 | 111 | 111 | 112 |
| Federal Home Loan Mort Corp | | 2.623 | F | 2.634 | 02/15/2032 | 152 | 152 | 154 |
| Federal Home Loan Mort Corp | | 2.523 | F | 2.533 | 03/15/2032 | 125 | 125 | 125 |
| Federal Home Loan Mort Corp | | 2.573 | F | 2.583 | 03/15/2032 | 126 | 126 | 127 |
| Federal Home Loan Mort Corp | | 2.573 | F | 2.583 | 03/15/2032 | 362 | 362 | 364 |
| Federal Home Loan Mort Corp | | 2.573 | F | 2.583 | 04/15/2032 | 165 | 165 | 166 |
| Federal Home Loan Mort Corp | | 2.573 | F | 2.583 | 07/15/2032 | 329 | 329 | 331 |
| Federal Home Loan Mort Corp | | 2.473 | F | 2.482 | 10/15/2032 | 254 | 254 | 256 |
| Federal Home Loan Mort Corp | | 2.523 | F | 2.533 | 11/15/2032 | 133 | 133 | 133 |
| Federal Home Loan Mort Corp | | 2.473 | F | 2.482 | 01/15/2033 | 193 | 193 | 194 |
| Federal Home Loan Mort Corp | | 2.473 | F | 2.482 | 02/15/2033 | 470 | 469 | 470 |
| Federal Home Loan Mort Corp | | 2.523 | F | 2.546 | 06/15/2034 | 256 | 256 | 258 |
| Federal Home Loan Mort Corp | | 2.373 | F | 2.465 | 09/15/2035 | 172 | 171 | 172 |
| Federal National Mortgage Assn | | 2.341 | F | 2.677 | 03/25/2036 | 554 | 554 | 550 |
| Government National Mort Assn | | 2.317 | F | 2.554 | 12/20/2060 | 2,497 | 2,475 | 2,499 |
| Government National Mort Assn | | 2.417 | F | 2.589 | 12/20/2060 | 2,106 | 2,108 | 2,113 |
| Government National Mort Assn | | 2.517 | F | 2.662 | 02/20/2061 | 3,449 | 3,469 | 3,465 |
| Government National Mort Assn | | 2.417 | F | 2.589 | 06/20/2062 | 3,378 | 3,383 | 3,388 |
| Government National Mort Assn | | 2.437 | F | 2.603 | 08/20/2062 | 1,517 | 1,521 | 1,523 |
| Government National Mort Assn | | 2.257 | F | 2.467 | 12/20/2062 | 2,045 | 2,035 | 2,043 |
| Government National Mort Assn | | 2.317 | F | 2.511 | 03/20/2063 | 2,705 | 2,699 | 2,706 |
| Government National Mort Assn | | 2.367 | F | 2.549 | 04/20/2063 | 2,568 | 2,567 | 2,573 |
| Government National Mort Assn | | 2.617 | F | 2.749 | 08/20/2063 | 3,541 | 3,570 | 3,567 |
| Government National Mort Assn | | 2.317 | F | 2.518 | 04/20/2065 | 3,511 | 3,498 | 3,513 |
| Total U.S. Agency Collateralized Mortgage Obligations | 4.6% | | | | | | 32,464 | 32,546 |
| Corporate Fixed-Rate Bonds and Notes | | | | | | | | |
| Shell International Finance | | 1.900 | | 1.278 | 08/10/2018 | 4,000 | 4,003 | 3,998 |
| Principal Life Global Fund | | 2.250 | | 2.297 | 10/15/2018 | 2,750 | 2,749 | 2,748 |
| Stanley Black & Decker Inc | | 1.622 | | 1.618 | 11/17/2018 | 1,020 | 1,020 | 1,016 |
| Coca-Cola Femsa SAB | | 2.375 | | 2.403 | 11/26/2018 | 750 | 749 | 749 |
| Wells Fargo Bank NA | | 1.800 | | 1.843 | 11/28/2018 | 3,000 | 2,999 | 2,990 |
| Cisco Systems Inc | | 1.600 | | 1.601 | 02/28/2019 | 1,700 | 1,700 | 1,689 |
| Fifth Third Bancorp | | 2.300 | | 2.330 | 03/01/2019 | 625 | 624 | 623 |
| Nissan Motor Acceptance | | 2.350 | | 2.360 | 03/04/2019 | 2,000 | 1,999 | 1,994 |
| Citizens Bank NA/RI | | 2.500 | | 2.504 | 03/14/2019 | 1,320 | 1,320 | 1,317 |
| Newell Rubbermaid Inc | | 2.600 | | 1.716 | 03/29/2019 | 362 | 364 | 361 |
| Huntington National Bank | | 2.200 | | 2.233 | 04/01/2019 | 1,480 | 1,479 | 1,474 |
| MassMutual Global Funding | | 2.350 | | 2.373 | 04/09/2019 | 4,000 | 3,999 | 3,990 |
| Capital One Financial Corp | | 2.450 | | 2.466 | 04/24/2019 | 3,000 | 3,000 | 2,990 |
| Ford Motor Credit Company | | 2.021 | | 2.021 | 05/03/2019 | 1,000 | 1,000 | 992 |
| Union Bank NA | | 2.250 | | 2.298 | 05/06/2019 | 615 | 615 | 612 |
| Comerica Inc | | 2.125 | | 2.125 | 05/23/2019 | 850 | 850 | 844 |
| Ryder System Inc | | 2.550 | | 2.575 | 06/01/2019 | 2,100 | 2,100 | 2,092 |
| Diamond 1 Fin/Diamond 2 | | 3.480 | | 3.483 | 06/01/2019 | 1,950 | 1,950 | 1,955 |
| Penske Truck Leasing | | 2.500 | | 2.503 | 06/15/2019 | 2,000 | 2,000 | 1,989 |
| Emera US Finance LP | | 2.150 | | 2.163 | 06/15/2019 | 830 | 830 | 821 |
| Norfolk Southern Corp | | 5.900 | | 2.147 | 06/15/2019 | 2,000 | 2,070 | 2,054 |
| Daimler Finance NA | | 1.500 | | 1.551 | 07/05/2019 | 3,640 | 3,638 | 3,587 |
| Molson Coors Brewing Co | | 1.450 | | 1.467 | 07/15/2019 | 770 | 770 | 758 |
| American International Group | | 2.300 | | 2.343 | 07/16/2019 | 4,000 | 3,998 | 3,976 |
| Citigroup Inc | | 2.500 | | 2.513 | 07/29/2019 | 5,000 | 4,999 | 4,978 |

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

| WEST VIRGINIA SHORT TERM BOND POOL (Continued) | | | | | | | |
|---|------------------|---------------|--------------|-----------------|--------------|-----------------------|--------------------|
| <u>SECURITY NAME</u> | <u>% of POOL</u> | <u>COUPON</u> | <u>YIELD</u> | <u>MATURITY</u> | <u>UNITS</u> | <u>AMORTIZED COST</u> | <u>FAIR VALUE*</u> |
| CBS Corp | | 2.300 | 2.365 | 08/15/2019 | 3,000 | 2,998 | 2,972 |
| Tyson Foods Inc | | 2.650 | 2.664 | 08/15/2019 | 1,000 | 1,000 | 996 |
| Brit Sky Broadcasting | | 2.625 | 2.657 | 09/16/2019 | 885 | 885 | 879 |
| Gilead Sciences Inc | | 1.850 | 1.868 | 09/20/2019 | 1,050 | 1,050 | 1,037 |
| Discovery Communications | | 2.200 | 2.220 | 09/20/2019 | 830 | 830 | 821 |
| JP Morgan Chase Bank | | 1.650 | 1.685 | 09/23/2019 | 1,110 | 1,110 | 1,093 |
| Shire Acq Inv Ireland DA | | 1.900 | 1.928 | 09/23/2019 | 2,000 | 1,999 | 1,969 |
| Fifth Third Bancorp | | 1.625 | 1.682 | 09/27/2019 | 2,290 | 2,288 | 2,254 |
| ERAC USA Finance LLC | | 2.350 | 2.380 | 10/15/2019 | 2,000 | 1,999 | 1,978 |
| Danone SA | | 1.691 | 1.691 | 10/30/2019 | 1,770 | 1,770 | 1,740 |
| Public Service Enterprise Grp | | 1.600 | 1.640 | 11/15/2019 | 740 | 740 | 724 |
| Transcanada Pipelines | | 2.125 | 2.129 | 11/15/2019 | 2,000 | 2,000 | 1,977 |
| Associated Banc-Corp | | 2.750 | 2.779 | 11/15/2019 | 1,405 | 1,404 | 1,393 |
| Abbott Laboratories | | 2.350 | 2.384 | 11/22/2019 | 519 | 519 | 516 |
| Alimentation Couche-Tard | | 2.350 | 2.356 | 12/13/2019 | 1,000 | 1,000 | 988 |
| Duke Energy Florida LLC | | 2.100 | 2.105 | 12/15/2019 | 469 | 469 | 466 |
| Nissan Motor Acceptance | | 2.250 | 2.252 | 01/13/2020 | 2,000 | 2,000 | 1,972 |
| Broadcom Crp / Caym FI | | 2.375 | 2.450 | 01/15/2020 | 2,000 | 1,998 | 1,974 |
| Exelon Generation Co LLC | | 2.950 | 2.621 | 01/15/2020 | 1,500 | 1,507 | 1,494 |
| National Rural Utilities | | 2.000 | 2.044 | 01/27/2020 | 1,975 | 1,974 | 1,947 |
| SunTrust Bank | | 2.250 | 2.263 | 01/31/2020 | 3,920 | 3,919 | 3,872 |
| Smithfield Foods Inc | | 2.700 | 2.715 | 01/31/2020 | 820 | 820 | 808 |
| Caterpillar Financial Services | | 2.000 | 1.716 | 03/05/2020 | 4,000 | 4,019 | 3,939 |
| AFLAC Inc | | 2.400 | 2.406 | 03/16/2020 | 2,000 | 2,000 | 1,978 |
| Qualcomm Inc | | 2.100 | 2.102 | 05/20/2020 | 2,250 | 2,250 | 2,248 |
| MetLife Global Funding | | 2.050 | 2.051 | 06/12/2020 | 4,000 | 4,000 | 3,919 |
| AIG Global Funding | | 2.150 | 2.172 | 07/02/2020 | 2,000 | 1,999 | 1,960 |
| General Motors Financial Co | | 3.200 | 3.206 | 07/13/2020 | 2,000 | 2,000 | 1,991 |
| Charter Communications | | 3.579 | 3.582 | 07/23/2020 | 2,230 | 2,230 | 2,227 |
| Bat Capital Corporation | | 2.297 | 2.297 | 08/14/2020 | 2,000 | 2,000 | 1,954 |
| CK Hutchinson Intl 17 LTD | | 2.250 | 2.345 | 09/29/2020 | 2,000 | 1,996 | 1,956 |
| Northrop Grumman Corp | | 2.080 | 2.085 | 10/15/2020 | 1,340 | 1,340 | 1,309 |
| American Electric Power Co Inc | | 2.150 | 2.196 | 11/13/2020 | 2,000 | 1,998 | 1,951 |
| Stifel Financial Corp | | 3.500 | 3.585 | 12/01/2020 | 1,950 | 1,946 | 1,953 |
| BAE Systems Holdings Inc | | 2.850 | 2.926 | 12/15/2020 | 1,790 | 1,787 | 1,768 |
| Wells Fargo Bank NA | | 2.600 | 2.619 | 01/15/2021 | 3,000 | 2,999 | 2,952 |
| Anheuser Busch Finance | | 2.650 | 2.717 | 02/01/2021 | 3,000 | 2,995 | 2,959 |
| Regions Financial Corp | | 3.200 | 3.223 | 02/08/2021 | 1,950 | 1,949 | 1,940 |
| Crown Castle INTL Corp | | 3.400 | 3.405 | 02/15/2021 | 2,000 | 2,000 | 1,998 |
| Celgene Corporation | | 2.875 | 2.891 | 02/19/2021 | 1,720 | 1,719 | 1,697 |
| CVS Corp | | 3.350 | 3.368 | 03/09/2021 | 1,000 | 1,000 | 999 |
| Exelon Corp | | 2.450 | 2.455 | 04/15/2021 | 1,000 | 1,000 | 972 |
| JP Morgan Chase Bank | | 3.086 | 3.086 | 04/26/2021 | 4,000 | 4,000 | 3,991 |
| Citizens Bank NA/RI | | 2.550 | 2.534 | 05/13/2021 | 1,800 | 1,801 | 1,755 |
| American Express | | 3.375 | 3.381 | 05/17/2021 | 2,000 | 2,000 | 2,002 |
| Maple Escrow Sub | | 3.551 | 3.551 | 05/25/2021 | 1,150 | 1,150 | 1,151 |
| CVS Corp | | 2.125 | 2.184 | 06/01/2021 | 1,000 | 998 | 961 |
| Citizens Financial Group | | 2.375 | 2.386 | 07/28/2021 | 2,660 | 2,659 | 2,572 |
| Microsoft Corporation | | 1.550 | 1.572 | 08/08/2021 | 3,000 | 2,998 | 2,877 |
| Tyson Foods Inc | | 2.250 | 2.299 | 08/23/2021 | 1,310 | 1,308 | 1,259 |
| Ryder System Inc | | 2.250 | 2.296 | 09/01/2021 | 1,250 | 1,248 | 1,207 |
| Smithfield Foods Inc | | 2.650 | 2.732 | 10/03/2021 | 1,290 | 1,287 | 1,229 |
| Fortis Inc | | 2.100 | 2.313 | 10/04/2021 | 1,100 | 1,098 | 1,050 |
| Roper Technologies INC | | 2.800 | 2.834 | 12/15/2021 | 2,000 | 1,998 | 1,953 |

(Continued on Next Page)

F – Floating rate note security.

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** Rate represents last business day of the month.

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

| WEST VIRGINIA SHORT TERM BOND POOL (Continued) | | | | | | | |
|---|------------------|---------------|--------------|-----------------|--------------|-----------------------|--------------------|
| <u>SECURITY NAME</u> | <u>% of POOL</u> | <u>COUPON</u> | <u>YIELD</u> | <u>MATURITY</u> | <u>UNITS</u> | <u>AMORTIZED COST</u> | <u>FAIR VALUE*</u> |
| Eversource Energy | | 2.750 | 2.780 | 03/15/2022 | 2,900 | 2,897 | 2,828 |
| Compass Bank | | 2.875 | 2.910 | 06/29/2022 | 2,000 | 1,998 | 1,931 |
| Healthcare Trust of America | | 2.950 | 2.963 | 07/01/2022 | 2,000 | 1,999 | 1,935 |
| Wells Fargo & Company | | 2.625 | 2.644 | 07/22/2022 | 5,000 | 4,996 | 4,816 |
| Alimentation Couche-Tard | | 2.700 | 2.720 | 07/26/2022 | 1,425 | 1,424 | 1,370 |
| Kroger Company | | 2.800 | 2.804 | 08/01/2022 | 2,000 | 2,000 | 1,940 |
| McCormick & Company Inc | | 2.700 | 2.702 | 08/15/2022 | 1,650 | 1,650 | 1,592 |
| VISA Inc | | 2.150 | 2.214 | 09/15/2022 | 4,000 | 3,990 | 3,834 |
| National Rural Utilities | | 2.300 | 2.304 | 09/15/2022 | 2,000 | 2,000 | 1,922 |
| PRICOA Global Funding | | 2.450 | 2.472 | 09/21/2022 | 1,330 | 1,329 | 1,276 |
| NiSource Finance Corp | | 2.650 | 2.677 | 11/17/2022 | 860 | 859 | 831 |
| Andeavor Logis LP | | 3.500 | 3.568 | 12/01/2022 | 2,000 | 1,994 | 1,954 |
| AERCAP Ireland CAP/GLOBAL | | 3.300 | 3.357 | 01/23/2023 | 2,000 | 1,995 | 1,922 |
| Total System Services Inc | | 4.000 | 4.018 | 06/01/2023 | 800 | 799 | 802 |
| Total Corporate Fixed-Rate Bonds and Notes | 25.0% | | | | | 180,806 | 178,097 |
| Corporate Floating-Rate Bonds and Notes | | | | | | | |
| Westpac Banking Corp | | 3.099 | F 3.099 | 07/30/2018 | 2,000 | 2,000 | 2,001 |
| HSBC Bank | | 3.215 | F 3.215 | 09/24/2018 | 5,000 | 5,000 | 5,009 |
| Oracle Corporation | | 2.928 | F 2.928 | 01/15/2019 | 2,450 | 2,450 | 2,457 |
| BB&T Corporation | | 3.018 | F 3.018 | 02/01/2019 | 4,000 | 4,000 | 4,010 |
| Mondelez International | | 2.878 | F 2.878 | 02/01/2019 | 2,000 | 2,000 | 2,003 |
| Cisco Systems Inc | | 2.800 | F 2.800 | 03/01/2019 | 2,350 | 2,350 | 2,358 |
| Apple Computer Inc | | 2.663 | F 2.663 | 05/06/2019 | 5,000 | 5,000 | 5,012 |
| Verizon Communications | | 3.105 | F 3.105 | 06/17/2019 | 2,000 | 2,000 | 2,011 |
| Bank of New York Mellon | | 2.807 | F 2.807 | 09/11/2019 | 2,100 | 2,100 | 2,110 |
| Daimler Finance NA | | 2.979 | F 2.979 | 10/30/2019 | 4,000 | 4,000 | 4,022 |
| Ford Motor Credit Company | | 3.331 | F 3.331 | 01/09/2020 | 2,000 | 2,000 | 2,014 |
| Huntington National Bank | | 2.837 | F 2.837 | 03/10/2020 | 1,750 | 1,750 | 1,754 |
| Mississippi Power Co | | 2.987 | F 2.987 | 03/27/2020 | 350 | 350 | 350 |
| Dollar Tree INC | | 3.055 | F 3.053 | 04/17/2020 | 1,790 | 1,790 | 1,794 |
| duPont EI de Nemours Co | | 2.888 | F 2.888 | 05/01/2020 | 2,000 | 2,000 | 2,007 |
| Daimler Finance NA | | 2.893 | F 2.893 | 05/05/2020 | 1,350 | 1,350 | 1,355 |
| Ford Motor Credit Company | | 3.116 | F 3.117 | 06/12/2020 | 2,000 | 2,000 | 2,010 |
| Bank of Montreal | | 2.781 | F 2.781 | 06/15/2020 | 4,000 | 4,000 | 4,013 |
| AT&T Inc | | 3.264 | F 3.238 | 06/30/2020 | 2,100 | 2,100 | 2,123 |
| JP Morgan Chase | | 3.564 | F 3.564 | 10/29/2020 | 3,000 | 3,000 | 3,058 |
| Sempra Energy | | 2.848 | F 2.848 | 01/15/2021 | 965 | 965 | 965 |
| PNC Bank NA | | 2.612 | F 2.612 | 01/22/2021 | 4,000 | 4,000 | 3,997 |
| Manufacturers & Traders Trust | | 2.630 | F 2.630 | 01/25/2021 | 4,000 | 4,000 | 3,998 |
| Morgan Stanley | | 2.903 | F 2.902 | 02/10/2021 | 4,000 | 4,000 | 4,008 |
| American Honda Finance | | 2.565 | F 2.565 | 02/12/2021 | 2,000 | 2,000 | 2,001 |
| Chevron Corp | | 3.280 | F 3.280 | 05/16/2021 | 4,000 | 4,000 | 4,094 |
| Australia & NZ Banking Group | | 2.781 | F 2.781 | 05/17/2021 | 1,000 | 1,000 | 998 |
| Toronto Dominion Bank | | 2.756 | F 2.757 | 06/11/2021 | 3,000 | 3,000 | 3,000 |
| Bank of America Corp | | 3.022 | F 3.022 | 07/21/2021 | 4,000 | 4,000 | 4,016 |
| Equifax Inc | | 3.200 | F 3.212 | 08/15/2021 | 910 | 910 | 913 |
| Commonwealth Bank of Australia | | 3.144 | F 3.144 | 09/06/2021 | 4,000 | 4,000 | 4,043 |
| BP Capital Markets PLC | | 3.205 | F 3.205 | 09/16/2021 | 2,220 | 2,220 | 2,262 |
| Bank of America Corp | | 2.958 | F 2.958 | 10/01/2021 | 4,000 | 4,000 | 4,014 |
| Toyota Motor Credit Corp | | 3.023 | F 3.032 | 01/11/2022 | 3,000 | 3,000 | 3,037 |
| General Motors Financial Co | | 3.898 | F 3.898 | 01/14/2022 | 3,640 | 3,640 | 3,730 |

(Continued on Next Page)

F – Floating rate note security.

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

| WEST VIRGINIA SHORT TERM BOND POOL (Continued) | | | | | | | | |
|---|------------------|---------------|--------------|-----------------|--------------|-----------------------|--------------------|---------|
| <u>SECURITY NAME</u> | <u>% of POOL</u> | <u>COUPON</u> | <u>YIELD</u> | <u>MATURITY</u> | <u>UNITS</u> | <u>AMORTIZED COST</u> | <u>FAIR VALUE*</u> | |
| Morgan Stanley | | 3.539 | F | 3.375 | 01/20/2022 | 6,000 | 6,033 | 6,078 |
| Royal Bank of Canada | | 3.088 | F | 3.088 | 02/01/2022 | 4,000 | 4,000 | 4,033 |
| Capital One Financial Corp | | 3.277 | F | 3.277 | 03/09/2022 | 2,060 | 2,060 | 2,068 |
| Petroleos Mexicanos | | 5.977 | F | 6.021 | 03/11/2022 | 2,000 | 2,000 | 2,135 |
| Verizon Communications | | 3.335 | F | 3.335 | 03/16/2022 | 1,670 | 1,670 | 1,697 |
| Ford Motor Credit Company | | 3.606 | F | 3.622 | 03/28/2022 | 2,860 | 2,860 | 2,892 |
| Citigroup Inc | | 3.320 | F | 3.320 | 04/25/2022 | 4,000 | 4,000 | 4,036 |
| Goldman Sachs Group Inc | | 3.472 | F | 3.404 | 04/26/2022 | 4,000 | 4,010 | 4,039 |
| Becton Dickinson & Company | | 3.344 | F | 3.344 | 06/06/2022 | 2,000 | 2,000 | 2,007 |
| AstraZeneca Group PLC | | 2.947 | F | 2.947 | 06/10/2022 | 2,150 | 2,150 | 2,161 |
| Reckitt Benckiser TSY | | 2.895 | F | 2.895 | 06/24/2022 | 4,000 | 4,000 | 3,992 |
| American Express | | 2.968 | F | 2.968 | 08/01/2022 | 2,000 | 2,000 | 2,001 |
| Kraft Heinz Foods Co | | 3.173 | F | 3.172 | 08/10/2022 | 2,000 | 2,000 | 2,007 |
| BP Capital Markets PLC | | 2.976 | F | 2.976 | 09/19/2022 | 1,000 | 1,000 | 1,011 |
| Nissan Motor Acceptance | | 3.026 | F | 3.026 | 09/28/2022 | 3,200 | 3,200 | 3,204 |
| Goldman Sachs Group INC | | 3.139 | F | 3.139 | 10/31/2022 | 4,000 | 4,000 | 4,001 |
| American Honda Finance | | 2.800 | F | 2.800 | 11/16/2022 | 2,000 | 2,000 | 2,006 |
| Anheuser-Busch | | 3.077 | F | 3.079 | 01/12/2024 | 1,885 | 1,885 | 1,902 |
| Total Corporate Floating-Rate Bonds and Notes | 20.7% | | | | | | 146,843 | 147,817 |
| Collateralized Mortgage Obligations | | | | | | | | |
| Holmes Master Issuer PLC | | 2.708 | F | 2.717 | 10/15/2054 | 2,400 | 2,400 | 2,400 |
| Gosforth Funding PLC | | 3.043 | F | 3.041 | 02/15/2058 | 967 | 967 | 969 |
| Permanent Master Issuer PLC | | 2.747 | F | 2.358 | 07/15/2058 | 2,500 | 2,500 | 2,500 |
| Gosforth Funding PLC | | 2.796 | F | 2.806 | 12/19/2059 | 2,336 | 2,336 | 2,339 |
| Lanark Master Issuer PLC | | 2.749 | F | 2.758 | 12/22/2069 | 3,760 | 3,760 | 3,761 |
| Silverstone Master | | 2.912 | F | 2.922 | 01/21/2070 | 4,200 | 4,200 | 4,212 |
| Silverstone Master | | 2.750 | F | 2.761 | 01/21/2070 | 1,900 | 1,900 | 1,900 |
| Total Collateralized Mortgage Obligations | 2.5% | | | | | | 18,063 | 18,081 |
| Commercial Mortgage-Backed Securities | | | | | | | | |
| Commercial Mortgage Trust | | 1.381 | | 1.385 | 10/10/2047 | 422 | 422 | 421 |
| GS Mortgage Securities Trust | | 1.509 | | 1.514 | 09/10/2047 | 460 | 460 | 458 |
| JPMBB Commercial Mortgage | | 2.723 | F | 2.739 | 11/15/2045 | 1,208 | 1,208 | 1,209 |
| Wells Fargo RBS | | 3.023 | F | 3.042 | 03/15/2044 | 922 | 922 | 926 |
| Total Commercial Mortgage-Backed Securities | 0.4% | | | | | | 3,012 | 3,014 |
| Asset-Backed Securities | | | | | | | | |
| Hyundai Auto Lease Trust | | 1.800 | | 1.811 | 12/16/2019 | 2,000 | 2,000 | 1,998 |
| BMW Vehicle Lease Trust | | 1.570 | | 1.578 | 02/20/2020 | 1,000 | 1,000 | 992 |
| Drive Auto Receivables Trust | | 1.860 | | 1.870 | 03/16/2020 | 128 | 128 | 128 |
| Securitized Term Auto Receivables | | 1.524 | | 1.529 | 03/25/2020 | 1,936 | 1,936 | 1,927 |
| Drive Auto Receivables Trust | | 1.850 | | 1.863 | 04/15/2020 | 1,500 | 1,500 | 1,498 |
| Ford Credit Auto Lease Trust | | 2.020 | | 2.037 | 06/15/2020 | 2,500 | 2,500 | 2,482 |
| BMW Vehicle Lease Trust | | 2.180 | | 2.190 | 06/22/2020 | 5,100 | 5,100 | 5,061 |
| Americredit Automobile Rec | | 1.700 | | 1.713 | 07/08/2020 | 273 | 273 | 273 |
| Kubota Credit Owner Trust | | 1.500 | | 1.517 | 07/15/2020 | 2,384 | 2,383 | 2,364 |
| California Republic Auto Rec | | 1.560 | | 1.571 | 07/15/2020 | 747 | 747 | 746 |
| Capital Auto Receivables Asset | | 1.540 | | 1.551 | 08/20/2020 | 844 | 844 | 841 |
| GM Financial Auto Leasing | | 2.260 | | 2.277 | 08/20/2020 | 1,650 | 1,650 | 1,638 |
| Santander Drive Auto Rec | | 1.770 | | 1.777 | 09/15/2020 | 2,250 | 2,250 | 2,246 |

(Continued on Next Page)

F – Floating rate note security.

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

| WEST VIRGINIA SHORT TERM BOND POOL (Continued) | | | | | | | |
|---|------------------|---------------|--------------|-----------------|--------------|-----------------------|--------------------|
| <u>SECURITY NAME</u> | <u>% of POOL</u> | <u>COUPON</u> | <u>YIELD</u> | <u>MATURITY</u> | <u>UNITS</u> | <u>AMORTIZED COST</u> | <u>FAIR VALUE*</u> |
| Volvo Financial Equipment | | 1.890 | 1.900 | 09/15/2020 | 1,500 | 1,500 | 1,485 |
| Americredit Automobile Rec | | 1.810 | 1.822 | 10/08/2020 | 509 | 509 | 508 |
| Ford Credit Auto Lease Trust | | 2.170 | 2.181 | 02/15/2021 | 1,320 | 1,320 | 1,304 |
| Hyundai Floorplan Master Trust | | 1.810 | 1.825 | 03/15/2021 | 2,450 | 2,450 | 2,435 |
| PFS Financing Corp | | 2.653 | F 2.668 | 03/15/2021 | 3,000 | 3,000 | 3,003 |
| BMW Vehicle Lease Trust | | 2.190 | 2.214 | 03/22/2021 | 575 | 575 | 568 |
| Hyundai Auto Lease Trust | | 2.130 | 2.144 | 04/15/2021 | 4,000 | 4,000 | 3,968 |
| Nextgear Floorplan | | 3.773 | F 3.803 | 04/15/2021 | 2,000 | 2,000 | 2,021 |
| Great American Leasing Rec | | 2.600 | 2.622 | 06/15/2021 | 2,000 | 2,000 | 1,984 |
| GM Financial Auto Leasing | | 2.180 | 2.200 | 06/21/2021 | 1,500 | 1,500 | 1,482 |
| MMAF Equipment Finance | | 2.920 | 2.946 | 07/12/2021 | 1,075 | 1,075 | 1,074 |
| Discover Card Master Trust | | 1.640 | 1.655 | 07/15/2021 | 2,500 | 2,500 | 2,488 |
| Master Credit Card Trust | | 2.260 | 2.281 | 07/21/2021 | 4,000 | 3,999 | 3,955 |
| Dell Equipment Finance Trust | | 1.650 | 1.656 | 07/22/2021 | 437 | 437 | 436 |
| Nextgear Floorplan | | 2.190 | 2.210 | 09/15/2021 | 2,000 | 2,000 | 1,981 |
| Hyundai Auto Lease Trust | | 2.210 | 2.225 | 09/15/2021 | 3,400 | 3,400 | 3,354 |
| Enterprise Fleet Financing LLC | | 1.830 | 1.841 | 09/20/2021 | 854 | 854 | 853 |
| GM Financial Auto Leasing | | 2.120 | 2.134 | 09/20/2021 | 2,000 | 2,000 | 1,973 |
| Navistar Financial Dealer Note | | 3.441 | F 3.466 | 09/27/2021 | 4,600 | 4,600 | 4,611 |
| PFS Financing Corp | | 1.870 | 1.878 | 10/15/2021 | 1,250 | 1,250 | 1,232 |
| Canadian Pacer Auto Rec | | 3.000 | 3.028 | 11/19/2021 | 5,000 | 4,999 | 4,994 |
| AmeriCredit Automobile Rec | | 1.980 | 1.995 | 12/20/2021 | 2,400 | 2,400 | 2,377 |
| Chrysler Capital Auto | | 1.960 | 1.970 | 01/18/2022 | 3,000 | 3,000 | 2,985 |
| GMF Floorplan | | 2.220 | 2.237 | 01/18/2022 | 2,000 | 2,000 | 1,978 |
| Canadian Pacer Auto Rec | | 2.286 | 2.358 | 01/19/2022 | 2,435 | 2,432 | 2,397 |
| Santander Retail Auto Lease Trust | | 2.370 | 2.387 | 01/20/2022 | 1,500 | 1,500 | 1,479 |
| GE Dealer Floorplan | | 2.734 | F 2.749 | 01/20/2022 | 5,000 | 5,000 | 5,026 |
| PFS Financing Corp | | 2.319 | F 2.486 | 02/15/2022 | 2,900 | 2,900 | 2,897 |
| Enterprise Fleet Financing LLC | | 2.040 | 2.057 | 02/22/2022 | 1,375 | 1,375 | 1,355 |
| AmeriCredit Automobile Rec | | 1.900 | 1.915 | 03/18/2022 | 2,500 | 2,500 | 2,463 |
| Penarth Master Trust | | 2.333 | F 2.478 | 03/18/2022 | 3,000 | 3,000 | 3,000 |
| Securitized Term Auto Receivables | | 2.289 | 2.372 | 03/25/2022 | 2,405 | 2,402 | 2,344 |
| Nextgear Floorplan | | 2.540 | 2.556 | 04/18/2022 | 4,000 | 3,999 | 3,952 |
| First National Master Trust | | 2.473 | F 2.486 | 04/18/2022 | 1,200 | 1,200 | 1,201 |
| Santander Retail Auto Lease Trust | | 3.060 | 3.081 | 04/20/2022 | 3,000 | 3,000 | 2,989 |
| Dell Equipment Finance Trust | | 2.140 | 2.152 | 04/22/2022 | 2,650 | 2,650 | 2,637 |
| Mercedes-Benz Auto Lease | | 2.333 | F 2.345 | 05/16/2022 | 1,800 | 1,800 | 1,799 |
| Honda Auto Receivables Owner | | 3.010 | 3.030 | 05/18/2022 | 1,300 | 1,300 | 1,302 |
| Mercedes-Benz Auto Lease | | 1.520 | 1.527 | 06/15/2022 | 1,160 | 1,160 | 1,152 |
| Capital One Multi Asset Trust | | 2.433 | F 2.446 | 06/15/2022 | 2,600 | 2,600 | 2,607 |
| Navistar Financial Dealer Note | | 2.871 | F 2.888 | 06/27/2022 | 2,575 | 2,575 | 2,586 |
| Drive Auto Receivables Trust | | 3.190 | 3.036 | 07/15/2022 | 3,176 | 3,186 | 3,181 |
| PFS Financing Corp | | 2.673 | F 2.688 | 07/15/2022 | 1,650 | 1,650 | 1,653 |
| GM Financial Auto Leasing | | 2.320 | 0.000 | 07/18/2022 | 3,500 | 3,500 | 3,456 |
| Enterprise Fleet Financing LLC | | 2.130 | 2.141 | 07/20/2022 | 1,121 | 1,121 | 1,114 |
| Bank of America Credit Card | | 1.950 | 1.969 | 08/15/2022 | 3,000 | 2,999 | 2,954 |
| World Omni Auto Lease Security | | 2.320 | 2.332 | 08/15/2022 | 1,500 | 1,500 | 1,487 |
| Nissan Auto Lease Trust | | 2.040 | 2.049 | 09/15/2022 | 2,275 | 2,275 | 2,251 |
| Verizon Owner Trust | | 2.344 | F 2.246 | 09/20/2022 | 1,700 | 1,700 | 1,700 |
| MMAF Equipment Finance LLC | | 2.210 | 2.221 | 10/17/2022 | 2,000 | 2,000 | 1,960 |
| PFS Financing Corp | | 2.400 | 2.423 | 10/17/2022 | 3,400 | 3,399 | 3,337 |
| Nextgear Floorplan | | 2.560 | 2.574 | 10/17/2022 | 4,000 | 4,000 | 3,933 |

(Continued on Next Page)

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

| 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> | |
| Cards II Trust | | 2.333 | F | 2.345 | 10/17/2022 | 1,800 | 1,800 | 1,800 |
| Dell Equipment Finance Trust | | 2.190 | | 2.202 | 10/24/2022 | 2,000 | 2,000 | 1,979 |
| Volvo Financial Equipment | | 2.573 | F | 2.586 | 11/15/2022 | 3,350 | 3,350 | 3,356 |
| Golden Credit Card Trust | | 2.620 | | 2.635 | 01/15/2023 | 1,900 | 1,899 | 1,879 |
| Mercedes-Benz Auto Lease | | 2.010 | | 2.021 | 01/17/2023 | 1,750 | 1,750 | 1,735 |
| Enterprise Fleet Financing | | 2.220 | | 2.231 | 01/20/2023 | 1,800 | 1,800 | 1,765 |
| Great American Leasing Rec | | 2.360 | | 2.373 | 01/20/2023 | 4,750 | 4,750 | 4,683 |
| Trillium Credit Card Trust II | | 2.348 | F | 2.359 | 02/27/2023 | 3,700 | 3,700 | 3,700 |
| Cards II Trust | | 2.423 | F | 2.435 | 04/17/2023 | 3,700 | 3,700 | 3,700 |
| Chase Issuance Trust | | 2.273 | F | 2.284 | 04/17/2023 | 4,000 | 4,000 | 3,999 |
| World Omni Auto Lease Security | | 2.940 | | 2.963 | 05/15/2023 | 3,000 | 3,000 | 2,992 |
| BMW Floorplan Master Owner Trust | | 3.150 | | 3.180 | 05/15/2023 | 1,600 | 1,600 | 1,601 |
| Ally Master Owner Trust | | 3.290 | | 3.313 | 05/15/2023 | 1,000 | 1,000 | 1,002 |
| Barclays Dryrock Trust | | 2.373 | F | 2.385 | 05/15/2023 | 3,575 | 3,575 | 3,577 |
| GM Financial Auto Leasing | | 2.060 | | 2.075 | 05/16/2023 | 3,500 | 3,499 | 3,428 |
| Mercedes-Benz Auto Lease | | 2.510 | | 2.477 | 10/16/2023 | 1,400 | 1,402 | 1,387 |
| First National Master Trust | | 2.513 | F | 2.526 | 10/16/2023 | 3,200 | 3,200 | 3,203 |
| ARI Fleet Lease Trust | | 2.110 | | 2.124 | 07/15/2024 | 3,000 | 3,000 | 2,970 |
| Discover Card Master Trust | | 2.563 | F | 2.577 | 07/15/2024 | 1,250 | 1,250 | 1,260 |
| Golden Credit Card Trust | | 2.593 | F | 2.590 | 07/15/2024 | 5,700 | 5,703 | 5,706 |
| Master Credit Card Trust | | 2.578 | F | 2.592 | 07/22/2024 | 2,000 | 2,000 | 1,998 |
| American Express Credit Acct | | 2.523 | F | 2.537 | 09/16/2024 | 3,300 | 3,300 | 3,329 |
| Capital One Multi Asset Trust | | 2.583 | F | 2.597 | 09/16/2024 | 2,500 | 2,500 | 2,519 |
| Motor PLC | | 2.621 | F | 2.635 | 09/25/2024 | 4,000 | 4,000 | 4,005 |
| Daimler Trucks Retail Trust | | 3.030 | | 3.051 | 11/15/2024 | 2,500 | 2,500 | 2,495 |
| Citibank Credit Card Issuance | | 2.414 | F | 2.425 | 01/21/2025 | 4,000 | 4,000 | 4,005 |
| Discover Card Master Trust | | 2.433 | F | 2.446 | 04/15/2025 | 2,000 | 2,000 | 2,005 |
| ARI Fleet Lease Trust | | 2.280 | | 2.296 | 04/15/2026 | 5,000 | 4,999 | 4,926 |
| Chesapeake Funding II LLC | | 1.880 | | 1.909 | 06/15/2028 | 2,792 | 2,789 | 2,773 |
| Chesapeake Funding II LLC | | 1.990 | | 1.999 | 05/15/2029 | 3,594 | 3,593 | 3,557 |
| Chesapeake Funding II LLC | | 1.910 | | 1.921 | 08/15/2029 | 1,790 | 1,790 | 1,769 |
| SLMA Student Loan Trust | | 3.173 | F | 3.194 | 06/17/2030 | 2,386 | 2,386 | 2,397 |
| Social Professional Loan Program | | 2.941 | F | 2.959 | 07/25/2039 | 1,126 | 1,126 | 1,131 |
| Social Professional Loan Program | | 1.720 | | 1.727 | 09/25/2040 | 2,256 | 2,255 | 2,240 |
| Social Professional Loan Program | | 2.390 | | 2.402 | 02/25/2042 | 3,479 | 3,479 | 3,458 |
| Total Asset Backed Securities | 34.0% | | | | | | 243,097 | 241,784 |
| Money Market Funds | | | | | | | | |
| BlackRock Liquidity | | 1.840 | ** | | | 5,054 | 5,054 | 5,054 |
| Total Money Market Funds | 0.7% | | | | | | 5,054 | 5,054 |
| Total Short Term Bond Pool | 100.00% | | | | | \$ 716,759 | \$ 712,582 | |

F – Floating rate note security.

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

** Rate represents last business day of the month.

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

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>Certificates of Deposit</i> | | | | | | | |
| Citizens Bank of WV-Elkins | | 1.720 % | 1.720 % | 07/12/2018 | 5,000 | \$ 5,000 | \$ 5,000 |
| Bank of Romney | | 1.720 | 1.720 | 07/12/2018 | 1,500 | 1,500 | 1,500 |
| WesBanco Bank | | 1.720 | 1.720 | 07/12/2018 | 8,500 | 8,500 | 8,500 |
| Bank of Romney | | 1.900 | 1.900 | 08/18/2018 | 1,000 | 1,000 | 1,000 |
| WesBanco Bank | | 1.900 | 1.900 | 08/18/2018 | 10,000 | 10,000 | 10,000 |
| Bank of Romney | | 1.980 | 1.980 | 09/13/2018 | 1,000 | 1,000 | 1,000 |
| WesBanco Bank | | 1.980 | 1.980 | 09/13/2018 | 10,000 | 10,000 | 10,000 |
| Grant County Bank | | 2.020 | 2.020 | 10/11/2018 | 3,000 | 3,000 | 3,000 |
| Bank of Romney | | 2.020 | 2.020 | 10/11/2018 | 1,000 | 1,000 | 1,000 |
| WesBanco Bank | | 2.020 | 2.020 | 10/11/2018 | 10,000 | 10,000 | 10,000 |
| Citizens Bank of WV-Elkins | | 2.100 | 2.100 | 11/15/2018 | 2,000 | 2,000 | 2,000 |
| Grant County Bank | | 2.100 | 2.100 | 11/15/2018 | 1,000 | 1,000 | 1,000 |
| Bank of Romney | | 2.100 | 2.100 | 11/15/2018 | 2,000 | 2,000 | 2,000 |
| WesBanco Bank | | 2.100 | 2.100 | 11/15/2018 | 10,000 | 10,000 | 10,000 |
| Citizens Bank of WV-Elkins | | 2.250 | 2.250 | 12/13/2018 | 5,000 | 5,000 | 5,000 |
| WesBanco Bank | | 2.200 | 2.200 | 12/13/2018 | 6,000 | 6,000 | 6,000 |
| BcBank Inc | | 2.210 | 2.210 | 12/13/2018 | 4,000 | 4,000 | 4,000 |
| Total Certificates of Deposit | 99.9% | | | | | 81,000 | 81,000 |
| <i>Money Market Funds</i> | | | | | | | |
| BlackRock Liquidity | | 1.840 ** | | | 60 | 60 | 60 |
| Total Money Market Funds | 0.1% | | | | | 60 | 60 |
| Total West Virginia Bank Pool | 0.1% | | | | | \$ 81,060 | \$ 81,060 |

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 | | 0.890 % | | | 106,681 | \$ 106,681 | \$ 106,681 |
| WVEDA Non-Recourse Loan | | 3.000 | | | 24,336 | 24,336 | 24,336 |
| WVEDA Broadband Loan | | 1.300 | | | 1,480 | 1,480 | 1,480 |
| Total Intergovernmental Loans | | | | | | 132,497 | 132,497 |
| Reserve for uncollectable loans | | | | | 23,464 | 23,464 | 23,464 |
| Loans and Mortgages, net of reserve for uncollectable loans | 100.0% | | | | | 109,033 | 109,033 |
| <i>Money Market Funds</i> | | | | | | | |
| BlackRock Liquidity | | 1.840 ** | | | 34 | 34 | 34 |
| Total Money Market Funds | 0.0% | | | | | 34 | 34 |
| Total State Loan Pool | 100.0% | | | | | \$ 109,067 | \$ 109,067 |

F – Floating rate note security.

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

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>Depository Accounts</i> | | | | | | | |
| United National Bank | | 2.03% ** F | 2.04% | 08/31/2022 | 19,092 | \$ 19,092 | \$ 19,092 |
| Total Depository Accounts | 100.0% | | | | | 19,092 | 19,092 |
| <i>Money Market Funds</i> | | | | | | | |
| BlackRock Liquidity | | 1.840 ** | | | 1 | 1 | 1 |
| Total Money Market Funds | 0.0% | | | | | 1 | 1 |
| Total Reserve Pool | 0.0% | | | | | \$ 19,093 | \$ 19,093 |

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>State and Local Government Series Securities</i> | | | | | | | |
| State & Local Governments | | 1.400 % | 1.400 % | 10/01/2018 | 8,874 | \$ 8,874 | \$ 8,874 |
| State & Local Governments | | 0.700 | 0.700 | 11/01/2018 | 326 | 326 | 326 |
| State & Local Governments | | 0.750 | 0.750 | 05/01/2019 | 19,057 | 19,057 | 19,057 |
| Total State and Local Government Series Securities | 100.0% | | | | | 28,257 | 28,257 |
| Total Municipal Bond Commission Pool | 100.0% | | | | | \$ 28,257 | \$ 28,257 |

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>Money Market Funds</i> | | | | | | | |
| BlackRock Liquidity | | 1.840 ** | | | 1,252 | \$ 1,252 | \$ 1,252 |
| Total Money Market Funds | 100.0% | | | | | 1,252 | 1,252 |
| Total School Fund | 100.0% | | | | | \$ 1,252 | \$ 1,252 |

F – Floating rate note security.

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West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)
June 30, 2017
(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 | \$ 1,530 | \$ 1,686 |
| Total U. S. Treasury Issues | <u>100.0%</u> | | | | | <u>1,530</u> | <u>1,686</u> |
| Total EDA-AW | <u>100.0%</u> | | | | | <u>\$ 1,530</u> | <u>\$ 1,686</u> |

F – Floating rate note security.

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** Rate represents last business day of the month.

Investment Section

Consolidated Fund Overview at June 30, 2018

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

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

Total Investments at June 30, 2018: \$ 4,429,361,000.

Description of the Consolidated Fund: The Consolidated Fund under the management of the BTI consisted of nine investment pools and single participant accounts during the year. The 2005 West Virginia Legislature established the BTI, effective July 8, 2005, as a public corporation of the State of West Virginia to make short-term operating funds of the state more accessible to state government. The BTI employs a top-down approach to developing its investment strategy for the management of its funds. Starting with the objectives of the fund, the BTI considers constraints outlined in its investment policy, which includes among other parameters: safety, liquidity, and maximization of rate of return. The Investment Policy is summarized on Pages 94 – 99 of this Investment Section.

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

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

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

Expense ratios for the pools and accounts are detailed in Table 2: Financial Highlights on Page 107 in the Statistical Section.

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

Economic Environment: Data throughout the fiscal year indicated that U.S. economy experience strong growth throughout the fiscal year. Growth remained above 2.0% during the year; with a fourth quarter fiscal year 2018 reading coming in especially strong at 4.2%. The Federal Reserve (the “Fed”) continued their program of policy normalization, hiking rates three times during the fiscal year in addition to beginning their balance sheet normalization. The Fed funds target rate ended the fiscal year 75 basis points higher, at a range of 1.75% to 2.00%. Looking forward, markets are expecting two more rate hikes by the Fed before the end of calendar year 2018.

Bond yields were disappointing again in fiscal year 2018 as the Fed continued on their policy normalization campaign. The U.S. bond market, as measured by the Barclays Aggregate Bond Index, was almost flat for the fiscal year, returning a negative 40 basis points for the year. Domestically, equity returns were strong for fiscal year 2018. The broad U.S. equity market, as measured by the Russell 3000 index, returned 14.77% for the fiscal year. Smaller or emerging markets equity performance was lower than fiscal year 2017 and fell short of domestic equity performance. Foreign equity returns, as measured by the MSCI Emerging Markets Index, posted a return of 8.5% for the fiscal year. Commodity markets experienced a massive turnaround as markets posted huge gains during fiscal year 2018. Commodity market performance, as measured by the S&P GSCI Total Return Index, returned 30.04% for the fiscal year.

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

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

The Schedule of Investments in Securities is presented in the Financial Section on Pages 48-64, and Participant Net Asset Values are presented in the Statistical Section on Page 117.

West Virginia Money Market Pool

□ Investment Objectives and Policy Guidelines

Objectives

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

Participants include state agencies and local governments throughout the state.

Benchmarks

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

Investment Managers

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

Maturity Restrictions, Diversification Guidelines and Credit Limits

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

- Weighted average maturity of the West Virginia Money Market Pool shall not exceed 60 days.
- Weighted average final maturity of the pool shall not exceed 90 days.
- Maximum maturity of individual securities cannot exceed 397 days from the date of purchase except for certain variable rate and floating rate U.S. Government securities.
- Variable rate and floating rate securities shall be based on a money market index and shall not have a final maturity longer than 762 days if they are U.S. Government securities, or 397 days if they are not U.S. Government securities.
- Minimum 15% of the pool must be in U.S. Treasury obligations or obligations guaranteed as to payment of interest and principal by the United States of America (inclusive of U.S. Treasury collateralized repurchase agreements and money market funds that invest substantially all of their assets in securities issued by the U.S. Treasury and in related repurchase agreements).
- Repurchase agreements must comply with the requirements of the Repurchase Agreement Policy.
- Money market funds utilized by the pool must be approved in advance by the Board.
- Maximum 5% of the pool may be invested in any one corporate name.
- Maximum 5% of the pool may be invested in any one supranational name.
- Maximum exposure in money market funds is limited to 10% of any individual rated fund at the pool level. The aggregate exposure at the pool level may not exceed 30%.

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

□ BTI Role

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

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

□ Income Allocation

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

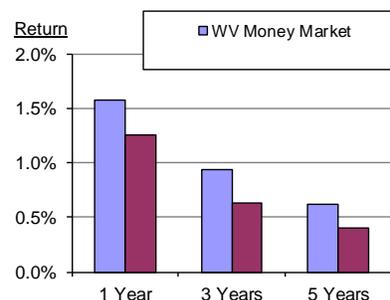
❑ **Asset Allocation – Permissible vs. Actual**

| Security Type | Permissible Allocation | Actual Allocation June 30, 2018 | | |
|--|------------------------|------------------------------------|----------------------------------|--------------------|
| | | Maximum Percent of Pool | Carrying Value (Thousands) | Percent of Pool |
| U.S. Treasury obligations | | 100.0% | \$ 342,414 | 10.5% |
| U.S. government agency obligations & FDIC guaranteed obligations | | 85.0% | - | - |
| Repurchase agreements | | 85.0% | 227,800 | 7.0% |
| Commercial paper, asset backed commercial paper, corporate debt and supranational debt (Combined) | | 75.0% | 1,886,978 | 57.8% |
| Certificates of deposit | | 75.0% | 663,801 | 20.3% |
| Money market funds | | 30.0% | 143,067 | 4.4% |
| Asset-backed & mortgage-backed securities | | 20.0% | - | - |
| Municipal securities | | 15.0% | - | - |
| Depository accounts | | 5.0% | - | - |
| | | | <u>\$ 3,264,060</u> | <u>100.0%</u> |

❑ **Actual Returns**

Actual Annualized Returns for Periods Ended June 30, 2018

| | 1 Year | 3 Years | 5 Years |
|--------------------------------|--------|---------|---------|
| Returns by Investment Manager: | | | |
| Federated Investors * | 1.60% | - | - |
| UBS | 1.56% | 0.91% | 0.60% |
| Total pool returns | 1.54% | 0.89% | 0.58% |
| Benchmark: | | | |
| Custom Index ** | 1.25% | 0.63% | 0.40% |



* The pool was co-managed by JP Morgan Asset Management until August 1, 2015, when Federated Investors replaced them.

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

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

□ **Investments**

For a detailed list of investments in the West Virginia Money Market Pool, see the Schedule of Investments in Securities in the Supplementary Information on Pages 48-53.

West Virginia Government Money Market Pool

❑ Investment Objectives and Policy Guidelines

Objectives

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

Participants include state agencies and local governments throughout the state.

Benchmarks

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

Investment Manager

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

Maturity Restrictions, Diversification Guidelines and Credit Limits

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

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

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

❑ **BTI Role**

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

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

❑ **Income Allocation**

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

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

| Security Type | Permissible Allocation Maximum Percent of Pool | Actual Allocation June 30, 2018 | |
|---|---|------------------------------------|--------------------|
| | | Carrying Value (Thousands) | Percent of Pool |
| U.S. Treasury obligations | 100.0% | \$ 34,923 | 16.4% |
| U.S. government agency obligations & FDIC guaranteed obligations | 85.0% | 129,034 | 60.8% |
| Repurchase agreements | 85.0% | 48,100 | 22.7% |
| Government money market funds | 30.0% | 247 | 0.1% |
| Depository accounts | 5.0% | - | - |
| | | <u>\$ 212,304</u> | <u>100.0%</u> |

Actual Returns

Actual Annualized Returns for Periods Ended June 30, 2018



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

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

Investments

For a detailed list of investments in the West Virginia Government Money Market Pool, see the Schedule of Investments in Securities in the Supplementary Information on Pages 53-55.

West Virginia Short Term Bond Pool

❑ Investment Objectives and Policy Guidelines

Objectives

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

Participants include state agencies and local governments throughout the state.

Benchmark

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

Investment Manager

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

Maturity Restrictions, Diversification Guidelines and Credit Limits

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

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

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

❑ **BTI Role**

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

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

❑ **Income Allocation**

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

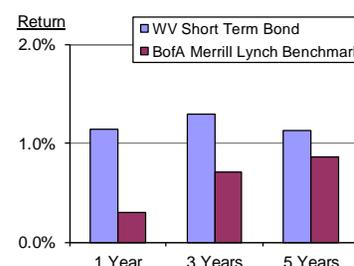
□ **Asset Allocation – Permissible vs. Actual**

| Security Type | Permissible Allocation | Actual Allocation June 30, 2018 | |
|---|-------------------------------|------------------------------------|--------------------|
| | Maximum Percent of Pool | Carrying Value (Thousands) | Percent of Pool |
| U.S. Treasury obligations | 100.0% | \$ 86,189 | 12.1% |
| U.S. government agency obligations & FDIC guaranteed obligations | 85.0% | 32,546 | 4.6% |
| Repurchase agreements | 85.0% | - | - |
| Commercial paper, asset backed commercial paper, corporate debt and supranational debt (combined) | 75.0% | 325,914 | 45.7% |
| Asset backed and mortgage backed securities | 50.0% | 262,879 | 36.9% |
| Certificates of deposit | 50.0% | - | - |
| Money market and fixed income funds | 30.0% | 5,054 | 0.7% |
| Municipal securities | 15.0% | - | - |
| Depository accounts | 5.0% | - | - |
| | | \$ 712,582 | 100.0% |

□ **Actual Returns**

Actual Annualized Returns for Periods Ended June 30, 2018

| | 1 Year | 3 Years | 5 Years |
|--------------------|--------|---------|---------|
| Total pool returns | 1.14% | 1.29% | 1.13% |
| Benchmark * | 0.31% | 0.71% | 0.85% |



* BofA Merrill Lynch US Corporate & Government, 1-3 Years, A Rated and Above Index + 10 bps.

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

□ **Investments**

For a detailed list of investments in the West Virginia Short Term Bond Pool, see the Schedule of Investments in Securities in the Supplementary Information on Pages 55-61.

West Virginia Bank Pool

□ Investment Objectives and Policy Guidelines

Objectives

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

Benchmark

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

Investment Manager

None.

Maturity Restrictions, Diversification Guidelines and Credit Limits

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

□ BTI Role

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

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

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

☐ Income Allocation

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

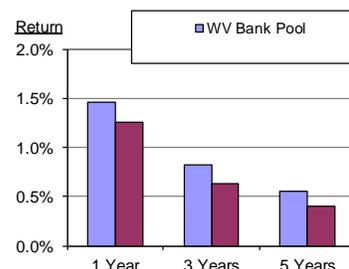
☐ Asset Allocation – Permissible vs. Actual

| Permissible Allocation | | Actual Allocation June 30, 2018 | |
|-------------------------|-------------------------------|------------------------------------|--------------------|
| Security Type | Maximum Percent of Pool | Carrying Value (Thousands) | Percent of Pool |
| Certificates of deposit | 100.0% | \$ 81,000 | 99.9% |
| Money market funds | 30.0% | 60 | 0.1% |
| | | <u>\$ 81,060</u> | <u>100.0%</u> |

☐ Actual Returns

Actual Annualized Returns for Periods Ended June 30, 2018

| | 1 Year | 3 Years | 5 Years |
|--------------------|--------|---------|---------|
| Total pool returns | 1.46% | 0.83% | 0.56% |
| Benchmark * | 1.25% | 0.63% | 0.40% |



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

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

☐ Investments

For a detailed list of investments in the West Virginia Bank Pool, see the Schedule of Investments in Securities in the Supplementary Information on Page 62.

Loan Pool

❑ Investment Objectives and Policy Guidelines

Objectives

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

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

- A Revolving Loan up to \$175 million for business and industrial development projects; and
- A Non-Recourse Loan up to \$25 million through June 29, 2012, to fund loans for certain venture capital initiatives; and
- A Revolving Loan up to \$50,000,000 to provide loan insurance for debt instruments to expand broadband within West Virginia

Benchmarks

None.

Investment Manager

None.

Maturity Restrictions, Diversification Guidelines and Credit Limits

None.

❑ BTI Role

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

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

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

- Provide EDA with the annual rate to be charged on the loan.
- Facilitate the transfer of funds to EDA via the State Treasurer’s Office.
- Invoice the EDA on a monthly basis for interest and principal due on outstanding loan balances

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

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

The role of the BTI for the Broadband Debt Guarantee Revolving Loan is as follows:

- Provide EDA with quarterly interest rate to be charged on the loan
- Facilitate the transfer of funds to EDA via the State Treasurer’s Office
- Invoice the EDA on a quarterly basis for interest and principal due on outstanding balances

Income Allocation

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

Asset Allocation – Permissible vs. Actual

| Permissible Allocation | | Actual Allocation June 30, 2017 | |
|------------------------|-------------------------------|---|--------------------|
| Security Type | Maximum Percent of Pool | Carrying Value <i>(Thousands)</i> | Percent of Pool |
| Other investments | 100.0% | \$ 109,033 | 100.0% |
| Money market funds | 20.0% | 34 | 0.0% |
| Depository accounts | 5.0% | - | - |
| | | \$ 109,067 | 100.0% |

Actual Returns

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

Investments

For a detailed list of investments in the Loan Pool, see the Schedule of Investments in Securities in the Supplementary Information on Page 62.

Reserve Pool

□ Investment Objectives and Policy Guidelines

Objectives

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

Benchmarks

None.

Investment Manager

None.

Maturity Restrictions, Diversification Guidelines and Credit Limits

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

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

□ BTI Role

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

- Develop investment guidelines.
- Provide cash flow information regarding securities held by the pool.
- Record contributions and withdrawals.
- Calculate monthly net income and net asset value.
- Prepare monthly a statement of net position, a statement of changes in net position, and a detailed list of securities.
- The BTI will monitor the net asset value of the West Virginia Money Market and West Virginia Government Money Market Pools on a daily basis in accordance with the BTI's Net Asset Value Monitoring Policy. This policy requires the Chief Financial Officer and Executive Director to

develop a formal and written action plan to address the NAV decline when it falls below \$0.9985 per unit. Board members are notified to approve the written action plan.

- If the net asset value falls below \$0.9985 per unit, the BTI will request Board approval to utilize the Reserve Pool to ensure the NAV is stabilized at \$0.9985 per unit.

Income Allocation

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

Asset Allocation – Permissible vs. Actual

| Permissible Allocation | | Actual Allocation June 30, 2017 | |
|------------------------------------|-------------------------------|------------------------------------|--------------------|
| Security Type | Maximum Percent of Pool | Carrying Value (Thousands) | Percent of Pool |
| U.S. Treasury obligations | 100.0% | \$ - | - |
| U.S. government agency obligations | 100.0% | - | - |
| Repurchase agreements | 100.0% | - | - |
| Government money market funds | 100.0% | 1 | 0.0% |
| Certificates of deposit | 100.0% | - | - |
| Depository accounts | 100.0% | 19,092 | 100.0% |
| | | <u>\$ 19,093</u> | <u>100.0%</u> |

Actual Returns

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

Investments

For a detailed list of investments in the Reserve Pool, see the Schedule of Investments in Securities in the Supplementary Information on Page 63.

Municipal Bond Commission Account

❑ Investment Objectives and Policy Guidelines

Objectives

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

Benchmarks

None.

Investment Manager

None.

Maturity Restrictions, Diversification Guidelines and Credit Limits

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

❑ BTI Role

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

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

❑ **Income Allocation**

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

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

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

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

❑ **Actual Returns**

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

❑ **Investments**

For a detailed list of investments in the Municipal Bond Commission Account, see the Schedule of Investments in Securities in the Supplementary Information on Page 63.

School Fund Account

❑ Investment Objectives and Policy Guidelines

Objectives

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

Benchmarks

None.

Investment Manager

None.

Maturity Restrictions, Diversification Guidelines and Credit Limits

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

❑ BTI Role

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

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

❑ Income Allocation

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

❑ Asset Allocation – Permissible vs. Actual

The School Fund shall be invested in interest-bearing securities of the United States, or securities, the payment of which as to both principal and interest, has been guaranteed by the United States, or of West Virginia, or of any county, city, town or village, or school district of West Virginia, or if such interest-bearing securities cannot be obtained, then such fund shall be invested in such other solvent interest-bearing securities as shall be approved by the School Fund Board. At June 30, 2018, 100.0% of the School Fund

Account's securities, totaling \$1,252,000, were invested in a money market fund which invests in U.S. Treasury and agency securities.

Actual Returns

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

Investments

For a detailed list of investments in the School Fund Account, see the Schedule of Investments in Securities in the Supplementary Information on Page 63.

Economic Development Authority – American Woodmark Account

❑ Investment Objectives and Policy Guidelines

Objectives

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

Benchmarks

None.

Investment Manager

None.

Maturity Restrictions, Diversification Guidelines and Credit Limits

None

❑ BTI Role

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

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

❑ Income Allocation

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

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

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

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

At June 30, 2018, 100.0% of the EDA – American Woodmark Account’s securities, totaling \$1,686,000, were invested in a U.S. Treasury Bond maturing August 15, 2023.

❑ **Actual Returns**

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

❑ **Investments**

For a detailed list of investments in the EDA – American Woodmark Account, see the Schedule of Investments in Securities in the Supplementary Information on Page 64.

Schedule of Investment Management Fees
Consolidated Fund
For the Fiscal Year Ended June 30, 2018
(In Thousands)

| | |
|----------------------------------|------------------------|
| External fees: | |
| Investment advisors: | |
| WV Money Market Pool | \$ 719 |
| WV Government Money Market Pool | 80 |
| WV Short Term Bond Pool | 664 |
| | <u>1,463</u> |
| Custodians: | |
| WV Money Market Pool | 90 |
| WV Government Money Market Pool | 13 |
| WV Short Term Bond Pool | 31 |
| | <u>134</u> |
| Total external fees | <u>1,597</u> |
| Internal fees: | |
| Investment consultant | 153 |
| Fiduciary bond | 20 |
| Administration | 1,072 |
| Total internal fees | <u>1,245</u> |
| Total investment management fees | <u><u>\$ 2,842</u></u> |

INVESTMENT POLICY SUMMARY

I. PURPOSE

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

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

II. INVESTMENT PHILOSOPHY

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

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

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

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

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

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

III. INVESTMENT OBJECTIVES

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

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

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

IV. INVESTMENT/ADMINISTRATIVE RESPONSIBILITIES

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

A. BOARD OF DIRECTORS

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

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

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

B. INVESTMENT COMMITTEE

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

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

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

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

C. INVESTMENT CONSULTANT

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

D. INVESTMENT MANAGERS

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

E. CUSTODIAN

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

F. INTERNAL AUDITOR

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

G. EXTERNAL AUDITOR

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

H. NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION

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

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

V. STANDARD OF CARE

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

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

VI. GENERAL INVESTMENT GUIDELINES

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

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

VII. CONFLICT OF INTEREST AND ETHICS

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

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

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

VIII. AUDITOR ACCESS TO RECORDS

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

IX. OTHER BTI POLICIES

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

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

X. MISCELLANEOUS PROVISIONS

A. AMENDMENTS

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

B. NO RECOURSE

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

C. EFFECT UPON EXISTING CONTRACT

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

D. EFFECT OF FAILURE TO COMPLY AS TO INVESTMENTS

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

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Statistical Section

INTRODUCTION TO STATISTICAL SECTION

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

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

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

Table 2: Financial Highlights – Consolidated Fund State Operating Pools

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

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

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

Table 4: Participation in Consolidated Fund State Operating Pools

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

Table 5: Net Position – Consolidated Fund

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

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

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

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

This table presents components of total net asset values of the Consolidated Fund Operating and Special Purpose Pools at June 30, 2018, as well as investment unit data.

Table 8: Portfolio Statistics – Consolidated Fund Operating Pools

This table presents weighted average days to maturity, maximum weighted average investment maturity term per BTI investment policy, and money market yields for the Consolidated Fund Operating Pools at June 30, 2018.

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

This table presents major investors in the Consolidated Fund Operating Pools at June 30, 2018.

Glossary of Financial and Investment Terms

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

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

Fiscal Year Ended June 30

(In Thousands)

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|------------|--------------|-------------|--------------|
| Additions | | | | | |
| Investment income: | | | | | |
| Interest | \$ 35,994 | \$ 23,420 | \$ 17,145 | \$ 14,942 | \$ 15,103 |
| Dividends | 1,648 | 666 | 402 | 1,575 | 1,653 |
| Securities lending income | - | - | - | - | - |
| Net accretion (amortization) | 21,465 | 7,470 | 1,069 | (3,884) | (4,563) |
| Provision for securities lending loss | - | - | - | - | - |
| Provision for uncollectible loans | - | (639) | (507) | (822) | (1,251) |
| Total investment income | 59,107 | 30,917 | 18,109 | 11,811 | 10,942 |
| Investment expenses: | | | | | |
| Investment advisor fees | 1,463 | 1,345 | 1,366 | 1,552 | 1,486 |
| Custodian bank fees | 134 | 116 | 126 | 133 | 129 |
| Administrative fees | 1,245 | 1,383 | 1,290 | 1,299 | 1,083 |
| Securities lending agent fees | - | - | - | - | - |
| Securities lending borrower rebates | - | - | - | - | - |
| Total investment expenses | 2,842 | 2,844 | 2,782 | 2,984 | 2,698 |
| Net investment income | 56,265 | 28,073 | 15,327 | 8,827 | 8,244 |
| Net realized gain (loss) from investments | (583) | 128 | (39) | (442) | 44 |
| Net increase (decrease) in fair value of investments | (5,460) | (1,917) | 2,818 | (986) | 2,401 |
| Net increase in net position from operations | 50,222 | 26,284 | 18,106 | 7,399 | 10,689 |
| Participant transaction additions: | | | | | |
| Purchase of pool units by participants | 11,558,987 | 11,266,082 | 9,864,797 | 10,934,435 | 10,832,452 |
| Reinvestment of pool distributions | 55,550 | 27,979 | 15,082 | 8,679 | 8,812 |
| Contributions to individual investment accounts | 9,307 | 26,512 | 64,252 | 825 | 356 |
| Total participant transaction additions | 11,623,844 | 11,320,573 | 9,944,131 | 10,943,939 | 10,841,620 |
| Total additions | 11,674,066 | 11,346,857 | 9,962,237 | 10,951,338 | 10,852,309 |
| Deductions | | | | | |
| Distributions to pool participants: | | | | | |
| Net investment income | 55,858 | 27,709 | 15,147 | 8,714 | 8,087 |
| Net realized gain (loss) from investments | (583) | 128 | (39) | (442) | 44 |
| Total distributions to pool participants | 55,275 | 27,837 | 15,108 | 8,272 | 8,131 |
| Participant transaction deductions: | | | | | |
| Redemption of pool units by participants | 10,171,762 | 11,141,869 | 10,233,163 | 10,977,053 | 11,259,270 |
| Withdrawals from individual investment accounts | 17,474 | 16,385 | 44,326 | 20,106 | 193,010 |
| Total participant transaction deductions | 10,189,236 | 11,158,254 | 10,277,489 | 10,997,159 | 11,452,280 |
| Total deductions | 10,244,511 | 11,186,091 | 10,292,597 | 11,005,431 | 11,460,411 |
| Change in net position | \$ 1,429,555 | \$ 160,766 | \$ (330,360) | \$ (54,093) | \$ (608,102) |

(Continued)

| | 2013 | 2012 | 2011 | 2010 | 2009 |
|----|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ | 17,579 | \$ 17,094 | \$ 20,410 | \$ 21,499 | \$ 35,328 |
| | 330 | 461 | 446 | 624 | 2,794 |
| | - | - | - | - | 2,956 |
| | (6,351) | (3,986) | 6,255 | 7,700 | 25,918 |
| | (1,629) | (945) | (596) | (1,193) | (6,837) |
| | - | - | - | - | (7,117) |
| | <u>9,929</u> | <u>12,624</u> | <u>26,515</u> | <u>28,630</u> | <u>53,042</u> |
| | 1,366 | 1,420 | 1,399 | 1,277 | 1,157 |
| | 132 | 141 | 134 | 107 | 86 |
| | 593 | 1,004 | 1,052 | 1,468 | 1,208 |
| | - | - | - | - | 226 |
| | - | - | - | - | 2,054 |
| | <u>2,091</u> | <u>2,565</u> | <u>2,585</u> | <u>2,852</u> | <u>4,731</u> |
| | 7,838 | 10,059 | 23,930 | 25,778 | 48,311 |
| | 2,850 | (12) | 6,527 | 1,576 | (1,578) |
| | (96) | (1,946) | (11,329) | (770) | 8,560 |
| | <u>10,592</u> | <u>8,101</u> | <u>19,128</u> | <u>26,584</u> | <u>55,293</u> |
| | 11,345,517 | 10,994,105 | 10,590,080 | 10,192,912 | 10,316,680 |
| | 8,277 | 10,918 | 21,531 | 19,301 | 48,995 |
| | 291,228 | 156,312 | 6,760 | 4,950 | 6,708 |
| | <u>11,645,022</u> | <u>11,161,335</u> | <u>10,618,371</u> | <u>10,217,163</u> | <u>10,372,383</u> |
| | 11,655,614 | 11,169,436 | 10,637,499 | 10,243,747 | 10,427,676 |
| | 6,727 | 8,862 | 16,264 | 17,989 | 40,788 |
| | (370) | (114) | 6,527 | 1,576 | (1,578) |
| | <u>6,357</u> | <u>8,748</u> | <u>22,791</u> | <u>19,565</u> | <u>39,210</u> |
| | 11,513,580 | 11,391,935 | 10,356,782 | 9,949,245 | 10,063,667 |
| | 223,638 | 21,259 | 10,949 | 13,023 | 26,041 |
| | <u>11,737,218</u> | <u>11,413,194</u> | <u>10,367,731</u> | <u>9,962,268</u> | <u>10,089,708</u> |
| | 11,743,575 | 11,421,942 | 10,390,522 | 9,981,833 | 10,128,918 |
| \$ | <u>(87,961)</u> | <u>(252,506)</u> | <u>246,977</u> | <u>261,914</u> | <u>298,758</u> |

Table 2: Financial Highlights – Consolidated Fund State Operating Pools

| | Fiscal Year Ended June 30 | | | | | | | | | |
|--|---------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| WV Money Market Pool | | | | | | | | | | |
| Per share data: | | | | | | | | | | |
| Net asset value at beginning of year | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 |
| Net investment income (loss) | 0.02 | 0.01 | - | - | - | - | - | - | - | 0.01 |
| Net realized and unrealized gain (loss) | - | - | - | - | - | - | - | - | - | - |
| Net increase (decrease) from operations | 0.02 | 0.01 | - | - | - | - | - | - | - | 0.01 |
| Distributions to participants | 0.02 | 0.01 | - | - | - | - | - | - | - | 0.01 |
| Net asset value at end of year | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 |
| Shares outstanding (in thousands) | 3,266,592 | 1,780,967 | 1,556,503 | 1,890,872 | 1,960,118 | 2,496,857 | 2,788,044 | 3,019,878 | 2,820,141 | 2,570,620 |
| Ratio of expenses to average net assets | 0.07% | 0.08% | 0.08% | 0.08% | 0.07% | 0.05% | 0.06% | 0.06% | 0.07% | 0.07% |
| Ratio of net investment income to average net assets | 1.56% | 0.84% | 0.27% | 0.13% | 0.13% | 0.14% | 0.11% | 0.18% | 0.14% | 1.15% |
| WV Government Money Market Pool | | | | | | | | | | |
| Per share data: | | | | | | | | | | |
| Net asset value at beginning of year | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 |
| Net investment income (loss) | 0.01 | - | - | - | - | - | 0.01 | - | - | 0.01 |
| Net realized and unrealized gain (loss) | - | - | - | - | - | - | - | - | - | - |
| Net increase (decrease) from operations | 0.01 | - | - | - | - | - | 0.01 | - | - | 0.01 |
| Distributions to participants | 0.01 | - | - | - | - | - | 0.01 | - | - | 0.01 |
| Net asset value at end of year | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 | \$ 1.00 |
| Shares outstanding (in thousands) | 212,354 | 202,070 | 190,160 | 248,503 | 238,981 | 287,253 | 300,047 | 262,898 | 221,265 | 283,795 |
| Ratio of expenses to average net assets | 0.08% | 0.09% | 0.09% | 0.08% | 0.08% | 0.06% | 0.06% | 0.07% | 0.08% | 0.07% |
| Ratio of net investment income to average net assets | 1.32% | 0.47% | 0.16% | 0.03% | 0.02% | 0.09% | 0.06% | 0.15% | 0.10% | 0.88% |
| WV Short Term Bond Pool | | | | | | | | | | |
| Per share data: | | | | | | | | | | |
| Net asset value at beginning of year | \$ 101.81 | \$ 102.03 | \$ 101.67 | \$ 101.79 | \$ 101.47 | \$ 100.06 | \$ 100.34 | \$ 101.35 | \$ 100.59 | \$ 99.27 |
| Net investment income (loss) | 1.97 | 1.47 | 1.15 | 0.85 | 1.20 | 0.70 | 0.86 | 1.56 | 2.41 | 2.87 |
| Net realized and unrealized gain (loss) | (0.83) | (0.22) | 0.34 | (0.19) | 0.33 | 1.34 | (0.31) | 0.40 | 1.20 | 0.63 |
| Net increase (decrease) from operations | 1.14 | 1.25 | 1.49 | 0.66 | 1.53 | 2.04 | 0.55 | 1.96 | 3.61 | 3.50 |
| Distributions to participants | 1.88 | 1.47 | 1.13 | 0.78 | 1.21 | 0.63 | 0.83 | 2.97 | 2.85 | 2.18 |
| Net asset value at end of year | \$ 101.07 | \$ 101.81 | \$ 102.03 | \$ 101.67 | \$ 101.79 | \$ 101.47 | \$ 100.06 | \$ 100.34 | \$ 101.35 | \$ 100.59 |
| Shares outstanding (in thousands) | 7,020 | 7,403 | 7,754 | 7,490 | 7,600 | 6,083 | 5,040 | 4,746 | 4,496 | 3,251 |
| Ratio of expenses to average net assets | 0.13% | 0.14% | 0.14% | 0.14% | 0.12% | 0.07% | 0.10% | 0.10% | 0.14% | 0.11% |
| Ratio of net investment income to average net assets | 1.97% | 1.47% | 1.19% | 0.87% | 0.78% | 0.50% | 0.73% | 1.26% | 2.52% | 2.37% |
| Portfolio turnover rate | 3.45% | 3.06% | 6.77% | 4.17% | 1.10% | 2.48% | 11.11% | 3.66% | 5.07% | 17.15% |

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

| | Fiscal Year Ended June 30 | | | | | | | | | |
|---------------------------------|---------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 |
| WV Money Market Pool | 1.54% | 0.80% | 0.32% | 0.14% | 0.13% | 0.13% | 0.11% | 0.18% | 0.12% | 1.29% |
| WV Government Money Market Pool | 1.26% | 0.42% | 0.16% | 0.03% | 0.02% | 0.09% | 0.05% | 0.16% | 0.06% | 1.13% |
| WV Short Term Bond Pool | 1.14% | 1.26% | 1.47% | 0.65% | 1.11% | 0.76% | 0.59% | 1.96% | 3.67% | 4.35% |

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

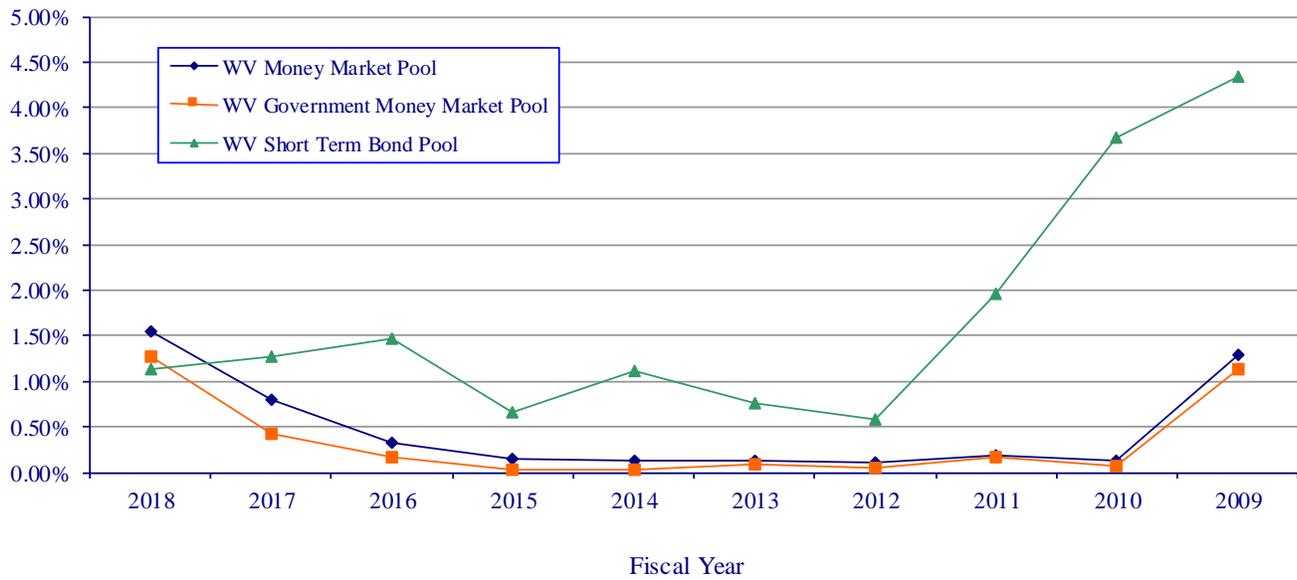


Table 4: Participation in Consolidated Fund State Operating Pools

Fiscal Year Ended June 30

(Net Asset Values Expressed in Thousands)

| | 2018 | | 2017 | | 2016 | | 2015 | | 2014 | |
|---|-----------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|
| | Number of Accounts | Net Asset Value |
| WV Money Market Pool: | | | | | | | | | | |
| State agency accounts | 1,037 | \$ 3,087,615 | 1,115 | \$ 1,653,945 | 1,196 | \$ 1,462,081 | 1,275 | \$ 1,804,995 | 1,336 | \$ 1,869,338 |
| Local government accounts | 198 | 178,977 | 207 | 127,022 | 206 | 94,422 | 208 | 85,877 | 221 | 90,780 |
| Accumulated undistributed securities lending income | | - | | - | | - | | - | | - |
| | <u>1,235</u> | <u>\$ 3,266,592</u> | <u>1,322</u> | <u>\$ 1,780,967</u> | <u>1,402</u> | <u>\$ 1,556,503</u> | <u>1,483</u> | <u>\$ 1,890,872</u> | <u>1,557</u> | <u>\$ 1,960,118</u> |
| WV Government Money Market Pool: | | | | | | | | | | |
| State agency accounts | 23 | \$ 209,783 | 20 | \$ 198,527 | 24 | \$ 184,246 | 23 | \$ 202,008 | 20 | \$ 184,523 |
| Local government accounts | 21 | 2,571 | 27 | 3,543 | 27 | 5,914 | 70 | 46,495 | 77 | 54,458 |
| Accumulated undistributed securities lending income | | - | | - | | - | | - | | - |
| | <u>44</u> | <u>\$ 212,354</u> | <u>47</u> | <u>\$ 202,070</u> | <u>51</u> | <u>\$ 190,160</u> | <u>93</u> | <u>\$ 248,503</u> | <u>97</u> | <u>\$ 238,981</u> |
| WV Short Term Bond Pool: | | | | | | | | | | |
| State agency accounts | 39 | \$ 705,986 | 38 | \$ 750,256 | 37 | \$ 787,715 | 35 | \$ 758,066 | 34 | \$ 768,763 |
| Local government accounts | 8 | 3,493 | 9 | 3,475 | 9 | 3,434 | 9 | 3,384 | 9 | 4,837 |
| | <u>47</u> | <u>\$ 709,479</u> | <u>47</u> | <u>\$ 753,731</u> | <u>46</u> | <u>\$ 791,149</u> | <u>44</u> | <u>\$ 761,450</u> | <u>43</u> | <u>\$ 773,600</u> |
| 2013 | | | | | | | | | | |
| | Number of Accounts | Net Asset Value |
| WV Money Market Pool: | | | | | | | | | | |
| State agency accounts | 1,347 | \$ 2,427,230 | 1,282 | \$ 2,708,359 | 1,239 | \$ 2,956,372 | 1,118 | \$ 2,746,279 | 1,059 | \$ 2,474,600 |
| Local government accounts | 222 | 69,627 | 222 | 79,685 | 226 | 63,506 | 217 | 73,862 | 252 | 96,020 |
| Accumulated undistributed securities lending income | | - | | - | | - | | 14 | | 255 |
| | <u>1,569</u> | <u>\$ 2,496,857</u> | <u>1,504</u> | <u>\$ 2,788,044</u> | <u>1,465</u> | <u>\$ 3,019,878</u> | <u>1,335</u> | <u>\$ 2,820,155</u> | <u>1,311</u> | <u>\$ 2,570,875</u> |
| WV Government Money Market Pool: | | | | | | | | | | |
| State agency accounts | 17 | \$ 189,828 | 18 | \$ 178,519 | 15 | \$ 184,473 | 26 | \$ 193,292 | 17 | \$ 231,772 |
| Local government accounts | 80 | 97,425 | 80 | 121,528 | 84 | 78,425 | 48 | 27,973 | 61 | 52,023 |
| Accumulated undistributed securities lending income | | - | | - | | - | | - | | 63 |
| | <u>97</u> | <u>\$ 287,253</u> | <u>98</u> | <u>\$ 300,047</u> | <u>99</u> | <u>\$ 262,898</u> | <u>74</u> | <u>\$ 221,265</u> | <u>78</u> | <u>\$ 283,858</u> |
| WV Short Term Bond Pool: | | | | | | | | | | |
| State agency accounts | 12 | \$ 611,495 | 14 | \$ 499,402 | 14 | \$ 474,511 | 14 | \$ 454,793 | 10 | \$ 326,516 |
| Local government accounts | 10 | 5,756 | 9 | 4,890 | 10 | 1,676 | 8 | 904 | 7 | 460 |
| | <u>22</u> | <u>\$ 617,251</u> | <u>23</u> | <u>\$ 504,292</u> | <u>24</u> | <u>\$ 476,187</u> | <u>22</u> | <u>\$ 455,697</u> | <u>17</u> | <u>\$ 326,976</u> |

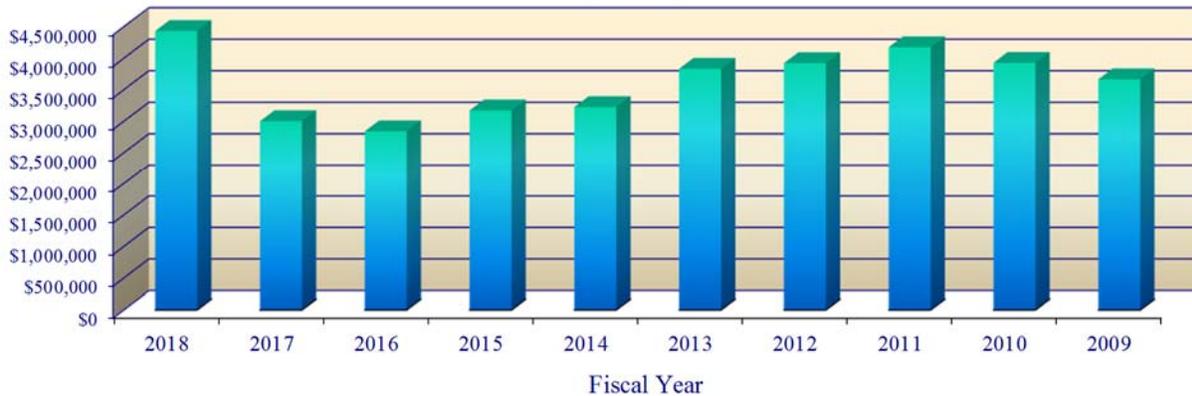
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Table 5: Net Position – Consolidated Fund

Fiscal Year Ended June 30
(In Thousands)

| | 2018 | 2017 | 2016 | 2015 |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|
| WV Money Market Pool | \$ 3,266,592 | \$ 1,780,967 | \$ 1,556,503 | \$ 1,890,872 |
| WV Government Money Market Pool | 212,354 | 202,070 | 190,160 | 248,503 |
| WV Short Term Bond Pool | 709,479 | 753,731 | 791,149 | 761,450 |
| WV Bank Pool | 81,448 | 79,774 | 129,294 | 116,111 |
| Loss Amortization Pool | - | - | - | - |
| Loan Pool | 109,145 | 125,400 | 124,438 | 125,210 |
| Reserve Pool | 19,126 | 18,854 | 18,767 | 18,716 |
| Municipal Bond Commission Account | 28,364 | 35,881 | 25,296 | 4,565 |
| School Fund Account | 1,254 | 1,418 | 1,584 | 2,174 |
| EDA-AW Account | 1,720 | 1,832 | 1,970 | 1,920 |
| | <u>\$ 4,429,482</u> | <u>\$ 2,999,927</u> | <u>\$ 2,839,161</u> | <u>\$ 3,169,521</u> |

Total Consolidated Fund Net Position
(In Thousands)



(Continued)

| <u>2014</u> | <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 1,960,118 | \$ 2,496,857 | \$ 2,788,044 | \$ 3,019,878 | \$ 2,820,155 | \$ 2,570,875 |
| 238,981 | 287,253 | 300,047 | 262,898 | 221,265 | 283,858 |
| 773,600 | 617,251 | 504,292 | 476,187 | 455,697 | 326,976 |
| 73,060 | 70,042 | 52,590 | 60,067 | 60,082 | 100,215 |
| - | - | - | 188,544 | 187,726 | 184,107 |
| 129,264 | 118,366 | 106,825 | 132,181 | 132,918 | 127,728 |
| 20,757 | 21,920 | 19,041 | 19,179 | 30,147 | 44,792 |
| 24,538 | 216,728 | 145,150 | 9,997 | 13,916 | 21,640 |
| 1,356 | 1,327 | 1,555 | 1,385 | 1,393 | 1,307 |
| 1,940 | 1,972 | 2,133 | 1,867 | 1,907 | 1,794 |
| <u>\$ 3,223,614</u> | <u>\$ 3,831,716</u> | <u>\$ 3,919,677</u> | <u>\$ 4,172,183</u> | <u>\$ 3,925,206</u> | <u>\$ 3,663,292</u> |

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

Fiscal Year Ended June 30
(In Thousands)

| | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|-----------------|---------------|---------------|---------------|---------------|
| <u>Changes in Net Position</u> | | | | | |
| Operating revenues | | | | | |
| Management services | \$ 1,245 | \$ 1,383 | \$ 1,290 | \$ 1,297 | \$ 1,353 |
| Advisor services | 1,463 | 1,345 | 1,366 | 1,553 | 1,486 |
| Custodian services | 134 | 116 | 126 | 132 | 129 |
| Total operating revenues | <u>2,842</u> | <u>2,844</u> | <u>2,782</u> | <u>2,982</u> | <u>2,968</u> |
| Operating expenses | | | | | |
| Advisor fees | 1,463 | 1,345 | 1,366 | 1,553 | 1,486 |
| Management fees | 670 | 637 | 642 | 613 | 591 |
| Professional service fees | 244 | 265 | 231 | 229 | 254 |
| Fiduciary bond | 20 | 19 | 19 | 18 | 44 |
| Custodian fees | 131 | 119 | 126 | 132 | 129 |
| General and administrative expenses | 256 | 280 | 266 | 258 | 216 |
| Depreciation | 2 | 2 | 1 | 2 | 3 |
| Total operating expenses | <u>2,786</u> | <u>2,667</u> | <u>2,651</u> | <u>2,805</u> | <u>2,723</u> |
| Operating income (loss) | <u>56</u> | <u>177</u> | <u>131</u> | <u>177</u> | <u>245</u> |
| Change in net position | <u>\$ 56</u> | <u>\$ 177</u> | <u>\$ 131</u> | <u>\$ 177</u> | <u>\$ 245</u> |
| <u>Net Position at Year-End</u> | | | | | |
| Investment in capital assets | \$ 5 | \$ 4 | \$ 4 | \$ 1 | \$ 3 |
| Unrestricted | 1,042 | 987 | 810 | 682 | 503 |
| Total net position | <u>\$ 1,047</u> | <u>\$ 991</u> | <u>\$ 814</u> | <u>\$ 683</u> | <u>\$ 506</u> |
| <u>Restatements of Net Position</u> | | | | | |
| Net position at beginning of year | \$ 991 | \$ 814 | \$ 683 | \$ 506 | \$ 261 |
| Effect of change in accounting principle | - | - | - | - | - |
| Net position at beginning of year, restated | <u>\$ 991</u> | <u>\$ 814</u> | <u>\$ 683</u> | <u>\$ 506</u> | <u>\$ 261</u> |

(Continued)

| <u>2013</u> | <u>2012</u> | <u>2011</u> | <u>2010</u> | <u>2009</u> |
|-----------------|-----------------|-----------------|---------------|----------------|
| \$ 955 | \$ 1,004 | \$ 1,052 | \$ 1,468 | \$ 1,210 |
| 1,366 | 1,420 | 1,399 | 1,277 | 1,158 |
| 132 | 141 | 134 | 107 | 85 |
| <u>2,453</u> | <u>2,565</u> | <u>2,585</u> | <u>2,852</u> | <u>2,453</u> |
| 1,364 | 1,420 | 1,399 | 1,276 | 1,158 |
| 625 | 647 | 623 | 637 | 598 |
| 222 | 212 | 222 | 202 | 319 |
| 158 | 155 | 155 | 155 | 155 |
| 133 | 141 | 134 | 107 | 85 |
| 222 | 214 | 217 | 205 | 231 |
| 3 | 2 | 2 | 3 | 6 |
| <u>2,727</u> | <u>2,791</u> | <u>2,752</u> | <u>2,585</u> | <u>2,552</u> |
| (274) | (226) | (167) | 267 | (99) |
| <u>\$ (274)</u> | <u>\$ (226)</u> | <u>\$ (167)</u> | <u>\$ 267</u> | <u>\$ (99)</u> |
| \$ 5 | \$ 7 | \$ 6 | \$ 1 | \$ 4 |
| 256 | 528 | 755 | 927 | 657 |
| <u>\$ 261</u> | <u>\$ 535</u> | <u>\$ 761</u> | <u>\$ 928</u> | <u>\$ 661</u> |
| \$ 535 | \$ 761 | \$ 928 | \$ 661 | \$ 760 |
| - | - | - | - | - |
| <u>\$ 535</u> | <u>\$ 761</u> | <u>\$ 928</u> | <u>\$ 661</u> | <u>\$ 760</u> |

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

June 30, 2018

(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 | \$ 3,266,592 | \$ 212,354 | \$ 713,655 | \$ 81,448 | \$ 109,145 | \$ 19,126 |
| Accumulated undistributed net investment income (loss) | - | - | - | - | - | - |
| Accumulated undistributed net realized gain (loss) | - | - | - | - | - | - |
| Unrealized net appreciation (depreciation) of investments | - | - | (4,176) | - | - | - |
| Net position at value | <u>\$ 3,266,592</u> | <u>\$ 212,354</u> | <u>\$ 709,479</u> | <u>\$ 81,448</u> | <u>\$ 109,145</u> | <u>\$ 19,126</u> |
| Investment unit data: | | | | | | |
| Units outstanding | 3,266,592,581 | 212,354,426 | 7,019,939 | 81,447,577 | 109,144,794 | 19,126,396 |
| Net position, unit price | \$ 1.00 | \$ 1.00 | \$ 101.07 | \$ 1.00 | \$ 1.00 | \$ 1.00 |

Table 8: Portfolio Statistics — Consolidated Fund Operating Pools

June 30, 2018

| | <u>West Virginia Money Market</u> | <u>West Virginia Government Money Market</u> | <u>West Virginia Short Term Bond Pool</u> |
|---|---------------------------------------|--|---|
| Weighted Average Days to Maturity | 34 days | 21 days | N/A |
| Maximum Weighted Average Investment Maturity Term Per Board Guidelines | 60 days | 60 days | N/A |
| Effective Duration | N/A | N/A | 372 days |
| Maximum Effective Duration Per Board Guidelines | N/A | N/A | 731 days |
| Money Market Yield - Monthly | 2.06% | 1.76% | N/A |

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

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

June 30, 2018

(In Thousands)

| WV Money Market Pool | | | |
|--|------------------|--|---------------------|
| State Agencies: | | Local Governments: | |
| WV State Treasurer's Office: | | Mercer County Board of Education | 25,994 |
| State Participation | \$ 283,266 | Fayette County Board of Education | 16,593 |
| Banking Services | 500,874 | Boone County Commission | 5,809 |
| Safekeeping | 32,673 | Marshall County Board of Education | 10,624 |
| Safe Road Bonds | 57 | Fayette County Commission | 2,290 |
| Veterans Lottery | 1,281 | Roane County Board of Education | 2,788 |
| Total WV State Treasurer's Office | <u>818,151</u> | Kanawha County Emergency Ambulance Authority | 2,037 |
| Higher Education Policy Commission | 251,019 | City of Parkersburg | 3,784 |
| Department of Environmental Protection | 103,159 | Wyoming County Board of Education | 1,058 |
| Department of Health and Human Resources | 89,507 | Braxton County Board of Education | 4,335 |
| WV Lottery Commission | 104,129 | Kanawha EOC | 4,289 |
| Public Employees Insurance Agency | 82,472 | Lincoln County Board of Education | 2,814 |
| Department of Transportation | 1,278,101 | Wood County Board of Education | 48,282 |
| Regional Jail Authority | 16,611 | Tyler County Board of Education | 6,090 |
| Water Development Authority | 27,156 | Richie County Board of Education | 1,366 |
| Division of Natural Resources | 63,311 | Lewis County Board of Education | 3,029 |
| WV Municipal Pension Oversight Board | 29,691 | Weirton Financial Stabilization | 2,516 |
| Board of Risk and Insurance Management | 41,142 | Berkeley Co PSD | 2,510 |
| WV Economic Development Authority | 30,200 | Pleasants Co PCBOE Money Market | 5,036 |
| Performance and wage bond accounts | 43,493 | Greenbrier Co Board of Education | 1,229 |
| WVU | 18,484 | City of Charleston Investments | 12,056 |
| WV Housing | 22,559 | Pleasants Co Commission General Fund | 1,003 |
| Department of Commerce | 41,511 | Mason County Board of Education | 2,004 |
| Insurance Commission | 11,298 | Other | 11,442 |
| Other | 15,621 | Total net asset value | <u>178,977</u> |
| Total State Agencies | <u>3,087,615</u> | | <u>\$ 3,266,592</u> |

| WV Government Money Market Pool | |
|--|-------------------|
| State Agencies: | |
| Municipal Bond Commission | \$ 189,069 |
| WV Economic Development Authority | 7,450 |
| West Virginia Housing Development Fund | 6,616 |
| Other | 6,648 |
| Total State Agencies | <u>209,783</u> |
| Local Governments: | |
| Hancock County Commission | 1,119 |
| Other | 1,452 |
| Total Local Governments | <u>2,571</u> |
| Total net asset value | <u>\$ 212,354</u> |

| WV Short Term Bond Pool | |
|--|-------------------|
| State Agencies: | |
| WV State Treasurer's Office: | |
| State Participation | \$ 289,003 |
| Banking Services | 169,355 |
| Prepaid Tuition Escrow | 22,302 |
| Total WV State Treasurer's Office | <u>480,660</u> |
| Department of Environmental Protection | 153,861 |
| WV Economic Development Authority | 17,539 |
| Higher Education Policy Commission | 5,822 |
| WV Court of Claims | 4,142 |
| WV Parkways Authority | 3,283 |
| Department of Transportation | 2,152 |
| Division of Culture and History | 1,016 |
| WV Lottery Commission | 31,344 |
| DHHR - Children's Health Ins | 4,354 |
| Other | 1,813 |
| Total State Agencies | <u>705,986</u> |
| Local Governments: | |
| City of Charleston | 2,857 |
| Other | 636 |
| Total Local Governments | <u>3,493</u> |
| Total net asset value | <u>\$ 709,479</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.

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.