

WEST VIRGINIA

BOARD OF TREASURY INVESTMENTS

A COMPONENT UNIT OF THE STATE OF WEST VIRGINIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2011

WEST VIRGINIA
**BOARD OF TREASURY
INVESTMENTS**

**Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2011**

A Component Unit of the State of West Virginia

Earl Ray Tomblin

Governor

John D. Perdue, Chairman

West Virginia State Treasurer

Glen B. Gainer III

West Virginia State Auditor

Martin J. Glasser, Esquire

Attorney-at-Law

Appointed by the Governor

Richard C. Donovan, CPA

Appointed by the Governor

*Prepared by the Board of Treasury Investments Staff
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—| WEST VIRGINIA |—
**BOARD OF TREASURY
INVESTMENTS**
Investing Local, County and State Funds for West Virginia

November 15, 2011

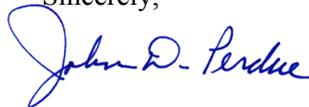
To: Members of the West Virginia Board of Treasury Investments,
Honorable Members of the Legislature,
And the Citizens of West Virginia

I am pleased to present you with the June 30, 2011, 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. Many milestones were achieved this year including reaffirmation of the AAAM rating by Standard & Poor’s for the WV Money Market and WV Government Money Market pools, exiting the Securities Lending program, engaging Mercer Sentinel Group to review internal operations and controls, 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

1900 Kanawha Boulevard East • Room E-122 • Charleston, WV 25305
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ACKNOWLEDGEMENTS

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West Virginia Board of Treasury Investments
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Staff:

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Kara K. Hughes, Chief Financial Officer
Denise Baker, Director of Investment Operations
Michael Conley, Investment Accountant
Ashley Smolder, Investment Accountant
Randy Covert, Investment Accountant

A Special Thanks To:

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

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

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INTRODUCTORY SECTION

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November 15, 2011

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, 2011, Comprehensive Annual Financial Report ("CAFR") for the West Virginia Board of Treasury Investments (the "BTI"). The report is a complete review of the financial status of the State of West Virginia's short-term operating funds (the "Consolidated Fund"). Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, rests with the management of the BTI. The BTI's financial statements have been audited by Gibbons & Kawash, A.C. The independent audit provides reasonable assurance that the financial statements for the fiscal year ended June 30, 2011, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor rendered an unqualified opinion that the BTI's financial statements for the fiscal year ended June 30, 2011, are fairly presented 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.

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Generally accepted accounting principals (“GAAP”) require 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 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 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, 2011, the Consolidated Fund had \$4.2 billion in net assets. The Consolidated Fund is made up of ten legally separate investment pools and accounts: four 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. JP Morgan Asset Management, UBS Global Asset Management, and Federated Investors currently serve as the BTI’s 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 allocated 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

Fiscal year 2011 continued its track for slow paced economic growth. Rates of return for the Consolidated Fund's WV Money Market, WV Government Money Market, and WV Short Term Bond Pools were 0.11%, 0.08%, and 1.96% (Simple money market yield and previous 12-month return, respectively) for the year ended June 30, 2011. Short term interest rates remained at historically low levels and are predicted to remain low at least through fiscal year 2012. This prediction is based upon the Federal Reserve's pledge to keep short-term rates near zero for a minimum of two more years due to the rising risk of a recession.

A number of factors have contributed to the economy's disappointing performance. The housing market, while showing some signs of a bottom, is very weak and unlikely to add growth to the economy until 2012. Cuts in the workforces of state and local governments are removing a steady source of consumer spending. On a positive note, the State of West Virginia has operated in a surplus over the past several years and has not experienced the layoffs and furloughs of other states. The BTI ended fiscal year 2011 with a budget surplus of \$168,137, marking the sixth year for such results since its July 2005 inception.

Other factors including the recent volatility in the U.S. and global stock market, continued worries of sovereign debt troubles in Europe, the downgrading of U.S. Treasuries' credit rating and the political unrest over raising the U.S. debt ceiling have further dampened consumer and business confidence.

One of the key features of the U.S. economy's slow recovery from the 2007-09 recession has been abnormally low bank lending to households and corporate businesses. While demand for loans may be sluggish, much of the slowdown stems from the banks' reluctance to lend.

Despite the slow economic growth, a number of indicators support a return to a more solid pace of expansion in the months ahead. In particular, increased corporate earnings have remained an important source of strength. While government spending is likely to continue to be a drag on the economy over the next year, economic momentum is in the hands of the private sector, which will continue to drive the recovery forward.

Major Initiatives

- *Standard and Poor's AAAM Rating*

For the fourth consecutive year, Standard and Poor's re-affirmed the BTI's AAAM rating on the WV Money Market and WV Government Money Market Pools. The BTI's AAAM rating was unaffected by the downgrade of the long-term rating on the United States of America to AA+ on August 5, 2011. Funds with Principal Stability Fund ratings ("PSFRs"), such as the BTI, seek to maintain a stable net asset value. PSFRs are closely linked to the short-term ratings on the U.S. government. 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. Because Standard & Poor's affirmed the A-1+ short-term rating on the U.S., the lowering of the long-term rating does not directly affect ratings on the PSFRs.

The PSFR rating is the highest money market rating assigned by Standard and Poor's. 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.

- *Securities Lending Exit*

Due to the short-term nature of BTI funds and many risk factors, the board approved exiting securities lending. The controlled unwind involved recalling securities out on loan and establishing a new securities lending investment policy. The unwind was performed in a conservative manner with daily analysis on the fund's collateral reinvestment pool, credit rating, and liquidity buffer. During the fourth quarter of fiscal year 2011, the BTI made the decision to sell all securities in the lending program. Many factors affected this decision including: (a) High risk for short-term funds; (b) Bank of NY Mellon imposing a yearly account maintenance charge for securities lending; and (c) BTI's securities lending agent, Wells Fargo, decision to terminate their Securities Lending Division by December 2011.

Shortly after fiscal year 2011, the BTI exited securities lending. The BTI worked closely with NEPC investment consultants to determine the most advantageous time to sell. As a result, the account was closed in July 2011 with minimal losses. The BTI had reserved excess funds to cover these losses from their Reserve Pool established in 2008.

- *BidWV CD Program*

The BidWV CD Program continues to be a success with total earnings to date of \$9.2 million, and additional earnings over the benchmark of \$1.36 million. The CD pool's performance is measured against the Merrill Lynch US-3 Month Treasury Bill Index plus 15 basis points. The pool has led its benchmark index on an annualized basis by 6 basis points. In addition, the program has outperformed the money market pools over the past year.

Six CD Auctions were held during fiscal year 2011. To increase competition among participating banks, \$20 million was auctioned as opposed to the \$25 million when the program was originally established.

The program continues to be a "win-win" for the State of West Virginia as funds are invested back into the economies of local West Virginia areas.

• *Mercer Operations Gap Analysis*

The BTI retained Mercer Sentinel to evaluate the BTI's operations and controls against soundness, market and best practice standards. Mercer Sentinel conducted a workshop with key BTI staff over two days. The workshop covered the following areas:

- Governance and organizational structure
- Compliance and audit
- Technology
- Investment implementation processes and controls
- Investment administration and controls
- Risk management
- Third parties and outsourced relationships
- Human capital
- Business continuity/disaster recovery

The review was undertaken as a proactive measure to enhance overall BTI operations. Many constructive suggestions were made including the creation of a stand-alone Valuation Committee, performing annual tests of disaster recovery and establishing straight-through processing to eliminate manual control points. The BTI is working toward incorporating these suggestions in daily operations.

• *Due Diligence Enhancements*

The BTI used Mercer Sentinel Group to perform a more comprehensive due diligence review of the investment managers. The due diligence process was enhanced to include a detailed review of the back office operations and an analysis of the internal control environment. In conducting the analysis, the primary focus was to distinguish well-managed operations and control environments from those that potentially expose the BTI to increased risks and costs. Reviews were performed on the manager's performance, operating model, compliance, and audit and regulatory environments. In addition, Mercer Sentinel Group followed the life cycle of an investment, from the point an investment decision was made through to monthly client reporting, including all the operations and implementation control points in between.

• *Certificate of Achievement for Excellence in Financial Reporting*

The BTI received the Certificate of Achievement for Excellence in Financial Reporting for the June 30, 2010 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 fifth year that the BTI has received this award.

• *Budget Surplus*

The BTI ended fiscal year 2011 with a budget surplus of \$168,137. Additionally, the growth of the Consolidated Fund resulted in actual fee collections of \$611,069 over revenues estimated. Management takes extreme caution to ensure the BTI consistently operates under budget. For the sixth consecutive year, the BTI has operated in surplus territory.

One half of the 2011 surplus was used to reduce administrative fees for fiscal year 2012. The goal is to continue to manage the budget closely; therefore, passing the savings on to the participants.

- *Investment Training*

Since inception, the BTI has abided by its Continuing Education Policy requiring eight hours of investment related training and one hour of ethics. This recently has been expanded to all staff members as opposed to executive management and board members. The board emphasizes the importance of education to stay abreast of the investment field, especially in these ever-changing, turbulent times.

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, 2010. 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 Consultants, JP Morgan, UBS Global Asset Management, Federated Investors, and the staff of the Office of the State Treasurer provided diligent and dedicated service in building the BTI as a professional investment organization for the investment of short-term state funds.

Respectfully, I hereby submit the Comprehensive Annual Financial Report of the West Virginia Board of Treasury Investments for the Year Ended June 30, 2011.

Sincerely,



Kara K. Hughes
Chief Financial Officer
West Virginia Board of Treasury Investments

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, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink.

President

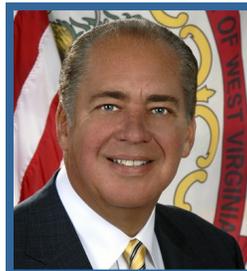
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Executive Director

PRINCIPAL OFFICIALS



John D. Perdue
WV State Treasurer
Chairman



Earl Ray Tomblin
Governor, State of WV
Vice Chairman



Glen B. Gainer III
WV State Auditor
Director



Martin J. Glasser
Director



Richard C. Donovan
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.

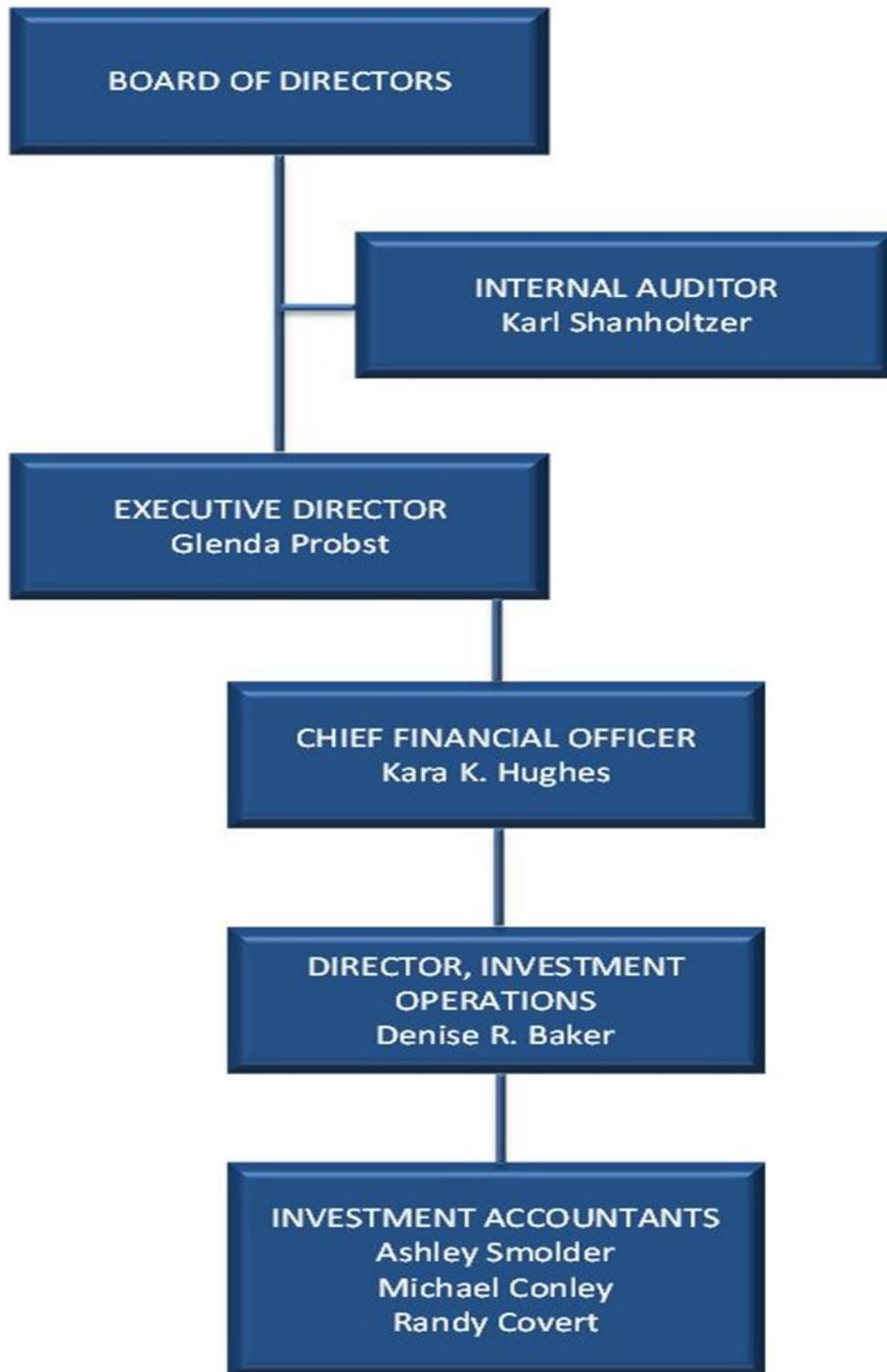
WEST VIRGINIA
**BOARD OF TREASURY
INVESTMENTS**

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.



Pictured is the BTI staff from left to right: Denise Baker, Karl Shanholtzer, Ashley Smolder, Glenda Probst, Randy Covert, Michael Conley and Kara Hughes.



NOTE: The following individuals provide professional support services to the Board on an as needed basis: Diana Stout, *Legal Counsel*; Fred Thomas, *Deputy Treasurer of Administration*; and Dave Thomas, *Financial Director of WV College Prepaid Tuition and Savings Program*.

**CONSULTING AND PROFESSIONAL SERVICES
AS OF JUNE 30, 2011**

INDEPENDENT AUDITOR

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

LEGAL COUNSEL

West Virginia State Treasurer's Office
Charleston, West Virginia

INVESTMENT SYSTEM

Princeton Financial System
Princeton, New Jersey

MASTER CUSTODIAN

BNY Mellon
Pittsburgh, Pennsylvania

INVESTMENT CONSULTANT AND PERFORMANCE MEASUREMENT

NEPC, LLC Investment Consultants
Atlanta, Georgia

INVESTMENT MANAGERS

Federated Investors
Pittsburgh, Pennsylvania

JP Morgan Asset Management
Columbus, Ohio

UBS Global Asset Management
Chicago, Illinois

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the proprietary and fiduciary funds of the West Virginia Board of Treasury Investments (the BTI), a component unit of the State of West Virginia, which collectively comprise the BTI's financial statements, the combining and individual fund financial statements, and the schedule of investments in securities as listed in the table of contents as of and for the year ended June 30, 2011. These financial statements are the responsibility of the BTI's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the proprietary and fiduciary funds of the BTI as of June 30, 2011, and the respective results of their operations and changes in their net assets and, where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the combining and individual fund financial statements and schedule of investments referred to above present fairly, in all material respects, the financial position of each of the individual funds and schedule of investments as of June 30, 2011, and the respective changes in net assets of such funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

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

Jillson & Kanash, A.C.

August 25, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

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, 2011. 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

Net Assets of the Consolidated Fund increased \$247 million for the year ended June 30, 2011. Although the economy continued to struggle and interest rates were at all-time lows, investments continued to increase. State agencies and local governments continued to exhibit a "flight to quality" behavior as in prior years.

The money market pools held by the BTI hold very short-term investments and their yields mirror short-term interest rates. Shortly after the fiscal year end, the Federal Reserve announced its commitment to maintain short term rates at zero through mid-2013. The interest rate policies from the Federal Reserve play a profound effect in keeping short term rates low for the Consolidated Fund.

Rates for the Consolidated Fund's WV Money Market, WV Government Money Market, and WV Short Term Bond Pools were 0.11%, 0.08%, and 1.96%, respectively, for the year ended June 30, 2011. Short term interest rates remained at historically low levels as the Federal Reserve continued to pursue an ultra-accommodative monetary policy in hopes of spurring job creation. Corporate bonds, asset-backed securities, and government guaranteed mortgage-backed securities had stable performance for most of the period, although these investment vehicles gave up some gains at the end of the year due to investor nervousness over the European debt crisis and the US budget deficit reduction negotiations.

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 is the Merrill Lynch 3-Month T-Bill plus 15 basis points. The portfolio underperformed its investment policy benchmark for the fiscal year. An improvement in money market yields is not on the horizon. The BTI contracts with UBS and JP Morgan to co-manage this pool and those managers have made recommendations to improve the return during these challenging economic times. Investment recommendations included investing in puttable securities and supranationals, all requiring BTI board approval and policy compliance.

The WV Government Money Market Pool's objective is to preserve capital and maintain sufficient liquidity to meet the daily disbursements of participants, while earning a return above inflation. The

benchmark for the WV Government Money Market Pool is the Merrill Lynch 3-Month T-Bill. The portfolio outperformed its investment policy benchmark for the fiscal year by 5 basis points.

The WV Short Term Bond Pool is structured as a mutual fund with the objective of asset growth rather than current income. The benchmark for the WV Short Term Bond Pool is the Merrill Lynch U.S. Corporate & Government, 1-3 Years, A Rated and Above Index plus 10 basis points. The portfolio outperformed its investment policy benchmark by 8 basis points for the fiscal year. In November 2010, the portfolio's duration was significantly reduced to protect the portfolio from price losses when the Federal Reserve eventually begins raising interest rates. The portfolio sold primarily low yielding Treasury securities and replaced them with AAA rated floating rate asset-backed and mortgage-backed securities, as well as high quality corporate bonds. The portfolio's duration risk was reduced from 1.8 years to 0.37 years. Normally, taking less interest rate risk means a lower yield for the portfolio, but the portfolio was able to maintain its yield while reducing its interest rate risk since short term Treasury yields are at record low levels.

Overview of the Financial Statements

This report presents the operating results and financial position of the BTI, which is composed of a proprietary fund and fiduciary fund. The proprietary fund is an internal service fund, or operating fund, used to account for activities that provide investment and administrative services on behalf of the State and other participants in the Consolidated Fund. The fiduciary fund is used to account for the activities of the Consolidated Fund, which is made up of ten legally separate investment pools and accounts. There are four 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 Assets presents information on the proprietary fund's assets and liabilities, with the difference between the two reported as net assets. This statement is categorized into current and non-current assets and liabilities. For purposes of the financial statements, current assets and liabilities are those assets and liabilities with immediate liquidity or which are collectible or becoming due within 12 months of the statement's date.

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

The Statement of Changes in Fiduciary Net Assets reports the additions and deductions to the fiduciary fund for the year. Additions are composed of investment income, such as interest, dividends, securities lending income, 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 assets. The following is the condensed Statement of Net Assets of the proprietary fund, which represents the assets, liabilities, and net assets generated by the operating activities of the BTI, as of June 30, 2011 and 2010 (in thousands).

	2011	2010
Current assets	\$ 1,176	\$ 1,369
Noncurrent assets	6	1
Total assets	1,182	1,370
Current liabilities	421	442
Total liabilities	421	442
Net assets:		
Invested in capital assets	6	1
Unrestricted	755	927
Total net assets	\$ 761	\$ 928

Net assets of the Operating Fund decreased \$167,000 from the prior year. This decrease was primarily due to a decrease in cash of \$173,000, a decrease in accounts receivable of \$20,000, an increase in non-current assets of \$5,000, and a decrease in current liabilities of \$21,000.

The majority of the proprietary fund’s net assets consist of current assets. Approximately \$728,000 of \$1,176,000 in current assets consists of cash and cash equivalents that will be used to pay investment advisor, custodian, and administrative costs. The decrease in cash for the current year was due to the decrease in administrative fees charged during fiscal year 2011.

Since its inception, the BTI has expended considerable effort to ensure operations remain within budget.

At June 30, 2010, the BTI built up a cash reserve of \$901,000. Budget forecasts for fiscal year 2011 predicted a consistent level of expenditures as in prior years. Accordingly, the BTI applied one-half of excess funds remaining at June 30, 2010 to reduce administrative fees for fiscal year 2011. This resulted in a decrease in cash collections for fiscal year 2011.

Approximately \$448,000 of current assets consists of accounts receivable at June 30, 2011. The accounts receivable balance represents fees that have not been withdrawn from the investment pools at June 30, 2011 to pay investment advisor, custodian, and administrative costs. In accordance with *WV State Code §12-6C-19*, the Board may charge fees to the pools for reasonable and necessary expenses incurred for rendering services. The fees charged to the pools are categorized into direct expenses (investment advisor and custodian fees) and indirect expenses (administrative costs). As part of the BTI monthly operations, the fees are transferred from the pools to the BTI's operating fund to pay for all necessary and reasonable expenses. These transfers occur one month in arrears, resulting in an accounts receivable balance.

Capital assets increased \$5,000 from the prior year. This was due to the purchase of Hewlett Packard Laptops for five members of the BTI staff. The upgrade was needed to handle new software as well as replace outdated computers.

The entire \$421,000 of current liabilities represents accounts payable at June 30, 2011. The majority of the accounts payable balance represents services received from the BTI's investment advisors and consultants for the final quarter of fiscal year 2011, custodian fees for the month of June 2011, and maintenance costs due for the investment management system for June 2011. The BTI had no reimbursements due to the West Virginia State Treasurer's Office for goods and services provided to the BTI at fiscal year end.

Net assets of the BTI's proprietary fund are composed of investments in capital assets net of accumulated depreciation and unrestricted net assets. Capital asset expenditures of \$1,000 or more are capitalized at cost and reported net of accumulated depreciation. Unrestricted net assets represent net assets not restricted to their use by legal, contractual or enabling legislation constraints.

Changes in fund net assets. The following is a condensed Statement of Revenues, Expenses and Changes in Fund Net Assets of the operating fund for the periods ended June 30, 2011 and 2010 (in thousands).

	2011	2010
Revenues		
Operating revenues:		
Management services	\$ 1,052	\$ 1,468
Advisor and custodian services	1,533	1,384
Total revenues	2,585	2,852
 Expenses		
Operating expenses:		
General and administrative	1,217	1,198
Advisor and custodian fees	1,533	1,384
Depreciation	2	3
Total expenses	2,752	2,585
(Decrease) increase in net assets	(167)	267
Net assets at beginning of year	928	661
Net assets at end of year	\$ 761	\$ 928

Operating revenues at June 30, 2011 consist of investment advisor, custodian, and management fees billed to the pools by the operating fund to cover the cost of providing investment management services. The fees charged to the pools are categorized into direct or indirect expenses. All direct fees, investment advisor and custodian, are charged directly to the pools as the fee is incurred. All indirect expenses, i.e. insurance, staff costs, and rent, are charged to the pools based upon a fixed basis point against the net asset value of the pool. The fees collected are deposited in a special account in the State Treasurer's Office created and designated the Board of Treasury Investments Fee Fund in accordance with *West Virginia Code §12-6C-19*.

Operating revenues for fiscal year 2011 decreased by approximately \$267,000. This decrease in revenue consisted of an increase of \$122,000 in advisor fee revenues, a decrease of \$416,000 in management (administrative) fees, and an increase of \$27,000 in custodian fees charged to the pool.

Advisor fee revenue is computed based upon market values of the pool. Contract fees did not increase for the investment managers. However, total Consolidated Fund net assets increased \$247.6 million. Similarly, a portion of custodian fees are based upon market value. As net assets grew, so did the operating revenue attributable to the custodian. The significant decrease in management fee revenue was due to the reduction in administrative fees charged to the pool during fiscal year 2011.

Total operating expenses for the year increased by approximately \$167,000. This includes an increase in general and administrative expenses of \$19,000, an increase in advisor and custodian fees of \$149,000, and a decrease in depreciation of \$1,000.

General and administrative expenses represent costs associated with operating the BTI, but not considered directly applicable to investment management. The largest costs classified under general and administrative expenses are salaries expense, professional service fees with NEPC Investment Consulting, and fiduciary bond fees. Staff salaries decreased slightly from the prior year due to one employee going to part time status (24 hours). During fiscal year 2011, BTI was notified that Mercer Investment Consulting would not be renewing their contract due to their policy change mandating the discontinuation of services to public funds. The BTI hired NEPC Consulting on April 1, 2011 as their investment consultant. The first year fee was \$140,000, representing a \$7,700 increase in annual consulting fees. In addition, the BTI engaged Mercer to perform additional work related to exiting the securities lending program during fiscal year 2011. The fiduciary bond remained unchanged from the prior year at \$155,000.

Other general and administrative expenses that experienced increased costs from the prior year include marketing, professional education, and travel. The BTI continued to stay abreast of changes in the marketplace through educational conferences sponsored by entities such as Government Finance Officers Association and the Association of Financial Professionals. In March 2011, the BTI retained Mercer Sentinel to evaluate BTI's operations and controls against soundness, market and best practice standards. Mercer Sentinel conducted a workshop with key BTI staff over two days. The workshop covered organizational structure, compliance and audit, investment processes and controls, and risk management. The training provided valuable insight into improvements and succession planning for the BTI.

A large portion of BTI expenses represent investment advisor fees. The current investment advisors are JP Morgan Asset Management, Federated Investors, and UBS Global Asset Management. All investment decisions and trade executions are performed by the investment advisors. Total investment advisor fees for fiscal year 2011 were \$1,399,000, representing a \$122,000 increase from the previous year. This increase is due to an overall increase in net asset value of the Consolidated Fund.

Custodian fees increased \$27,000 during fiscal year 2011. This was due to the increase in net asset value of the Consolidated Fund as well as the elimination of the custodian fee discount by BNY Mellon during the latter half of fiscal year 2010.

Financial Analysis of the Consolidated Fund

Net assets. The following are combined, condensed Statements of Fiduciary Net Assets of the Consolidated Fund fiduciary funds as of June 30, 2011 and 2010 (in thousands).

	2011	2010
Assets		
Investments	\$ 4,168,034	\$ 3,979,008
Securities lending collateral	10,692	133,606
Receivables	11,696	4,481
Other assets	-	10
Total assets	4,190,422	4,117,105
Liabilities		
Accrued expenses	448	468
Dividends and purchases payable	7,099	57,825
Securities lending payable	10,692	133,606
Total liabilities	18,239	191,899
Net Assets		
Held in trust for investment pool participants	4,158,934	3,907,990
Held in trust for individual investment account holders	13,249	17,216
Net assets	\$ 4,172,183	\$ 3,925,206

The Consolidated Fund's total assets as of June 30, 2011 were nearly \$4.2 billion and consisted mainly of investments in securities. Total assets increased \$73.3 million or 1.8% from the prior year primarily due to an increase in contributions and a decrease in securities lending at June 30, 2011. The BTI has continued to reduce its participation in securities lending. As of June 30, 2011, total securities lending collateral was \$10.7 million, a 92% decrease from the prior year. Due to many factors such as risk exposure, future charges imposed by BNY Mellon, and Wachovia/Wells (third party securities lending agent) selling its program to Citigroup, the BTI exited securities lending in July 2011. See Notes 2, 4 and 9 to the audited financial statements for further details.

Total liabilities as of June 30, 2011 were \$18.2 million and consisted mainly of dividends/purchases payable and securities lending collateral payable. Total liabilities decreased \$173.7 million or 90% from the prior year primarily due to the unwinding of the securities lending program.

Net assets are the excess of total assets over total liabilities. The Consolidated Fund had total net assets of nearly \$4.2 billion at the close of fiscal year 2011. The net assets consist 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, Loan, and Loss Amortization Pools. Net assets for investment pool participants increased approximately 6% from the prior year primarily due to an increase in investments for the WV

Money Market and WV Government Money Market Pools. During fiscal year 2011, the WV Government Money Market Pool net assets increased by \$41.6 million. Participation increased in the pool due to contributions related to bond issues from various county boards of education. The WV Government Money Market Pool appeals to these participants as the pool has strict investment guidelines that coincide with their bond covenants.

Net assets 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 assets for individual account holders decreased \$4.0 million or 23% from the prior year. This decrease represents maturities in the WV Municipal Bond Commission account that were not reinvested back in the pool.

Changes in net assets. The following is a combined, condensed Statement of Changes in Fiduciary Net Assets of the Consolidated Fund fiduciary funds for the years ended June 30, 2011 and 2010 (in thousands).

	Year Ended June 30,	
	2011	2010
Additions		
Net investment income	\$ 23,930	\$ 25,778
Net realized gain	6,527	1,576
Net decrease in fair value of investments	(11,329)	(770)
Unit purchases and contributions	10,618,371	10,217,163
Total additions	10,637,499	10,243,747
Deductions		
Distributions	22,791	19,565
Unit redemptions and withdrawals	10,367,731	9,962,268
Total deductions	10,390,522	9,981,833
Increase in net assets	246,977	261,914
Net assets at beginning of year	3,925,206	3,663,292
Net assets at end of year	\$ 4,172,183	\$ 3,925,206

Net investment income for the Consolidated Fund decreased \$1.8 million or 7% from the previous year. This decrease was due to the ongoing decline of short-term rates through fiscal year 2011. As for future periods, an improvement in money market rates is not on the horizon. This is due to the Federal Reserve's plan to keep short-term rates low and stricter requirements imposed by the SEC.

The Consolidated Fund realized a gain of \$6.5 million during fiscal year 2011. This was primarily due to the sale of securities in the WV Short Term Bond Pool. Significant gains were earned on asset backed securities, FNMAs, and US Treasury Notes.

The fair value of investments decreased by \$11.3 million, primarily due to the decline in value of securities in the WV Short Term Bond Pool. The WV Short Term Bond Pool held several Corporate Asset Backed Securities whose ratings fell out of compliance with the Investment Policy and Code during the financial meltdown. BTI management and Federated Investors monitor these securities on an ongoing basis. Federated has maintained the position to "hold" the securities as opposed to a "fire sale."

Unit purchases and contributions to the Consolidated Fund increased nearly \$401.8 million from the previous fiscal year, while unit redemptions and withdrawals to participants increased \$405.5 million.

Economic Factors

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

The BTI Consolidated Fund continued to experience record low rates with regard to the WV Money Market, WV Government Money Market and WV Short Term Bond Pools. The Federal Reserve's monetary policy remains unchanged, and the federal funds target rate remained in a range of 0% - 0.25%, for more than two years. In addition, the Federal Reserve ended its second round of economic stimulus known as quantitative easing (QE2) at the end of the fiscal year. Together, these factors kept money market yields at near all-time lows.

In regard to the fixed income outlook, the road to increased returns for short term funds appears very long. There are many cautionary flags including the fiscal drag of states and local governments balancing their budgets, the European debt crisis, outcomes from the federal debt ceiling talks, and the arrival of the 2012 election season. On a promising note, West Virginia continues to be one of a few states with a budget surplus for fiscal year 2011. In addition, the BTI has had a budget surplus since its inception in July 2005.

Despite minimal yields, state agency and local governments continue to move funds into the BTI's money market pools as they provide a safe place to invest.

Requests for Information

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

**West Virginia Board of Treasury Investments
Statement of Net Assets
Proprietary Fund**

June 30, 2011

(In Thousands)

Assets	
Current assets:	
Cash	\$ 728
Receivables	448
Total current assets	<u>1,176</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	6
Total assets	<u>1,182</u>
Liabilities	
Current liabilities:	
Accounts payable	421
Total liabilities	<u>421</u>
Net assets	
Invested in capital assets	6
Unrestricted	755
Total net assets	<u>\$ 761</u>

See accompanying notes to financial statements.

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

For the Year Ended June 30, 2011

(In Thousands)

Operating revenues	
Management services	\$ 1,052
Advisor services	1,399
Custodian services	134
Total operating revenues	<u>2,585</u>
Operating expenses	
Advisor fees	1,399
Management fees	623
Professional service fees	222
Fiduciary bond	155
Custodian fees	134
General and administrative	217
Depreciation	2
Total operating expenses	<u>2,752</u>
Operating loss	<u>(167)</u>
Change in net assets	(167)
Net assets at beginning of period	928
Net assets at end of period	<u>\$ 761</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, 2011

(In Thousands)

Cash flows from operating activities	
Cash received for services	\$ 2,607
Payments to vendors	<u>(2,773)</u>
Net cash used for operating activities	<u>(166)</u>
 Cash flows from capital and related financing activities	
Purchase of capital equipment	<u>(7)</u>
Total cash used for capital and related financing activities	<u>(7)</u>
 Cash at beginning of period	 <u>901</u>
Cash at end of period	<u>\$ 728</u>
 Reconciliation of operating loss to net cash used for operating activities	
Operating loss	\$ (167)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	2
Changes in assets and liabilities:	
Receivables	20
Accounts payable	<u>(21)</u>
Net cash used for operating activities	<u>\$ (166)</u>

See accompanying notes to financial statements.

**West Virginia Board of Treasury Investments
Combined Statement of Fiduciary Net Assets
Fiduciary Funds**

June 30, 2011

(In Thousands)

Assets

Investments:

At amortized cost	\$3,502,367
At fair value	665,667
Total investments	4,168,034
Collateral for securities loaned, at fair value <i>(See Note 4)</i>	10,692

Receivables:

Accrued interest	2,995
Dividends	37
Securities sold	8,664
Total receivables	11,696
Total assets	4,190,422

Liabilities

Accrued expenses	448
Dividends payable	2,076
Payable for investments purchased	5,023
Payable upon return of securities loaned <i>(See Note 4)</i>	10,692
Total liabilities	18,239

Net Assets

Held in trust for investment pool participants	4,158,934
Held in trust for individual investment account holders	13,249
Total net assets	\$4,172,183

See accompanying notes to financial statements.

West Virginia Board of Treasury Investments
Combined Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended June 30, 2011
(In Thousands)

Additions

Investment income:	
Interest	\$ 20,410
Dividends	446
Net accretion	6,255
Provision for uncollectible loans	(596)
Total investment income	<u>26,515</u>
Investment expenses:	
Investment advisor fees	1,399
Custodian bank fees	134
Administrative fees	1,052
Total investment expenses	<u>2,585</u>
Net investment income	23,930
Net realized gain from investments	6,527
Net decrease in fair value of investments	<u>(11,329)</u>
Net increase in net assets from operations	19,128
Participant transaction additions:	
Purchase of pool units by participants	10,590,080
Reinvestment of pool distributions	21,531
Contributions to individual investment accounts	6,760
Total participant transaction additions	<u>10,618,371</u>
Total additions	10,637,499
Deductions	
Distributions to pool participants:	
Net investment income	16,264
Net realized gain from investments	6,527
Total distributions to pool participants	<u>22,791</u>
Participant transaction deductions:	
Redemption of pool units by participants	10,356,782
Withdrawals from individual investment accounts	10,949
Total participant transaction deductions	<u>10,367,731</u>
Total deductions	<u>10,390,522</u>
Change in net assets	246,977
Net assets at beginning of period	<u>3,925,206</u>
Net assets at end of period	<u><u>\$ 4,172,183</u></u>

See accompanying notes to financial statements.

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West Virginia Board of Treasury Investments

Notes to Financial Statements

June 30, 2011

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 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 and to allow the West Virginia Investment Management Board (the "IMB"), which had managed the Consolidated Fund, to focus on the state's long-term trust investments. The BTI operates on a fiscal year that begins July 1 and ends June 30.

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

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

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

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

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

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

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

Loss Amortization – This pool was created to account for those participant claims on the general operating funds of the State that exceeded the underlying assets of the other pools. This excess of participant claims on net assets over underlying assets occurred as a result of the distribution of earnings to participants in various State investment pools, principally the Unrestricted Pool (predecessor to the WV Money Market Pool), in excess of the true investment income experience of the pools, principally in 1987 and 1988. See Note 9 regarding the closing of the pool.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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

Budgetary Information

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

Cash Equivalents

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

Capital Assets

Capital asset expenditures of \$1,000 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 contributes to the state retirement plan. Management services provided are recorded as management fees paid to the State Treasurer's Office.

Income Taxes

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

Revenues and expenses – Proprietary fund

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

Net Assets – Proprietary fund

Net assets of the BTI's proprietary fund are composed of investments in capital assets net of depreciation, and unrestricted net assets, which represent net assets not restricted to their use by legal, contractual or enabling legislation constraints.

Use of Estimates

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

Investment Accounting

Investment Valuation The BTI is an investment vehicle of the State and its component units, all of which are government entities. The investments of the WV Money Market, WV Government Money Market, WV Bank, Loan, Reserve, and Municipal Bond Commission pools or accounts are carried at amortized cost, as permissible under Government Accounting Standards Board ("GASB") Statement Number 31, as amended by GASB Statement Number 59. The WV Money Market and WV Government Money Market pools are considered "2a7-like" investment pools and, as such, are reported at amortized cost, which approximates fair value. A 2a7-like pool operates in conformity with the Securities and Exchange Commission (the "SEC") Rule 2a7 of the Investment Company Act of 1940, which allows money market mutual funds to use amortized cost to report net assets. A pool must satisfy all

SEC requirements of Rule 2a7 to qualify as a 2a7-like pool. A 2a7-like pool is not necessarily registered with the SEC as an investment company, but it would qualify as a money market fund should it be registered. The specific exceptions to fair value reporting for the other pools as defined in professional standards are as follows:

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

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

As permitted by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the BTI has elected not to adopt Financial Accounting Standards Board ("FASB") statements and interpretations issued after November 30, 1989, unless the GASB specifically adopts such FASB statements or interpretations.

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.

Securities Lending Collateral for securities loaned are reported as assets in the statement of fiduciary net assets. The costs of securities lending transactions are reported as expenses separately from income received. The BTI Board has authorized the BTI securities lending program. The BTI, through its securities lending agent, Clearlend Securities (a division of Wells Fargo), loans U.S. securities to various brokers on a temporary basis. Each transaction for U.S. securities is secured by collateral of at least 102% of the market value of the securities loaned. The BTI will accept only the following as collateral: cash; U.S. Treasury obligations or U.S. Government Agency obligations; and irrevocable letters of credit

issued by banks rated A1 or P-1, independent of borrowers. Cash collateral received is invested in a collateral pool. Neither the BTI nor Clearlend matches maturities of investments made with cash collateral to maturities of securities loaned. Non-cash collateral cannot be pledged or sold unless the borrower defaults. The BTI receives a portion of the income from the investment of the collateral. The BTI also continues to receive interest or dividends on the securities loaned. Gains and losses in the fair value of the securities loaned that may occur during the term of the loans are reflected in the various investment pools. Clearlend indemnifies the BTI against loss from borrower failure, which means that the BTI will receive contractual settlement regardless of whether the borrower returns securities loaned. Clearlend also indemnifies the BTI against operational errors. The BTI is exposed to cash reinvestment risk, which is the risk that the cash reinvestment assets would not be sufficient to cover the liabilities due the borrowing brokers.

During fiscal year 2011, the BTI continued to wind down its securities lending program. The unwinding represents a controlled withdrawal from the securities lending program to reduce risk and minimize losses. This strategy allows the BTI to incorporate a more conservative collateral reinvestment policy, cap the program at a more manageable level, and raise cash for liquidity. The BTI does not believe the increased risk of a securities lending program justifies its continuing participation in the program. The program was closed in July 2011. See Notes 4 and 9 for further details.

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

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

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

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

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

Amortization Discounts and premiums on securities purchased are amortized over the life of the respective securities using the scientific method of amortization. This method maintains a constant book yield over the life of the security. The amortization of asset-backed securities considers the effect of prepayments on the life of the security. Historical prepayment speeds are obtained from market data vendors and are updated annually. The effect of changing prepayment assumptions is reported in the Combined Statement of Changes in Fiduciary Net Assets 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, 2011, the Loan Pool had an allowance for uncollectible loans of \$17,671,000.

Distributions to Participants The net income of the WV Money Market and WV Government Money Market Pools is 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 Assets.

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 Assets.

The net income of the WV Bank Pool is determined monthly and reinvested in the pool. The earnings are transferred periodically to the WV Money Market Pool for distribution to participants because the WV Bank Pool functions as a vehicle for the BidWV auction program and is not open to participants.

The net income of the Loan Pool is determined monthly and distributed to the participants 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 Assets.

The monthly net income of the Loss Amortization Pool is used to reduce the undistributed net losses recorded in the portfolio.

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

Expenses Each pool is charged for its direct investment-related cost and for its allocated share of other expenses. The other expenses are allocated to the pools based on asset size. Certain pools cannot be charged expenses or must be charged a reduced expense. The BTI 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 \$728,000 at June 30, 2011. 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, 2011.

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, five are subject to credit risk: WV Money Market Pool, WV Government Money Market Pool, WV Short Term Bond Pool, Loan Pool, and School Fund Account.

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

West Virginia Board of Treasury Investments

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
Commercial paper	P-1	A-1	\$ 1,069,576	35.43%
Corporate bonds and notes	Aa1	AA	10,000	0.33
	Aa2	AA	33,000	1.09
	Aa3	AA	31,000	1.03
	Aa3	A	53,000	1.76
Total corporate bonds and notes			127,000	4.21
U.S. agency bonds	Aaa	AAA	170,788	5.66
U.S. Treasury notes *	Aaa	AAA	298,345	9.88
U.S. Treasury bills *	Aaa	AAA	231,051	7.65
Negotiable certificates of deposit	P-1	A-1	140,000	4.64
U.S. agency discount notes	P-1	A-1	697,164	23.10
Money market funds	Aaa	AAAm	200,279	6.64
Repurchase agreements (underlying securities):				
U.S. Treasury notes *	Aaa	AAA	69,557	2.30
U.S. agency notes	Aaa	AAA	14,800	0.49
Total repurchase agreements			84,357	2.79
			<u>\$ 3,018,560</u>	<u>100.00%</u>

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

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

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
U.S. agency bonds	Aaa	AAA	\$ 57,498	21.89%
U.S. Treasury notes *	Aaa	AAA	45,811	17.44
U.S. agency discount notes	P-1	A-1	60,852	23.16
Money market funds	Aaa	AAAm	131	0.05
Repurchase agreements (underlying securities):				
U.S. agency notes	Aaa	AAA	98,400	37.46
			<u>\$ 262,692</u>	<u>100.00%</u>

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

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

West Virginia Board of Treasury Investments

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
Corporate asset backed securities	Aaa	AAA	\$ 87,197	18.40
	Aaa	NR*	19,891	4.20
	** Aa3	AA+	454	0.10
	** B1	CCC	885	0.19
	** B3	B	366	0.08
	** B3	BBB	631	0.13
	** Ca	CCC	664	0.14
	** Caa2	CCC	473	0.10
	** Caa3	CCC	393	0.08
	** Caa3	D	27	0.01
	NR	NR	4,000	0.84
Total corporate asset backed securities			114,981	24.27
Corporate bonds and notes	Aaa	AA	2,043	0.43
	Aa1	A	4,143	0.87
	Aa2	AA	11,866	2.50
	Aa3	AA	7,064	1.49
	Aa3	A	13,040	2.75
	A1	AA	8,107	1.71
	A1	A	22,731	4.80
	A2	AA	2,555	0.54
	A2	A	23,976	5.06
	A3	A	8,770	1.85
Total corporate bonds and notes			104,295	22.00
Commercial paper	P-1	A-1	15,995	3.38
U.S. agency bonds	Aaa	AAA	20,017	4.22
U.S. Treasury notes ***	Aaa	AAA	25,034	5.28
U.S. agency mortgage backed securities ****	Aaa	AAA	97,296	20.53
Money market funds	Aaa	AAAm	96,287	20.32
			<u>\$ 473,905</u>	<u>100.00%</u>

* NR = Not Rated

** These securities were not in compliance with BTI Investment Policy at June 30, 2011. The securities were in compliance when originally acquired, but were subsequently downgraded. BTI management and its investment advisors have determined that it is in the best interests of the participants to hold the securities for optimal outcome.

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

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

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

The School Fund Account holds only an interest in a money market mutual fund valued at approximately \$1,385,000. 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 731 days. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool:

Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 84,357	1
U.S. Treasury notes	298,345	137
U.S. Treasury bills	231,051	34
Commercial paper	1,069,576	35
Certificates of deposit	140,000	58
U.S. agency discount notes	697,164	45
Corporate bonds and notes	127,000	20
U.S. agency bonds and notes	170,788	66
Money market funds	200,279	1
	\$ 3,018,560	46

West Virginia Board of Treasury Investments

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 731 days. The following table provides information on the weighted average maturities for the various asset types in the WV Government Money Market Pool:

Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 98,400	1
U.S. Treasury notes	45,811	131
U.S. agency discount notes	60,852	74
U.S. agency bonds and notes	57,498	22
Money market funds	131	1
	<u>\$ 262,692</u>	45

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 bonds and notes	\$ 25,034	227
Commercial paper	15,995	55
Corporate notes	104,295	234
Corporate asset backed securities	114,981	268
U.S. agency bonds and notes	20,017	85
U.S. agency mortgage backed securities	97,296	18
Money market funds	96,287	1
	<u>\$ 473,905</u>	138

The West Virginia Bank Pool holds nonnegotiable certificates of deposit totaling \$60,000,000 with maturity dates ranging from July 2011 to October 2011. 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 Loss Amortization Pool holds a U.S. Treasury strip valued at approximately \$188,544,000 that matures on August 15, 2011. 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. However, it is the intent of the BTI to hold this security to maturity.

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

The Reserve Pool maintains funds totaling approximately \$19,173,000 in a bank depository account. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in this pool arising from increasing interest rates.

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

Security Type	Carrying Value (In Thousands)	WAM (Days)
U.S. Treasury strips	\$ 3,815	874
U.S. Treasury bonds and notes	4,831	2,163
State and local government securities	1,312	660
	\$ 9,958	1,471

The School Fund Account holds only an interest in a money market mutual fund valued at approximately \$1,385,000 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 \$1,833,000 that matures August 15, 2023. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in this pool arising from increasing interest rates.

Other Risks of Investing

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

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

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the BTI will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Repurchase agreements are required to be collateralized by at least 102% of their value, and the collateral is held in the name of the BTI. Securities lending collateral that is reported on the Statement of Fiduciary Net Assets is invested in a pool managed by the securities lending agent. In all transactions, 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.

Securities Lending

At June 30, 2011, the fair value of securities on loan and the collateral held by the pools of the BTI are as follows. Of the collateral held, \$10,692,488 was received as cash. The collateral received as cash is invested in a collateral pool. For securities loaned at June 30, 2011, the BTI has no credit risk exposure to borrowers because the amount the BTI owes the borrowers exceeds the amounts the borrowers owe the BTI. There were no losses during the year resulting from borrower default, and there were no significant violations of legal or contractual provisions. The BTI is exposed to cash reinvestment risk, which is the risk that the cash reinvestment assets would not be sufficient to cover the liabilities due the borrowing brokers.

Maturities of investments made with cash collateral are not matched to maturities of securities loaned.

	<u>Fair Value of Securities on Loan</u>	<u>Collateral Held</u>
WV Money Market Pool	<u>\$ 10,479,134</u>	<u>\$ 10,692,488</u>

The collateral pool is established as a segregated account and managed by Clearlend. The Pool is managed in a fashion to reduce loan exposures over time and to eventually allow the BTI to unwind its securities lending program. The Pool is also managed to:

- Reduce the loan exposure in line with collateral liquidity to prevent unnecessary realized losses;
- Use revenue or collateral gains to offset realized losses to limit cash injections required; and
- Continue to meet Standard & Poor's (S&P) ratings and broader regulatory and statutory guidelines throughout the unwind process.

As discussed in Note 2, the BTI wound down its securities lending program to avoid the increased risks associated with securities lending activities. The BTI exited the securities lending program in July 2011. See Note 9 for further details.

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 \$60,000,000. The Reserve Pool contains funds totaling approximately \$19,173,000 in a bank depository account. The BTI does not have a deposit policy for custodial credit risk.

5. CAPITAL ASSETS

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

	June 30, 2010	Increases	Decreases	June 30, 2011
Equipment, at cost	\$ 31	\$ 7	\$ -	\$ 38
Accumulated depreciation	(30)	(2)	-	(32)
Equipment, net of accumulated depreciation	\$ 1	\$ 5	\$ -	\$ 6

6. RELATED PARTY TRANSACTIONS

Intergovernmental Investments

The BTI is required by law to enter into certain investment transactions with other state entities. At June 30, 2011, 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, 2011, was 2.17%. The rate has a 1% annual adjustment cap. The WVEDA makes monthly principal and interest payments calculated on a 120-month amortization of the outstanding balance. At June 30, 2011, the outstanding balance was \$124,574,952.
- 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 through June 29, 2012, up to \$25,000,000 from the BTI. 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 is expected to make principal and interest payments sufficient to repay all outstanding principal and accrued interest in full by June 30, 2022. At June 30, 2011, \$24,910,000 of principal was outstanding.

Because of the uncertain collectibility of this loan, the BTI has elected to recognize income when the cash is received. Additionally, a valuation reserve of \$17,671,000 has been accrued at June 30, 2011.

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

Fiscal Year 2007 interest deferred	\$ 256,951
Fiscal Year 2008 interest deferred	593,158
Fiscal Year 2009 interest deferred	657,953
Fiscal Year 2010 interest deferred	702,859
Fiscal Year 2011 interest deferred	<u>747,600</u>
Total interest deferred	<u>\$ 2,958,521</u>

Interpool Investments

Reserve Pool assets totaling \$11,240,000 have been redeemed from the Reserve Pool and invested in the WV Short Term Bond Pool. These assets and the Reserve Pool assets of \$19,179,000 provide \$30,419,000 to support unit net asset values in the WV Money Market Pool and the WV Government Money Market Pool.

Transactions with State Treasurer's Office

The State Treasurer's Office provides various services to the BTI, some of which are reimbursed by the BTI, and others of which the Treasurer provides at no cost to the BTI. During the year ended June 30, 2011, the BTI reimbursed the Treasurer's Office \$816,000 for services, which includes \$623,000 for management services provided by Treasurer's Office employees. Also during the year, the Treasurer's Office provided services valued at approximately \$19,000 at no cost to the BTI.

7. RISK MANAGEMENT

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

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

8. EFFECT OF NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in Financial Accounting Standards Board ("FASB") Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the American Institute of Certified Public Accountants' ("AICPA") Committee on Accounting Procedure issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements.

This Statement also supersedes GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, thereby eliminating the election provided in paragraph 7 of that Statement for enterprise funds and business-type activities to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements. However, those entities can continue to apply, as other accounting literature, post-November 30, 1989 FASB pronouncements that do not conflict with or contradict GASB pronouncements, including this Statement.

The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Since BTI management has elected not to apply post-November 30, 1989 FASB Statements and Interpretations, the implementation of this Statement will not have any impact on its financial statements.

The GASB has issued Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions -- an amendment of GASB Statement No. 53* which provides guidance to governments that have entered into interest rate swap agreements and commodity swap agreements in which a swap counterparty, or the swap counterparty's credit support provider, commits or experiences either an act of default or a termination event as both are described in the swap agreement. When these swap agreements have been reported as hedging instruments, questions have arisen regarding the application of the termination of hedge accounting provisions in Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied.

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2011. Since the BTI is not currently engaged in such derivative transactions, the implementation of this Statement will not have any impact on the BTI's financial statements.

9. Subsequent Events

The BTI exited its securities lending program in July 2011. The BTI directed Clearlend to liquidate the collateral reinvestment pool and recall all loans with the securities lending program. The BTI was required to fund the difference between the sale proceeds and the amount of cash collateral received from the borrowers. The realized loss on the transaction was \$215,000 for the year ended June 30, 2012. In planning for the exit from securities lending activities, the BTI had approximately \$1.7 million of reserves set aside to cover potential losses from the securities lending program.

On August 15, 2011, the US Treasury Principal Strip held in the Loss Amortization Pool matured. The Loss Amortization Pool was created in the late 1980s to account for participant claims against the general operating funds of the State which resulted when participant deposits exceeded the underlying assets of certain funds in the former West Virginia Board of Investments (the "BOI"). At maturity, the proceeds from the investment, approximately \$188,557,000, were transferred to the State Participation Account in the WV Money Market Pool in satisfaction of the amounts provided from general operating funds of the State.

On August 5, 2011, Standard and Poor's ("S&P") downgraded the rating on the United States of America Long-Term debt from AAA to AA+. At the same time, S&P downgraded the rating on U.S. government agencies debt to AA+. Various investment pools managed by the BTI include obligations of the United States and US government agencies, such as the Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. Investment pools of the BTI which include these obligations are the WV Money Market, WV Government Money Market, WV Short Term Bond, and Loss Amortization Pools, and the Municipal Bond Commission and EDA-AW Accounts.

The BTI holds short-term securities and long-term securities with short duration and maintains two funds with a principal stability fund rating (AAAm) by S&P. On August 8, 2011, S&P issued a press release stating that the funds to which it has assigned principal stability fund ratings are unaffected by the lowering of the long-term rating on the United States of America. The lowering of the long-term debt rating also does not directly affect the rating of short-term securities. The impact of the downgrade, if any, to the accompanying financial statements has not been determined by management.

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West Virginia Board of Treasury Investments

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

June 30, 2011

(In Thousands)

	<u>WV Money Market Pool</u>	<u>WV Government Money Market Pool</u>	<u>WV Short Term Bond Pool</u>	<u>WV Bank Pool</u>	<u>Loss Amortization Pool</u>
Assets					
Investments:					
At amortized cost	\$ 3,018,560	\$ 262,692	\$ -	\$ 60,019	\$ -
At fair value	-	-	473,905	-	188,544
Collateral for securities loaned, at fair value (Note 4)	10,692	-	-	-	-
Receivables:					
Accrued interest	1,588	236	830	49	-
Dividends	24	-	7	-	-
Securities sold	-	-	8,664	-	-
Total receivables	<u>1,612</u>	<u>236</u>	<u>9,501</u>	<u>49</u>	<u>-</u>
Total assets	<u>3,030,864</u>	<u>262,928</u>	<u>483,406</u>	<u>60,068</u>	<u>188,544</u>
Liabilities					
Accrued expenses	294	30	120	1	-
Dividends payable	-	-	2,076	-	-
Payable for investments purchased	-	-	5,023	-	-
Payable upon return of securities loaned (Note 4)	<u>10,692</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>10,986</u>	<u>30</u>	<u>7,219</u>	<u>1</u>	<u>-</u>
Net Assets					
Held in trust for investment pool participants	3,019,878	262,898	476,187	60,067	188,544
Held in trust for individual investment account holders	-	-	-	-	-
Total net assets	<u>\$ 3,019,878</u>	<u>\$ 262,898</u>	<u>\$ 476,187</u>	<u>\$ 60,067</u>	<u>\$ 188,544</u>

See accompanying notes to financial statements.

<u>Loan Pool</u>	<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>
\$ 131,965	\$ 19,173	\$ 9,958	\$ -	\$ -	\$3,502,367
-	-	-	1,385	1,833	665,667
-	-	-	-	-	10,692
219	-	39	-	34	2,995
-	6	-	-	-	37
-	-	-	-	-	8,664
<u>219</u>	<u>6</u>	<u>39</u>	<u>-</u>	<u>34</u>	<u>11,696</u>
132,184	19,179	9,997	1,385	1,867	4,190,422
3	-	-	-	-	448
-	-	-	-	-	2,076
-	-	-	-	-	5,023
-	-	-	-	-	10,692
<u>3</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,239</u>
132,181	19,179	-	-	-	4,158,934
-	-	9,997	1,385	1,867	13,249
<u>\$ 132,181</u>	<u>\$ 19,179</u>	<u>\$ 9,997</u>	<u>\$ 1,385</u>	<u>\$ 1,867</u>	<u>\$4,172,183</u>

West Virginia Board of Treasury Investments

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

For the Year Ended June 30, 2011

(In Thousands)

	<u>WV Money Market Pool</u>	<u>WV Government Money Market Pool</u>	<u>WV Short Term Bond Pool</u>	<u>WV Bank Pool</u>	<u>Loss Amortization Pool</u>
Additions					
Investment income:					
Interest	\$ 5,464	\$ 890	\$ 9,906	\$ 278	\$ -
Dividends	298	-	54	-	-
Net accretion (amortization)	1,480	(320)	(2,178)	-	7,432
Provision for uncollectible loans	-	-	-	-	-
Total investment income	<u>7,242</u>	<u>570</u>	<u>7,782</u>	<u>278</u>	<u>7,432</u>
Investment expenses:					
Investment advisor fees	885	89	425	-	-
Custodian bank fees	98	16	20	-	-
Administrative fees	806	70	118	19	-
Total investment expenses	<u>1,789</u>	<u>175</u>	<u>563</u>	<u>19</u>	<u>-</u>
Net investment income	5,453	395	7,219	259	7,432
Net realized gain from investments	-	4	6,523	-	-
Net increase (decrease) in fair value of investments	<u>-</u>	<u>-</u>	<u>(4,685)</u>	<u>-</u>	<u>(6,614)</u>
Net increase in net assets from operations	5,453	399	9,057	259	818
Participant transaction additions:					
Purchase of pool units by participants	9,847,608	720,306	14,282	-	-
Reinvestment of pool distributions	5,454	399	12,499	259	-
Contributions to individual investment accounts	-	-	-	-	-
Total participant transaction additions	<u>9,853,062</u>	<u>720,705</u>	<u>26,781</u>	<u>259</u>	<u>-</u>
Total additions	9,858,515	721,104	35,838	518	818
Deductions					
Distributions to pool participants:					
Net investment income	5,467	395	7,223	259	-
Net realized gain from investments	-	4	6,523	-	-
Total distributions to pool participants	<u>5,467</u>	<u>399</u>	<u>13,746</u>	<u>259</u>	<u>-</u>
Participant transaction deductions:					
Redemption of pool units by participants	9,653,599	679,072	1,602	-	-
Withdrawals from individual investment accounts	-	-	-	-	-
Total participant transaction deductions	<u>9,653,599</u>	<u>679,072</u>	<u>1,602</u>	<u>-</u>	<u>-</u>
Total deductions	<u>9,659,066</u>	<u>679,471</u>	<u>15,348</u>	<u>259</u>	<u>-</u>
Net increase (decrease) in net assets from operations	199,449	41,633	20,490	259	818
Inter-pool transfers in	79,280	-	-	79,006	-
Inter-pool transfers out	<u>(79,006)</u>	<u>-</u>	<u>-</u>	<u>(79,280)</u>	<u>-</u>
Net inter-pool transfers in (out)	<u>274</u>	<u>-</u>	<u>-</u>	<u>(274)</u>	<u>-</u>
Change in net assets	199,723	41,633	20,490	(15)	818
Net assets at beginning of period	2,820,155	221,265	455,697	60,082	187,726
Net assets at end of period	<u>\$ 3,019,878</u>	<u>\$ 262,898</u>	<u>\$ 476,187</u>	<u>\$ 60,067</u>	<u>\$ 188,544</u>

See accompanying notes to financial statements.

<u>Loan Pool</u>	<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>
\$ 3,456	\$ -	\$ 326	\$ -	\$ 90	\$ 20,410
-	94	-	-	-	446
-	-	(149)	-	(10)	6,255
(596)	-	-	-	-	(596)
<u>2,860</u>	<u>94</u>	<u>177</u>	<u>-</u>	<u>80</u>	<u>26,515</u>
-	-	-	-	-	1,399
-	-	-	-	-	134
34	-	4	-	1	1,052
<u>34</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>1</u>	<u>2,585</u>
2,826	94	173	-	79	23,930
-	-	-	-	-	6,527
-	-	-	-	(30)	(11,329)
<u>2,826</u>	<u>94</u>	<u>173</u>	<u>-</u>	<u>49</u>	<u>19,128</u>
7,800	84	-	-	-	10,590,080
2,826	94	-	-	-	21,531
-	-	6,367	393	-	6,760
<u>10,626</u>	<u>178</u>	<u>6,367</u>	<u>393</u>	<u>-</u>	<u>10,618,371</u>
13,452	272	6,540	393	49	10,637,499
2,826	94	-	-	-	16,264
-	-	-	-	-	6,527
<u>2,826</u>	<u>94</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,791</u>
11,363	11,146	-	-	-	10,356,782
-	-	10,459	401	89	10,949
<u>11,363</u>	<u>11,146</u>	<u>10,459</u>	<u>401</u>	<u>89</u>	<u>10,367,731</u>
14,189	11,240	10,459	401	89	10,390,522
(737)	(10,968)	(3,919)	(8)	(40)	246,977
-	-	-	-	-	158,286
-	-	-	-	-	(158,286)
-	-	-	-	-	-
(737)	(10,968)	(3,919)	(8)	(40)	246,977
132,918	30,147	13,916	1,393	1,907	3,925,206
<u>\$ 132,181</u>	<u>\$ 19,179</u>	<u>\$ 9,997</u>	<u>\$ 1,385</u>	<u>\$ 1,867</u>	<u>\$ 4,172,183</u>

West Virginia Board of Treasury Investments

Schedule of Investments in Securities

June 30, 2011

(Dollars in thousands, except for Share Data)

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>
U. S. Treasury Issues							
United States Treasury Note	4.875	%	0.140	%	07/31/2011	35,000	\$ 35,139
United States Treasury Note	1.000		0.299		08/31/2011	25,000	25,039
United States Treasury Note	1.000		0.147		09/30/2011	72,000	72,168
United States Treasury Note	1.000		0.152		10/31/2011	50,000	50,153
United States Treasury Note	1.750		0.103		11/15/2011	15,000	15,092
United States Treasury Note	0.750		0.076		11/30/2011	25,000	25,070
United States Treasury Note	1.000		0.236		12/31/2011	15,000	15,057
United States Treasury Note	0.875		0.362		02/29/2012	20,000	20,068
United States Treasury Note	4.500		0.325		03/31/2012	15,000	15,484
United States Treasury Note	1.000		0.370		04/30/2012	25,000	25,131
Total U. S. Treasury Issues	9.9%					298,345	298,470
U. S. Government Agency Bonds							
Federal Farm Credit Bank	0.070	% F	0.070	%	08/26/2011	10,000	10,000
Federal Farm Credit Bank	0.270	F	0.270		09/15/2011	15,000	15,000
Federal Home Loan Mort Corp	0.156	F	0.206		09/26/2011	10,000	9,999
Federal Home Loan Bank	0.280	F	0.280		09/29/2011	15,000	15,000
Federal Farm Credit Bank	0.270	F	0.280		10/12/2011	10,000	10,000
Federal Home Loan Bank	0.260		0.294		11/18/2011	6,300	6,299
Federal Home Loan Bank	0.260		0.294		11/23/2011	15,000	14,998
Federal Home Loan Bank	0.320		0.365		12/09/2011	10,000	9,998
Federal Home Loan Bank	0.130		0.152		12/22/2011	5,000	4,999
Federal Home Loan Bank	0.280	F	0.280		01/12/2012	15,000	15,000
Federal Home Loan Bank	0.140		0.158		01/17/2012	10,000	9,999
Federal Home Loan Bank	0.150		0.168		01/17/2012	14,000	13,999
Federal Home Loan Bank	0.123	F	0.149		01/30/2012	6,500	6,499
Federal Home Loan Bank	0.280	F	0.280		02/07/2012	15,000	15,000
Federal Farm Credit Bank	0.220	F	0.200		07/23/2012	4,000	4,001
Federal Home Loan Bank	0.136	F	0.156		10/26/2012	10,000	9,997
Total U. S. Government Agency Bonds	5.7%					170,788	170,785
Corporate Bonds							
Abbey National Treasury	0.626	% F	0.625	%	10/17/2011	15,000	15,000
Natixis	0.320	F	0.320		10/17/2011	15,000	15,000
Lloyds TSB Bank PLC	0.475	F	0.475		10/19/2011	15,000	15,000
Westpac Banking Corp NY	0.260	F	0.260		11/10/2011	10,000	10,000
Royal Bank of Canada	0.265	F	0.265		04/05/2012	10,000	10,000
Natixis	0.403	F	0.403		04/13/2012	15,000	15,000
Abbey National Treasury	0.381	F	0.502		04/16/2012	8,000	8,000
National Australia Bank	0.301	F	0.301		04/16/2012	10,000	10,000
Westpac Securities NZ LTD	0.360	F	0.360		05/04/2012	8,000	7,957
Svenska Handelsbanken AB	0.292	F	0.292		06/29/2012	13,000	13,000
JP Morgan Chase Bank	0.275	F	0.276		07/09/2012	8,000	7,998
Total Corporate Bonds	4.2%					127,000	126,950

(Continued on Next Page)

F—Floating rate note security.

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

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

See accompanying notes to financial statements.

Schedule of Investments in Securities
June 30, 2011
(Dollars in thousands, except for Share Data)

WEST VIRGINIA MONEY MARKET POOL (Continued)

<u>SECURITY NAME</u>	<u>% of</u> <u>POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED</u> <u>COST</u>	<u>FAIR</u> <u>VALUE*</u>
<i>Short Term Issues</i>							
Merrill Lynch Repurchase Agreement	0.010	%	0.010	%	07/01/2011	69,557	69,557
Deutsche Bank Repurchase Agreement	0.010		0.010		07/01/2011	14,800	14,800
Natixis Banque Populaires US	0.000		0.365		07/01/2011	10,000	10,000
Federal Home Loan Bank	0.000		0.208		07/06/2011	9,000	9,000
Amsterdam Funding Corp	0.000		0.142		07/07/2011	10,900	10,900
Bank of Nova Scotia	0.000		0.193		07/07/2011	21,000	20,999
United States Treasury Bill	0.000		0.008		07/07/2011	35,000	35,000
Atlantis One Funding	0.000		0.162		07/08/2011	40,000	39,999
Chariot Funding LLC	0.000		0.162		07/08/2011	20,000	19,999
Credit Industriel	0.290		0.285		07/08/2011	20,000	20,000
Federal Home Loan Bank	0.000		0.020		07/08/2011	15,000	15,000
Societe Generale NA	0.000		0.193		07/08/2011	35,000	34,999
Sumitomo Mitsui Banking Corp	0.000		0.183		07/08/2011	15,000	14,999
Atlantic Asset Securities Corp	0.000		0.142		07/11/2011	20,000	19,999
Bryant Park Funding LLC	0.000		0.132		07/11/2011	20,000	19,999
CAFCO LLC	0.000		0.122		07/11/2011	28,000	27,999
Federal National Mortgage Assn	0.000		0.427		07/11/2011	6,500	6,499
JP Morgan Chase & Co	0.000		0.244		07/11/2011	20,000	19,999
LMA Americas LLC	0.000		0.172		07/11/2011	25,000	24,999
Alpine Securitization	0.000		0.132		07/12/2011	29,000	28,999
Chariot Funding LLC	0.000		0.132		07/12/2011	15,000	14,999
Federal Home Loan Bank	0.000		0.183		07/12/2011	10,000	9,999
Federal Home Loan Mort Corp	0.000		0.203		07/12/2011	15,000	14,999
Federal National Mortgage Assn	0.000		0.041		07/12/2011	38,000	38,000
Jupiter Securities Co LLC	0.000		0.132		07/12/2011	15,000	14,999
Federal Home Loan Bank	0.000		0.051		07/13/2011	45,000	44,999
Federal National Mortgage Assn	0.000		0.037		07/13/2011	15,000	15,000
Credit Suisse First Boston NY	0.000		0.203		07/14/2011	15,000	14,999
Natixis Banque Populaires US	0.000		0.142		07/14/2011	35,000	34,998
United States Treasury Bill	0.000		0.018		07/14/2011	36,000	36,000
Federal Home Loan Bank	0.000		0.081		07/15/2011	30,000	29,999
ING Funding LLC	0.000		0.132		07/15/2011	28,000	27,999
Salisbury Receivables Co LLC	0.000		0.142		07/15/2011	14,800	14,799
Regency Markets No 1	0.000		0.172		07/18/2011	10,000	9,999
Windmill Funding Corporation	0.000		0.152		07/18/2011	10,600	10,599
Danske Corp	0.000		0.172		07/19/2011	20,000	19,998
Gotham Funding Corp	0.000		0.172		07/19/2011	25,000	24,998
Massachusetts Mutual Life Ins	0.000		0.142		07/19/2011	20,000	19,999
Nordea NA Inc	0.000		0.152		07/19/2011	15,000	14,999
Abbott Laboratories	0.000		0.081		07/21/2011	22,000	21,999
Fairway Finance Corp	0.000		0.132		07/21/2011	31,000	30,998
United States Treasury Bill	0.000		0.037		07/21/2011	55,000	54,999
Federal Home Loan Bank	0.000		0.030		07/22/2011	26,000	26,000
Federal Home Loan Mort Corp	0.000		0.089		07/25/2011	38,600	38,598
Federal National Mortgage Assn	0.000		0.051		07/25/2011	30,000	29,999

(Continued on Next Page)

F—Floating rate note security.

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

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

See accompanying notes to financial statements.

**Schedule of Investments in Securities
June 30, 2011**

(Dollars in thousands, except for Share Data)

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>
Windmill Funding Corporation	0.000		0.142	07/26/2011	15,000	14,999	14,999
Federal Home Loan Bank	0.000		0.054	07/27/2011	30,000	29,999	29,999
United States Treasury Bill	0.000		0.005	07/28/2011	65,058	65,058	65,058
Federal National Mortgage Assn	0.000		0.101	08/02/2011	5,000	5,000	5,000
Atlantic Asset Securities Corp	0.000		0.213	08/03/2011	20,000	19,996	19,996
BNP Paribas Finance Inc	0.000		0.243	08/03/2011	20,000	19,996	19,996
Bank of Nova Scotia	0.180	<i>F</i>	0.180	08/03/2011	10,000	10,000	10,000
Bank of Nova Scotia	0.190		0.190	08/03/2011	10,000	10,000	10,000
Federal National Mortgage Assn	0.000		0.114	08/03/2011	28,000	27,997	27,997
Rabobank Nederland NV YKCD	0.370		0.370	08/03/2011	15,000	15,000	15,000
ING Funding LLC	0.000		0.243	08/05/2011	15,000	14,996	14,996
Liberty Street Funding LLC	0.000		0.162	08/05/2011	15,000	14,998	14,998
Federal Home Loan Mort Corp	0.000		0.061	08/09/2011	25,000	24,998	24,998
Federal Home Loan Bank	0.000		0.071	08/10/2011	28,000	27,998	27,998
UBS Finance LLC	0.000		0.096	08/10/2011	35,000	34,996	34,996
Market Street Funding LLC	0.000		0.183	08/11/2011	15,000	14,997	14,997
Banque Et Caisse Epargne	0.000		0.376	08/12/2011	15,000	14,994	14,994
Old Line Funding Corp	0.000		0.183	08/15/2011	20,000	19,995	19,995
Met Life Short Term Funding	0.000		0.203	08/16/2011	15,000	14,996	14,996
Barclays US Funding Corp	0.000		0.213	08/17/2011	20,000	19,995	19,995
Credit Suisse First Boston NY	0.000		0.193	08/17/2011	15,000	14,996	14,996
Federal Home Loan Bank	0.000		0.052	08/19/2011	58,000	57,996	57,996
Federal Home Loan Mort Corp	0.000		0.081	08/22/2011	29,000	28,997	28,997
Sheffield Receivables	0.000		0.183	08/22/2011	15,000	14,996	14,996
Thunder Bay Funding Inc	0.000		0.183	08/22/2011	15,000	14,996	14,996
Federal Home Loan Bank	0.000		0.086	08/24/2011	29,000	28,996	28,996
Charta, LLC	0.000		0.183	08/25/2011	15,000	14,996	14,996
Argento Variable FDG	0.000		0.223	09/01/2011	15,000	14,994	14,994
General Electric Capital Corp	0.000		0.254	09/01/2011	15,000	14,994	14,994
Westpac Trust Securities NZ	0.284	<i>F</i>	0.284	09/01/2011	10,000	10,000	10,000
Deutsche Bank Finl LLC	0.000		0.345	09/02/2011	14,000	13,992	13,992
Nordea NA Inc	0.000		0.315	09/06/2011	30,000	29,983	29,983
Svenska Handelsbanken NY	0.185		0.175	09/06/2011	15,000	15,000	15,000
Federal Home Loan Bank	0.000		0.091	09/07/2011	35,000	34,994	34,999
Federal Home Loan Mort Corp	0.000		0.213	09/07/2011	10,000	9,996	9,999
Societe Generale NA	0.000		0.233	09/09/2011	10,000	9,996	9,996
Thunder Bay Funding Inc	0.000		0.172	09/12/2011	15,000	14,995	14,995
Federal National Mortgage Assn	0.000		0.091	09/13/2011	28,000	27,995	27,997
Federal Home Loan Bank	0.000		0.169	09/14/2011	16,144	16,138	16,142
Commonwealth Bank of Australia	0.000		0.172	09/15/2011	15,000	14,995	14,995
Federal National Mortgage Assn	0.000		0.041	09/15/2011	29,000	28,997	28,997
Federal Home Loan Mort Corp	0.000		0.051	09/22/2011	12,000	11,998	11,999
Market Street Funding LLC	0.000		0.172	09/22/2011	16,227	16,221	16,221
Toronto-Dominion Holdings USA	0.000		0.152	09/22/2011	26,750	26,741	26,741
Federal Home Loan Mort Corp	0.000		0.046	09/26/2011	13,000	12,998	12,999
United States Treasury Bill	0.000		0.030	09/29/2011	35,000	34,997	34,999
Deutsche Bank Finl LLC	0.000		0.203	10/03/2011	10,000	9,995	9,995
ING Funding LLC	0.000		0.223	10/05/2011	20,000	19,988	19,988

(Continued on Next Page)

F—Floating rate note security.

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

See accompanying notes to financial statements.

Schedule of Investments in Securities
June 30, 2011
(Dollars in thousands, except for Share Data)

WEST VIRGINIA MONEY MARKET POOL (Continued)

<u>SECURITY NAME</u>	<u>% of</u> <u>POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED</u> <u>COST</u>	<u>FAIR</u> <u>VALUE*</u>
Commonwealth Bank of Australia	0.270	F	0.280	10/06/2011	10,000	10,000	10,000
Societe Generale NA	0.000		0.457	10/07/2011	17,500	17,479	17,479
Federal Home Loan Mort Corp	0.000		0.139	10/11/2011	14,000	13,994	13,996
Federal Home Loan Bank	0.000		0.142	10/14/2011	15,000	14,994	14,999
BNP Paribas Chicago	0.428	F	0.428	10/17/2011	10,000	10,000	10,000
Rabobank Nederland NV YKCD	0.266	F	0.266	10/18/2011	15,000	15,000	15,000
National Australia Bank	0.295	F	0.315	10/19/2011	5,000	5,000	5,000
Royal Bank of Scotland CT	0.474	F	0.440	10/25/2011	15,000	15,000	15,000
Royal Bank of Canada	0.250	F	0.250	11/10/2011	10,000	10,000	10,000
Nordea NA Inc	0.000		0.233	12/07/2011	10,000	9,990	9,990
United States Treasury Bill	0.000		0.105	12/15/2011	5,000	4,997	4,998
Federal National Mortgage Assn	0.000		0.152	01/17/2012	15,000	14,987	14,991
Nordea Bank Finland	0.400		0.400	06/12/2012	10,000	10,000	10,000
Nordea Bank Finland	0.400		0.400	06/12/2012	5,000	5,000	5,000
UBS Select	0.140	**			200,000	200,000	200,000
Dreyfus Cash Management	0.080	**			280	279	279
Total Short Term Issues	80.2%					2,422,427	2,422,457
Total Money Market Pool	<u>100.0%</u>					<u>\$ 3,018,560</u>	<u>\$ 3,018,662</u>

F—Floating rate note security.

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See accompanying notes to financial statements.

West Virginia Board of Treasury Investments

**Schedule of Investments in Securities
June 30, 2011**

(Dollars in thousands, except for Share Data)

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>
U. S. Treasury Issues							
United States Treasury Note	1.000 %		0.153 %	07/31/2011	5,000	5,004	\$ 5,004
United States Treasury Note	1.000		0.299	08/31/2011	5,000	5,006	5,008
United States Treasury Note	1.000		0.162	09/30/2011	8,000	8,017	8,019
United States Treasury Note	1.000		0.173	10/31/2011	10,000	10,027	10,031
United States Treasury Note	1.750		0.103	11/15/2011	5,000	5,031	5,031
United States Treasury Note	1.000		0.236	12/31/2011	2,500	2,509	2,511
United States Treasury Note	4.750		0.274	01/31/2012	5,000	5,130	5,135
United States Treasury Note	0.875		0.360	02/29/2012	2,500	2,509	2,512
United States Treasury Note	4.500		0.325	03/31/2012	2,500	2,578	2,581
Total U. S. Treasury Issues	17.4%					45,811	45,832
U. S. Government Agency Bonds							
Federal Home Loan Bank	0.180 %	F	0.180 %	07/25/2011	5,000	\$ 5,000	\$ 5,000
Federal Farm Credit Bank	0.270	F	0.270	08/23/2011	5,000	5,000	5,000
Federal Farm Credit Bank	0.270	F	0.270	09/15/2011	5,000	5,000	5,000
Federal Home Loan Mort Corp	0.156	F	0.206	09/26/2011	5,000	4,999	5,001
Federal Home Loan Bank	0.280	F	0.280	09/29/2011	5,000	5,000	5,000
Federal Farm Credit Bank	0.270	F	0.280	10/12/2011	5,000	5,000	5,000
Federal Home Loan Bank	0.300		0.305	11/08/2011	2,500	2,500	2,500
Federal Home Loan Bank	0.260		0.294	11/23/2011	5,000	4,999	4,998
Federal Farm Credit Bank	0.125	F	0.115	12/07/2011	5,000	5,000	5,001
Federal Home Loan Bank	0.280	F	0.280	01/12/2012	5,000	5,000	5,000
Federal Home Loan Bank	0.280	F	0.280	02/07/2012	5,000	5,000	5,000
Federal Home Loan Bank	0.135	F	0.135	03/02/2012	5,000	5,000	5,000
Total U. S. Government Agency Bonds	21.9%					57,498	57,500
Short Term Issues							
Deutsche Bank Repurchase Agreement	0.010 %		0.010 %	07/01/2011	48,400	48,400	48,400
Goldman Sachs Repurchase Agreement	0.020		0.020	07/01/2011	50,000	50,000	50,000
Federal Home Loan Bank	0.000		0.051	07/06/2011	7,500	7,500	7,500
Federal Home Loan Mort Corp	0.000		0.167	07/25/2011	5,000	4,999	4,999
Federal National Mortgage Assn	0.000		0.071	08/01/2011	3,124	3,124	3,124
Federal National Mortgage Assn	0.000		0.081	08/03/2011	2,550	2,550	2,550
Federal National Mortgage Assn	0.000		0.086	08/31/2011	5,000	4,999	4,999
Federal Home Loan Bank	0.000		0.091	09/02/2011	5,000	4,999	4,999
Federal Home Loan Mort Corp	0.000		0.091	09/06/2011	5,000	4,999	4,999
Federal Home Loan Mort Corp	0.000		0.091	09/22/2011	5,000	4,999	4,999
Federal National Mortgage Assn	0.000		0.101	10/04/2011	4,700	4,699	4,699
Federal Farm Credit Bank	0.000		0.254	10/05/2011	5,000	4,997	4,999
Federal Home Loan Mort Corp	0.000		0.101	10/18/2011	3,000	2,999	2,999
Federal Farm Credit Bank	0.000		0.274	10/21/2011	5,000	4,996	4,999
Federal Farm Credit Bank	0.000		0.325	01/06/2012	5,000	4,992	4,997
Dreyfus Cash Management	0.010 **				131	131	131
Total Short Term Issues	60.7%					159,383	159,393
Total Government Money Market Pool	100.0%					\$ 262,692	\$ 262,725

F—Floating rate note security.

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**Rate represents last business day of the month.

See accompanying notes to financial statements.

**Schedule of Investments in Securities
June 30, 2011**

(Dollars in thousands, except for Share Data)

WEST VIRGINIA SHORT TERM BOND POOL

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
United States Treasury Inflation Index Note		2.000 %	0.400 %	04/15/2012	24,500	\$ 24,948	\$ 25,034
Total U. S. Treasury Issues	5.3%					24,948	25,034
<i>U. S. Government Agency Bonds</i>							
Federal Farm Credit Bank		0.210 %	F 0.210 %	09/07/2012	10,000	10,000	10,006
Federal National Mortgage Assn		0.270	F 0.300	12/03/2012	10,000	9,996	10,011
Total U. S. Government Agency Bonds	4.2%					19,996	20,017
<i>U. S. Agency Issues</i>							
Federal Home Loan Mort Corp	0.437 %	F	0.530 %	03/15/2021	857	853	856
Federal Home Loan Mort Corp	0.437	F	0.528	06/15/2021	1,507	1,501	1,505
Federal Home Loan Mortgage Gro	0.487	F	0.821	06/15/2023	2,718	2,705	2,716
Federal National Mortgage Assn	1.069	F	0.861	01/25/2024	2,723	2,759	2,752
Federal Home Loan Mort Corp	0.687	F	0.684	04/15/2027	707	707	707
Federal Home Loan Mort Corp	0.687	F	0.684	04/15/2028	746	746	748
Federal Home Loan Mortgage Gro	0.387	F	0.453	10/15/2028	1,113	1,108	1,106
Federal Home Loan Mortgage Gro	0.537	F	0.579	04/15/2029	1,129	1,125	1,129
Federal Home Loan Mortgage Gro	0.387	F	0.439	05/15/2030	2,238	2,227	2,229
Federal Home Loan Mortgage Gro	0.787	F	0.775	08/15/2030	314	315	314
Federal Home Loan Mort Corp	0.437	F	0.492	09/15/2030	812	808	810
Federal Home Loan Mortgage Gro	0.687	F	0.736	09/15/2030	183	182	183
Federal Home Loan Mortgage Gro	0.537	F	0.597	09/15/2030	6,764	6,727	6,764
Federal Home Loan Mortgage Gro	0.487	F	0.538	04/15/2031	1,114	1,109	1,110
Federal Home Loan Mort Corp	0.587	F	0.585	06/15/2031	437	438	438
Federal Home Loan Mortgage Gro	0.587	F	0.588	07/15/2031	225	225	225
Federal Home Loan Mort Corp	0.587	F	0.585	09/15/2031	1,805	1,806	1,809
Federal National Mortgage Asso	0.486	F	0.495	09/25/2031	1,263	1,261	1,262
Federal National Mortgage Assn	0.586	F	0.582	09/25/2031	2,943	2,944	2,946
Federal Home Loan Mort Corp	0.487	F	0.524	11/15/2031	2,916	2,905	2,915
Federal Home Loan Mort Corp	0.637	F	0.635	11/15/2031	1,452	1,452	1,453
Federal Home Loan Mort Corp	0.637	F	0.635	12/15/2031	639	639	640
Federal Home Loan Mort Corp	0.637	F	0.635	12/15/2031	489	489	490
Federal Home Loan Mort Corp	0.737	F	0.735	02/15/2032	732	732	734
Federal Home Loan Mort Corp	0.635	F	0.633	02/17/2032	1,083	1,083	1,086
Federal National Mortgage Asso	0.536	F	0.540	02/25/2032	2,206	2,206	2,208
Federal Home Loan Mort Corp	0.637	F	0.635	03/15/2032	524	524	524
Federal Home Loan Mort Corp	0.687	F	0.685	03/15/2032	550	550	551
Federal Home Loan Mort Corp	0.687	F	0.685	03/15/2032	1,575	1,575	1,580
Federal Home Loan Mort Corp	0.687	F	0.685	04/15/2032	721	722	723
Federal Home Loan Mort Corp	0.687	F	0.685	07/15/2032	1,140	1,140	1,140
Federal National Mortgage Asso	0.536	F	0.539	08/17/2032	1,562	1,561	1,563
Federal Home Loan Mort Corp	0.587	F	0.585	10/15/2032	999	999	1,000
Federal National Mortgage Asso	0.536	F	0.539	10/18/2032	991	991	992

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**Schedule of Investments in Securities
June 30, 2011**

(Dollars in thousands, except for Share Data)

WEST VIRGINIA SHORT TERM BOND POOL (Continued)

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
Federal Home Loan Mort Corp	0.637	F	0.635	11/15/2032	613	613	613
Federal Home Loan Mort Corp	0.587	F	0.585	01/15/2033	1,077	1,077	1,079
Federal Home Loan Mort Corp	0.587	F	0.585	01/15/2033	2,761	2,762	2,763
Federal Home Loan Mort Corp	0.587	F	0.585	02/15/2033	1,839	1,840	1,839
Federal Home Loan Mort Corp	0.487	F	0.528	02/15/2033	7,624	7,591	7,634
Federal National Mortgage Assn	0.586	F	0.581	03/25/2033	1,478	1,479	1,480
Federal Home Loan Mortgage Cor	0.497	F	0.550	04/15/2033	2,071	2,061	2,071
Federal National Mortgage Assn	0.586	F	0.581	07/25/2033	3,756	3,758	3,762
Federal National Mortgage Asso	0.586	F	0.598	02/25/2034	5,942	5,937	5,946
Federal Home Loan Mort Corp	0.637	F	0.646	06/15/2034	893	892	894
Federal Home Loan Mortgage Gro	0.587	F	0.832	10/15/2034	2,030	2,020	2,031
Federal Home Loan Mortgage Gro	0.487	F	0.559	09/15/2035	3,743	3,722	3,741
Federal National Mortgage Asso	0.436	F	0.758	03/25/2036	4,023	4,008	4,023
Government National Mort Assn	0.610	F	0.654	12/20/2060	5,073	5,022	5,042
Government National Mort Assn	0.710	F	0.715	03/20/2061	7,177	7,170	7,170
Total U.S. Agency Issues	20.5%					97,066	97,296

Corporate Issues

Corporate Bonds

Disney Walt Company	5.700		3.958	07/15/2011	1,400	1,401	1,402
Westpac Banking Corp	0.574	F	0.471	10/21/2011	1,105	1,105	1,106
AT&T Corp	7.300		2.046	11/15/2011	2,750	2,803	2,817
Morgan Stanley Dean Witter	5.625		1.957	01/09/2012	2,000	2,038	2,049
Lilly Eli and Company	3.550		1.249	03/06/2012	2,500	2,539	2,555
MBNA Corp	7.500		5.720	03/15/2012	750	759	785
Pfizer Inc	4.450		1.663	03/15/2012	2,000	2,039	2,057
American Honda Finance	5.100		1.839	03/27/2012	1,850	1,894	1,906
ANZ National (Int'l) Ltd	3.250		1.419	04/02/2012	2,000	2,027	2,043
Sysco International Co.	6.100		1.500	06/01/2012	2,000	2,084	2,100
Bear Stearns Co Inc	2.017	F	0.742	08/10/2012	1,000	1,014	1,018
Hewlett-Packard Company	2.950		1.349	08/15/2012	3,000	3,053	3,074
Deutsche Bank London	5.375		2.441	10/12/2012	3,000	3,110	3,165
duPont EI de Nemours Co	5.000		2.482	01/15/2013	334	347	355
Barclays Bank PLC	2.500		2.446	01/23/2013	3,000	3,002	3,055
Morgan Stanley	1.253	F	1.253	04/29/2013	2,000	2,000	1,996
International Business Machs	2.100		1.900	05/06/2013	2,000	2,007	2,051
Credit Suisse	5.000		1.939	05/15/2013	2,000	2,112	2,135
Texas Instruments Inc	0.439	F	0.441	05/15/2013	2,500	2,500	2,507
BlackRock Inc	0.558	F	0.495	05/24/2013	4,250	4,250	4,252
HSBC Bank	0.914	F	0.812	08/12/2013	1,100	1,102	1,102
Caterpillar Financial Services	6.200		1.367	09/30/2013	2,656	2,939	2,956
American Honda Finance	6.700		1.666	10/01/2013	2,000	2,222	2,228
MassMutual Global Funding	0.412	F	0.651	12/06/2013	3,000	2,982	2,990
Credit Suisse NY	1.241	F	1.241	01/14/2014	2,000	2,000	2,008
HSBC Bank	1.076	F	1.076	01/17/2014	3,700	3,700	3,720
PNC Funding Corp	0.473	F	0.980	01/31/2014	4,000	3,948	3,975

(Continued on Next Page)

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Schedule of Investments in Securities

June 30, 2011

(Dollars in thousands, except for Share Data)

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>
Citigroup Inc	0.377	F	1.750	03/07/2014	4,000	3,854	3,853
Cisco Systems Inc	0.499	F	0.499	03/14/2014	3,700	3,700	3,710
BHP Billiton Finance USA	5.500		2.784	04/01/2014	2,000	2,143	2,226
Caterpillar Financial Services	0.595	F	0.595	04/01/2014	1,000	1,000	1,004
Metlife Institutional Fund	1.201	F	1.203	04/04/2014	4,000	4,000	4,009
Northern Trust Corp	4.625		2.475	05/01/2014	2,000	2,117	2,184
Schwab Charles Corp	4.950		3.197	06/01/2014	3,000	3,145	3,289
General Electric Capital Corp	0.507	F	1.334	09/15/2014	3,000	2,921	2,949
US Bank NA	0.561	F	0.928	10/14/2014	3,000	2,964	2,977
Goldman Sachs Group Inc	0.785	F	1.482	01/12/2015	3,000	2,927	2,893
Merrill Lynch & Company Inc	0.738	F	2.228	01/15/2015	3,000	2,846	2,868
Wells Fargo & Company	0.473	F	1.230	10/28/2015	4,000	3,871	3,866
Bank of America	0.527	F	2.156	06/15/2016	1,000	923	908
Morgan Stanley Dean Witter	0.726	F	1.898	10/18/2016	1,500	1,410	1,381
Bear Stearns Co Inc	0.649	F	1.617	11/21/2016	4,000	3,798	3,829
National City Bank	0.597	F	1.954	12/15/2016	1,000	929	942
Total U. S. Corporate Bonds	22.0%					103,525	104,295
Corporate Asset Backed Issues							
BMW Vehicle Lease Trust	2.910		2.929	03/15/2012	350	350	351
Navistar Financial Corp	1.080		1.091	01/18/2013	1,750	1,750	1,751
Smart Trust	0.948	F	0.940	04/14/2013	3,000	3,000	3,000
GE Equipment Small Ticket LLC	0.880		0.888	08/21/2013	2,000	2,000	2,003
Harley-Davidson Motorcycle	3.190		3.212	11/15/2013	487	487	491
PFS Financing Corp	1.587	F	1.592	02/15/2014	3,000	3,000	3,008
Harley-Davidson Motorcycle	2.620		2.637	03/15/2014	1,805	1,805	1,818
BMW Floorplan Master Owner Tr	1.337	F	0.703	09/15/2014	10,000	10,105	10,094
Chase Issuance Trust	0.257	F	0.387	12/15/2014	7,254	7,237	7,251
Ford Credit Floorplan Master	1.837	F	0.976	12/15/2014	10,000	10,147	10,184
Ally Master Owner Trust	1.937	F	1.945	01/15/2015	5,000	5,000	5,090
Nissan Master Owner Trust Rec	1.337	F	0.700	01/15/2015	10,000	10,116	10,108
Discover Card Master Trust	1.487	F	0.743	02/17/2015	5,000	5,071	5,063
Bank of America Credit Card Tr	0.487	F	0.460	09/15/2015	4,000	4,002	4,010
Capital One Multi Asset Trust	0.267	F	0.456	09/15/2015	5,000	4,980	4,995
MBNA Credit Card Master Note	0.247	F	0.483	10/15/2015	5,000	4,974	4,992
American Express Credit Acct	0.437	F	0.418	11/16/2015	5,425	5,427	5,439
Ally Master Owner Trust	1.057	F	1.059	01/15/2016	4,100	4,100	4,118
Citibank Omni Master Trust	2.287	F	1.764	05/16/2016	5,000	5,065	5,060
Discover Card Master Trust	0.537	F	0.538	08/15/2016	3,000	3,000	3,010
Americredit Auto Rec Trust	1.460		1.464	10/01/2018	453	453	454
SLM Student Loan Trust	1.187	F	1.190	10/15/2024	2,845	2,845	2,861
Equity One ABS Inc	4.145		4.253	04/25/2034	396	393	382
Opteum Mortgage Acceptance Co	5.640		5.805	12/25/2035	512	506	504
Citigroup Mortgage Loan Trust	5.852		5.886	05/25/2036	375	375	237
Banc of America Com Mortgage	3.878		4.115	09/11/2036	185	181	186
Bank of America Alternative Ln	5.707		5.740	10/25/2036	547	547	473
Banc of America Funding Corp	5.791		5.818	10/25/2036	43	43	28
Morgan Stanley Mort Loan Trust	5.798		5.833	10/25/2036	1,187	1,186	596

(Continued on Next Page)

F—Floating rate note security.

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

**Rate represents last business day of the month.

See accompanying notes to financial statements.

West Virginia Board of Treasury Investments

**Schedule of Investments in Securities
June 30, 2011
(Dollars in thousands, except for Share Data)**

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>
CSAB Mortgage Backed Trust		6.000	6.005	11/25/2036	120	120	68
Renaissance Home Equity Loan		5.580	5.655	11/25/2036	532	530	366
Credit-Based Asset Servicing		5.891	F 5.953	02/25/2037	130	130	127
Credit Suisse Mort Capital		5.942	5.959	02/25/2037	271	272	156
Countrywide Certificates		5.530	5.561	03/25/2037	1,000	1,000	885
CSFB Mortgage Securities		5.230	5.262	12/15/2040	722	723	753
JP Morgan Chase Comm. Mort		3.853	3.505	06/15/2043	4,895	5,129	5,064
Wells Fargo RBS		1.140	F 1.140	03/15/2044	4,000	4,000	4,000
Holmes Master Issuer PLC		1.628	F 1.631	10/01/2054	3,000	3,000	3,000
Holmes Master Issuer PLC		1.678	F 1.526	10/15/2054	3,000	3,006	3,005
Total Corporate Asset Backed Issues	<u>24.3%</u>					<u>116,055</u>	<u>114,981</u>
Total Corporate Issues	46.3%					219,580	219,276
Short Term Issues							
California State		0.000	0.900	07/01/2011	4,000	4,000	4,000
BNP Paribas Finance Inc		0.000	0.233	09/01/2011	4,000	3,998	3,998
Credit Agricole North America		0.000	0.243	09/01/2011	4,000	3,998	3,998
Societe Generale NA		0.000	0.223	09/01/2011	4,000	3,999	3,999
Dreyfus Cash Management Institutional Fund		0.080	**		96,287	96,287	96,287
Total Short Term Issues	<u>23.7%</u>					<u>112,282</u>	<u>112,282</u>
Total Short Term Bond Pool	<u>100.00%</u>					<u>\$ 473,872</u>	<u>\$ 473,905</u>

WEST VIRGINIA BANK POOL

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
Short Term Issues							
BB&T - Charleston		0.210 %	0.210 %	07/14/2011	2,000	\$ 2,000	\$ 2,000
BB&T - Charleston		0.220	0.220	07/14/2011	3,000	3,000	3,000
Harrison County Bk - Lost Crk		0.250	0.250	07/14/2011	2,000	2,000	2,000
Jefferson Security Bank		0.250	0.250	07/14/2011	5,000	5,000	5,000
Main Street Bank - Wheeling		0.220	0.220	07/14/2011	5,000	5,000	5,000
WesBanco Bank - Wheeling		0.220	0.220	07/14/2011	2,000	2,000	2,000
WesBanco Bank - Wheeling		0.200	0.200	07/14/2011	1,000	1,000	1,000
BB&T - Charleston		0.300	0.300	09/15/2011	2,000	2,000	2,000
Harrison County Bk - Lost Crk		0.260	0.260	09/15/2011	5,000	5,000	5,000
Jefferson Security Bank		0.250	0.250	09/15/2011	3,000	3,000	3,000
Main Street Bank - Wheeling		0.270	0.270	09/15/2011	5,000	5,000	5,000
WesBanco Bank - Wheeling		0.260	0.260	09/15/2011	5,000	5,000	5,000
Freedom Bank Inc - Belington		0.280	0.280	10/13/2011	4,000	4,000	4,000
Harrison County Bk - Lost Crk		0.270	0.270	10/13/2011	4,000	4,000	4,000
Jefferson Security Bank		0.275	0.275	10/13/2011	5,000	5,000	5,000
Main Street Bank - Wheeling		0.270	0.270	10/13/2011	3,000	3,000	3,000
WesBanco Bank - Wheeling		0.265	0.265	10/13/2011	4,000	4,000	4,000
Dreyfus Cash Management		0.010	**		19	19	19
Total Short Term Issues	<u>100.0%</u>					<u>60,019</u>	<u>60,019</u>
Total West Virginia Bank Pool	<u>100.0%</u>					<u>\$ 60,019</u>	<u>\$ 60,019</u>

F—Floating rate note security.

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

**Rate represents last business day of the month.

See accompanying notes to financial statements.

Schedule of Investments in Securities
June 30, 2011
(Dollars in thousands, except for Share Data)

LOSS AMORTIZATION

<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 Strip - Principal		0.000 %	4.087 %	08/15/2011	188,557	\$ 187,620	\$ 188,544
Total U. S. Treasury Issues	<u>100.0%</u>					<u>187,620</u>	<u>188,544</u>
Total Loss Amortization Pool	<u>100.0%</u>					<u>\$ 187,620</u>	<u>\$ 188,544</u>

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		2.170 %		12/31/2013	124,575	\$ 124,575	\$ 124,575
WVEDA Non-Recourse Loan		3.000		06/30/2022	24,910	24,910	24,910
Total Intergovernmental Loans						<u>149,485</u>	<u>149,485</u>
Reserve for uncollectable loans						<u>17,671</u>	<u>17,671</u>
Loans and Mortgages, net of reserve for uncollectable loans	99.9%					<u>131,814</u>	<u>131,814</u>
<i>Short Term Issues</i>							
Dreyfus Cash Management Treasury Institutional Fund		0.010 **			151	151	151
Total Short Term Issues	<u>0.1%</u>					<u>151</u>	<u>151</u>
Total State Loan Pool	<u>100.0%</u>					<u>\$ 131,965</u>	<u>\$ 131,965</u>

RESERVE POOL

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Short Term Issues</i>							
Reserve Pool Depository Account		0.400 %	0.400 %		19,173	\$ 19,173	\$ 19,173
Total Short Term Issues	<u>100.0%</u>					<u>19,173</u>	<u>19,173</u>
Total Reserve Pool	<u>100.0%</u>					<u>\$ 19,173</u>	<u>\$ 19,173</u>

F—Floating rate note security.

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Schedule of Investments in Securities
June 30, 2011
(Dollars in thousands, except for Share Data)

MUNICIPAL BOND COMMISSION

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
State & Local Government		2.370 %	2.370 %	10/01/2011	40	\$ 40	\$ 40
United States Treasury Note		0.750	0.000	11/30/2011	56	56	56
State & Local Government		4.360	4.360	12/01/2011	4	4	4
United States Treasury Strip - Interest		0.000	0.000	05/15/2012	938	938	936
State & Local Government		4.370	4.370	06/01/2012	49	49	49
State & Local Government		2.690	2.690	10/01/2012	40	40	40
State & Local Government		4.370	4.370	12/01/2012	4	4	4
United States Treasury Strip - Interest		0.000	0.000	05/15/2013	941	941	935
State & Local Government		4.380	4.380	06/01/2013	1,175	1,175	1,175
United States Treasury Strip - Interest		0.000	0.000	05/15/2014	963	963	941
United States Treasury Strip - Interest		0.000	0.000	05/15/2015	973	973	923
United States Treasury Bond		7.250	0.001	05/15/2016	980	1,326	1,237
United States Treasury Bond		8.750	0.001	05/15/2017	1,055	1,597	1,448
United States Treasury Bond		9.125	0.001	05/15/2018	1,138	1,852	1,633
Total U. S. Treasury Issues	100.0%					9,958	9,421
Total Municipal Bond Commission Pool	100.0%					\$ 9,958	\$ 9,421

SCHOOL FUND

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Short Term Issues</i>							
Dreyfus Cash Management Treasury Institutional Fund		0.010 **			1,385	\$ 1,385	\$ 1,385
Total Short Term Issues	100.0%					1,385	1,385
Total School Fund	100.0%					\$ 1,385	\$ 1,385

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	\$ 1,618	\$ 1,833
Total U. S. Treasury Issues	100.0%					1,618	1,833
Total EDA-AW	100.0%					\$ 1,618	\$ 1,833

F—Floating rate note security.

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**Rate represents last business day of the month.

See accompanying notes to financial statements.

INVESTMENT SECTION

CONSOLIDATED FUND OVERVIEW AT JUNE 30, 2011

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 Net Assets at June 30, 2011: \$ 4,172,183,000.

Description of the Consolidated Fund: The Consolidated Fund under the management of the BTI consisted of 10 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 described on Pages 88-92 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 assets under management.

Expense ratios for the pools and accounts are detailed in Table 2: Financial Highlights on Page 96 in the Statistical Section.

Economic Environment: Headlines at the end of fiscal year 2011 highlighted the Greek debt crisis and, in the U.S., the political brinkmanship around raising the U.S. debt ceiling. Investors, however, focused on the slowing of the U.S. economy and the poor economic prospects going forward. U.S. GDP growth came in at a disappointing 1.3%. The economy stalled in the latter half of fiscal year 2011 and the recession was much deeper than previously thought. From peak to trough (2007–2009), economic activity declined 5.1%. As a result, global stock markets retreated during June 2011 and the dollar fell relative to most major currencies.

There is concern that the proposed budget deficit reductions may not be large enough to prevent more than one rating agency from downgrading the U.S. (S&P downgraded U.S. debt one notch to AA+ on August 5, 2011, while Moody's and Fitch maintained their AAA rating of the U.S., albeit with a negative outlook). It is expected that the U.S. budget-cutting process and the downgrade of U.S. debt will create more volatility in global stock and bond markets until there is more clarity.

Uprisings in North Africa and the Middle East and their potential effects on oil prices affected the U.S. markets. A material disruption in supply could lead to much higher oil prices. At a time when the U.S. economy is struggling, an increase in oil prices and their related flow through to finished goods would likely lead to a stagflated environment and delay our ability to experience real job growth.

The housing market is another main driver of the U.S. economy. Housing sales and starts remained at an all-time low despite record low 30-year mortgage rates. Given these economic indicators, it appears the U.S. is in store for a sluggish fiscal year 2012.

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 were 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 44-54 and Participant Net Asset Values are presented in the Statistical Section on page 105.

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 the Merrill Lynch US 3-Month Treasury Bill Index + 15 basis points.

Investment Managers

The West Virginia Money Market Pool is managed by JP Morgan Asset Management and UBS Global Asset Management.

Maturity Restrictions, Diversification Guidelines and Credit Limits

All restrictions are based upon total dollar percentages of pool holdings using an amortized cost basis. Securities that fall out of compliance may be held to maturity unless they violate the State Code or other regulatory requirement. The Board may require the investment manager to sell non-compliant securities when they change the investment guidelines of the pool.

- Weighted average maturity of the West Virginia Money Market Pool shall not exceed 60 days.
- Maximum maturity of individual securities cannot exceed 397 days from the date of purchase.
- Minimum 15% of the pool must be in U.S. Treasury Obligation.
- Maximum 5% of the pool may be invested in any one corporate name.
- Maximum 3% of the pool may be invested in any one issuer of U.S. dollar denominated non-U.S. issued securities.
- Maximum 75% of the pool may be invested in notes with floating rates.
- All domestic corporate securities and U.S. dollar denominated issues of non-U.S. issuers must be rated AA- or Higher (or its equivalent) if long term and A-1 or Higher (or its equivalent) if short term.
- Floating rate notes shall be based on a money market index and shall not have a final maturity longer than 731 days if U.S. Government backed, or 397 days if not U.S. Government

- backed.
- Maximum of 50% of the pool may be invested in asset-backed corporate debt and asset-backed commercial paper combined, with a maximum of 20% of the pool invested in asset-backed commercial debt securities.
 - The pool may not hold private placements, or inverse floaters, or 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. Maximum of 50% of the pool will be invested in these types of securities combined.

☐ 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 would be notified immediately for development of an action plan.

☐ ASSET ALLOCATION—PERMISSIBLE VS. ACTUAL

Permissible Allocation		Actual Allocation June 30, 2011	
Security Type	Maximum Percent of Pool	Carrying Value <i>(Thousands)</i>	Percent of Pool
U.S. Treasury Obligations	100.0%	\$ 529,396	17.6%
U.S. Government Agency Obligations	85.0%	867,952	28.8%
Commercial paper and corporate debt (Combined)	75.0%	1,196,576	39.6%
Repurchase agreements	85.0%	84,357	2.8%
Asset-backed & mortgage-backed securities	50.0%	-	-
Certificates of deposit	75.0%	140,000	4.6%
Money market funds	30.0%	200,279	6.6%
Depository accounts	5.0%	-	-
		\$3,018,560	100.0%

❑ ACTUAL RETURNS

Actual Annualized Returns for Periods Ended June 30, 2011

	1 Year	3 Years	5 Years
Returns by Investment Manager:			
JP Morgan	0.16%	0.44%	2.16%
UBS Global	0.23%	0.55%	2.25%
Total pool returns	0.18%	0.51%	2.20%
Benchmark:			
Merrill Lynch 3-Month T-Bill + 15 bps	0.29%	0.50%	2.02%



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 44-47.

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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 disbursements of participants, while earning a return above inflation. The pool is structured as a money market fund with an emphasis of 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 the Merrill Lynch US 3-Month Treasury Bill Index.

Investment Manager

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

Maturity Restrictions, Diversification Guidelines and Credit Limits

All restrictions are based upon total dollar percentages of the pool holdings using an amortized cost basis. Securities that fall out of compliance may be held to maturity unless they violate the State Code or other regulatory requirement. The Board may require the investment manager to sell non-compliant securities when they change the investment guidelines of the pool.

- Weighted average maturity of the pool shall not exceed 60 days.
- Maximum maturity of individual securities cannot exceed 397 days from the date of purchase.
- Minimum 15% of the pool must be in U.S. Treasury Obligations.
- The pool may not hold private placements, or inverse floaters, or be leveraged in any manner.
- Floating rate notes shall be based on a money market index and shall not have a final maturity longer than 731 days.

❑ 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 would be notified immediately for development of an action plan.

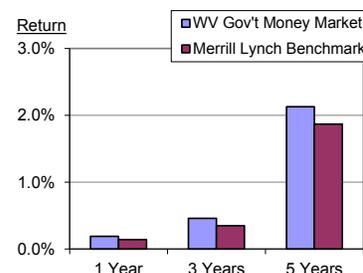
ASSET ALLOCATION—PERMISSIBLE VS. ACTUAL

Permissible Allocation		Actual Allocation June 30, 2011	
Security Type	Maximum Percent of Pool	Carrying Value (Thousands)	Percent of Pool
U.S. Treasury Obligations	100.0%	\$ 45,811	17.4%
U.S. Government Agency Obligations	85.0%	118,350	45.1%
Repurchase agreements	85.0%	98,400	37.5%
Money market funds	40.0%	131	0.0%
Depository accounts	5.0%	-	-
		<u>\$262,692</u>	<u>100.0%</u>

ACTUAL RETURNS

Actual Annualized Returns for Periods Ended June 30, 2011

	1 Year	3 Years	5 Years
Total pool returns	0.19%	0.46%	2.13%
Benchmark:			
Merrill Lynch 3-Month T-Bill	0.14%	0.35%	1.87%



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 48.

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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 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 unless they violate the State Code or other regulatory requirement. The Board may require the investment manager to sell securities when they become non-compliant or when the investment guidelines of the pool are changed.

- 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).
- Maximum 5% of the pool may be invested in any one corporate name or one corporate issue.
- Maximum 3% of the pool may be invested in any one issuer of U.S. dollar denominated, non-U.S. dollar issuer securities.
- All domestic corporate and U.S. dollar denominated issues of non-U.S. dollar issuer securities must be rated A or higher (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 a effective duration longer than five years.
- Effective duration of commercial paper will not exceed 397 days.
- Maximum of 50% of the pool may be invested in asset-backed corporate debt, and asset-backed commercial paper combined, with a maximum of 20% of the pool invested in asset-backed commercial debt securities.
- 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. Maximum of 50% of the pool will be invested in these type of Securities combined.

- The pool may not invest in inverse floaters or be leveraged in any manner.

☐ 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

Permissible Allocation		Actual Allocation June 30, 2011	
Security Type	Maximum Percent of Pool	Carrying Value (Thousands)	Percent of Pool
U.S. Treasury Obligations	100.0%	\$ 25,034	5.3%
U.S. Government Agency Obligations	85.0%	117,313	24.7%
Commercial paper and corporate debt (combined)	75.0%	120,290	25.4%
Repurchase agreements	85.0%	-	-
Asset-backed & mortgage-backed securities	50.0%	114,981	24.3%
Money market funds	25.0%	96,287	20.3%
Certificates of deposit	50.0%	-	-
Depository accounts	5.0%	-	-
		<u>\$473,905</u>	<u>100.0%</u>

☐ ACTUAL RETURNS

Actual Annualized Returns for Periods Ended June 30, 2011

	1 Year	3 Years	5 Years
Total pool returns *	1.98%	3.27%	4.03%
Benchmark **	1.90%	3.39%	4.50%



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

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

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

☐ INVESTMENTS

For a detailed list of investments in the West Virginia Short Term Bond Pool, see the Schedule of Investments in Securities in the Supplementary Information on Pages 49-52.

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WEST VIRGINIA BANK POOL

❑ INVESTMENT OBJECTIVES AND POLICY GUIDELINES

Objectives

BidWVauction is an innovative and efficient way to invest in State of West Virginia time deposits. The program is designed to provide approved state depositories the opportunity to interactively compete for State of West Virginia investment dollars.

Benchmarks

The performance of the West Virginia Bank Pool will be measured against the Merrill Lynch US 3-Month Treasury Bill Index + 15 basis points.

Investment Manager

None.

Maturity Restrictions, Diversification Guidelines and Credit Limits

- To participate in the BidWVauction program, a financial institution must be an approved state depository and must have a branch bank in West Virginia.
- Bids will be accepted online at www.BidWVauction.com. Auctions for CDs will be held based on a schedule approved by the Chairman. The settlement date for the funding will occur on the first business day following the auction. The auction will begin at 10:00 a.m. and end at 10:30 a.m. prevailing Eastern Time. The BTI will make funds available as noted on the BidWVauction website.
- Bidders must register with BidWVauction by 3 p.m. prevailing Eastern Time at least two business days prior to the auction. To register, bidders should go to the BidWVauction web site. Upon registering, bidders will receive a BidWVauction password and will be responsible for protecting the confidentiality of the password. Registration is only required initially and not for each auction.
- Registered bidders must request and receive admission to an auction to submit bids. The BTI reserves the right to deny access to any bidder, at any time and for any reason whatsoever, in its sole discretion.
- The minimum bid is \$100,000.00. Bids may increase in increments of \$100,000.00 to a maximum of \$5,000,000.00 per parent institution per auction.

- The minimum rate will be equivalent to a U.S. Treasury security with a comparable term or higher rate as approved by the Chairman and will be displayed on the auction page prior to the auction. Bids below the minimum rate will not be accepted.
- Multiple bids from the same bidder are permissible. Each bidder may make up to five acceptable bids, the total of which (subject to approval limits) may not exceed \$5,000,000.00 per parent institution per auction. There is no limit to the number of times any bid may be improved/updated.
- If qualified bids submitted in the same auction by the same or different bidders result in a tie, the first bid submitted prevails. Any change to a bid constitutes a new bid.
- Winning bidders must confirm their awards before they can receive any funds per their instructions on the Confirmation Page immediately after the auction ends.
- Winning bidders will be assessed a fee equal to .025% of the principal amount awarded. Payment will be made to Grant Street Group by ACH debit two business days following the auction. Completion of the ACH Debit Authorization on the Confirmation Page represents winning bidder's authorization for Grant Street Group to debit their account. Failure to make funds available for timely payment of the Grant Street Group fee will result in exclusion from subsequent auctions for six months.
- Settlement date is the first business day after the auction occurs and will be displayed on the auction page.
- 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 BTI quality requirements.
- Interest on the certificate of deposit will be calculated on a 365 per diem basis using the actual number of days ((principal amount times the rate) divided by 365 multiplied by the actual number of days).
- Interest is payable at maturity.
- Time deposits will be book-entry in the name of the BTI.
- Transactions will be completed by wire transfer, which will include principal and interest collections. The wiring instructions will be included on a maturity notice issued by the BTI.
- The BTI reserves the right to reject any BidWV auction bid for any reason at its discretion. The BTI also reserves the right to award a portion of a depository's bid subject to the minimum and multiple amounts described above.
- Each bidder must acknowledge that he or she has read amendments to the Guidelines in each auction and indicate their agreement with the amendment electronically in order to enter the auction.

- Submitted bids must also be verified. The bidder understands that in verifying the bid, the bidder has made a formal offer.
- Bids that generate error messages are not accepted until the error is corrected and the bid is resubmitted. Error messages will indicate the reason for the error such when the bidder has entered a bid that is lower than the minimum bid requirement.
- The bidder understands that the submitted bid may initially be a leading bid, but may be replaced by other more competitive bids throughout the auction. Bidders will know immediately if their bid continues to be a winning bid by updating their bids. A bid's status when "in the money" may change at any given time due to new bids by other bidders. It is the responsibility of the bidder to update his or her bid status. There is no limit to the number of times a bid may be updated.
- A bidder submitting a winning bid is irrevocably obligated to provide the time deposit at the specified rate, amount and maturity, if acceptable to the BTI, as herein set forth. The bidder understands that an award has not been made until posted on the Results Page on the Bid-WV auction site. Discrepancies should be reported to the West Virginia BTI at (304)-340-1564 within 15 minutes of posting of the Results Page.
- In the event of a web site failure, the auction will be attempted at the top of every hour on the day of the scheduled auction between the hours of 10:00 a.m. prevailing Eastern Time and 2:00 p.m. prevailing Eastern Time. If the auction is not completed on the scheduled day, the next attempt will be 10:00 a.m. prevailing Eastern Time the next business day. The BTI and/or Grant Street Group will inform registered bidders of a change in the bidding format via phone, fax, or e-mail.

☐ INCOME ALLOCATION

Net investment income is posted to the account monthly.

☐ ASSET ALLOCATION—PERMISSIBLE VS. ACTUAL

The West Virginia Bank Pool may invest 100.0% of its funds in certificates of deposit and a maximum of 30% in money market funds. At June 30, 2011, nearly 100.0% of the pool, totaling \$60,000,000, was invested in certificates of deposit. Less than 0.1% was invested in money market funds totaling \$19,000.

☐ ACTUAL RETURNS

The West Virginia Bank Pool earned 0.35%, net of fees. The pool's benchmark, the Merrill Lynch US 3-Month Treasury Bill Index + 15 basis points, earned 0.29% for the year. For the past three-year period, the pool earned an annualized 0.96%, and the benchmark earned 0.50%. The pool was established in August 2007 and does not have a five-year experience.

☐ INVESTMENTS

For a detailed list of investments in the WV Bank Pool, see the Schedule of Investments in Securities in the Supplementary Information on Page 52.

LOSS AMORTIZATION POOL

❑ INVESTMENT OBJECTIVES AND POLICY GUIDELINES

Objectives

The Loss Amortization Pool was created to account for participant claims on the general operating funds of the State. These participant claims occurred as a result of the distribution of earnings to participants in various investment pools, principally the Unrestricted Pool (predecessor to the WV Money Market Pool), in excess of the true investment income experience of the pools in 1987 and 1988.

Benchmarks

None.

Investment Manager

None.

Maturity Restrictions, Diversification Guidelines and Credit Limits

None.

❑ BTI ROLE

The role of the BTI for the Loss Amortization Pool is as follows:

- Open an account for the Loss Amortization Pool.
- Develop investment guidelines.
- Prohibit commingling of funds with any other account in the Consolidated Fund.
- Calculate monthly net income and net asset value.
- Prepare monthly a statement of net assets, statement of operations, a statement of changes in net assets, and a detailed list of securities.

❑ INCOME ALLOCATION

Net accretion or amortization is posted to the account monthly.

▣ ASSET ALLOCATION—PERMISSIBLE VS. ACTUAL

Permissible Allocation		Actual Allocation June 30, 2011	
Security Type	Maximum Percent of Pool	Carrying Value <i>(Thousands)</i>	Percent of Pool
U.S. Treasury obligations	100.0%	\$ 188,544	100.0%
Money market funds	15.0%	-	-
Depository accounts	5.0%	-	-
		<u>\$ 188,544</u>	<u>100.0%</u>

▣ ACTUAL RETURNS

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

▣ INVESTMENTS

For a detailed list of investments in the Loss Amortization Pool, see the Schedule of Investments in Securities in the Supplementary Information on Page 53.

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”). 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 these loans contemplated under §12-6C-11.

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

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

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 assets, statement of operations, a statement of changes in net assets, and a detailed list of securities.

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

- Provide EDA with the annual rate to be charged on the loan.

- Facilitate the transfer of funds to EDA via the State Treasurer’s Office.

The role of the BTI for the EDA Non-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.

☐ 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, 2011	
Security Type	Maximum Percent of Pool	Carrying Value <i>(Thousands)</i>	Percent of Pool
Other investments	100.0%	\$ 131,814	99.9%
Money market funds	20.0%	151	0.1%
Depository accounts	5.0%	-	-
		<u>\$131,965</u>	<u>100.0%</u>

☐ ACTUAL RETURNS

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

☐ INVESTMENTS

For a detailed list of investments in the Loan Pool, see the Schedule of Investments in Securities in the Supplementary Information on Page 53.

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 levels do not fall below \$0.9975 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 unless they violate the State Code or other regulatory requirement. The Board may require the sale of non-compliant securities.

- Weighted average maturity of the Reserve Pool shall not exceed 60 days.
- Maximum maturity of individual securities cannot exceed 397 days from the date of purchase.
- Depository accounts are required to be held by rated entities of A-1 or better.
- 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.
- 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.
- Calculate monthly net income and net asset value.
- Prepare monthly a statement of net assets, statement of operations, a statement of changes in net assets, 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 \$0.9975 per unit. Board members are notified to approve the written action plan.
- If the net asset value falls below \$0.9975 per unit, the BTI will request Board approval to utilize the Reserve Pool to ensure the NAV is stabilized at \$0.9975 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, 2011	
Security Type	Maximum Percent of Pool	Carrying Value <i>(Thousands)</i>	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%	-	-
Depository accounts	100.0%	19,173	100.0%
		<u>\$ 19,173</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 53.

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 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 assets, statement of operations, a statement of changes in net assets, 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 banks 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.

☐ 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 54.

SCHOOL FUND ACCOUNT

❑ INVESTMENT OBJECTIVES AND POLICY GUIDELINES

Objectives

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

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 assets, statement of operations, a statement of changes in net assets, 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, 2011, 100% of the School Fund Account's securities, totaling \$1,385,000, were invested in the Dreyfus Cash Management Treasury Institutional Fund.

❑ 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 54.

**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 (“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 assets, statement of operations, a statement of changes in net assets, 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, 2011, 100% of the EDA Insurance Account’s securities, totaling \$1,833,000, 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 54.

**Schedule of Investment Management Fees
Consolidated Fund**

For the Fiscal Year Ended June 30, 2011
(In Thousands)

External fees:	
Investment advisors:	
WV Money Market Pool	\$ 885
WV Government Money Market Pool	89
WV Short Term Bond Pool	425
	<hr/>
	1,399
Custodians	134
	<hr/>
Total external fees	1,533
	<hr/>
Internal fees:	
Investment consultant	251
Fiduciary bond	155
Administration	646
	<hr/>
Total internal fees	1,052
	<hr/>
Total investment management fees	<u>\$ 2,585</u>

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INVESTMENT POLICY SUMMARY

A. PURPOSE

The BTI investment policy is adopted pursuant to Article 6C of Chapter 12 of the State 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.

B. 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
Asset Allocation	Annually
Investment Policy	Annually
Fee Schedule and Budget	Annually

Additionally, the BTI may react to trends in the market more quickly through actions of its Investment Committee, when required.

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

In determining its philosophy towards 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.

C. INVESTMENT OBJECTIVES

The BTI's objective is to provide focused investment services for the funds, and reduce costs for, and increase returns to its participants. Realizing the majority of the funds are for operating expenses, the policy was 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 to ensure the preservation of capital 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.
- Realized gains and losses are recognized by the funds as they occur.

D. 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.

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 allocation plan, investment policy, fee schedule, and budget for the funds at least annually.

The Board shall establish committees of its members as required to provide input to the Board to effectively implement the policy. Currently, the Board has established the Investment, Audit, and Personnel 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.

INVESTMENT COMMITTEE

The primary objective of the Investment Committee is to ensure the achievement of an optimum level of return on the funds, within specified risk and liquidity parameters and to do so effectively, prudently and in a cost efficient manner, in full compliance with the policy and applicable laws, rules and regulations.

AUDIT COMMITTEE

The Audit Committee is designated by and acts on behalf of the Board. The Audit Committee's primary objectives shall include:

- Adopting and implementing an audit charter for the BTI;
- Providing oversight of the integrity of the financial statements;
- Reviewing the annual operations budget;
- Ensuring compliance with legal and regulatory requirements;
- Overseeing the performance of the internal audit function; and
- Assessing the performance of the external auditors

PERSONNEL COMMITTEE

The Personnel Committee's responsibility is to ensure the BTI has the staff it needs to fulfill its mission and implement the policy. The Personnel Committee recommends staffing levels for the BTI, and assures the professional qualifications of the Board and staff are maintained by providing continuing educational programs.

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 Manager designation. The Consultant works with the Board and staff to implement the 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.

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.

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 and receipt of securities and cash when notified by the BTI, and tracking and the reporting of securities transactions. The BTI may opt to delegate other duties to the Custodian.

INTERNAL AUDITOR

The Board shall retain an Internal Auditor. As minimum qualifications, the Internal Auditor shall be a certified public accountant with at least three year's experience as an auditor. The Internal Auditor shall develop an internal audit plan, and work directly through the Audit Committee. The Internal Auditor shall evaluate the adequacy of the internal controls established by management and provide quarterly reports to the Audit Committee.

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.

E. STANDARD OF CARE

Any investment made pursuant to this policy shall be made in accordance with the "Uniform Prudent Investor Act." Under the "prudent investor rule," investments shall be made with the care, skill, prudence, and diligence that prudent persons acting in like capacities and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived. Furthermore, investments shall be made 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.

F. 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.

G. 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 state and local government 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 Committee of the Board.

H. REPURCHASE AGREEMENT POLICY

The policy establishes guidelines that govern repurchase agreements purchased by, or on behalf of, the BTI. Repurchase agreements may be subject to, or structured as a tri-party repurchase agreement or a repurchase agreement with collateral delivered to the Custodian. The BTI requires repurchase agreements to have collateral pledged of at least 102% of the principal amount of the repurchase agreement. Collateral pledged must comply with securities permitted by the investment guidelines for an individual pool/portfolio investing in the repurchase agreement.

I. SECURITIES LENDING PROGRAM

The policy establishes the guidelines that govern the Securities Lending Program administered by the BTI. The objective of the Securities Lending Program is to use a conservative management approach to earn incremental income above that already generated from securities as permitted under the State Code. The income earned from the Securities Lending Program is not assigned in assessing the performance of the individual Investment Managers. The BTI currently does not participate in the Securities Lending Program.

J. REQUIRED REPORTING

In an effort to provide effective management of the Consolidated Fund and meet the reporting requirements of the State Code, the Board requires reports of various outside service providers and staff. The Board may request a report for any topic it deems necessary for the prudent administration of the Fund.

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 Assets – Consolidated Fund

This table presents historical information showing trends in the changes in Consolidated Fund net assets and the components of those changes. The table goes back ten years, but the BTI has managed the fund for the five latest fiscal years. The fund was managed by the West Virginia Investment Management Board in the remaining five years.

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. Complete information was not available before the past ten years. The BTI has managed the fund for the five latest fiscal years. The fund had been managed by the West Virginia Investment Management Board. The ratio of expenses to average net assets represents the percentage of net assets used to operate the pool. The ratio of net investment income to average net assets represents financial performance of the pool, or the extent to which operations have resulted in changes in net assets. 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 Assets – Consolidated Fund

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

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

This table presents historical information showing the total net assets and changes in net assets of the Operating Fund (a proprietary fund) since its inception in July 2005.

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

This table presents components of total net assets of the Consolidated Fund Operating and Special Purpose Pools at June 30, 2011, 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, 2011.

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

This table presents major investors in the Consolidated Fund Operating Pools at June 30, 2011.

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 Assets – Consolidated Fund

Fiscal Year Ended June 30 (In Thousands)

	2011	2010	2009	2008
Additions				
Investment income:				
Interest	\$ 20,410	\$ 21,499	\$ 35,328	\$ 68,731
Dividends	446	624	2,794	1,684
Securities lending income	-	-	2,956	23,351
Net accretion (amortization)	6,255	7,700	25,918	65,983
Provision for securities lending loss	(596)	(1,193)	(6,837)	-
Provision for uncollectible loans	-	-	(7,117)	(3,021)
Total investment income	<u>26,515</u>	<u>28,630</u>	<u>53,042</u>	<u>156,728</u>
Investment expenses:				
Investment advisor fees	1,399	1,277	1,157	1,060
Custodian bank fees	134	107	86	110
Administrative fees	1,052	1,468	1,208	1,256
Securities lending agent fees	-	-	226	1,353
Securities lending borrower rebates	-	-	2,054	18,446
Bad debt expense	-	-	-	3
Total investment expenses	<u>2,585</u>	<u>2,852</u>	<u>4,731</u>	<u>22,228</u>
Net investment income	23,930	25,778	48,311	134,500
Net realized gain (loss) from investments	6,527	1,576	(1,578)	3,603
Net (decrease) increase in fair value of investments	<u>(11,329)</u>	<u>(770)</u>	<u>8,560</u>	<u>11,033</u>
Net increase in net assets from operations	19,128	26,584	55,293	149,136
Participant transaction additions:				
Purchase of pool units by participants	10,590,080	10,192,912	10,316,680	10,173,315
Reinvestment of pool distributions	21,531	19,301	48,995	130,263
Contributions to individual investment accounts	<u>6,760</u>	<u>4,950</u>	<u>6,708</u>	<u>146,314</u>
Total participant transaction additions	<u>10,618,371</u>	<u>10,217,163</u>	<u>10,372,383</u>	<u>10,449,892</u>
Total additions	10,637,499	10,243,747	10,427,676	10,599,028
Deductions				
Distributions to pool participants:				
Net investment income	16,264	17,989	40,788	126,764
Net realized gain (loss) from investments	<u>6,527</u>	<u>1,576</u>	<u>(1,578)</u>	<u>90</u>
Total distributions to pool participants	22,791	19,565	39,210	126,854
Participant transaction deductions:				
Redemption of pool units by participants	10,356,782	9,949,245	10,063,667	9,816,801
Withdrawals from individual investment accounts	<u>10,949</u>	<u>13,023</u>	<u>26,041</u>	<u>214,011</u>
Total participant transaction deductions	<u>10,367,731</u>	<u>9,962,268</u>	<u>10,089,708</u>	<u>10,030,812</u>
Total deductions	<u>10,390,522</u>	<u>9,981,833</u>	<u>10,128,918</u>	<u>10,157,666</u>
Change in net assets	<u>\$ 246,977</u>	<u>\$ 261,914</u>	<u>\$ 298,758</u>	<u>\$ 441,362</u>

CAFR for Fiscal Year Ended June 30, 2011

2007	2006	2005	2004	2003	2002
\$ 65,625	\$ 46,477	\$ 35,181	\$ 31,054	\$ 41,243	\$ 67,330
895	891	398	3,625	9,034	6,016
23,974	19,430	7,464	4,542	5,876	4,009
76,182	58,808	24,368	7,587	5,077	3,829
-	-	-	-	-	-
<u>(3,103)</u>	<u>(797)</u>	<u>(2,326)</u>	<u>(713)</u>	<u>-</u>	<u>-</u>
163,573	124,809	65,085	46,095	61,230	81,184
950	976	900	804	733	648
107	97	69	47	23	34
1,180	1,441	952	910	936	1,341
273	293	165	220	151	45
23,063	18,454	6,798	3,547	5,150	3,400
-	-	-	-	-	-
<u>25,573</u>	<u>21,261</u>	<u>8,884</u>	<u>5,528</u>	<u>6,993</u>	<u>5,468</u>
138,000	103,548	56,201	40,567	54,237	75,716
(939)	(2,973)	(1,572)	34,929	909	5,903
<u>4,308</u>	<u>(10,470)</u>	<u>5,256</u>	<u>(55,494)</u>	<u>14,647</u>	<u>4,118</u>
141,369	90,105	59,885	20,002	69,793	85,737
8,833,687	8,476,495	7,857,676	7,529,037	6,761,069	6,367,904
128,339	95,770	48,103	34,892	40,093	63,506
<u>113,366</u>	<u>12,723</u>	<u>17,846</u>	<u>114,258</u>	<u>18,630</u>	<u>126,473</u>
<u>9,075,392</u>	<u>8,584,988</u>	<u>7,923,625</u>	<u>7,678,187</u>	<u>6,819,792</u>	<u>6,557,883</u>
9,216,761	8,675,093	7,983,510	7,698,189	6,889,585	6,643,620
128,452	96,021	48,867	30,777	39,176	57,347
<u>51</u>	<u>(59)</u>	<u>(3)</u>	<u>4,115</u>	<u>917</u>	<u>6,159</u>
128,503	95,962	48,864	34,892	40,093	63,506
8,604,738	8,427,349	7,781,659	7,184,866	6,794,155	6,350,694
<u>40,953</u>	<u>37,838</u>	<u>44,084</u>	<u>172,256</u>	<u>106,156</u>	<u>145,448</u>
<u>8,645,691</u>	<u>8,465,187</u>	<u>7,825,743</u>	<u>7,357,122</u>	<u>6,900,311</u>	<u>6,496,142</u>
<u>8,774,194</u>	<u>8,561,149</u>	<u>7,874,607</u>	<u>7,392,014</u>	<u>6,940,404</u>	<u>6,559,648</u>
<u>\$ 442,567</u>	<u>\$ 113,944</u>	<u>\$ 108,903</u>	<u>\$ 306,175</u>	<u>\$ (50,819)</u>	<u>\$ 83,972</u>

West Virginia Board of Treasury Investments

Table 2: Financial Highlights – Consolidated Fund State Operating Pools

	Fiscal Year Ended June 30									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
<u>WV Money Market Pool</u>										
Per share data:										
Net asset value at beginning of year	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Net investment income (loss)	-	-	0.01	0.04	0.05	0.04	0.02	0.01	0.02	0.03
Net realized and unrealized gain (loss)	-	-	-	-	-	-	-	-	-	-
Net increase (decrease) from operations	-	-	0.01	0.04	0.05	0.04	0.02	0.01	0.02	0.03
Distributions to participants	-	-	0.01	0.04	0.05	0.04	0.02	0.01	0.02	0.03
Net asset value at end of year	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>
Shares outstanding (in thousands)	3,019,878	2,820,141	2,570,620	2,361,834	2,071,394	1,719,622	1,605,847	1,395,951	1,021,086	1,065,380
Ratio of expenses to average net assets	0.06%	0.07%	0.07%	0.08%	0.09%	0.10%	0.08%	0.09%	0.09%	0.12%
Ratio of net investment income to average net assets	0.18%	0.14%	1.15%	4.10%	5.28%	4.22%	2.21%	1.06%	1.57%	2.81%
<u>WV Government Money Market Pool</u>										
Per share data:										
Net asset value at beginning of year	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Net investment income (loss)	-	-	0.01	0.04	0.06	0.04	0.02	0.01	0.01	0.03
Net realized and unrealized gain (loss)	-	-	-	-	-	-	-	-	-	-
Net increase (decrease) from operations	-	-	0.01	0.04	0.06	0.04	0.02	0.01	0.01	0.03
Distributions to participants	-	-	0.01	0.04	0.06	0.04	0.02	0.01	0.01	0.03
Net asset value at end of year	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>
Shares outstanding (in thousands)	262,898	221,265	283,795	187,291	229,917	177,308	155,019	151,118	137,967	145,218
Ratio of expenses to average net assets	0.07%	0.08%	0.07%	0.08%	0.08%	0.10%	0.09%	0.09%	0.10%	0.12%
Ratio of net investment income to average net assets	0.15%	0.10%	0.88%	3.90%	5.00%	3.94%	2.06%	0.95%	1.34%	2.38%
<u>WV Short Term Bond Pool</u>										
Per share data:										
Net asset value at beginning of year	\$ 101.35	\$ 100.59	\$ 99.27	\$ 98.55	\$ 98.06	\$ 99.53	\$ 100.31	\$ 104.16	\$ 103.11	\$ 103.06
Net investment income (loss)	1.56	2.41	2.87	4.26	4.61	3.69	2.79	2.99	4.43	5.37
Net realized and unrealized gain (loss)	0.40	1.20	0.63	1.92	0.49	(1.47)	(0.58)	(2.68)	1.28	1.52
Net increase (decrease) from operations	1.96	3.61	3.50	6.18	5.10	2.22	2.21	0.31	5.71	6.89
Distributions to participants	2.97	2.85	2.18	5.46	4.61	3.69	2.99	4.16	4.66	6.84
Net asset value at end of year	<u>\$ 100.34</u>	<u>\$ 101.35</u>	<u>\$ 100.59</u>	<u>\$ 99.27</u>	<u>\$ 98.55</u>	<u>\$ 98.06</u>	<u>\$ 99.53</u>	<u>\$ 100.31</u>	<u>\$ 104.16</u>	<u>\$ 103.11</u>
Shares outstanding (in thousands)	4,746	4,496	3,251	3,593	2,331	2,718	2,622	3,520	3,678	3,265
Ratio of expenses to average net assets	0.13%	0.14%	0.11%	0.10%	0.10%	0.14%	0.13%	0.11%	0.12%	0.13%
Ratio of net investment income to average net assets	1.72%	2.52%	2.37%	4.19%	4.02%	3.85%	2.74%	2.91%	4.25%	5.16%
Portfolio turnover rate	3.66%	5.07%	5.07%	5.13%	5.24%	4.01%	77.85%	88.15%	10.50%	50.59%

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

	Fiscal Year Ended June 30									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
WV Money Market Pool	0.18%	0.12%	1.29%	4.15%	5.41%	4.17%	2.12%	0.99%	1.65%	2.75%
WV Government Money Market Pool	0.19%	0.06%	1.13%	4.03%	5.31%	4.11%	2.09%	0.95%	1.40%	2.80%
WV Short Term Bond Pool	1.98%	3.70%	4.35%	5.02%	5.31%	2.27%	2.27%	0.42%	5.64%	6.90%

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

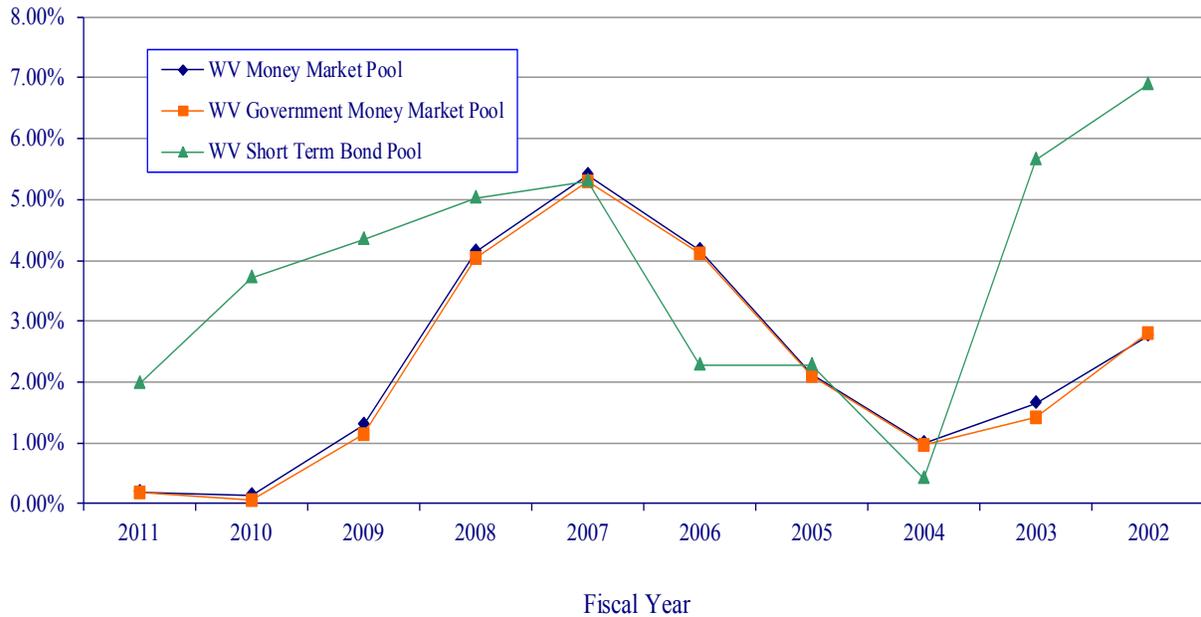


Table 4: Participation in Consolidated Fund State Operating Pools

Fiscal Year Ended June 30
(Net Asset Values Expressed in Thousands)

	2011		2010		2009		2008	
	Number of Accounts	Net Asset Value						
WV Money Market Pool:								
State agency accounts	1,239	\$2,956,372	1,118	\$2,746,279	1,059	\$2,474,600	1,014	\$2,243,023
Local government accounts	226	63,506	217	73,862	252	96,020	241	118,810
Accumulated undistributed securities lending income		0		14		255		-
	<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>	<u>1,255</u>	<u>\$2,361,833</u>
WV Government Money Market Pool:								
State agency accounts	15	\$ 184,473	26	\$ 193,292	17	\$ 231,772	15	\$ 170,226
Local government accounts	84	78,425	48	27,973	61	52,023	48	17,065
Accumulated undistributed securities lending income		-		-		63		-
	<u>99</u>	<u>\$ 262,898</u>	<u>74</u>	<u>\$ 221,265</u>	<u>78</u>	<u>\$ 283,858</u>	<u>63</u>	<u>\$ 187,291</u>
WV Short Term Bond Pool:								
State agency accounts	14	\$ 474,511	14	\$ 454,793	10	\$ 326,516	8	\$ 356,618
Local government accounts	10	1,676	8	904	7	460	4	92
	<u>24</u>	<u>\$ 476,187</u>	<u>22</u>	<u>\$ 455,697</u>	<u>17</u>	<u>\$ 326,976</u>	<u>12</u>	<u>\$ 356,710</u>

CAFR for Fiscal Year Ended June 30, 2011

2007		2006		2005		2004		2003		2002	
Number of Accounts	Net Asset Value										
999	\$1,988,554	927	\$1,650,789	781	\$1,535,812	821	\$1,319,615	797	\$ 928,263	822	\$ 964,338
192	82,840	181	68,834	184	69,906	188	76,335	201	92,823	206	101,038
	-		-		-		-		-		-
<u>1,191</u>	<u>\$2,071,394</u>	<u>1,108</u>	<u>\$1,719,623</u>	<u>965</u>	<u>\$1,605,718</u>	<u>1,009</u>	<u>\$1,395,950</u>	<u>998</u>	<u>\$1,021,086</u>	<u>1,028</u>	<u>\$1,065,376</u>
16	\$ 203,339	15	\$ 153,769	17	\$ 132,197	17	\$ 118,906	18	\$ 122,165	18	\$ 118,381
41	26,578	39	22,538	38	22,823	39	32,212	37	15,807	36	26,854
	-		-		-		-		-		-
<u>57</u>	<u>\$ 229,917</u>	<u>54</u>	<u>\$ 176,307</u>	<u>55</u>	<u>\$ 155,020</u>	<u>56</u>	<u>\$ 151,118</u>	<u>55</u>	<u>\$ 137,972</u>	<u>54</u>	<u>\$ 145,235</u>
6	\$ 229,642	7	\$ 266,464	8	\$ 260,933	13	\$ 352,992	12	\$ 382,984	10	\$ 336,586
5	85	6	81	6	85	6	83	6	83	6	83
<u>11</u>	<u>\$ 229,727</u>	<u>13</u>	<u>\$ 266,545</u>	<u>14</u>	<u>\$ 261,018</u>	<u>19</u>	<u>\$ 353,075</u>	<u>18</u>	<u>\$ 383,067</u>	<u>16</u>	<u>\$ 336,669</u>

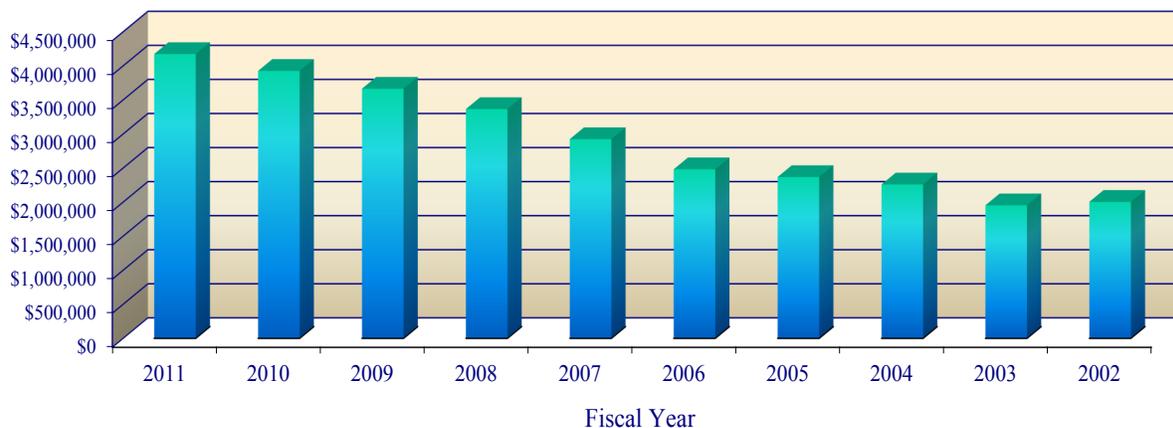
Table 5: Net Assets – Consolidated Fund

Fiscal Year Ended June 30
(In Thousands)

	2011	2010	2009	2008
WV Money Market Pool	\$ 3,019,878	\$ 2,820,155	\$ 2,570,875	\$ 2,361,833
WV Government Money Market Pool	262,898	221,265	283,858	187,291
WV Short Term Bond Pool	476,187	455,697	326,976	356,710
WV Bank Pool	60,067	60,082	100,215	126,712
Loss Amortization Pool	188,544	187,726	184,107	172,077
Loan Pool	132,181	132,918	127,728	116,748
Reserve Pool	19,179	30,147	44,792	-
Municipal Bond Commission Account	9,997	13,916	21,640	24,778
Department of Transportation Account	-	-	-	-
Lottery Defeasance Account	-	-	-	136
School Fund Account	1,385	1,393	1,307	1,671
EDA Insurance Account	-	-	-	-
EDA-AW Account	1,867	1,907	1,794	1,753
Department of Highways Account	-	-	-	14,825
	<u>\$ 4,172,183</u>	<u>\$ 3,925,206</u>	<u>\$ 3,663,292</u>	<u>\$ 3,364,534</u>

Total Consolidated Fund Net Assets

(In Thousands)



<u>2007</u>	<u>2006</u>	<u>225</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 2,071,394	\$ 1,719,623	\$ 1,605,718	\$ 1,395,950	\$ 1,021,086	\$ 1,065,376
229,917	177,307	155,020	151,118	137,972	145,235
229,727	266,545	261,018	353,075	383,067	336,669
-	-	-	-	-	-
154,277	145,943	149,205	137,969	141,734	121,953
130,187	139,531	140,121	140,080	133,768	118,329
-	-	-	-	-	-
46,265	27,023	50,195	74,681	92,842	118,343
-	-	-	-	34,400	89,007
304	669	1,665	3,043	4,449	5,581
1,760	1,886	1,430	1,385	1,807	1,453
451	450	454	457	458	456
1,639	1,628	1,835	-	-	-
57,251	-	-	-	-	-
<u>\$ 2,923,172</u>	<u>\$ 2,480,605</u>	<u>\$ 2,366,661</u>	<u>\$ 2,257,758</u>	<u>\$ 1,951,583</u>	<u>\$ 2,002,402</u>

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

Fiscal Year Ended June 30
(In Thousands)

	2011	2010	2009	2008	2007	2006
<u>Changes in Net Assets</u>						
Operating revenues						
Management services	\$ 1,052	\$ 1,468	\$ 1,210	\$ 1,257	\$ 1,179	\$ 1,389
Advisor services	1,399	1,277	1,158	1,060	949	959
Custodian services	134	107	85	109	108	96
Total operating revenues	2,585	2,852	2,453	2,426	2,236	2,444
Operating expenses						
Advisor fees	1,399	1,276	1,158	1,060	949	960
Management fees	623	637	598	166	-	-
Professional service fees	222	202	319	196	204	160
Fiduciary bond	155	155	155	155	155	119
Custodian fees	134	107	85	109	108	98
General and administrative expenses	217	205	231	566	674	726
Depreciation	2	3	6	13	5	3
Total operating expenses	2,752	2,585	2,552	2,265	2,095	2,066
Operating income	(167)	267	(99)	161	141	378
Nonoperating income	-	-	-	14	-	-
Income before special item	(167)	267	(99)	175	141	378
Special item	-	-	-	38	-	-
Change in net assets	\$ (167)	\$ 267	\$ (99)	\$ 213	\$ 141	\$ 378
<u>Net Assets at Year-End</u>						
Invested in capital assets	\$ 6	\$ 1	\$ 4	\$ 10	\$ 9	\$ 13
Unrestricted	755	927	657	750	510	365
Total net assets	\$ 761	\$ 928	\$ 661	\$ 760	\$ 519	\$ 378
<u>Restatements of Net Assets</u>						
Net assets at beginning of year	\$ 928	\$ 661	\$ 760	\$ 519	\$ 378	\$ -
Effect of change in accounting principle	-	-	-	28	-	-
Net assets at beginning of year, restated	\$ 928	\$ 661	\$ 760	\$ 547	\$ 378	\$ -

Note: The Operating Fund began operations in FY 2006.

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

June 30, 2011

(In Thousands except for Investment Unit Data)

	WV Money Market Pool	WV Government Money Market Pool	WV Short Term Bond Pool	WV Bank Pool	Loss Amortization Pool	Loan Pool	Reserve Pool
Paid-in capital	\$ 3,019,878	\$ 262,898	\$ 482,784	\$ 60,067	\$ 183,415	\$ 132,181	\$ 19,179
Accumulated undistributed net investment income (loss)	-	-	-	-	-	-	-
Accumulated undistributed net realized gain (loss)	-	-	(6,622)	-	4,205	-	-
Unrealized net appreciation (depreciation) of investments	-	-	25	-	924	-	-
Net assets at value	<u>\$ 3,019,878</u>	<u>\$ 262,898</u>	<u>\$ 476,187</u>	<u>\$ 60,067</u>	<u>\$ 188,544</u>	<u>\$ 132,181</u>	<u>\$ 19,179</u>
Investment unit data:							
Units outstanding	3,019,877,948	262,898,051	4,745,770	60,066,883	183,415,000	132,181,087	19,178,746
Net asset value, unit price	\$ 1.00	\$ 1.00	\$ 100.34	\$ 1.00	\$ 1.03	\$ 1.00	\$ 1.00

Table 8: Portfolio Statistics — Consolidated Fund Operating Pools

June 30, 2011

	WV Money Market Pool	WV Government Money Market Pool	WV Short Term Bond Pool
Weighted Average Days to Maturity	46	45	N/A
Maximum Weighted Average Investment Maturity Term Per Board Guidelines	60 days	60 days	N/A
Effective Duration	N/A	N/A	138 days
Maximum Effective Duration Per Board Guidelines	N/A	N/A	731 days
Money Market Yield - Monthly	0.11%	0.08%	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, 2011

(In Thousands)

WV Money Market Pool

State Agencies:		Local Governments:	
WV State Treasurer's Office:		Boone County Commission	13,673
State Participation	\$ 946,545	Fayette County Board of Education	9,782
Banking Services	371,356	Mercer County Board of Education	5,598
WV Municipal Pension Oversight Board	31,676	Marshall County Board of Education	3,881
Savekeeping	15,637	Fayette County Commission	3,563
Deferred Compensation Matching	1,588	Putnam Public Service District	2,041
Veterans Lottery	1,562	Kanawha County Emergency Ambulance Authority	1,973
Safe Road Bonds	10	Roane County Board of Education	1,874
Total WV State Treasurer's Office	1,368,374	Hampshire County Board of Education	1,481
Higher Education Policy Commission	295,307	Lewis County Board of Education	1,459
Department of Environmental Protection	239,773	Greenbrier County Board of Education	1,425
WV Lottery Commission	218,508	Barbour County Board of Education	1,410
Department of Health and Human Resources	188,089	Lincoln County Commission	1,177
Public Employees Insurance Agency	116,900	Braxton County Board of Education	1,141
Department of Transportation	106,919	Wyoming County Board of Education	1,025
Department of Revenue	100,160	Other	12,003
West Virginia University	87,184	Total Local Governments	63,506
Regional Jail Authority	36,946	Total net assets	\$ 3,019,878
Division of Natural Resources	27,353		
Board of Risk and Insurance Management	25,374		
Department of Administration	22,524		
WV Economic Development Authority	20,728		
Water Development Authority	18,819		
Insurance Commission	14,522		
Criminal Justice	13,550		
West Virginia State Police	7,782		
WV Secretary of State's Office	6,317		
WV State Auditor's Office	5,318		
Performance and wage bond accounts	17,108		
WV Lottery Bid Bonds	1,965		
Other	16,852		
Total State Agencies	2,956,372		

WV Government Money Market Pool

State Agencies:	
Municipal Bond Commission	\$ 154,321
WV Housing Development Fund	12,723
WV Economic Development Authority	9,241
Department of Environmental Protection	5,300
Other	2,888
Total State Agencies	184,473
Local Governments:	
Preston County Board of Education	41,154
Marion County Board of Education	15,773
Kanawha County Sheriff	10,691
Jefferson County Board of Education	5,043
Braxton County Board of Education	3,481
Hancock County Commission	1,096
Other	1,187
Total Local Governments	78,425
Total net assets	\$ 262,898

WV Short Term Bond Pool

State Agencies:	
WV State Treasurer's Office:	
State Participation	251,426
Banking Services	108,296
Prepaid Tuition Escrow	13,985
Total WV State Treasurer's Office	373,707
Department of Transportation	27,514
WV Board of Treasury Investments	17,538
WV Economic Development Authority	16,327
West Virginia University	13,354
Department of Administration	9,285
WV Court of Claims	5,486
Higher Education Policy Commission	5,420
WV Parkways Authority	3,056
Division of Culture and History	2,061
Other	763
Total State Agencies	474,511
Local Governments:	
City of Charleston	1,015
Other	661
Total Local Governments	1,676
Total net assets	\$ 476,187

Glossary of Financial and Investment Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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