

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2009

— WEST VIRGINIA —
BOARD OF TREASURY
INVESTMENTS

A COMPONENT UNIT OF THE STATE OF WEST VIRGINIA



**Comprehensive Annual Financial Report
for the Fiscal Year Ended June 30, 2009**

A Component Unit of the State of West Virginia

Joe Manchin III

Governor

John D. Perdue, Chairman

West Virginia State Treasurer

Glen B. Gainer III

West Virginia State Auditor

Martin Glasser, Esquire

Attorney-at-Law

Appointed by the Governor

Jack Rossi, 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

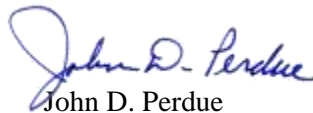
To: Members of the West Virginia Board of Treasury Investments,
Honorable Members of the Legislature,
And the Citizens of West Virginia

I am pleased to present you with the June 30, 2009, 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. One of our greatest milestones this year was the reaffirmation of a AAAM rating by Standard & Poor’s on our two money market pools. The CAFR demonstrates the BTI’s commitment to financial accountability and conformance 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 conformance with accounting principles generally accepted in the United States of America.

Sincerely,



John D. Perdue
State Treasurer
Chairman of the Board

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ACKNOWLEDGEMENTS

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Charleston, West Virginia 25305

Staff:

Glenda Probst, Executive Director
Kara K. Brewer, 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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October 16, 2009

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 Gentleman:

I am pleased to present you with the June 30, 2009, 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, 2009, 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, 2009, are fairly presented in accordance 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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GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis ("MD&A"). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. BTI's MD&A can be found immediately following the report of the independent auditors 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, 2009, the Consolidated Fund had \$3.7 billion in net assets. The Consolidated Fund is made up of twelve legally separate investment pools and accounts: four external investment pools, three special-purpose internal investment pools, and five 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 Mercer Investment Consultants as the investment consultant. The Board requires the consultant to employ a chartered financial analyst or a certified treasury manager to work directly with the BTI. The consultant is responsible for performing investment manager evaluations, suggesting modifications to the investment policy, and performing other services requested by the Board. The Board also hires investment managers who have complete discretion over the timing, selection, and execution of investment trades. The managers are provided explicit written instructions detailing their particular duties and administer the portfolio consistent with the investment policy. The BTI currently contracts with JP Morgan Asset Management, UBS Global Asset Management, and Federated Investors as the investment managers.

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

Investment Activities

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

The return information presented in the Investment Section is calculated by the BTI with the assistance of our consultant, Mercer Investment Consultants, 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

The BTI ends fiscal year 2009 with a record year of slow economic growth and a national recession. The economy over the past fiscal year has experienced a dramatic slowdown in economic activity, as well as rising unemployment, additional declines in U.S. stock prices, and constant volatility.

In just one year's time, the Dow Jones Industrial Average lost nearly half of its value as virtually every sector of the market felt the pain of the economic collapse. Bear Sterns and Lehman Brothers lost their values overnight as they held mortgage backed securities that were worthless. Both the Federal Reserve and U.S. Treasury offered bailouts to many companies and many investors found that the federal government had intervened and either assumed debts or guaranteed the assets of companies on the brink of bankruptcy. Without large institutions lending money, the credit markets dried up, making it nearly impossible for big companies to expand or reinvest in their own products and soon homeowners felt the squeeze too. Many individuals felt trapped in their homes or simply walked away from property that they were being foreclosed upon. The problem then spread to local governments who relied on property taxes that are no longer being paid to fund local services such as police and education.

Despite the recent stabilization in the financial markets, which followed the agreement to inject large sums of taxpayers' money into many of the country's biggest banks, deflationary forces are still ripping at the economy: There's the housing slump, an unprecedented collapse in consumer confidence, and a global downturn. In addition, a reckoning in hedge funds and private equity firms is just starting, and ripples of the banking crisis are just beginning to hit the rest of the U.S. economy.

Major Initiatives

- *Standard and Poor's AAAM Rating*

Standard and Poor's affirmed the BTI's AAAM rating on the WV Money Market and WV Government Money Market Pools. This 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. Given the volatility of the market this past fiscal year, we were very pleased with our investment managers' decision to invest in more conservative assets.

- *Establishment of Reserve Pool*

In November 2008, the BTI established the Reserve Pool to provide an added layer of security for the WV Money Market and WV Government Money Market Pools. The objective of the pool is to provide support for the WV Money Market and WV Government Money Market Pools to ensure the net asset level does not fall below \$0.9975. The pool invests in a very safe, interest earning depository account. The establishment of this pool also provides assurance to Standard and Poor's that a stable net asset value will be maintained at all times.

- *BidWV CD Program*

The BidWV CD Program has been an enormous success in West Virginia with total earnings to date of \$8.5 million, and additional earnings over the benchmark of \$1.2 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 117 basis points for the year.

Eight CD Auctions were held for fiscal year 2009. A pool of \$25 million is routinely available for deposits. Banks compete with each other on interest rates to see who is "in" or "out" of the money. As the auction progresses, no bank knows what interest rate the other has bid. Banks utilize the state's money and invest it back into the economies of local West Virginia areas. The on-line auction allows locally owned and operated banks to gain deposits in an efficient and economical manner. When faced with competition from large interstate banks, this keeps all banks on a level playing field.

- *Establishment of Bank Account Collateral Policy*

The BTI established a Bank Account Collateral Policy to minimize the BTI's financial risks and to ensure compliance with WV state code sections §12-1-4 and §12-1-5 which govern bonds pledged by depositories and limitations on amounts of deposits. Collateral is required to be pledged for all interest and non-interest bearing demand deposit accounts and certificates of deposit awarded through the BTI's BidWV CD Auction program. The Collateral Policy defines the collateral requirements, collateral type, mark-to-market requirements, and delivery of collateral to the WV State Treasurer's Office.

- *Educational Forums*

Consistent with prior years, the BTI held a series of educational sessions for fiscal year 2009. The topics included WV Ethics, Calculating Risk-Adjusted Performance, economic overviews, and strategic planning for 2009.

These sessions allow the staff and members to comply with the Continuing Education Policy as well as stay abreast of current developments in the investment field.

- *Local Government Outreach*

Marketing the pools to local governments has been a challenge this past fiscal year given the economy and low rates of return. However, investors have found that the BTI can provide a safe investment alternative when compared to the volatility financial institutions experienced during fiscal year 2009.

During fiscal year 2009, the BTI obtained 27 new local government accounts worth \$11.2 million due to extensive efforts in educating local government officials and marketing the BTI's services. The BTI attended several conferences for state municipalities and boards of education which provided a way to reach a large number of potential investors. Marketing efforts included presentations on the Consolidated Fund investment pools, personal meetings with potential investors, development of marketing materials, and exhibit booths.

- *UBS Reduction of Fees*

The BTI negotiated a reduced fee with UBS Global Asset Management for investing in their UBS Prime Preferred Fund. This reduction will result in a cost savings of approximately \$8,000 per month on advisor fees. These savings, in turn, should improve the rate of return for participants.

- *Operating Budget*

During a year with record unemployment rates, low interest rates, and a failing economy, the BTI is proud to report a surplus for its operating budget as of June 30, 2009. The BTI was under budget by \$55,000 for fiscal year 2009. While many entities have reported going in the "red" this past year, we believe that our continued efforts to reduce costs and closely monitor our expenditures have put us in a positive position.

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, 2008. 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.

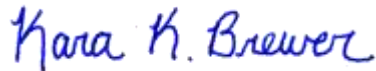
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

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, Mercer Investment Consultants, JP Morgan, UBS Global Asset Management, Federated Investors, and the staff of the State Treasurer's Office 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, 2009.

Sincerely,



Kara K. Brewer
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, 2008

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.



President

Executive Director

PRINCIPAL OFFICIALS



John D. Perdue
WV State Treasurer
Chairman



Joe Manchin, III
Governor, State of WV
Vice Chairman



Glen B. Gainer, III
WV State Auditor
Director



Martin J. Glasser
Director



Jack Rossi
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.

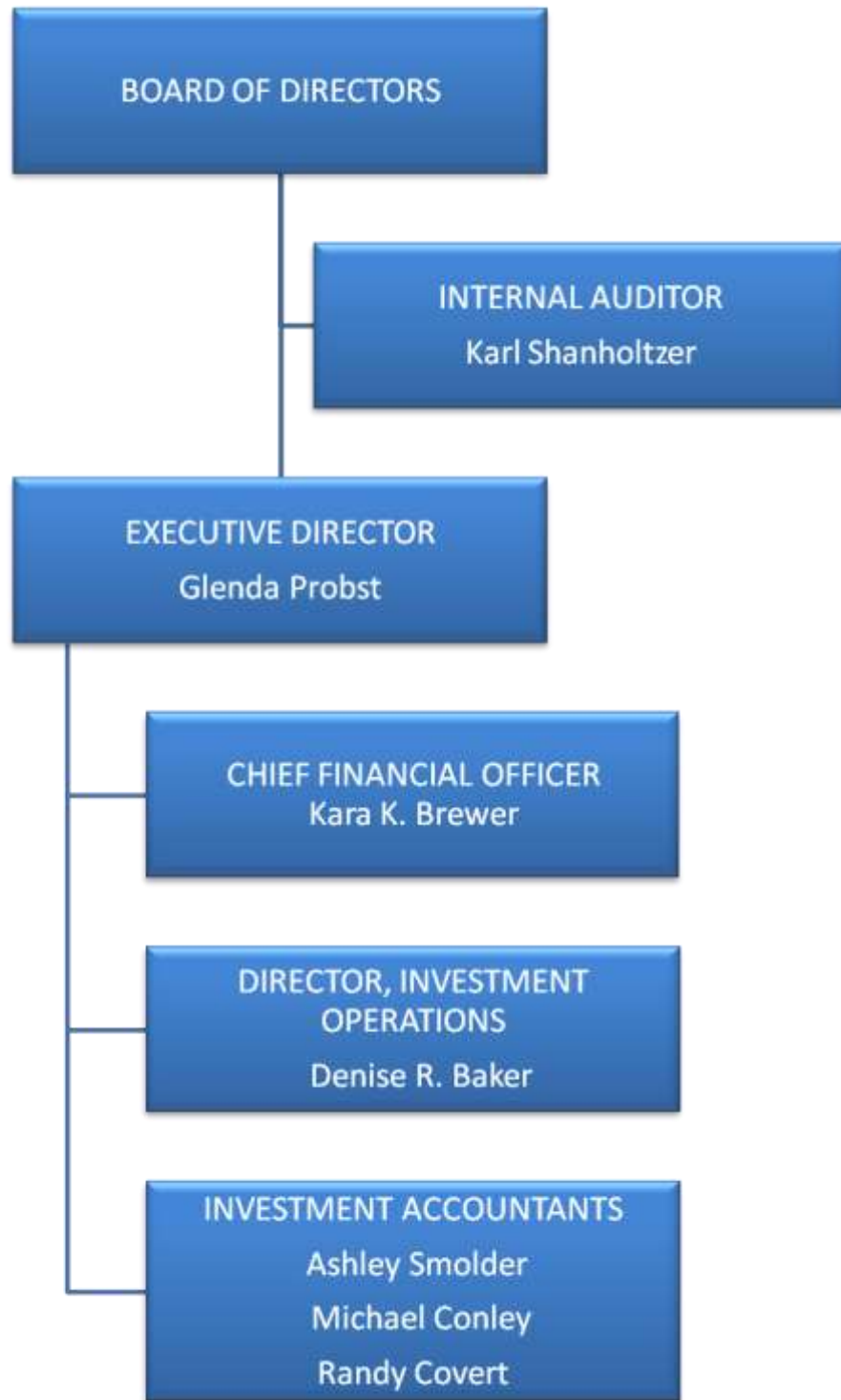
WEST VIRGINIA
BOARD OF TREASURY
INVESTMENTS

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 Brewer.



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

**CONSULTING AND PROFESSIONAL SERVICES
AS OF JUNE 30, 2009**

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

Mercer Investment Consultants
Atlanta, Georgia

INVESTMENT MANAGERS

Federated Investors (as of October 1, 2008)
Pittsburgh, Pennsylvania

JP Morgan Asset Management
Columbus, Ohio

Standish Mellon (contract ended September 30, 2008)
Pittsburgh, Pennsylvania

UBS Global Asset Management
Chicago, Illinois

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

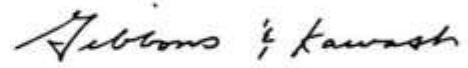
We have audited the accompanying financial statements of the proprietary and fiduciary funds of the West Virginia Board of Treasury Investments (the BTI), a component unit of the State of West Virginia, which collectively comprise the BTI's financial statements, the combining and individual fund financial statements, and the schedule of investments in securities as listed in the table of contents as of and for the year ended June 30, 2009. 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, 2009, 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, 2009, 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.

The management's discussion and analysis on pages 5 to 12 is not a required part of the financial statements but is supplementary information required by the accounting principles generally accepted in the United State of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The introductory, investment, and statistical sections listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the financial statements of the West Virginia Board of Treasury Investments. Such additional information has not been subjected to the auditing procedures applied in our audit of the financial statements and accordingly, we express no opinion on it.

A handwritten signature in cursive script that reads "Subramanian & Kawash".

August 27, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

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, 2009. 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 \$299 million for the fiscal year ended June 30, 2009. The increase in net assets was the result of the BTI's continued focus on gaining new participants through its marketing plan. Given the challenging economic environment, the BTI was able to increase its client base as the majority of participants sought safety over return.

The investment portfolio of the Consolidated Fund's WV Money Market, WV Government Money Market, and WV Short Term Bond Pool had returns of 1.29%, 1.13%, and 4.35% respectively, for the year ended June 30, 2009. The WV Money Market Pool is structured as a money market fund with the goal of preservation of principal. The portfolio outperformed its investment policy benchmark by 38 basis points for the fiscal year to date.

The WV Government Money Market's objective is to preserve capital and maintain sufficient liquidity to meet the daily disbursements of participants, while earning a return above inflation. The portfolio outperformed its investment policy benchmark by 37 basis points for the fiscal year to date.

The WV Short Term Bond Pool is structured as a mutual fund with the objective of asset growth rather than current income. The portfolio underperformed its investment policy benchmark by 38 basis points for the fiscal year. The primary cause of this underperformance remains the deterioration in the credit markets as a whole. In October 2008, the BTI hired Federated Investors to take over management of this pool. The pool was previously managed by Standish Mellon.

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 twelve legally separate investment pools and accounts. There are four external investment pools, three special-purpose internal investment pools, and five indi-

vidual 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 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, noncapital financing, and investing 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 securities lending activity 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, 2009 and 2008 (in thousands).

	2009	2008
Current assets	\$ 1,054	\$ 1,271
Noncurrent assets	4	10
Total assets	1,058	1,281
Current liabilities	397	521
Total liabilities	397	521
Net assets:		
Invested in capital assets	4	10
Unrestricted	657	750
Total net assets	\$ 661	\$ 760

Net assets of the operating fund decreased \$99,000 from the prior year. This decrease was primarily due to an increase in cash of \$250,000, an increase in accounts receivable of \$33,000, an increase in accumulated depreciation of \$6,000, and a decrease in accounts payable of \$124,000.

The majority of the proprietary fund's net assets consist of current assets. Approximately \$664,000 of \$1,054,000 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 a reduction in fees charged for custodian and administrative fees. The BTI successfully negotiated reduced fees for BNY Mellon during the last quarter of fiscal year 2008. A full year of this reduction in cost was not realized until fiscal year 2009.

The administrative fees charged against the pools are expensed on a flat basis point. The BTI adopted a policy such that one-half of excess funds remaining in the administrative fee account at the end of the prior fiscal year be used to reduce expenses for the subsequent year. In fiscal year 2008, the BTI was under budget by \$163,000. One-half of this amount was used to reduce administrative fees for fiscal year 2009.

Approximately \$410,000 of current assets consists of accounts receivable at June 30, 2009. The accounts receivable balance represents fees that had not been withdrawn from the investment pools at June 30, 2009 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.

West Virginia Board of Treasury Investments

Approximately \$345,000 of current liabilities represents accounts payable at June 30, 2009. The majority of the accounts payable balance represents services received from investment advisors for the final quarter of fiscal year 2009, custodian fees for the month of June 2009, and administrative fees not yet paid. Due to the reduction in both custodian fees and administrative fees, the accounts payable balance at June 30, 2009 was significantly smaller from the prior year. The remaining \$52,000 in accounts payable represents reimbursements due to the West Virginia State Treasurer's Office for goods and services provided to the BTI.

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, 2009 and 2008 (in thousands).

	<u>2009</u>	<u>2008</u>
Revenues		
Operating revenues:		
Management services	\$ 1,210	\$ 1,257
Advisor and custodian services	<u>1,243</u>	<u>1,169</u>
	2,453	2,426
Non operating revenues	<u>-</u>	<u>14</u>
Total revenues	2,453	2,440
Expenses		
Operating expenses:		
General and administrative	1,303	1,083
Advisor and custodian fees	1,243	1,169
Depreciation	<u>6</u>	<u>13</u>
Total expenses	<u>2,552</u>	<u>2,265</u>
(Decrease) increase in net assets before special item	(99)	175
Special item: Gain from elimination of compensated absences and other post employment benefits	<u>-</u>	<u>38</u>
(Decrease) increase in net assets	(99)	213
Net assets at beginning of year	760	519
Effect of adopting GASB 45 in Fiscal Year 2008	<u>-</u>	<u>28</u>
Net assets at beginning of year, restated	<u>760</u>	<u>547</u>
Net assets at end of year	<u>\$ 661</u>	<u>\$ 760</u>

Operating revenues at June 30, 2009 consist of investment advisor, custodian, and administrative 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 2009 increased by \$27,000. This growth in revenue consisted of a \$98,000 increase in advisor fee revenues, and a corresponding decrease of \$47,000 in management fees and \$24,000 in custodian fees charged to the pool.

In October 2008, the BTI hired Federated Investors to manage the Short Term Bond Pool. The advisor fee charged to this pool increased by 4 basis points on the monthly net asset value. As previously stated, the BTI significantly reduced its administrative fees and concluded the 2008 fiscal year under budget by \$163,000. One-half of this savings was used to reduce fees for fiscal year 2009. Additionally, the BTI negotiated a reduction of \$35,000 per year in custodian fees.

Total operating expenses for the year increased by approximately \$287,000. This includes an increase in general and administrative expenses of \$220,000, an increase in advisor and custodian fees of \$74,000, and a decrease in depreciation of \$7,000.

General and administrative expenses represent costs associated with operating the BTI but not considered directly applicable to investment management. The general and administrative expenses represent the largest expenses this year, an increase of \$220,000. Within general and administrative expenses, there was an increase of \$149,000 in salary expense due to the Internal Auditor's salary being charged full-time to the BTI as well as hiring another investment accountant during fiscal year 2009. Professional service fees are classified under general and administrative expenses and represent investment consulting services and external auditing fees. In March 2008, the BTI hired Mercer Investment Consulting ("Mercer") to replace their predecessor, Summit Strategies. Due to the ongoing financial crisis, the BTI required additional securities lending consulting services from Mercer. Total professional services increased by \$123,000 over the prior year.

Other significant expenses categorized as general and administrative in the prior year were for compensated absences and other postemployment benefits. In March 2008, the BTI transferred its staff to the State Treasurer's Office to manage the BTI. As such, all compensated absences and other postemployment benefits became an expense of the STO resulting in a reduction in expenses of \$46,000 from the prior year.

A large portion of BTI expenses represent investment advisor fees. The current investment advisors consist of 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 2009 were \$1,158,000, representing a \$98,000 increase from the previous year. The majority of this increase is due to increased fees in the Short Term Bond Pool and an overall increase in net asset value of the Consolidated Fund.

Custodian fees decreased \$24,000 during the fiscal year 2009. This reduction was due to the BTI negotiating contract fee reductions during the last quarter of fiscal year 2008.

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, 2009 and 2008 (in thousands).

	2009	2008
Assets		
Investments	\$ 3,649,763	\$ 3,355,799
Securities lending collateral	360,184	275,443
Receivables	14,247	9,522
Total assets	<u>4,024,194</u>	<u>3,640,764</u>
Liabilities		
Accrued expenses	410	377
Dividends and purchases payable	308	410
Securities lending payable	360,184	275,443
Total liabilities	<u>360,902</u>	<u>276,230</u>
Net Assets		
Held in trust for investment pool participants	3,638,551	3,321,371
Held in trust for individual investment account holders	24,741	43,163
Net assets	<u>\$ 3,663,292</u>	<u>\$ 3,364,534</u>

The Consolidated Fund's total assets as of June 30, 2009 were more than \$4 billion and were composed mainly of investments and invested securities lending collateral. Total assets increased over \$383 million or 11% from the prior year primarily due to an increase in contributions and the amount of securities available for loan and collateralized at June 30, 2009. Although the Board moved to "unwind" from the securities lending program, the amount on loan at June 30, 2009 still exceeded the prior year's amount.

Total liabilities as of June 30, 2009 were \$361 million and were composed mainly of securities lending collateral payable. Total liabilities increased \$85 million or 31% from the prior year primarily due to the increase in securities lending collateral at year-end.

Net assets are the excess of total assets over total liabilities. The Consolidated Fund had total net assets of nearly \$3.7 billion at the close of fiscal year 2009. The net assets consist of both funds held in trust for investment pool participants and for 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 10% from the prior year primarily due to an increase in investments in the WV Money Market and WV Government Money Market Pools. During fiscal year 2009, the BTI also created the Reserve Pool. The objective of the pool is to provide an added layer of security for the WV

Money Market and WV Government Money Market Pools to ensure the net asset level does not fall below \$0.9975.

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 43% from the prior year. This decrease was due to the closing of both the Lottery Defeasance and Department of Highways Accounts. The Lottery Defeasance held a Coupon Treasury Receipt maturing in August 2008. The Department of Highways completed their last drawdown in March 2009 for their Flex Repurchase Agreement. The closings of these pools were not due to the financial crisis.

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, 2009 and 2008 (in thousands).

	Year Ended June 30,	
	2009	2008
Additions		
Net investment income	\$ 48,311	\$ 134,500
Net realized (loss) gain	(1,578)	3,603
Net increase in fair value of investments	8,560	11,033
Unit purchases and contributions	10,372,383	10,449,892
Total additions	10,427,676	10,599,028
Deductions		
Distributions	39,210	126,854
Unit redemptions and withdrawals	10,089,708	10,030,812
Total deductions	10,128,918	10,157,666
Increase in net assets	298,758	441,362
Net assets at beginning of year	3,364,534	2,923,172
Net assets at end of year	\$ 3,663,292	\$ 3,364,534

Net investment income for the Consolidated Fund decreased by \$86 million or 64% below the previous year. This decrease was due to short-term interest rates dropping significantly during fiscal year 2009. The Federal funds rate went from 2% at the beginning of fiscal year 2009 to its current level of 0%. These low rates were due to the Federal Reserve making adjustments for the subprime mortgage crisis. The subprime mortgage crisis was triggered by a dramatic rise in mortgage delinquencies and foreclosures in the United States, with major adverse consequences for banks and financial markets around the globe.

A net realized loss of \$1.6 million was incurred primarily due to sale of securities in the WV Short Term Bond Pool. The most notable losses were due to corporate bonds which were financially distressed and significantly downgraded by the rating agencies. Federated Investors continues to monitor the credit standing of the pool and work with management to develop strategies for optimal return.

The fair value of investments decreased by \$2.5 million, again, primarily due to the ongoing financial crisis associated with mortgage-backed securities which exposed weaknesses in financial industry regulation and the global financial system.

Unit purchases and contributions to the Consolidated Fund decreased \$77.5 million from the previous fiscal year, while unit redemptions and withdrawals to participants increased \$59 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 overall performance of the BTI Consolidated Fund relative to its benchmark was favorable. Both the WV Money Market and WV Government Money Market Pools exceeded their benchmarks on a fiscal year to date basis. Although rates have been low, the BTI managed to provide safety and liquidity to participants. In addition, the Reserve Pool was created to provide an extra layer of security to both money market pools. The objective of the pool is to ensure the net asset level of the money market pools do not fall below \$0.9975 or “break the buck”.

Economically, the ongoing credit crisis has resulted in a contraction of the American economy that may last several more months. Since the crisis began in September 2008, the Federal Reserve has reduced interest rates to zero and announced a variety of measures to flood the economy with cash. This action was taken to ease pressure on the balance sheets of American companies, banks and households. Fiscal year 2009 has been marked by a dramatic slowdown in economic activity, as well as by rising unemployment, additional declines in U.S. stock prices, and constant volatility. As stated by our investment consultant, the phrase “less worse” is now used as a basis for economic optimism. While things appear to be “less worse” or “moderating,” the U.S. will continue to face many hurdles to economic recovery which will directly impact the operations of the BTI.

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 the 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, 2009

(In Thousands)

Assets

Current assets:

Cash \$ 644

Receivables 410

Total current assets 1,054

Noncurrent assets:

Capital assets, net of accumulated depreciation 4

Total assets 1,058

Liabilities

Current liabilities:

Accounts payable 397

Total liabilities 397

Net assets

Invested in capital assets 4

Unrestricted 657

Total net assets \$ 661

See accompanying notes to financial statements.

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

For the Year Ended June 30, 2009

(In Thousands)

Operating revenues	
Management services	\$ 1,210
Advisor services	1,158
Custodian services	<u>85</u>
Total operating revenues	2,453
Operating expenses	
Advisor fees	1,158
Management fees	598
Professional service fees	319
Fiduciary bond	155
Custodian fees	85
General and administrative	231
Depreciation	<u>6</u>
Total operating expenses	<u>2,552</u>
Operating loss	<u>(99)</u>
Change in net assets	(99)
Net assets at beginning of period	<u>760</u>
Net assets at end of period	<u><u>\$ 661</u></u>

See accompanying notes to financial statements.

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

For the Year Ended June 30, 2009

(In Thousands)

Cash flows from operating activities	
Cash received for services	\$ 2,421
Payments to vendors	<u>(2,671)</u>
Net cash used in operating activities	(250)
Cash at beginning of period	<u>894</u>
Cash at end of period	<u><u>\$ 644</u></u>
Reconciliation of operating loss to net cash used in operating activities	
Operating loss	\$ (99)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	6
Changes in net assets and liabilities:	
Receivables	(33)
Accounts payable	<u>(124)</u>
Net cash used in operating activities	<u><u>\$ (250)</u></u>

See accompanying notes to financial statements.

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

June 30, 2009

(In Thousands)

Assets

Investments:

At amortized cost \$ 3,147,656

At fair value 502,107

Total investments 3,649,763

Collateral for securities loaned, at fair value (*See Note 4*) 360,184

Receivables:

Accrued interest 4,255

Dividends 92

Investments sold 9,795

Securities lending income 105

Total receivables 14,247

Total assets 4,024,194

Liabilities

Accrued expenses 410

Dividends payable 308

Payable upon return of securities loaned (*See Note 4*) 360,184

Total liabilities 360,902

Net Assets

Held in trust for investment pool participants 3,638,551

Held in trust for individual investment account holders 24,741

Total net assets \$ 3,663,292

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, 2009
(In Thousands)

Additions	
Investment income:	
Interest	\$ 35,328
Dividends	2,794
Securities lending income	2,956
Net accretion	25,918
Provision for securities lending loss	(6,837)
Provision for uncollectible loans	<u>(7,117)</u>
Total investment income	53,042
Investment expenses:	
Investment advisor fees	1,157
Custodian bank fees	86
Administrative fees	1,208
Securities lending agent fees	226
Securities lending borrower rebates	<u>2,054</u>
Total investment expenses	<u>4,731</u>
Net investment income	48,311
Net realized loss from investments	(1,578)
Net increase in fair value of investments	<u>8,560</u>
Net increase in net assets from operations	55,293
Participant transactions:	
Purchase of pool units by participants	10,316,680
Reinvestment of pool distributions	48,995
Contributions to individual investment accounts	<u>6,708</u>
Total participant transactions	<u>10,372,383</u>
Total additions	10,427,676
Deductions	
Distributions to pool participants:	
Net investment income	40,788
Net realized loss from investments	<u>(1,578)</u>
Total distributions to pool participants	39,210
Participant transactions:	
Redemption of pool units by participants	10,063,667
Withdrawals from individual investment accounts	<u>26,041</u>
Total participant transactions	<u>10,089,708</u>
Total deductions	<u>10,128,918</u>
Change in net assets	298,758
Net assets at beginning of period	<u>3,364,534</u>
Net assets at end of period	<u><u>\$ 3,663,292</u></u>

See accompanying notes to financial statements.

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West Virginia Board of Treasury Investments

Notes to Financial Statements

June 30, 2009

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 administers and manages the Consolidated Fund. 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 BTI 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.

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.

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, Lottery Defeasance (closed in August 2008), School Fund, Economic Development Authority – American Woodmark ("EDA – AW"), and Department of Highways (closed in March 2009). 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 five individual investment accounts (Municipal Bond Commission, Lottery Defeasance, School Fund, Economic Development Authority – American Woodmark, and Department of Highways).

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 transferred all of its employees effective March 1, 2008, to the State Treasurer's Office to provide administrative and management services to the BTI. As a consequence of the release of its employees, the BTI no longer accrues for compensated absences and other postemployment benefits and no longer makes payments into the state retirement plan. Management services provided by the former employees are now 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, as permissible under Government Accounting Standards Board ("GASB") Statement Number 31, carried at amortized cost. 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 a manner consistent 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 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 GASB 31 exceptions to fair value reporting for the other pools 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 GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, requires governmental entities to report securities loaned as assets in their statements of net assets. The statement also requires the costs of the securities lending transactions be reported as expenses separately from income received. The BTI Board has authorized the BTI securities

lending program. The BTI through its custodial agent, BNY Mellon, 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 P1, independent of borrowers. Cash collateral received is invested in a collateral pool. Neither the BTI nor BNY Mellon 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. BNY Mellon 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. BNY Mellon 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.

Due to losses incurred in the BTI's securities lending program arising from the failure of Sigma Finance and the devaluing of its securities, the BTI is winding 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. See Note 4 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, 2009, the Loan Pool had an allowance for uncollectible loans of \$17,074,593.

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.

3. CASH AND CASH EQUIVALENTS

The internal service fund's cash on deposit with the State Treasurer's Office was approximately

\$644,000 at June 30, 2009. 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, 2009.

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, 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 P1 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):

CREDIT RATING

Security Type	Moody's	S&P	Carrying Value	Percent of Pool Assets
Commercial paper	P1	A-1	\$ 592,479	23.05%
Corporate bonds and notes	Aaa	AAA	10,000	0.39
	Aa1	AA	7,000	0.27
	Aa2	AA	10,000	0.39
	Aa3	AA	15,503	0.60
	A1	AA	19,309	0.75
	A1	A	12,000	0.47
Total corporate bonds and notes			73,812	2.87
U.S. agency bonds	Aaa	AAA	294,019	11.44
U.S. Treasury bills *	Aaa	AAA	483,714	18.82
Negotiable certificates of deposit	P1	A-1	128,402	5.00
U.S. agency discount notes	P1	A-1	635,602	24.73
Money market funds	Aaa	AAA	150,223	5.84
Repurchase agreements (underlying securities):				
U.S. Treasury notes *	Aaa	AAA	165,110	6.43
U.S. agency notes	Aaa	AAA	46,900	1.82
Total repurchase agreements			212,010	8.25
			<u>\$ 2,570,261</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):

CREDIT RATING

Security Type	Moody's	S&P	Carrying Value	Percent of Pool Assets
U.S. agency bonds	Aaa	AAA	\$ 68,608	24.17%
U.S. Treasury bills *	Aaa	AAA	74,424	26.22
U.S. agency discount notes	P1	A-1	87,662	30.89
Money market funds	Aaa	AAA	132	0.05
Repurchase agreements (underlying securities):				
U.S. agency notes	Aaa	AAA	53,000	18.67
			\$ 283,826	100.00%

**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 P1 by Moody's. The following table provides information on the credit ratings of the WV Short Term Bond Pool's investments (in thousands):

CREDIT RATING

Security Type	Moody's	S&P	Carrying Value	Percent of Pool Assets
Corporate asset backed securities	Aaa	AAA	16,402	5.21
	Aaa	NR*	5,136	1.63
	Aa3	AAA	223	0.07
	Aa2	AAA	461	0.15
	A3	AAA	273	0.09
	Baa2	AAA	831	0.26
	Baa1	BBB **	332	0.10
	Baa2	BBB **	1,376	0.44
	Ba3	AAA	645	0.20
	B1	AAA	779	0.25
	B2	B **	493	0.16
	B2	CCC **	539	0.17
	B3	AAA	949	0.30
	Caa1	BB **	254	0.08
	NR	AAA	679	0.22
Total corporate asset backed securities			29,372	9.33
Corporate bonds and notes	Aaa	AAA	47,204	14.99
	Aa1	AA	4,445	1.41
	Aa1	A	2,052	0.65
	Aa2	AAA	3,040	0.96
	Aa2	AA	9,066	2.88
	Aa3	A	7,831	2.49
	A1	AA	4,813	1.53
	A1	A	5,522	1.75
	A2	A	32,040	10.17
	A3	A	7,024	2.23
		Baa3	A	2,067
Total corporate bonds and notes			125,104	39.72
U.S. agency bonds	Aaa	AAA	60,250	19.13
U.S. Treasury notes ***	Aaa	AAA	88,805	28.20
U.S. agency mortgage backed securities ****	Aaa	AAA	4,975	1.58
Money market funds	Aaa	AAA	6,426	2.04
			<u>\$ 314,932</u>	<u>100.00%</u>

* NR = Not Rated

** These securities were not in compliance with BTI Investment Policy at June 30, 2009. 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 issued by the Government National Mortgage Association and 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 \$582,000. The mutual fund is rated AAA 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 \$1,307,000. The mutual fund is rated AAA 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.

The Federal Transaction Account Guarantee Program provides that the Federal Deposit Insurance Corporation (the "FDIC") will insure 100% of all funds left in non-interest bearing transaction accounts. The coverage applies to Consolidated Fund balances at BNY Mellon that have not been swept into money market funds. The protection ends December 31, 2009.

The Federal Temporary Liquidity Guarantee Program provides that three issuances in the Short Term Bond Pool are guaranteed by the FDIC through maturity. The issuances are as follows:

- General Electric Capital Corp. Note, 1.800% coupon rate, par value \$10,000,000, due 3/11/2011
- Goldman Sachs Group Inc. Note, 1.625% coupon rate, par value \$10,000,000, due 7/15/2011
- Goldman Sachs Group Inc. Note, 2.150% coupon rate, par value \$10,000,000, due 3/15/2012

The Federal Temporary Guarantee Program for Money Market Funds provides that three issuances in the WV Money Market Pool are guaranteed by the FDIC based on share balances as of September 19, 2008. The guarantee expires September 18, 2009. The issuances are as follows:

- UBS Select – Covered up to \$150,000,000
- JP Morgan Prime – Covered up to \$1,151
- UBS Dreyfus – Covered up to \$1,202,835

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. 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	\$ 212,010	1
U.S. Treasury bills	483,714	69
Commercial paper	592,479	32
Certificates of deposit	128,402	56
U.S. agency discount notes	635,602	57
Corporate bonds and notes	73,812	38
U.S. agency bonds/notes	294,019	70
Money market funds	150,223	1
	<u>\$ 2,570,261</u>	47

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. 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	\$ 53,000	1
U.S. Treasury bills	74,424	94
U.S. agency discount notes	87,662	55
U.S. agency bonds/notes	68,608	37
Money market funds	132	1
	<u>\$ 283,826</u>	51

The overall effective duration of the investments of the WV Short Term Bond Pool cannot exceed 731 days. Maximum maturity 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/notes	\$ 88,805	917
Corporate notes	125,104	559
Corporate asset backed securities	29,372	622
U.S. agency bonds/notes	60,250	752
U.S. agency mortgage backed securities	4,975	540
Money market funds	6,426	1
	<u>\$ 314,932</u>	691

The West Virginia Bank Pool holds nonnegotiable certificates of deposit totaling \$100,000,000 with maturity dates ranging from July 2009 to November 2009. 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 \$184,107,000 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 \$582,000 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 \$44,755,000 in a bank depository account that matures in December 2009. 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 bills	\$ 99	142
U.S. Treasury strips	5,681	1,242
U.S. Treasury bonds/notes	5,309	2,917
State and local government securities	10,380	316
	\$ 21,469	1,203

The School Fund Account holds only an interest in a money market mutual fund valued at approximately \$1,307,000 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 \$1,761,000 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 the lending agent's money market fund in the BTI's name. 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, 2009, the fair value of securities on loan and the collateral held by the pools of the BTI are as follows. Of the collateral held, \$360,183,567 was received as cash. The collateral received as cash is invested in a collateral pool. For securities loaned at June 30, 2009, 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.

	Fair Value of Securities on Loan	Collateral Held
WV Money Market Pool	\$ 242,130,709	\$ 246,999,999
WV Short Term Bond Pool	110,914,770	113,183,568
	\$ 353,045,479	\$ 360,183,567

As discussed in Note 2, the BTI is winding down its securities lending program because of realized losses incurred from securities of Sigma Finance. On September 30, 2008, the Sigma Finance securities held in the securities lending collateral pool were moved to a liquidating trust pool. Sigma Finance has been placed in receivership. The BTI was notified by BNY Mellon that Sigma Finance had ceased business operations and the BTI's potential share of the loss would be approximately \$11.7 million.

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 \$100,000,000. The Reserve Pool contains funds totaling approximately \$44,755,000 in a bank depository account. The BTI does not have a deposit policy for custodial credit risk.

5. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, was as follows (in thousands):

	June 30, 2008	Increases	Decreases	June 30, 2009
Equipment	\$ 31	\$ -	-	\$ 31
Accumulated depreciation	(21)	(6)	-	(27)
Equipment, net of accumulated depreciation	\$ 10	\$ (6)	-	\$ 4

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, 2009, the BTI's intergovernmental investments 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, 2009, was 4.17%. The rate has a 1% annual adjustment cap. The WVEDA makes monthly principal and interest payments calculated on a one hundred twenty month amortization of the outstanding balance. At June 30, 2009, the outstanding balance was \$120,900,020.
- 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, 2009, \$22,930,000 of principal was outstanding.

Because of the uncertain collectability of this loan, the BTI has elected to recognize income when the cash is received. Additionally, a valuation reserve of \$17,074,593 has been accrued at June 30, 2009.

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 2006 interest deferred	\$ 456,747
Fiscal Year 2007 interest deferred	563,704
Fiscal Year 2008 interest deferred	593,158
Fiscal Year 2009 interest deferred	657,953
Total interest deferred	<u>\$ 2,271,562</u>

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, 2009, the BTI reimbursed the Treasurer's Office \$808,000 for services, which includes \$598,000 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 Board 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. 53, *Accounting and Financial Reporting for Derivative Instruments*, which addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. The requirements of this statement will be effective for the BTI in the fiscal year beginning July 1, 2009. BTI management has not yet determined whether these new requirements might significantly affect the BTI's financial position or results of operations for that fiscal year.

SUPPLEMENTARY INFORMATION

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

June 30, 2009

(In Thousands)

	WV Money Market Pool	WV Government Money Market Pool	WV Short Term Bond Pool	WV Bank Pool	Loss Amortization Pool
Assets					
Investments:					
At amortized cost	\$ 2,570,261	\$ 283,826	\$ -	\$100,000	\$ -
At fair value	-	-	314,932	-	184,107
Collateral for securities loaned, at fair value (Note 4)	247,000	-	113,184	-	-
Receivables:					
Accrued interest	777	70	2,600	215	-
Dividends	52	-	3	-	-
Investments sold	-	-	9,795	-	-
Securities lending income	67	-	38	-	-
Total receivables	<u>896</u>	<u>70</u>	<u>12,436</u>	<u>215</u>	<u>-</u>
Total assets	<u>2,818,157</u>	<u>283,896</u>	<u>440,552</u>	<u>100,215</u>	<u>184,107</u>
Liabilities					
Accrued expenses	282	38	84	-	-
Dividends payable	-	-	308	-	-
Payable upon return of securities loaned (Note 4)	247,000	-	113,184	-	-
Total liabilities	<u>247,282</u>	<u>38</u>	<u>113,576</u>	<u>-</u>	<u>-</u>
Net Assets					
Held in trust for investment pool participants	2,570,875	283,858	326,976	100,215	184,107
Held in trust for individual investment account holders	-	-	-	-	-
Total net assets	<u>\$ 2,570,875</u>	<u>\$ 283,858</u>	<u>\$326,976</u>	<u>\$100,215</u>	<u>\$ 184,107</u>

* Closed in August 2008

** Closed in March 2009

See accompanying notes to financial statements.

West Virginia Board of Treasury Investments

<u>Loan Pool</u>	<u>Reserve Pool</u>	<u>Municipal Bond Commission Account</u>	<u>Lottery Defeasance Account *</u>	<u>School Fund Account</u>	<u>Economic Development Authority - American Woodmark Account</u>	<u>Department of Highways Account **</u>	<u>Total</u>
\$ 127,345	\$ 44,755	\$ 21,469	\$ -	\$ -	\$ -	\$ -	\$3,147,656
-	-	-	-	1,307	1,761	-	502,107
-	-	-	-	-	-	-	360,184
387	-	172	-	-	34	-	4,255
-	37	-	-	-	-	-	92
-	-	-	-	-	-	-	9,795
-	-	-	-	-	-	-	105
<u>387</u>	<u>37</u>	<u>172</u>	<u>-</u>	<u>-</u>	<u>34</u>	<u>-</u>	<u>14,247</u>
127,732	44,792	21,641	-	1,307	1,795	-	4,024,194
4	-	1	-	-	1	-	410
-	-	-	-	-	-	-	308
-	-	-	-	-	-	-	360,184
<u>4</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>360,902</u>
127,728	44,792	-	-	-	-	-	3,638,551
-	-	21,640	-	1,307	1,794	-	24,741
<u>\$ 127,728</u>	<u>\$ 44,792</u>	<u>\$ 21,640</u>	<u>\$ -</u>	<u>\$ 1,307</u>	<u>\$ 1,794</u>	<u>\$ -</u>	<u>\$3,663,292</u>

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

For the Year Ended June 30, 2009

(In Thousands)

	WV Money Market Pool	WV Government Money Market Pool	WV Short Term Bond Pool	WV Bank Pool	Loss Amortization Pool
Additions					
Investment income					
Interest	\$ 13,430	\$ 1,631	\$ 12,312	\$ 2,033	\$ -
Dividends	2,428	2	188	-	-
Securities lending income	2,241	151	564	-	-
Net accretion (amortization)	19,502	1,435	(1,727)	-	6,861
Provision for securities lending loss	(4,434)	(557)	(1,846)	-	-
Provision for uncollectible loans	-	-	-	-	-
Total investment income	<u>33,167</u>	<u>2,662</u>	<u>9,491</u>	<u>2,033</u>	<u>6,861</u>
Investment expenses					
Investment advisor fees	812	90	255	-	-
Custodian bank fees	64	11	11	-	-
Administrative fees	943	94	118	-	-
Securities lending agent fees	183	13	30	-	-
Securities lending borrower rebates	1,509	101	444	-	-
Total investment expenses	<u>3,511</u>	<u>309</u>	<u>858</u>	<u>-</u>	<u>-</u>
Net investment income	29,656	2,353	8,633	2,033	6,861
Net realized gain (loss) from investments	276	20	(1,874)	-	-
Net increase (decrease) in fair value of investments	<u>-</u>	<u>-</u>	<u>3,342</u>	<u>-</u>	<u>5,169</u>
Net increase (decrease) in net assets from operations	29,932	2,373	10,101	2,033	12,030
Participant transactions					
Purchase of pool units by participants	9,541,732	656,955	40,735	-	-
Reinvestment of pool distributions	29,921	2,373	10,943	2,033	-
Contributions to individual investment accounts	-	-	-	-	-
Total participant transactions	<u>9,571,653</u>	<u>659,328</u>	<u>51,678</u>	<u>2,033</u>	<u>-</u>
Total additions	9,601,585	661,701	61,779	4,066	12,030
Deductions					
Distributions to pool participants					
Net investment income	29,401	2,290	8,451	2,033	-
Net realized gain (loss) from investments	276	20	(1,874)	-	-
Total distributions to pool participants	<u>29,677</u>	<u>2,310</u>	<u>6,577</u>	<u>2,033</u>	<u>-</u>
Participant transactions					
Redemption of pool units by participants	9,391,396	562,824	84,936	-	-
Withdrawals from individual investment accounts	-	-	-	-	-
Total participant transactions	<u>9,391,396</u>	<u>562,824</u>	<u>84,936</u>	<u>-</u>	<u>-</u>
Total deductions	<u>9,421,073</u>	<u>565,134</u>	<u>91,513</u>	<u>2,033</u>	<u>-</u>
Net increase (decrease) in net assets from operations	180,512	96,567	(29,734)	2,033	12,030
Inter-pool transfers in	203,530	-	-	175,000	-
Inter-pool transfers out	(175,000)	-	-	(203,530)	-
Net inter-pool transfers in (out)	<u>28,530</u>	<u>-</u>	<u>-</u>	<u>(28,530)</u>	<u>-</u>
Change in net assets	209,042	96,567	(29,734)	(26,497)	12,030
Net assets at beginning of period	2,361,833	187,291	356,710	126,712	172,077
Net assets at end of period	<u>\$ 2,570,875</u>	<u>\$ 283,858</u>	<u>\$ 326,976</u>	<u>\$ 100,215</u>	<u>\$ 184,107</u>

* Closed in August 2008

** Closed in March 2009

See accompanying notes to financial statements.

West Virginia Board of Treasury Investments

<u>Loan Pool</u>	<u>Reserve Pool</u>	<u>Municipal Bond Commission Account</u>	<u>Lottery Defeasance Account *</u>	<u>School Fund Account</u>	<u>Economic Development Authority - American Woodmark Account</u>	<u>Department of Highways **</u>	<u>Total</u>
\$ 4,896	\$ 12	\$ 762	\$ -	\$ -	\$ 90	\$ 162	\$ 35,328
9	158	-	-	9	-	-	2,794
-	-	-	-	-	-	-	2,956
-	-	(145)	1	-	(9)	-	25,918
-	-	-	-	-	-	-	(6,837)
(7,117)	-	-	-	-	-	-	(7,117)
<u>(2,212)</u>	<u>170</u>	<u>617</u>	<u>1</u>	<u>9</u>	<u>81</u>	<u>162</u>	<u>53,042</u>
-	-	-	-	-	-	-	1,157
-	-	-	-	-	-	-	86
45	-	7	-	-	1	-	1,208
-	-	-	-	-	-	-	226
-	-	-	-	-	-	-	2,054
<u>45</u>	<u>-</u>	<u>7</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>4,731</u>
(2,257)	170	610	1	9	80	162	48,311
-	-	-	-	-	-	-	(1,578)
-	-	-	(1)	-	50	-	8,560
<u>(2,257)</u>	<u>170</u>	<u>610</u>	<u>-</u>	<u>9</u>	<u>130</u>	<u>162</u>	<u>55,293</u>
32,636	44,622	-	-	-	-	-	10,316,680
3,555	170	-	-	-	-	-	48,995
-	-	6,376	-	332	-	-	6,708
<u>36,191</u>	<u>44,792</u>	<u>6,376</u>	<u>-</u>	<u>332</u>	<u>-</u>	<u>-</u>	<u>10,372,383</u>
33,934	44,962	6,986	-	341	130	162	10,427,676
(1,557)	170	-	-	-	-	-	40,788
-	-	-	-	-	-	-	(1,578)
<u>(1,557)</u>	<u>170</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,210</u>
24,511	-	-	-	-	-	-	10,063,667
-	-	10,123	136	705	90	14,987	26,041
<u>24,511</u>	<u>-</u>	<u>10,123</u>	<u>136</u>	<u>705</u>	<u>90</u>	<u>14,987</u>	<u>10,089,708</u>
22,954	170	10,123	136	705	90	14,987	10,128,918
10,980	44,792	(3,137)	(136)	(364)	40	(14,825)	298,758
-	-	-	-	-	-	-	378,530
-	-	-	-	-	-	-	(378,530)
-	-	-	-	-	-	-	-
10,980	44,792	(3,137)	(136)	(364)	40	(14,825)	298,758
116,748	-	24,777	136	1,671	1,754	14,825	3,364,534
<u>\$ 127,728</u>	<u>\$ 44,792</u>	<u>\$ 21,640</u>	<u>\$ -</u>	<u>\$ 1,307</u>	<u>\$ 1,794</u>	<u>\$ -</u>	<u>\$ 3,663,292</u>

Schedule of Investments in Securities
June 30, 2009
(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>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Government Agency Bonds</i>							
Federal Home Loan Bank		2.820 %	2.821 %	07/10/2009	\$ 10,000	\$ 10,000	\$ 10,006
Federal Farm Credit Bank		0.320	F 0.320	07/22/2009	20,000	20,000	19,998
Federal National Mortgage Assn		0.913	F 0.941	07/28/2009	20,000	20,000	20,008
Federal Home Loan Bank		0.245	F 0.360	08/21/2009	15,000	14,998	14,999
Federal National Mortgage Assn		0.410	F 0.410	09/03/2009	18,000	18,000	18,005
Federal Home Loan Mort Corp		0.238	F 0.273	09/28/2009	10,000	9,999	10,001
Federal Home Loan Bank		3.750	1.164	01/08/2010	5,000	5,067	5,088
Federal Home Loan Mort Corp		0.630	F 0.630	01/08/2010	30,000	30,000	30,081
Federal Home Loan Mort Corp		0.630	F 0.630	01/08/2010	16,000	16,000	16,043
Federal Home Loan Bank		0.870	0.961	01/26/2010	7,000	6,996	7,019
Federal Home Loan Bank		0.960	1.069	02/04/2010	10,000	9,994	10,033
Federal Home Loan Bank		1.050	1.166	02/23/2010	12,000	11,991	12,051
Federal Home Loan Bank		0.650	0.718	06/15/2010	15,000	14,990	15,026
Federal Home Loan Bank		0.600	0.678	06/21/2010	15,000	14,989	15,019
Federal Home Loan Mort Corp		1.039	F 1.031	07/12/2010	20,000	20,000	20,031
Federal Home Loan Bank		0.499	F 0.499	07/13/2010	10,000	10,000	10,018
Federal National Mortgage Assn		1.029	F 1.060	07/13/2010	15,000	15,000	15,013
Federal National Mortgage Assn		0.966	F 0.993	08/05/2010	15,000	14,994	15,025
Federal National Mortgage Assn		0.730	F 0.720	10/22/2010	10,000	10,001	10,040
Federal Home Loan Bank		0.345	F 0.345	12/06/2010	21,000	21,000	21,000
Total U. S. Government Agency Bonds	11.4%					294,019	294,504
<i>Corporate Bonds</i>							
Rabobank Nederland		0.948	F 1.148	07/09/2009	10,000	10,000	10,001
Bank of America		1.207	F 1.207	08/06/2009	12,500	12,500	12,487
Lloyds TSB Group PLC		1.286	F 1.286	08/07/2009	12,000	12,000	12,003
Wells Fargo Bank NA		0.413	F 0.413	08/19/2009	10,000	10,000	9,990
HSBC Bank USA		3.875	3.326	09/15/2009	3,000	3,003	3,014
Wells Fargo & Company		0.782	F 0.370	09/23/2009	9,300	9,309	9,309
Nordea Bank AB		1.449	F 1.369	09/24/2009	7,000	7,000	6,979
HSBC Bank USA Inc		1.559	F 1.562	10/15/2009	10,000	10,000	9,930
Total Corporate Bonds	2.9%					73,812	73,713
<i>Short Term Issues</i>							
Bank of America Repurchase Agreement		0.020	0.020	07/01/2009	165,110	165,110	165,110
Deutsche Bank Repurchase Agreement		0.080	0.080	07/01/2009	46,900	46,900	46,900
Amsterdam Funding Corp		0.000	0.864	07/01/2009	10,000	10,000	10,000
Calyon North America		0.000	0.274	07/01/2009	35,000	35,000	35,000
Chariot Funding LLC		0.000	0.284	07/01/2009	10,000	10,000	10,000
Federal National Mortgage Assn		0.000	0.279	07/01/2009	37,000	37,000	37,000
RBS Holdings USA		0.000	0.101	07/01/2009	15,000	15,000	15,000
Thunder Bay Funding Inc		0.000	0.508	07/01/2009	15,000	15,000	15,000
Rabobank Nederland NV NY		0.700	0.700	07/02/2009	15,000	15,000	15,000
Barton Capital Corp		0.000	0.243	07/02/2009	15,000	15,000	15,000

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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, 2009
(Dollars in thousands, except for Share Data)

WEST VIRGINIA MONEY MARKET POOL (Continued)

<u>SECURITY NAME</u>	<u>% of</u>				<u>PAR VALUE</u>	<u>AMORTIZED</u>	<u>FAIR</u>
	<u>POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>or SHARES</u>	<u>COST</u>	<u>VALUE*</u>
Dexia Delaware LLC		0.000	0.355	07/02/2009	10,000	10,000	10,000
United States Treasury Bill		0.000	1.209	07/02/2009	30,000	29,999	29,999
CBA Finance Inc		0.000	0.406	07/06/2009	10,000	9,999	9,999
Fairway Finance Corp		0.000	0.619	07/06/2009	10,000	9,999	9,999
National Australia Funding		0.000	0.558	07/06/2009	15,000	14,999	14,999
Thames Asset Global Sec		0.000	0.264	07/06/2009	10,000	10,000	10,000
Natixis		0.950	0.950	07/07/2009	10,000	10,000	10,000
Societe Generale NA		0.000	0.243	07/07/2009	38,000	37,998	37,998
Federal Home Loan Bank		0.000	0.152	07/08/2009	15,000	15,000	15,000
Old Line Funding Corp		0.000	0.325	07/08/2009	15,000	14,999	14,999
Westpac Banking Corp		0.000	0.528	07/09/2009	10,000	9,999	9,999
Royal Bank of Scotland NY		0.330	0.330	07/10/2009	15,000	15,000	15,000
Federal Home Loan Bank		0.000	0.457	07/13/2009	15,000	14,998	14,998
Federal National Mortgage Assn		0.000	0.162	07/13/2009	39,000	38,998	38,998
Svenska Handelsbanken NY		1.459	F 1.459	07/13/2009	5,000	5,000	5,000
Ranger Funding Co LLC		0.000	0.284	07/14/2009	14,512	14,511	14,511
Federal Home Loan Bank		0.000	0.162	07/15/2009	20,000	19,999	19,999
Old Line Funding Corp		0.000	0.477	07/15/2009	15,000	14,997	14,997
Thames Asset Global Sec		0.000	0.304	07/15/2009	10,000	9,999	9,999
Federal Home Loan Bank		0.000	0.152	07/16/2009	40,000	39,997	39,997
Nordea NA Inc		0.000	0.579	07/16/2009	5,000	4,999	4,999
Toronto Dominion Holdings USA		0.000	0.254	07/16/2009	20,000	19,998	19,998
Danske Corporation		0.000	0.314	07/17/2009	15,000	14,998	14,998
Societe Generale NA		0.000	0.660	07/17/2009	10,000	9,997	9,997
Federal Home Loan Mort Corp		0.000	1.381	07/20/2009	33,000	32,976	32,976
Jupiter Securitization Co LLC		0.000	0.284	07/20/2009	15,000	14,998	14,998
Ranger Funding Co LLC		0.000	0.294	07/20/2009	10,196	10,194	10,194
Regency Markets No 1 LLC		0.000	0.335	07/20/2009	10,000	9,998	9,998
Kitty Hawk Funding Corp		0.000	0.457	07/21/2009	10,000	9,997	9,997
Federal National Mortgage Assn		0.000	0.427	07/22/2009	35,000	34,991	34,991
Market Street Funding LLC		0.000	0.325	07/22/2009	15,000	14,997	14,997
Falcon Asset Sec Corp		0.000	0.284	07/23/2009	15,000	14,997	14,997
Federal National Mortgage Assn		0.000	0.172	07/23/2009	35,000	34,996	34,996
Toyota Motor Credit Corp		0.000	0.304	07/23/2009	15,000	14,997	14,997
United States Treasury Bill		0.000	0.141	07/23/2009	211,000	210,982	210,982
Fortis Bank NY		0.380	0.380	07/24/2009	10,000	10,000	10,000
Deutsche Bank NY		0.610	0.610	07/27/2009	10,000	10,000	10,000
Atlantic Asset Securities Corp		0.000	0.457	07/27/2009	10,000	9,997	9,997
ING Funding LLC		0.000	0.640	07/28/2009	10,000	9,995	9,995
Calyon North America		0.000	1.038	07/29/2009	10,000	9,992	9,992
Federal Home Loan Bank		0.000	0.203	07/29/2009	24,000	23,996	23,996
Bank of Tokyo-Mitsubishi UFJ		0.300	0.300	07/30/2009	15,000	15,000	15,000
ING Funding LLC		0.000	0.660	07/30/2009	15,000	14,992	14,992
United States Treasury Bill		0.000	1.071	07/30/2009	15,000	14,987	14,987
DNB Nor Bank ASA		0.000	1.017	08/04/2009	10,000	9,991	9,991
Svenska Handelsbank Inc		0.000	0.548	08/05/2009	5,000	4,997	4,997
ANZ National (INTL) LTD		0.000	0.508	08/10/2009	5,000	4,997	4,997
Amsterdam Funding Corp		0.000	0.508	08/10/2009	10,000	9,994	9,994
Federal Home Loan Bank		0.000	0.223	08/10/2009	25,000	24,994	24,994
BNP Paribas YKCD		0.470	0.470	08/12/2009	10,000	10,000	10,000
Atlantic Asset Securities Corp		0.000	0.386	08/12/2009	10,000	9,996	9,996

(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, 2009
(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>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
United States Treasury Bill		0.000	0.198	08/13/2009	15,000	14,997	14,997
Amsterdam Funding Corp		0.000	0.396	08/14/2009	10,000	9,995	9,995
Federal Home Loan Mort Corp		0.000	0.188	08/17/2009	30,000	29,993	29,993
Federal Home Loan Bank		0.000	0.213	08/19/2009	15,000	14,996	14,996
Toronto Dominion Bank NY		1.150	1.000	08/20/2009	10,000	10,002	10,002
United States Treasury Bill		0.000	0.166	08/20/2009	48,000	47,989	47,989
Nordea NA Inc		0.000	0.284	08/24/2009	25,000	24,990	24,990
Federal National Mortgage Assn		0.000	0.233	08/28/2009	15,000	14,994	14,994
Calyon North America		0.000	0.406	09/01/2009	10,000	9,993	9,993
Federal Home Loan Mort Corp		0.000	0.631	09/01/2009	12,000	11,987	11,997
Federal Home Loan Bank		0.000	0.213	09/02/2009	24,000	23,991	23,992
ANZ National (INTL) LTD		0.000	0.579	09/08/2009	5,000	4,995	4,995
Enterprise Funding Corp		0.000	0.386	09/08/2009	18,027	18,014	18,014
Bank of America		0.400	0.400	09/10/2009	10,000	10,000	10,000
Federal National Mortgage Assn		0.000	0.213	09/17/2009	35,000	34,984	34,987
Federal Home Loan Mort Corp		0.000	0.610	09/21/2009	13,000	12,982	12,994
United States Treasury Bill		0.000	0.270	09/24/2009	40,000	39,975	39,984
Federal Home Loan Bank		0.000	0.457	09/25/2009	13,000	12,986	12,993
Federal Home Loan Mort Corp		0.000	0.213	10/02/2009	35,000	34,981	34,985
Federal National Mortgage Assn		0.000	0.641	10/07/2009	10,000	9,983	9,994
Federal Home Loan Bank		0.000	0.467	10/09/2009	20,000	19,975	19,989
Federal Home Loan Mort Corp		0.000	0.355	10/13/2009	15,000	14,985	14,989
Federal Home Loan Mort Corp		0.000	0.254	10/19/2009	18,000	17,986	17,990
Federal Home Loan Bank		0.000	0.324	10/28/2009	13,000	12,986	12,991
United States Treasury Bill		0.000	0.310	10/29/2009	50,000	49,949	49,968
Westpac Banking Corp		0.000	0.559	11/16/2009	10,000	9,979	9,979
Bank of Nova Scotia		0.000	0.437	11/17/2009	10,000	9,983	9,983
United States Treasury Bill		0.000	0.294	12/03/2009	25,000	24,969	24,971
Federal Home Loan Bank		0.000	1.145	12/04/2009	16,000	15,922	15,980
Rabobank Nederland NV NY		0.520	0.520	12/07/2009	10,000	10,000	10,000
United States Treasury Bill		0.000	0.325	12/10/2009	20,000	19,971	19,973
Federal Home Loan Mort Corp		0.000	0.376	12/29/2009	19,000	18,965	18,969
Federal Home Loan Mort Corp		0.000	0.508	01/06/2010	15,000	14,961	14,974
Nestle Capital Corp		0.000	0.662	02/16/2010	22,000	21,909	21,909
United States Treasury		0.000	0.464	04/01/2010	30,000	29,896	29,899
Bank of Nova Scotia		1.100	1.100	05/11/2010	8,400	8,400	8,400
UBS Select		0.400 **			150,000	150,000	150,000
JP Morgan Prime		0.450 **			1	1	1
Dreyfus Cash Management		0.410 **			222	222	222
Total Short Term Issues	<u>85.7%</u>					<u>2,202,430</u>	<u>2,202,615</u>
Total Money Market Pool	<u>100.0%</u>					<u>\$ 2,570,261</u>	<u>\$ 2,570,832</u>

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
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WEST VIRGINIA GOVERNMENT MONEY MARKET POOL

<u>SECURITY NAME</u>	<u>% of</u> <u>POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE</u> <u>or SHARES</u>	<u>AMORTIZED</u> <u>COST</u>	<u>FAIR</u> <u>VALUE*</u>
<i>U. S. Government Agency Bonds</i>							
Federal Home Loan Bank		0.964 %	F 0.923 %	07/14/2009	\$ 5,000	\$ 5,000	\$ 5,001
Federal National Mortgage Assn		0.913	F 0.941	07/28/2009	2,500	2,500	2,501
Federal Home Loan Bank		0.245	F 0.360	08/21/2009	5,000	4,999	5,000
Federal National Mortgage Assn		0.410	F 0.410	09/03/2009	3,250	3,250	3,251
Federal Home Loan Bank		0.650	F 0.240	09/10/2009	5,000	5,004	5,003
Federal Home Loan Mort Corp		0.288	F 0.260	09/18/2009	7,350	7,350	7,350
Federal Home Loan Mort Corp		0.238	F 0.273	09/28/2009	5,000	5,000	5,001
Federal Farm Credit Bank		0.411	F 0.411	10/26/2009	5,000	5,000	5,002
Federal National Mortgage Assn		1.192	F 1.818	10/27/2009	5,000	5,000	5,008
Federal Home Loan Mort Corp		0.630	F 0.630	01/08/2010	4,000	4,000	4,011
Federal Home Loan Bank		0.600	0.678	06/21/2010	3,000	2,998	3,004
Federal Home Loan Bank		0.999	F 0.899	07/09/2010	7,000	7,007	7,003
Federal Home Loan Bank		0.499	F 0.499	07/13/2010	2,500	2,500	2,505
Federal National Mortgage Assn		1.029	F 1.060	07/13/2010	4,000	4,000	4,003
Federal Home Loan Bank		0.849	F 0.843	10/29/2010	5,000	5,000	4,999
Total U. S. Government Agency Bonds	24.2%					68,608	68,642
<i>Short Term Issues</i>							
Deutsche Bank Repurchase Agreement		0.080	0.080	07/01/2009	53,000	53,000	53,000
Federal Home Loan Mort Corp		0.000	0.559	01/06/2010	2,500	2,493	2,496
Federal Home Loan Mort Corp		0.000	0.355	10/13/2009	2,500	2,497	2,498
Federal Home Loan Bank		0.000	0.433	10/02/2009	3,750	3,746	3,748
Federal Home Loan Bank		0.000	0.355	10/21/2009	2,500	2,497	2,498
United States Treasury Bill		0.000	0.310	10/29/2009	5,500	5,494	5,497
Federal National Mortgage Assn		0.000	0.529	10/07/2009	5,000	4,993	4,997
United States Treasury Bill		0.000	0.294	12/03/2009	10,000	9,988	9,988
United States Treasury Bill		0.000	0.450	04/01/2010	5,000	4,983	4,983
Federal National Mortgage Assn		0.000	0.437	07/01/2009	3,000	3,000	3,000
Federal Home Loan Bank		0.000	0.457	07/13/2009	2,500	2,500	2,500
Federal National Mortgage Assn		0.000	2.927	07/02/2009	2,500	2,500	2,500
United States Treasury Bill		0.000	0.294	07/02/2009	2,500	2,500	2,500
Federal Home Loan Mort Corp		0.000	1.668	07/20/2009	5,000	4,996	4,996
Federal Home Loan Bank		0.000	0.162	07/24/2009	5,000	4,999	4,999
United States Treasury Bill		0.000	1.071	07/30/2009	2,500	2,498	2,498
Federal Home Loan Bank		0.000	0.223	08/10/2009	5,000	4,999	4,999
Federal Home Loan Bank		0.000	0.223	08/11/2009	4,250	4,249	4,249
United States Treasury Bill		0.000	0.198	08/13/2009	5,000	4,999	4,999
Federal Home Loan Mort Corp		0.000	3.006	08/17/2009	2,500	2,490	2,490
Federal Home Loan Bank		0.000	0.213	08/19/2009	5,000	4,999	4,999
Federal National Mortgage Assn		0.000	0.162	08/19/2009	5,000	4,999	4,999
United States Treasury Bill		0.000	0.165	08/20/2009	9,000	8,998	8,998
Federal Home Loan Bank		0.000	0.198	08/21/2009	5,000	4,999	4,999
United States Treasury Bill		0.000	1.715	08/27/2009	5,000	4,987	4,987
Federal Home Loan Mort Corp		0.000	0.261	08/03/2009	9,300	9,298	9,298
Federal Home Loan Bank		0.000	0.213	08/05/2009	5,000	4,999	4,999
United States Treasury Bill		0.000	0.407	09/10/2009	5,000	4,996	4,998
Federal Home Loan Mort Corp		0.000	0.529	09/14/2009	5,000	4,994	4,998

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WEST VIRGINIA GOVERNMENT MONEY MARKET POOL (Continued)

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
Federal National Mortgage Assn		0.000	0.549	09/15/2009	2,224	2,221	2,223
United States Treasury Bill		0.000	0.355	09/15/2009	10,000	9,993	9,997
United States Treasury Bill		0.000	0.437	09/17/2009	5,000	4,995	4,998
Federal Home Loan Bank		0.000	0.457	09/18/2009	2,500	2,497	2,499
United States Treasury Bill		0.000	0.294	09/24/2009	10,000	9,993	9,996
Federal National Mortgage Assn		0.000	0.631	09/04/2009	2,700	2,697	2,699
Dreyfus Cash Management		0.040 **			132	132	132
Total Short Term Issues	75.8%					215,218	215,254
Total Government Money Market Pool	100.0%					\$ 283,826	\$ 283,896

WEST VIRGINIA SHORT TERM BOND POOL

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
United States Treasury Note		4.625 %	2.809 %	11/15/2009	\$ 10,000	\$ 10,067	\$ 10,163
United States Treasury Note		1.250	0.891	11/30/2010	1,200	1,206	1,209
United States Treasury Note		0.875	0.931	04/30/2011	20,000	19,980	19,948
United States Treasury Note		4.875	2.753	04/30/2011	12,200	12,659	13,046
United States Treasury Note		4.625	2.012	08/31/2011	4,000	4,220	4,290
United States Treasury Note		1.375	1.465	02/15/2012	10,000	9,977	9,995
United States Treasury Inflation Index Note		2.000	0.950	04/15/2012	5,254	5,405	5,410
United States Treasury Note		1.750	1.905	01/31/2014	7,500	7,449	7,291
United States Treasury Note		1.750	1.739	03/31/2014	6,000	6,003	5,805
United States Treasury Note		1.875	2.036	04/30/2014	12,000	11,911	11,648
Total U. S. Treasury Issues	28.2%					88,877	88,805
<i>U. S. Government Agency Bonds</i>							
Federal Home Loan Mort Corp		5.625	3.593	03/15/2011	14,000	14,466	15,070
Federal National Mortgage Assn		3.375	3.831	05/19/2011	25,000	24,795	26,035
Federal Home Loan Bank		3.625	3.676	07/01/2011	8,000	7,992	8,361
Federal Home Loan Mort Corp		4.500	3.456	01/15/2013	10,000	10,345	10,784
Total U. S. Government Agency Bonds	19.1%					57,598	60,250
<i>Mortgage Backed</i>							
Government National Mortgage Association		4.054	4.441	01/16/2048	807	785	822
Government National Mortgage Association		4.175	5.871	04/16/2028	960	944	984
Government National Mortgage Association		4.512	4.702	10/16/2028	994	980	1,018
Government National Mortgage Association		3.301	3.705	10/16/2029	708	684	717
Government National Mortgage Association		4.087	4.310	08/16/2030	651	639	667
Government National Mortgage Association		4.253	4.496	10/16/2030	748	733	768
Total Government Mortgage Backed Issues	1.6%					4,765	4,975

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F—Floating rate note security.

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WEST VIRGINIA SHORT TERM BOND POOL (Continued)

<u>SECURITY NAME</u>	<u>% of</u> <u>POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE</u> <u>or SHARES</u>	<u>AMORTIZED</u> <u>COST</u>	<u>FAIR</u> <u>VALUE*</u>
<i>Corporate Bonds</i>							
Canadian National Railways		4.250	5.040	08/01/2009	845	844	847
BellSouth Corporation		4.200	4.328	09/15/2009	2,690	2,689	2,704
National Westminster		7.375	4.756	10/01/2009	2,090	2,103	2,067
General Electric Capital Corp		5.250	5.007	10/27/2009	1,820	1,821	1,841
Amgen Inc		4.000	3.796	11/18/2009	1,935	1,936	1,961
World Savings Bank FSB		4.125	4.955	12/15/2009	1,335	1,330	1,347
Berkshire Hathaway Finance		4.125	2.920	01/15/2010	1,700	1,711	1,730
Wells Fargo & Company		4.200	4.052	01/15/2010	3,000	3,002	3,035
Citigroup Inc		4.125	4.816	02/22/2010	2,000	1,991	2,001
Honeywell International Inc		7.500	3.385	03/01/2010	1,800	1,848	1,880
Simon Property Group Inc		4.875	5.462	03/18/2010	695	692	700
duPont EI de Nemours Co		4.125	3.354	04/30/2010	2,500	2,516	2,554
US Bancorp		1.407	F 1.407	05/06/2010	3,400	3,400	3,409
GlaxoSmithKline Cap Inc		1.545	F 1.545	05/13/2010	2,000	2,000	2,014
Florida Power Corporation		4.500	3.387	06/01/2010	2,100	2,121	2,153
Caterpillar Fin Serv Crp		4.300	4.397	06/01/2010	2,200	2,198	2,257
Wal-Mart Stores		4.130	3.408	07/01/2010	2,500	2,517	2,561
Bank Of America Corp		4.500	4.055	08/01/2010	4,870	4,893	4,894
General Dynamics Corp		4.500	3.489	08/15/2010	2,600	2,629	2,688
Met Life Global		4.625	5.018	08/19/2010	900	896	906
Swedish Export Credit		4.500	2.697	09/27/2010	4,290	4,384	4,445
Deutsche Bank London		5.000	4.007	10/12/2010	2,000	2,025	2,052
Halliburton Company		5.500	3.975	10/15/2010	1,890	1,926	1,977
Bear Stearns Companies Inc		4.500	5.974	10/28/2010	600	589	614
Unilever Capital Corp		7.125	4.329	11/01/2010	1,650	1,709	1,762
General Electric Capital Corp		6.875	4.542	11/15/2010	1,580	1,628	1,648
Berkshire Hathaway Finance		4.200	3.516	12/15/2010	1,270	1,282	1,309
Avon Products Inc		5.125	4.485	01/15/2011	2,000	2,019	2,087
Oracle Corp		5.000	3.954	01/15/2011	1,500	1,523	1,572
JPMorgan Chase & Co		4.600	4.014	01/17/2011	3,700	3,732	3,808
European Investment Bank		3.250	3.329	02/15/2011	2,000	1,998	2,063
Campbell Soup Co		6.750	4.519	02/15/2011	885	916	957
JP Morgan Chase & Co		1.650	1.286	02/23/2011	10,000	10,059	10,085
Boeing Capital Corp		6.100	4.230	03/01/2011	2,320	2,389	2,471
General Electric Capital Corp		1.800	1.347	03/11/2011	10,000	10,076	10,090
American Home Products		6.950	4.780	03/15/2011	1,400	1,449	1,516
Abbott Laboratories		5.600	4.056	05/15/2011	1,665	1,711	1,779
Goldman Sachs Group Inc		1.625	1.417	07/15/2011	10,000	10,042	10,054
Disney Walt Company		5.700	3.958	07/15/2011	1,400	1,447	1,498
Conoco Funding Co		6.350	4.119	10/15/2011	1,600	1,677	1,746
Goldman Sachs Group Inc		2.150	2.240	03/15/2012	10,000	9,976	10,085
MBNA Corp		7.500	5.720	03/15/2012	750	783	788
Honeywell International Inc		5.625	4.439	08/01/2012	1,425	1,473	1,560
Inter-American Development Bk		3.500	3.500	03/15/2013	1,500	1,500	1,540
Met Life Funding		5.125	5.142	04/10/2013	750	750	763
Kredit Wiederauf		3.500	3.600	05/16/2013	3,200	3,189	3,286
Total U. S. Corporate Bonds	39.8%					123,389	125,104

F—Floating rate note security.

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(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>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Corporate Asset Backed Issues</i>							
Bank of America Sec Auto Trust		5.180	4.354	06/18/2010	128	129	128
Daimler Chrysler Auto Trust		5.330	4.552	08/08/2010	105	106	105
Ford Credit Auto Owner Trust		5.260	3.597	10/15/2010	146	146	146
USAA Auto Owner Trust		5.360	4.795	02/15/2011	237	239	238
Nissan Auto Receivables Owner		4.770	5.294	07/15/2011	563	561	571
Carmax Auto Owner Trust		5.240	4.636	07/15/2011	1,158	1,166	1,176
Americredit Auto Rec Trust		5.560	5.828	09/06/2011	222	222	223
BMW Vehicle Lease Trust		2.910	2.851	03/15/2012	3,500	3,500	3,520
Huntington Auto Trust		4.810	5.988	04/16/2012	3,000	2,954	3,079
Advanta Business Card Master		5.300	5.622	05/21/2012	1,559	1,553	1,376
National City CC Master Trust		0.369	F 5.624	08/15/2012	2,500	2,304	2,442
Hyundai Auto Receivables Trust		5.150	10.468	05/15/2013	1,185	1,119	1,199
BMW Vehicle Lease Trust		0.559	F 3.517	08/15/2013	669	628	669
Harley-Davidson Motorcycle Tru		3.190	3.212	11/15/2013	1,000	1,000	1,006
JP Morgan Commercial Mortgage		7.371	6.880	08/15/2032	802	841	810
Equity One ABS Inc		4.145	4.253	04/25/2034	654	648	437
Opteum Mortgage Acceptance Co		5.640	5.805	12/25/2035	992	979	779
Citigroup Mortgage Loan Trust		5.735	5.760	05/25/2036	62	62	61
Citigroup Mortgage Loan Trust		5.852	5.886	05/25/2036	900	900	539
Banc of America Com Mortgage		3.878	4.115	09/11/2036	682	666	679
Citicorp Residential Mort Sec		5.557	5.587	09/25/2036	165	165	163
Bank of America Alternative Ln		5.707	5.740	10/25/2036	725	725	559
Banc of America Funding Corp		5.791	5.824	10/25/2036	388	388	332
JP Morgan Alternative Ln Trust		5.550	5.610	10/25/2036	37	37	35
Morgan Stanley Mort Loan Trust		5.798	5.833	10/25/2036	1,250	1,250	493
Renaissance Home Equity Loan		5.580	5.655	11/25/2036	700	697	592
CSAB Mortgage Backed Trust		6.000	6.005	11/25/2036	277	277	239
JP Morgan Alternative Ln Trust		5.400	5.468	12/25/2036	88	88	81
JP Morgan Alternative Ln Trust		5.440	5.502	12/25/2036	371	371	345
CSAB Motgage Backed Trust		5.868	5.892	12/25/2036	305	306	273
Credit-Based Asset Servicing		5.891	5.953	02/25/2037	487	486	391
Credit Suisse Mort Capital		5.942	5.958	02/25/2037	412	413	255
Countrywide Certificates		5.530	5.561	03/25/2037	1,000	1,000	645
CS First Boston Mortgage Sec		5.014	6.443	02/15/2038	5,000	4,326	4,221
Bear Stearns CMBS		5.546	5.548	09/11/2038	468	470	476
JP Morgan Chase CMBS		6.023	F 6.059	04/15/2045	455	456	462
Citigroup/Deutsche Bank		4.977	5.019	12/11/2049	625	625	630
Total Corporate Asset Backed Issues	9.3%					31,797	29,372
Total Corporate Issues	49.1%					155,186	154,476

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WEST VIRGINIA SHORT TERM BOND POOL (Continued)

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Short Term Issues</i>							
Dreyfus Cash Management Institutional Fund		0.410 **			6,426	6,426	6,426
Total Short Term Issues	2.0%					6,426	6,426
Total Short Term Bond Pool	100.00%					\$ 312,852	\$ 314,932

WEST VIRGINIA BANK POOL

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Short Term Issues</i>							
Clear Mountain Bank		0.750 %	0.750 %	07/09/2009	\$ 1,000	\$ 1,000	\$ 1,000
Freedom Bank Inc - Belington		0.750	0.750	07/09/2009	2,000	2,000	2,000
WesBanco Bank - Wheeling		0.750	0.750	07/09/2009	5,000	5,000	5,000
Main Street Bank - Wheeling		0.650	0.650	07/09/2009	2,000	2,000	2,000
Citizens Natl Bk - Berkeley Sp		0.659	0.659	07/09/2009	2,000	2,000	2,000
First Community Bk - Bluefield		0.660	0.660	07/09/2009	5,000	5,000	5,000
BB&T - Charleston		0.675	0.675	07/09/2009	5,000	5,000	5,000
Freedom Bank Inc - Belington		0.800	0.800	07/09/2009	1,000	1,000	1,000
Freedom Bank Inc - Belington		0.850	0.850	07/09/2009	2,000	2,000	2,000
Monongahela Valley Bank		0.750	0.750	09/10/2009	2,500	2,500	2,500
WesBanco Bank - Wheeling		0.750	0.750	09/10/2009	5,000	5,000	5,000
BB&T - Charleston		0.775	0.775	09/10/2009	3,000	3,000	3,000
Monongahela Valley Bank		0.800	0.800	09/10/2009	2,500	2,500	2,500
Main Street Bank - Wheeling		0.890	0.890	09/10/2009	5,000	5,000	5,000
BB&T - Charleston		0.895	0.895	09/10/2009	1,000	1,000	1,000
BB&T - Charleston		0.900	0.900	09/10/2009	1,000	1,000	1,000
Fifth Third Bank - Huntington		1.000	1.000	09/10/2009	5,000	5,000	5,000
United Bank Inc - Parkersburg		0.780	0.780	10/15/2009	5,000	5,000	5,000
Main Street Bank - Wheeling		0.785	0.785	10/15/2009	5,000	5,000	5,000
Freedom Bank Inc - Belington		0.800	0.800	10/15/2009	5,000	5,000	5,000
WesBanco Bank - Wheeling		0.800	0.800	10/15/2009	5,000	5,000	5,000
Fifth Third Bank - Huntington		1.000	1.000	10/15/2009	5,000	5,000	5,000
First Community Bk - Bluefield		0.500	0.500	11/12/2009	1,000	1,000	1,000
Fifth Third Bank - Huntington		0.750	0.750	11/12/2009	5,000	5,000	5,000
BB&T - Charleston		0.875	0.875	11/12/2009	2,000	2,000	2,000
Citizens Natl Bk - Berkeley Sp		0.508	0.508	11/12/2009	5,000	5,000	5,000
Huntington Natl Bk -Charleston		0.560	0.560	11/12/2009	2,000	2,000	2,000
Huntington Natl Bk -Charleston		0.650	0.650	11/12/2009	2,000	2,000	2,000
WesBanco Bank - Wheeling		0.650	0.650	11/12/2009	5,000	5,000	5,000
BB&T - Charleston		0.810	0.810	11/12/2009	2,000	2,000	2,000
BB&T - Charleston		0.830	0.830	11/12/2009	1,000	1,000	1,000
Total U. S. Treasury Issues	100.0%					100,000	100,000
Total West Virginia Bank Pool	100.0%					\$ 100,000	\$ 100,000

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(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>PAR VALUE or SHARES</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	\$ 173,044	\$ 184,107
Total U. S. Treasury Issues	<u>100.0%</u>					<u>173,044</u>	<u>184,107</u>
Total Loss Amortization Pool	<u>100.0%</u>					<u>\$ 173,044</u>	<u>\$ 184,107</u>

LOAN POOL

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Loans and Mortgages</i>							
<i>Intergovernmental Loans</i>							
WVEDA Revolving Loan		4.170 %		12/31/2013	\$ 120,900	\$ 120,900	\$ 120,900
WVEDA Non-Recourse Loan		3.000		06/30/2022	22,930	22,930	22,930
Total Intergovernmental Loans						<u>143,830</u>	<u>143,830</u>
<i>FHA/VA Mortgages</i>							
BB&T		8.500		05/01/2014	8	8	8
Total FHA/VA Mortgages					<u>8</u>	<u>8</u>	<u>8</u>
Total Loans and Mortgages						<u>143,838</u>	<u>143,838</u>
Reserve for uncollectable loans						<u>17,075</u>	<u>17,075</u>
Loans and Mortgages, net of reserve for uncollectable loans	99.5%					<u>126,763</u>	<u>126,763</u>
<i>Short Term Issues</i>							
Dreyfus Cash Management Treasury Institutional Fund		0.040 **			582	582	582
Total Short Term Issues	<u>0.5%</u>					<u>582</u>	<u>582</u>
Total State Loan Pool	<u>100.0%</u>					<u>\$ 127,345</u>	<u>\$ 127,345</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, 2009
(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>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
State & Local Government		6.090 %	6.090 %	07/01/2009	\$ 1,686	\$ 1,686	\$ 1,686
State & Local Government		4.550	4.550	10/01/2009	3,294	3,294	3,294
State & Local Government		1.930	1.930	10/01/2009	36	36	36
State & Local Government		4.360	4.360	12/01/2009	4	4	4
State & Local Government		4.530	4.530	04/01/2010	3,905	3,905	3,905
State & Local Government		2.000	2.000	04/01/2010	2	2	2
United States Treasury Strip - Interest		0.000	0.000	05/15/2010	932	932	930
State & Local Government		4.360	4.360	06/01/2010	49	49	49
State & Local Government		2.100	2.100	10/01/2010	37	37	37
State & Local Government		4.360	4.360	12/01/2010	4	4	4
State & Local Government		2.230	2.230	04/01/2011	2	2	2
United States Treasury Strip - Interest		0.000	0.000	05/15/2011	934	934	919
State & Local Government		4.360	4.360	06/01/2011	49	49	49
State & Local Government		2.370	2.370	10/01/2011	39	39	39
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	899
State & Local Government		4.370	4.370	06/01/2012	49	49	49
State & Local Government		2.690	2.690	10/01/2012	40	41	41
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	863
State & Local Government		4.380	4.380	06/01/2013	1,174	1,175	1,175
United States Treasury Strip - Interest		0.000	0.000	05/15/2014	963	963	841
United States Treasury Strip - Interest		0.000	0.000	05/15/2015	973	973	814
United States Treasury Bonds		7.250	0.001	05/15/2016	980	1,468	1,229
United States Treasury Bonds		8.750	0.001	05/15/2017	1,055	1,782	1,445
United States Treasury Bonds		9.125	0.001	05/15/2018	1,138	2,059	1,630
Total U. S. Treasury Issues	99.5%					21,370	19,950
<i>Short Term Issues</i>							
United States Treasury Bill		0.000	0.000	11/19/2009	99	99	99
Total Short Term Issues	0.5%					99	99
Total Municipal Bond Commission Pool	100.0%					\$ 21,469	\$ 20,049

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, 2009
(Dollars in thousands, except for Share Data)

SCHOOL FUND

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Short Term Issues</i>							
Dreyfus Cash Management Treasury Institutional Fund		0.040 **			\$ 1,307	\$ 1,307	\$ 1,307
Total Short Term Issues	100.0%					1,307	1,307
Total School Fund	100.0%					\$ 1,307	\$ 1,307

EDA-AW

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</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	\$ 1,638	\$ 1,761
Total U. S. Treasury Issues	100.0%					1,638	1,761
Total EDA-AW	100.0%					\$ 1,638	\$ 1,761

RESERVE POOL

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Short Term Issues</i>							
Reserve Pool Depository Account		1.000 %	1.000 %		\$ 44,755	\$ 44,755	\$ 44,755
Total Short Term Issues	100.0%					44,755	44,755
Total Reserve Pool	100.0%					\$ 44,755	\$ 44,755

F—Floating rate note security.

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

**Rate represents last business day of the month.

See accompanying notes to financial statements.

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INVESTMENT SECTION

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CONSOLIDATED FUND OVERVIEW AT JUNE 30, 2009

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, 2009: \$ 3,663,292,000.

Description of the Consolidated Fund: The Consolidated Fund under the management of the BTI consists of 12 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 85-89 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 98 in the Statistical Section.

Economic Environment: The worst recession in the lifetime of the baby-boomer generation appears to have ended sometime in June with many pointing to the expansion of US economic activity since June 30, 2009 as evidence.

Forecasts for economic growth for the first half of fiscal year 2010 have been steadily ratcheted up. Stronger economic growth overseas is boosting demand for exports, helping further narrow the trade deficit. Fiscal stimulus dollars are also flowing a little more freely. Stimulus programs, including aid to

state and local governments, the cash-for-clunkers program and the \$8,000 tax credit for first-time homebuyers, are helping drive economic activity.

Consumer spending got a temporary boost during August 2009 from the cash-for-clunkers program, which helped boost motor vehicle sales to around an 11.6 million unit rate. The gain in new vehicle sales did not carry over into spending for other items. Consumers are only willing to spend if they are presented with a bargain.

Residential construction is finally showing some positive signs. Home sales and construction have been helped out a good bit by the \$8,000 tax credit for first-time homebuyers. Once the tax credit program ends, the rebound in new home sales and construction may level back out.

The Federal Reserve is expected to keep short-term interest rates near current levels until it feels confident that there is little risk of the economy sliding back into a recession. Once it feels the coast is clear, the pace of interest rate hikes will likely be surprisingly fast until they bring the Federal Funds rate back in line with the core inflation rate. This means we should see a 1.5% Federal Funds rate by the end of calendar year 2010.

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 41-51 and Participant Net Asset Values are presented in the Statistical Section on page 107.

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.

- Weighed 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 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.

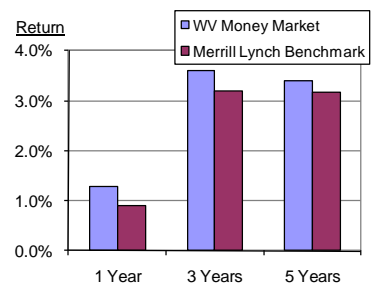
❑ ASSET ALLOCATION—PERMISSIBLE VS. ACTUAL

Permissible Allocation		Actual Allocation June 30, 2009	
Security Type	Maximum Percent of Pool	Carrying Value (Thousands)	Percent of Pool
U.S. Treasury Obligations	100.0%	\$ 929,621	36.2%
U.S. Government Agency Obligations	85.0%	483,714	18.8%
Commercial paper and corporate debt (Combined)	75.0%	666,291	25.9%
Repurchase agreements	85.0%	212,010	8.3%
Asset-backed & mortgage-backed securities	50.0%	-	-
Certificates of deposit	75.0%	128,402	5.0%
Money market funds	30.0%	150,223	5.8%
Depository accounts	5.0%	-	-
		<u>\$ 2,570,261</u>	<u>100.0%</u>

❑ ACTUAL RETURNS

Actual Annualized Returns for Periods Ended June 30, 2009

	1 Year	3 Years	5 Years
Returns by Investment Manager:			
JP Morgan	1.04%	3.52%	3.39%
UBS Global	1.26%	3.64%	3.46%
Total pool returns	1.29%	3.60%	3.41%
Benchmark:			
Merrill Lynch 3-Month T-Bill + 15 bps	0.91%	3.19%	3.17%



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 41-43.

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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 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.

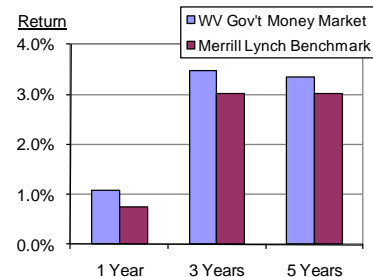
ASSET ALLOCATION—PERMISSIBLE VS. ACTUAL

Permissible Allocation		Actual Allocation June 30, 2009	
Security Type	Maximum Percent of Pool	Carrying Value (Thousands)	Percent of Pool
U.S. Treasury Obligations	100.0%	\$ 74,424	26.2%
U.S. Government Agency Obligations	85.0%	156,270	55.1%
Repurchase agreements	85.0%	53,000	18.7%
Government money market funds	40.0%	132	0.0%
Depository accounts	5.0%	-	-
		\$ 283,826	100.0%

ACTUAL RETURNS

Actual Annualized Returns for Periods Ended June 30, 2009

	1 Year	3 Years	5 Years
Returns by Investment Manager:			
UBS Global	1.08%	3.48%	3.35%
Total pool returns	1.13%	3.47%	3.32%
Benchmarks:			
Merrill Lynch 3-Month T-Bill	0.76%	3.03%	3.01%



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 44-45.

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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.

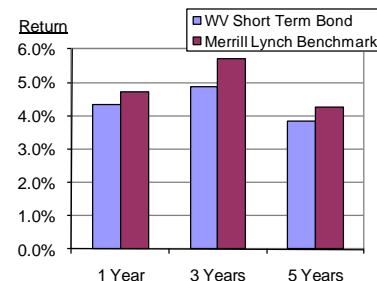
☐ ASSET ALLOCATION—PERMISSIBLE VS. ACTUAL

Permissible Allocation	Actual Allocation June 30, 2009		
Security Type	Maximum Percent of Pool	Carrying Value <i>(Thousands)</i>	Percent of Pool
U.S. Treasury Obligations	100.0%	\$ 88,805	28.2%
U.S. Government Agency Obligations	85.0%	60,250	19.1%
Commercial paper and corporate debt (combined)	75.0%	125,104	39.7%
Repurchase agreements	85.0%	-	-
Asset-backed & mortgage-backed securities	50.0%	34,347	10.9%
Money market funds	25.0%	6,426	2.1%
Certificates of deposit	50.0%	-	-
Depository accounts	5.0%	-	-
		\$ 314,932	100.0%

ACTUAL RETURNS

Actual Annualized Returns for Periods Ended June 30, 2009

	1 Year	3 Years	5 Years
Returns by Investment Manager *	4.13%	4.84%	3.83%
Total pool returns	4.35%	4.89%	3.83%
Benchmark **	4.73%	5.70%	4.28%



* 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 45-48.

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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 Board of
- 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 BidWV 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 Bank Pool shall be invested in certificates of deposit. At June 30, 2009, 100% of the Bank Pool, totaling \$100,000,000 was invested in certificates of deposit.

☐ ACTUAL RETURNS

The West Virginia Bank Pool earned 2.8%, net of all fees. The pool's benchmark, the Merrill Lynch US 3-Month Treasury Bill Index + 15 basis points, earned 0.9% for the year.

☐ 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 48.

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, 2009	
Security Type	Maximum Percent of Pool	Carrying Value <i>(Thousands)</i>	Percent of Pool
U.S. Treasury obligations	100.0%	\$ 184,107	100.0%
Money market funds	15.0%	-	-
Depository accounts	5.0%	-	-
		<u>\$ 184,107</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 49.

LOAN POOL

❑ INVESTMENT OBJECTIVES AND POLICY GUIDELINES

Objectives

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

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

Benchmarks

None.

Investment Manager

None.

Maturity Restrictions, Diversification Guidelines and Credit Limits

None.

❑ BTI ROLE

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

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

- Prepare monthly a statement of net 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.

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

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

☐ INCOME ALLOCATION

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

☐ ASSET ALLOCATION—PERMISSIBLE VS. ACTUAL

Permissible Allocation		Actual Allocation June 30, 2009	
Security Type	Maximum Percent of Pool	Carrying Value (Thousands)	Percent of Pool
Other investments	100.0%	\$ 126,763	99.5%
Money market funds	20.0%	582	0.5%
Depository accounts	5.0%	-	-
		<u>\$127,345</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 49.

MUNICIPAL BOND COMMISSION

☐ 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 50.

SCHOOL FUND ACCOUNT

❑ INVESTMENT OBJECTIVES AND POLICY GUIDELINES

Objectives

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

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, 2009, 100% of the School Fund Account's securities, totaling \$1,307,000, 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 51.

**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, 2009, 100% of the EDA Insurance Account's securities, totaling \$1,761,000, 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 51.

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 it violates 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, 2009	
Security Type	Maximum Percent of Pool	Carrying Value (Thousands)	Percent of Pool
U.S. Treasury Obligations	100.0%	\$ -	-
U.S. Government Agency Obligations	100.0%	-	-
Repurchase agreements	100.0%	-	-
Government money market funds	100.0%	-	-
Depository accounts	100.0%	44,755	100.0%
		<u>\$ 44,755</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 51.

**Schedule of Investment Management Fees
Consolidated Fund**

For the Fiscal Year Ended June 30, 2009
(In Thousands)

External fees:	
Investment advisors:	
WV Money Market Pool	\$ 813
WV Government Money Market Pool	90
WV Short Term Bond Pool	255
	<hr/>
	1,158
Custodians	85
Securities lending agents	226
Securities lending borrower rebates	2,052
	<hr/>
Total external fees	3,521
	<hr/>
Internal fees:	
Investment consultant	319
Fiduciary bond	155
Administration	736
	<hr/>
Total internal fees	1,210
	<hr/>
Total investment management fees	<u><u>\$ 4,731</u></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 a 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.

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.

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STATISTICAL SECTION

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INTRODUCTION TO STATISTICAL SECTION

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

Table 1: Schedules of Additions, Deductions, and Changes in Net 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 four latest fiscal years. The fund was managed by the West Virginia Investment Management Board in the remaining six 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 eight years. Complete information was not available before the past eight years. The BTI has managed the fund for the three 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, 2009, 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, 2009.

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

This table presents major investors in the Consolidated Fund Operating Pools at June 30, 2009.

Glossary of Financial and Investment Terms

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

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West Virginia Board of Treasury Investments

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

Fiscal Year Ended June 30 (In Thousands)

	2009	2008	2007	2006
Additions				
Investment income:				
Interest	\$ 35,328	\$ 68,731	\$ 65,625	\$ 46,477
Dividends	2,794	1,684	895	891
Securities lending income	2,956	23,351	23,974	19,430
Net accretion (amortization)	25,918	65,983	76,182	58,808
Provision for securities lending loss	(6,837)	-	-	-
Provision for uncollectible loans	(7,117)	(3,021)	(3,103)	(797)
Total investment income	53,042	156,728	163,573	124,809
Investment expenses:				
Investment advisor fees	1,157	1,060	950	976
Custodian bank fees	86	110	107	97
Administrative fees	1,208	1,256	1,180	1,441
Securities lending agent fees	226	1,353	273	293
Securities lending borrower rebates	2,054	18,446	23,063	18,454
Bad debt expense	-	3	-	-
Total investment expenses	4,731	22,228	25,573	21,261
Net investment income	48,311	134,500	138,000	103,548
Net realized gain (loss) from investments	(1,578)	3,603	(939)	(2,973)
Net increase (decrease) in fair value of investments	8,560	11,033	4,308	(10,470)
Net increase in net assets from operations	55,293	149,136	141,369	90,105
Participant transactions:				
Purchase of pool units by participants	10,316,680	10,173,315	8,833,687	8,476,495
Reinvestment of pool distributions	48,995	130,263	128,339	95,770
Contributions to individual investment accounts	6,708	146,314	113,366	12,723
Total participant transactions	10,372,383	10,449,892	9,075,392	8,584,988
Total additions	10,427,676	10,599,028	9,216,761	8,675,093
Deductions				
Distributions to pool participants:				
Net investment income	40,788	126,764	128,452	96,021
Net realized gain (loss) from investments	(1,578)	90	51	(59)
Total distributions to pool participants	39,210	126,854	128,503	95,962
Participant transactions:				
Redemption of pool units by participants	10,063,667	9,816,801	8,604,738	8,427,349
Withdrawals from individual investment accounts	26,041	214,011	40,953	37,838
Total participant transactions	10,089,708	10,030,812	8,645,691	8,465,187
Total deductions	10,128,918	10,157,666	8,774,194	8,561,149
Change in net assets	\$ 298,758	\$ 441,362	\$ 442,567	\$ 113,944

CAFR for Fiscal Year Ended June 30, 2009

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
\$ 35,181	\$ 31,054	\$ 41,243	\$ 67,330	\$ 82,590	\$ 81,859
398	3,625	9,034	6,016	-	-
7,464	4,542	5,876	4,009	-	-
24,368	7,587	5,077	3,829	35,043	29,630
-	-	-	-	-	-
<u>(2,326)</u>	<u>(713)</u>	<u>-</u>	<u>-</u>	<u>2,335</u>	<u>(64)</u>
65,085	46,095	61,230	81,184	119,968	111,425
900	804	733	648	603	524
69	47	23	34	52	46
952	910	936	1,341	1,247	1,120
165	220	151	45	-	-
6,798	3,547	5,150	3,400	-	-
-	-	-	-	-	-
<u>8,884</u>	<u>5,528</u>	<u>6,993</u>	<u>5,468</u>	<u>1,902</u>	<u>1,690</u>
56,201	40,567	54,237	75,716	118,066	109,735
(1,572)	34,929	909	5,903	(859)	(919)
<u>5,256</u>	<u>(55,494)</u>	<u>14,647</u>	<u>4,118</u>	<u>14,416</u>	<u>(4,056)</u>
59,885	20,002	69,793	85,737	131,623	104,760
7,857,676	7,529,037	6,761,069	6,367,904	5,281,713	5,301,781
48,103	34,892	40,093	63,506	94,505	82,829
17,846	114,258	18,630	126,473	136,236	143,337
<u>7,923,625</u>	<u>7,678,187</u>	<u>6,819,792</u>	<u>6,557,883</u>	<u>5,512,454</u>	<u>5,527,947</u>
7,983,510	7,698,189	6,889,585	6,643,620	5,644,077	5,632,707
48,867	30,777	39,176	57,347	96,007	83,130
(3)	4,115	917	6,159	(1,500)	(301)
<u>48,864</u>	<u>34,892</u>	<u>40,093</u>	<u>63,506</u>	<u>94,507</u>	<u>82,829</u>
7,781,659	7,184,866	6,794,155	6,350,694	5,320,794	5,294,416
44,084	172,256	106,156	145,448	242,533	231,237
<u>7,825,743</u>	<u>7,357,122</u>	<u>6,900,311</u>	<u>6,496,142</u>	<u>5,563,327</u>	<u>5,525,653</u>
7,874,607	7,392,014	6,940,404	6,559,648	5,657,834	5,608,482
<u>\$ 108,903</u>	<u>\$ 306,175</u>	<u>\$ (50,819)</u>	<u>\$ 83,972</u>	<u>\$ (13,757)</u>	<u>\$ 24,225</u>

Table 2: Financial Highlights – Consolidated Fund State Operating Pools

	Fiscal Year Ended June 30							
	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
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>
Shares outstanding (in thousands)	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	0.07%	0.08%	0.09%	0.10%	0.08%	0.09%	0.09%	0.12%
Ratio of net investment income to average net assets	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
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>
Shares outstanding (in thousands)	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%	0.08%	0.10%	0.09%	0.09%	0.10%	0.12%
Ratio of net investment income to average net assets	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	\$ 99.27	\$ 98.55	\$ 98.06	\$ 99.53	\$ 100.31	\$ 104.16	\$ 103.11	\$ 103.06
Net investment income (loss)	2.87	4.26	4.61	3.69	2.79	2.99	4.43	5.37
Net realized and unrealized gain (loss)	0.63	1.92	0.49	(1.47)	(0.58)	(2.68)	1.28	1.52
Net increase (decrease) from operations	3.50	6.18	5.10	2.22	2.21	0.31	5.71	6.89
Distributions to participants	2.18	5.46	4.61	3.69	2.99	4.16	4.66	6.84
Net asset value at end of year	<u>\$ 100.59</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)	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%	0.11%	0.12%	0.14%	0.13%	0.11%	0.12%	0.13%
Ratio of net investment income to average net assets	2.86%	4.90%	4.70%	3.85%	2.74%	2.91%	4.25%	5.16%
Portfolio turnover rate	17.15%	5.13%	5.24%	4.01%	77.85%	88.15%	10.50%	50.59%

Note: Complete information is not available prior to Fiscal Year 2002

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

	Fiscal Year Ended June 30									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
WV Money Market Pool	1.29%	4.15%	5.41%	4.17%	2.12%	0.99%	1.65%	2.75%	6.23%	5.75%
WV Government Money Market Pool	1.13%	4.03%	5.31%	4.11%	2.09%	0.95%	1.40%	2.80%	6.17%	5.46%
WV Short Term Bond Pool	4.35%	5.02%	5.31%	2.27%	2.27%	0.42%	5.64%	6.90%	9.23%	5.10%

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

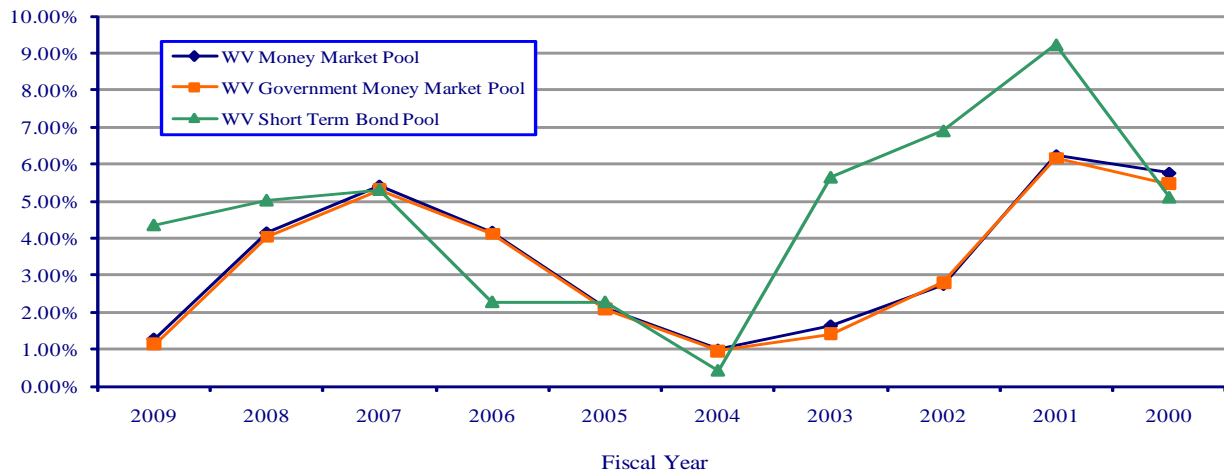


Table 4: Participation in Consolidated Fund State Operating Pools

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

	2009		2008		2007		2006	
	Number of Accounts	Net Asset Value *	Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value
WV Money Market Pool:								
State agency accounts	1,059	\$ 2,474,600	1,014	\$ 2,243,023	999	\$ 1,988,554	927	\$ 1,650,789
Local government accounts	252	96,020	241	118,810	192	82,840	181	68,834
	<u>1,311</u>	<u>\$ 2,570,620</u>	<u>1,255</u>	<u>\$ 2,361,833</u>	<u>1,191</u>	<u>\$ 2,071,394</u>	<u>1,108</u>	<u>\$ 1,719,623</u>
WV Government Money Market Pool:								
State agency accounts	17	\$ 231,772	15	\$ 170,226	16	\$ 203,339	15	\$ 153,769
Local government accounts	61	52,023	48	17,065	41	26,578	39	22,538
	<u>78</u>	<u>\$ 283,795</u>	<u>63</u>	<u>\$ 187,291</u>	<u>57</u>	<u>\$ 229,917</u>	<u>54</u>	<u>\$ 176,307</u>
WV Short Term Bond Pool:								
State agency accounts	10	\$ 326,516	8	\$ 356,618	6	\$ 229,642	7	\$ 266,464
Local government accounts	7	460	4	92	5	85	6	81
	<u>17</u>	<u>\$ 326,976</u>	<u>12</u>	<u>\$ 356,710</u>	<u>11</u>	<u>\$ 229,727</u>	<u>13</u>	<u>\$ 266,545</u>

* Total net asset values for 2009:

WV Money Market Pool:	
State agency & local government accounts	\$ 2,570,620
Accumulated undistributed securities lending income	255
	<u>\$ 2,570,875</u>

WV Government Money Market Pool:	
State agency & local government accounts	\$ 283,795
Accumulated undistributed securities lending income	63
	<u>\$ 283,858</u>

CAFR for Fiscal Year Ended June 30, 2009

2005		2004		2003		2002		2001		2000	
Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value	Number of Accounts	Net Asset Value
781	\$ 1,535,812	821	\$ 1,319,615	797	\$ 928,263	822	\$ 964,338	796	\$ 932,212	783	\$ 874,082
184	69,906	188	76,335	201	92,823	206	101,038	204	59,706	204	54,871
965	\$ 1,605,718	1,009	\$ 1,395,950	998	\$ 1,021,086	1,028	\$ 1,065,376	1,000	\$ 991,918	987	\$ 928,953
17	\$ 132,197	17	\$ 118,906	18	\$ 122,165	18	\$ 118,381	18	\$ 123,456	18	\$ 110,341
38	22,823	39	32,212	37	15,807	36	26,854	35	17,598	31	13,498
55	\$ 155,020	56	\$ 151,118	55	\$ 137,972	54	\$ 145,235	53	\$ 141,054	49	\$ 123,839
8	\$ 260,933	13	\$ 352,992	12	\$ 382,984	10	\$ 336,586	12	\$ 341,746	12	\$ 341,543
6	85	6	83	6	83	6	83	6	78	6	80
14	\$ 261,018	19	\$ 353,075	18	\$ 383,067	16	\$ 336,669	18	\$ 341,824	18	\$ 341,623

Table 5: Net Assets – Consolidated Fund

Fiscal Year Ended June 30
(In Thousands)

	2009	2008	2007	2006
WV Money Market Pool	\$ 2,570,875	\$ 2,361,833	\$ 2,071,394	\$ 1,719,623
WV Government Money Market Pool	283,858	187,291	229,917	177,307
WV Short Term Bond Pool	326,976	356,710	229,727	266,545
WV Bank Pool	100,215	126,712	-	-
Loss Amortization Pool	184,107	172,077	154,277	145,943
Loan Pool	127,728	116,748	130,187	139,531
Reserve Pool	44,792	-	-	-
Municipal Bond Commission Account	21,640	24,778	46,265	27,023
Department of Transportation Account	-	-	-	-
Lottery Defeasance Account	-	136	304	669
School Fund Account	1,307	1,671	1,760	1,886
EDA Insurance Account	-	-	451	450
EDA-AW Account	1,794	1,753	1,639	1,628
Department of Highways Account	-	14,825	57,251	-
	<u>\$ 3,663,292</u>	<u>\$ 3,364,534</u>	<u>\$ 2,923,172</u>	<u>\$ 2,480,605</u>



2005	2004	2003	2002	2001	2000
\$ 1,605,718	\$ 1,395,950	\$ 1,021,086	\$ 1,065,376	\$ 991,918	\$ 928,953
155,020	151,118	137,972	145,235	141,054	123,839
261,018	353,075	383,067	336,669	341,824	341,623
-	-	-	-	-	-
149,205	137,969	141,734	121,953	110,956	98,814
140,121	140,080	133,768	118,329	109,853	124,920
-	-	-	-	-	-
50,195	74,681	92,842	118,343	158,905	175,412
-	-	34,400	89,007	55,351	129,289
1,665	3,043	4,449	5,581	6,568	7,357
1,430	1,385	1,807	1,453	1,548	1,533
454	457	458	456	453	447
1,835	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 2,366,661</u>	<u>\$ 2,257,758</u>	<u>\$ 1,951,583</u>	<u>\$ 2,002,402</u>	<u>\$ 1,918,430</u>	<u>\$ 1,932,187</u>

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

Fiscal Year Ended June 30
(In Thousands)

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

Note: The Operating Fund began operations in FY 2006.

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

June 30, 2009

(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	\$ 2,570,620	\$ 283,795	\$ 331,340	\$ 100,215	\$ 183,415	\$ 127,728	\$ 44,792
Accumulated undistributed net investment income (loss)	-	-	-	-	-	-	-
Accumulated undistributed net realized gain (loss)	-	-	(6,622)	-	(10,371)	-	-
Unrealized net appreciation (depreciation) of investments	-	-	2,077	-	11,063	-	-
Accumulated undistributed securities lending income	255	63	181	-	-	-	-
Net assets at value	<u>\$ 2,570,875</u>	<u>\$ 283,858</u>	<u>\$ 326,976</u>	<u>\$ 100,215</u>	<u>\$ 184,107</u>	<u>\$ 127,728</u>	<u>\$ 44,792</u>
Investment unit data:							
Units outstanding	2,570,619,561	283,795,082	3,250,628	100,215,306	183,415,000	127,728,000	44,791,675
Net asset value, unit price	\$ 1.00	\$ 1.00	\$ 100.59	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00

Table 8: Portfolio Statistics — Consolidated Fund Operating Pools

June 30, 2009

	<u>West Virginia Money Market Pool</u>	<u>West Virginia Government Money Market Pool</u>	<u>WV Short Term Bond Pool</u>
Weighted Average Days to Maturity	47	51	N/A
Maximum Weighted Average Investment Maturity Term Per Board Guidelines	60 days	60 days	N/A
Weighted Average Effective Duration	N/A	N/A	662 days
Maximum Weighted Average Effective Duration Per Board Guidelines	N/A	N/A	731 days
Money Market Yield - Monthly	0.30%	0.16%	

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, 2009

(In Thousands)

WV Money Market Pool

State Agencies:		Local Governments:	
WV State Treasurer's Office:		Boone County Commission	13,716
Banking Services	\$ 485,118	Fayette County Board of Education	11,247
State Participation	456,915	Mercer County Board of Education	7,973
Safekeeping	5,805	Greenbrier County Board of Education	5,833
Prepaid Tuition Trust Escrow	3,360	Parkersburg Utility Board	5,422
Veteran's Lottery	2,940	Fayette County Commission	4,833
Deferred Compensation Matching	2,706	Marshall County Board of Education	3,174
Safe Road Bonds	12	Logan County Board of Education	2,692
Total WV State Treasurer's Office	956,856	City of Parkersburg	2,362
WV Lottery Commission	273,141	Mingo County Commission	2,313
Higher Education Policy Commission	256,275	Braxton County Board of Education	2,141
Department of Environmental Protection	221,258	Putnam Public Service District	2,012
Public Employees Insurance Agency	200,436	Kanawha County Emergency Ambulance Authority	1,967
Department of Transportation	128,533	Lincoln County Board of Education	1,680
Department of Health and Human Resources	108,472	Barbour County Board of Education	1,548
West Virginia University	66,243	Lewis County Board of Education	1,455
Regional Jail Authority	38,466	Wyoming County Board of Education	1,022
Board of Risk and Insurance Management	34,943	Roane County Board of Education	1,006
Division of Administration	29,633	Other	10,209
Division of Natural Resources	25,091	Total Local Governments	82,605
Water Development Authority	19,002	Accumulated undistributed securities lending income	255
Department of Revenue	18,162	Total net assets	<u>\$ 2,570,875</u>
Criminal Justice	16,352		
West Virginia State Police	16,249		
WV Economic Development Authority	15,903		
Insurance Commission	14,919		
WV Jobs Investment Trust	9,861		
WV State Auditor's Office	6,446		
WV Gear Up	5,013		
WV Certified Development Corporation	1,373		
WV Affordable Housing Trust Fund	1,167		
WV Housing Development Fund	1,014		
Performance and wage bond accounts	15,342		
Other	7,865		
Total State Agencies	<u>2,488,015</u>		

WV Government Money Market Pool

State Agencies:	
Municipal Bond Commission	\$ 149,400
Department of Transportation	57,564
WV Housing Development Fund	17,072
WV Economic Development Authority	9,210
Insurance Commission	7,000
Other	8,598
Total State Agencies	<u>248,844</u>
Local Governments:	
Braxton County Board of Education	15,308
Kanawha County Sheriff	9,130
Jefferson County Board of Education	4,230
Greenbrier County Board of Education	3,061
Hancock County Commission	1,093
Randolph County Board of Education	1,002
Other	1,127
Total Local Governments	<u>34,951</u>
Accumulated undistributed securities lending income	63
Total net assets	<u>\$ 283,858</u>

WV Short Term Bond Pool

State Agencies:	
WV State Treasurer's Office - State Participation	\$ 238,907
WV State Treasurer's Office - Banking Services	40,142
WV Economic Development Authority	15,515
West Virginia University	12,689
Department of Transportation	5,944
WV Court of Claims	5,382
Higher Education Policy Commission	5,150
Division of Culture and History	2,063
Other	724
Total State Agencies	<u>326,516</u>
Local Governments	460
Total net assets	<u>\$ 326,976</u>

Glossary of Financial and Investment Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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