



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

**Audited Financial Statements with Other Financial Information
Year Ended June 30, 2012**

**Audited Financial Statements
With Other Financial Information**

**West Virginia Board of Treasury Investments
Year Ended June 30, 2012**

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 Financial Statements with Other Financial Information
 For the Year Ended June 30, 2012

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the proprietary and fiduciary funds of the West Virginia Board of Treasury Investments (the BTI), a component unit of the State of West Virginia, which collectively comprise the BTI's financial statements, the combining and individual fund financial statements, and the schedule of investments in securities as listed in the table of contents as of and for the year ended June 30, 2012. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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 respective financial position of the proprietary and fiduciary funds of the BTI as of June 30, 2012, and the respective changes in financial position 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, 2012, and the changes in financial position of such funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2012, on our consideration of the BTI's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Gibbons & Kawash, A.C.

August 16, 2012

West Virginia Board of Treasury Investments

Management's Discussion and Analysis

June 30, 2012

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, 2012. 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 decreased \$252 million for the year ended June 30, 2012. This decline was primarily associated with decreases in the amounts invested in the WV Money Market Pool as state agencies reversed the prior year trend of accumulating funds. Rates continued to remain at all-time lows with Treasury yields setting record lows during the year. One-month T-bills started the year at 1 basis point before falling to zero and then ending the year at 4 basis points. The 3-year Treasury, which began the year at a yield of 85 basis points, fell to 29 basis points before closing out the year at 41 basis points.

Average rates of return for the Consolidated Fund's WV Money Market, WV Government Money Market, and WV Short Term Bond Pools were 0.11%, 0.08%, and 0.62%, respectively, for the year ended June 30, 2012. Short term interest rates remained at all-time low levels as the Federal Reserve continued its ultra-accommodative monetary policy. Several security types performed well during the period, including select credit card and auto loan asset-backed securities, government agency floaters, and Treasury Inflation Protected securities. Corporate bonds and other asset-backed securities subtracted from returns as the spread to Treasuries widened.

The WV Money Market Pool is structured as a money market fund with the goal of preservation of principal. The benchmark for the WV Money Market Pool is the Merrill Lynch 3-Month T-Bill plus 15 basis points. The portfolio underperformed its investment policy benchmark for the fiscal year. However, it should be noted that in the current rate environment, attempting to meet or exceed the policy benchmark would likely require the managers to take on additional risk by venturing lower down the credit spectrum or farther out the yield curve. Taking these additional risks would be inconsistent with the objectives of the pool. Looking ahead, the pool will likely maintain an investment profile similar to fiscal year 2012. Unless there is resolution on many of the key concerns with Europe coupled with the impending "fiscal cliff" in the US, the next 6-12 months will likely continue to be a challenging investment environment.

The WV Government Money Market Pool's objective is to preserve capital and maintain sufficient liquidity to meet the daily disbursements of participants, while earning a return above inflation. The benchmark for the WV Government Money Market Pool is the Merrill Lynch 3-Month T-Bill. The portfolio outperformed its investment policy benchmark for the fiscal year by 4 basis points. Record low yields in Treasuries, along with a tactical allocation to overnight repo, helped the pool beat its benchmark

for the year. As with the WV Money Market Pool, the WV Government Money Market Pool faces a challenging investment environment over the next fiscal year.

The WV Short Term Bond Pool is structured as a mutual fund with the objective of asset growth rather than current income. The benchmark for the WV Short Term Bond Pool is the Merrill Lynch U.S. Corporate & Government, 1-3 Years, A Rated and Above Index plus 10 basis points. The portfolio underperformed its investment policy benchmark for the fiscal year. For the fiscal year, the benchmark return was 1.3% versus the pool return of 0.62%. In November 2010, Federated Investors, the pool's manager, repositioned the pool to lower its interest rate risk (duration) in anticipation of a rising interest rate environment. That did not occur during 2012 with rates instead falling during the first part of the fiscal year before rising and ending the year almost flat. The benchmark, with a duration of 1.88 versus a pool duration of 0.49, experienced more price appreciation as Treasury bond yields in the 1 to 3 year maturity range fell sharply. Several asset-backed securities experienced significant price declines, that reflect a weakening economy and thus weakening consumer balance sheets.

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

Overview of the Financial Statements

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

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

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

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

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

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

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

Financial Analysis of the Operating Fund

Net assets. The following is the condensed Statement of Net Assets of the proprietary fund, which represents the assets, liabilities, and net assets generated by the operating activities of the BTI, as of June 30, 2012 and 2011 (in thousands).

	2012	2011
Current assets	\$ 1,006	\$ 1,176
Noncurrent assets	7	6
Total assets	1,013	1,182
Current liabilities	478	421
Total liabilities	478	421
Net assets:		
Invested in capital assets	7	6
Unrestricted	528	755
Total net assets	\$ 535	\$ 761

Net assets of the Operating Fund decreased \$226,000 from the prior year. The decrease primarily resulted from a decrease of \$165,000 in cash and an increase of \$57,000 in current liabilities. The remaining \$4,000 decrease was a result of a decline in accounts receivable as of year-end and the purchase of capital assets.

The majority of the proprietary fund's net assets consist of current assets. Current assets comprise cash and accounts receivable that will be used to pay investment advisor, custodian, and administrative costs. The current asset balance of \$1,006,000 is composed of \$563,000 in cash and \$443,000 in accounts receivable. Both cash and accounts receivable decreased from the prior year. The cash balance fell \$165,000 and accounts receivable was down by \$5,000.

The decline in the cash balance was a result of the BTI's policy of utilizing excess cash balances to reduce the administrative fees charged to the pools. Since its inception, the BTI has expended considerable effort to ensure operations remain within budget. At June 30, 2011, the BTI had built up excess cash balances of \$728,000. The administrative operating budget forecast for fiscal year 2012 predicted the same level of expenditures as in prior years. Accordingly, the BTI applied one-half of the excess cash remaining at June 30, 2011 to reduce administrative fees for participants in fiscal year 2012. The reduction in the administrative fee resulted in a decrease in cash collections in fiscal year 2012.

The accounts receivable balance of \$443,000 represents fees that have been accrued but not withdrawn from the investment pools at June 30, 2012 to pay investment advisor, custodian, and administrative costs. In accordance with *WV State Code §12-6C-19*, the Board may charge fees to the pools for reasonable and necessary expenses incurred for rendering services. The fees charged to the pools are categorized into direct expenses (investment advisor and custodian fees) and indirect expenses (administrative costs). As part of the BTI monthly operations, administrative and custodial fees accrued in the prior month are transferred from the pools to the BTI's operating fund in the following month to pay for all necessary and reasonable expenses. Investment advisor fees are accrued daily or monthly and transferred to the Operating Fund quarterly to coincide with the receipt of advisor invoices. The periodic nature of these transfers results in the accounts receivable balance. The \$5,000 decline in accounts receivable was related to a decrease in net assets under management during the month of June, 2012 and the aforementioned reduction in administrative fees.

Capital assets, net of accumulated depreciation, increased by \$1,000. The net increase resulted from the acquisition of new computer equipment totaling approximately \$3,000, the retirement of \$6,000 in fully depreciated obsolete computer equipment and annual depreciation expense totaling approximately \$2,000. The new computer equipment was purchased to replace a portion of the equipment being retired.

The balance of \$478,000 in current liabilities represents \$422,000 in accounts payable and \$56,000 reimbursements due the West Virginia State Treasurer's Office (the "STO") at June 30, 2012. The majority of the accounts payable balance represents services received from the BTI's investment advisors for the quarter ending June 30, 2012, custodian fees and investment consultant fees for the month of June 2012, and maintenance costs due for the investment management system for June 2012. The \$56,000 in reimbursements due to the STO was for staffing services provided to the BTI and server software maintenance fees. The increase in current liabilities from June 30, 2011 is primarily composed of reimbursements due to the STO as of June 30, 2012.

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 (\$500 or more for certain computer equipment) 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, 2012 and 2011 (in thousands).

	2012	2011
Revenues		
Operating revenues:		
Management services	\$ 1,004	\$ 1,052
Advisor and custodian services	1,561	1,533
Total revenues	2,565	2,585
 Expenses		
Operating expenses:		
General and administrative	1,228	1,217
Advisor and custodian fees	1,561	1,533
Depreciation	2	2
Total expenses	2,791	2,752
Decrease in net assets	(226)	(167)
Net assets at beginning of year	761	928
Net assets at end of year	\$ 535	\$ 761

Operating revenues at June 30, 2012 consist of investment advisor, custodian, and management fees billed to the pools by the operating fund to cover the cost of providing investment management services. The fees charged to the pools are categorized into direct or indirect expenses. All direct fees, investment advisor and custodian, are charged directly to the pools as the fee is incurred. All indirect expenses, i.e. insurance, staff costs, and rent, are charged to the pools based upon a fixed basis point against the net asset value of the pool. The fees collected are deposited in a special account in the State Treasurer's Office created and designated the Board of Treasury Investments Fee Fund in accordance with *West Virginia Code §12-6C-19*.

Operating revenues for fiscal year 2012 decreased by \$20,000. This decrease in revenue consisted of an increase of \$21,000 in advisor fee revenues, an increase of \$7,000 in custodial fees, and a decrease of \$48,000 in management (administrative) fees charged to the pools.

Advisor fees are computed based upon market values of the pools. Although investment manager contract fees did not increase during the year, the average market value of assets under management was higher during fiscal year 2012 resulting in higher fees. A portion of custodian fees are based upon the market value of assets. Since the average balance of assets was higher during fiscal year 2012, the custodian fees also increased. The significant decrease in management fee revenue was due to the reduction in administrative fees charged to the pool during fiscal year 2012.

Total operating expenses for the year increased by \$39,000. This includes an increase in general and administrative expenses of \$11,000 and an increase in advisor and custodian fees of \$28,000.

General and administrative expenses represent costs associated with operating the BTI that are not considered directly applicable to investment management. Salaries, investment consulting fees charged by NEPC Investment Consulting and fiduciary bond expenses make up the overwhelming majority of this expenses line item. Staff salaries increased by \$24,000 over the prior year. The increase was due to across the board salary increases granted by the Legislature that became effective July 1, 2011 and salary

increases granted by the Treasurer's Office over and above the across-the-board increases. This increase in expense was offset by a decrease in investment consulting fees of approximately \$10,000 and a net decrease in other expenses of \$3,000. The decrease in investment consulting fees was largely a result of the BTI ending its securities lending program in July 2011.

A large portion of BTI expenses represent investment advisor fees. The current investment advisors are JP Morgan Asset Management, Federated Investors, and UBS Global Asset Management. All investment decisions and trade executions are performed by the investment advisors. Total investment advisor fees for fiscal year 2012 were \$1,420,000, representing a \$21,000 increase from the previous year. Although net assets under management were down as of fiscal year end, the average balance of assets under management during the year was slightly higher, resulting in an increase in the fees incurred.

Custodian fees increased \$7,000 during fiscal year 2012. As with investment advisor fees, the custodian fees are based on the market value of the assets of the Consolidated Fund. During 2012, the average value held in custody was higher than in 2011, resulting in an increase in the fees.

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, 2012 and 2011 (in thousands).

	2012	2011
Assets		
Investments	\$ 3,917,245	\$ 4,168,034
Securities lending collateral	-	10,692
Receivables	3,290	11,696
Total assets	<u>3,920,535</u>	<u>4,190,422</u>
Liabilities		
Accrued expenses	443	448
Dividends and purchases payable	415	7,099
Securities lending payable	-	10,692
Total liabilities	<u>858</u>	<u>18,239</u>
Net Assets		
Held in trust for investment pool participants	3,770,839	4,158,934
Held in trust for individual investment account holders	<u>148,838</u>	<u>13,249</u>
Net assets	<u><u>\$ 3,919,677</u></u>	<u><u>\$ 4,172,183</u></u>

As of June 30, 2012, the Consolidated Fund's total assets were at \$3.9 billion and consisted mainly of investments in securities. Over the course of 2012, total assets decreased by approximately 6.4%, or \$269.9 million. The decrease in assets was caused by increases in participant redemptions, the BTI's exit from securities lending and a decline in receivables.

As more fully discussed below, the BTI experienced a net reduction in invested funds due to a net increase of participant redemptions over contributions during fiscal year 2012. This resulted in a net decrease in investments of \$250.8 million over the course of the fiscal year. Investments held by the WV

Money Market, Loss Amortization, WV Bank, and Loan pools declined by a total of \$452.9 million while the WV Government Money Market, WV Short Term Bond and Municipal Bond Commission pools increased their investments by \$201.8 million. The remaining pools experience modest increases totaling approximately \$0.3 million.

Total assets were also reduced by the BTI ending its securities lending program. When the BTI exited securities lending in July 2011, the balance of securities lending collateral was returned to the borrowers and that line item was reduced from \$10.7 million to zero. See Note 2 to the audited financial statements for more information on the exit from securities lending.

Receivables declined from the prior year by a net amount of \$8.4 million. The decline was composed of a decrease in receivables of investments sold from \$8.7 million to zero as of June 30, 2012 and an increase in interest receivable of \$0.3 million from June 30, 2012. At June 30, 2011, the manager of the WV Short Term Bond Pool had sold securities, totaling \$8.7 million, with a settlement date in July 2011. At the end of fiscal year 2012, there were no pending sales. The increase in the interest receivable was due to increases in base rates for floating rate securities and the managers purchasing securities bearing higher interest rates (albeit at lower yields).

Total liabilities as of June 30, 2012 were \$0.8 million and were almost evenly composed of accrued expenses and dividends payable. The primary cause of the approximately 95%, or \$17.4 million, decrease in liabilities from the prior year was the BTI ending its securities lending program. The exit from securities lending and the return of collateral to borrowers reduced the securities lending collateral payable from \$10.7 million to zero. See Note 2 to the audited financial statements for further details on the exit from securities lending. The remaining \$6.7 million decrease in liabilities was a result of a decrease in the payables for purchased securities and a decrease in dividends payable.

As of June 30, 2011, the WV Short Term Bond Pool had an outstanding payable for securities purchased of \$5.0 million for a purchase transaction that settled in July 2011. There were no outstanding trades as of June 30, 2012. Dividends payable decreased from \$2.1 million as of June 30, 2011 to \$0.4 million at the end of fiscal year 2012. The decrease was due to a significant drop in dividends payable for the WV Short Term Bond Pool. During June 2011, the manager of the pool sold securities with realized gains of \$1.7 million. The realized gains were declared as dividends to pool investors to be distributed in July 2011. There were no such gains realized and declared as dividends during June 2012.

Net assets are the excess of total assets over total liabilities. The Consolidated Fund had total net assets of \$3.9 billion at the close of fiscal year 2012. The net assets consist of funds held in trust for investment pool participants and individual account holders. Investment pool participants are those participants investing in the WV Money Market, WV Government Money Market, WV Short Term Bond, WV Bank, Reserve, and Loan pools. Net assets for investment pool participants decreased approximately 6% from the prior year primarily due to the closing of the Loss Amortization pool and decreases in investments in the WV Money Market, WV Bank and Loan pools. These decreases were partially offset by increases in investments in the WV Government Money Market and WV Short Term Bond pools.

In August 2011, the security held in the Loss Amortization Pool matured and the pool was closed. The proceeds from the maturity were transferred to the State Participation Account in the WV Money Market Pool (see Note 1 to the audited financial statements). Although this initially increased the balance of the WV Money Market Pool, the balance of general state agency investments in the pool declined through the year as agencies drew against their invested funds or transferred funds to higher yielding investments. The WV Money Market Pool ended the year down by approximately \$231.8 million from the prior year. The State Loan Pool and WV Bank Pool also experienced decreases in their balances. Loans to the WV Economic Development Authority decreased during the year by approximately \$25 million as they

continue to pay down their loan balances. The WV Bank Pool was down from the prior year by approximately \$7.5 million as bank participation in the program decreased due to other lower cost sources of funds that are available to banks. The decreases in the WV Money Market, State Loan and WV Bank pools were moderated by increases in other investment pools.

During the year, the WV Short Term Bond and the WV Government Money Market pools experienced increases in their balances. The WV Short Term Bond Pool increased by \$28.1 million as state agencies sought a rate of return higher than that available in the WV Money Market Pool. Local governments and state agency trusts increased their investments in the WV Government Money Market Pool by \$37.1 million over the course of fiscal year 2012. The WV Government Money Market pool attracts investors that have contractual or statutory investment restrictions that limit investments to securities issued or guaranteed by the U.S. government.

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 increased \$135.6 million or 1,024% from the prior year. Nearly the entire amount of this increase was related to new investments made by the Municipal Bond Commission in their account totaling \$135.1 million, net of maturities. The net assets of the School Fund and West Virginia Economic Development Authority accounts increased during the year by approximately \$0.3 million in total.

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, 2012 and 2011 (in thousands).

	Year Ended June 30,	
	2012	2011
Additions		
Net investment income	\$ 10,059	\$ 23,930
Net realized (loss) gain	(12)	6,527
Net decrease in fair value of investments	(1,946)	(11,329)
Unit purchases and contributions	11,161,335	10,618,371
Total additions	11,169,436	10,637,499
Deductions		
Distributions	8,748	22,791
Unit redemptions and withdrawals	11,413,194	10,367,731
Total deductions	11,421,942	10,390,522
Change in net assets	(252,506)	246,977
Net assets at beginning of year	4,172,183	3,925,206
Net assets at end of year	\$ 3,919,677	\$ 4,172,183

Net investment income for the Consolidated Fund decreased by 58% from the prior fiscal year. Declines in net investment income were experienced by all pools except for the Municipal Bond Commission and West Virginia Economic Development Authority accounts. More than half of the \$13.9 million decrease was directly attributable to the closing of the Loss Amortization Pool. The remaining decrease resulted from lower short-term yields on the declining net assets during fiscal year 2012.

The lone holding of the Loss Amortization pool was a U.S. Treasury Principal Strip. Strips are zero-coupon bonds whose sole source of income, apart from changes in market value, is derived from the accretion of the discount from face value at time of purchase. With the maturity of the Strip in August, 2011, accretion income fell by \$6.5 million from fiscal year 2011.

Fiscal year 2012 was another challenging year in the fixed income and money markets. Over the course of the year the markets experienced the U.S. Congressional debates on the Federal government debt ceiling, the downgrade of the United States' credit rating by Standard and Poor's, the continued concerns over debt levels of peripheral European countries, increasing concerns regarding the health of European banks, and a softening world economy. The Federal Reserve maintained short-term interest rates in the 0 to 25 basis point range and has committed to keeping rates at these levels until at least late 2014. In this environment, pool yields fell during the year, resulting in a decrease in net investment income. Against this backdrop, the WV Money Market Pool experienced a decrease of \$2.1 million in investment income from fiscal year 2011. A part of this decline is attributable to the \$231.8 million decrease in net assets of the pool, but a majority of it is related to the decline in yields in the short end of the yield curve during 2012 and a shortening of the weighted average maturity of the pool. The pool was managed with a majority of the credit exposure inside three months, with U.S. Treasuries and Agencies used for longer duration purchases. Exposure to European bank credits were kept short and limited to healthier banks in the core European countries (e.g. Germany, United Kingdom, and the Netherlands). The weighted average maturity of the pool was in the mid to low 40's for the year, reflecting investment managers' preferences for mostly shorter credit exposure and maintaining a high liquidity position.

While the WV Government Money Market Pool experienced an increase in net assets, this could not overcome the low yields available on government securities. Net assets were up by \$37.1 million but net investment income was down by \$0.2 million. The pool maintained a slightly longer weighted average maturity over the year as compared to the WV Money Market Pool, staying between 45 to 55 days. The investment manager kept the weighted average maturity in this range in an effort to lock in higher interest rates further out the curve. The language from the Federal Reserve regarding their short-term rate policy helped keep rates at the short end of the yield curve relatively flat for the year. A higher balance of repos, representing 30% to 40% of the pool at times, was also utilized to take advantage of movements in overnight rates. At times during the year, overnight repos had higher yields than some shorter-term Treasuries in the one month to one year maturity range.

Net investment income for the WV Short Term Bond Pool fell \$3.0 million from the prior fiscal year. The pool also experienced an increase in net assets, rising \$28.1 million over the year, but this was not enough to overcome the flat interest rate environment. During fiscal year 2011, the investment manager shortened the duration of the pool in anticipation of rising interest rates. Fixed rate securities were sold off and replaced with floating rate corporate debt, floating rate U.S. agency mortgage-backed securities and floating rate asset-backed securities. Base rates for the floating rate securities, typically 1-month or 3-month U.S. Dollar LIBOR, began the fiscal year well below fiscal year 2011 levels before recovering to end the year relatively flat. Overall, however, interest income for the year was down by almost \$3.3 million. An increase in amortization/accretion income of \$0.3 million offset some of the decline in interest income.

The State Loan Pool experienced a \$1.9 million decrease in net investment income due to the rate on the WV Revolving Loan program falling from 2.17% in fiscal year 2011 to 1.17% in fiscal year 2012. Declines in the balance of the WV Revolving Loan program and additional write-downs on the WV Non-Recourse Loan also contributed to the decline in income for the pool. See Note 6 to the audited financial statements for more information on the loan programs of the State Loan Pool. The remaining \$0.2 million decrease in net investment income is attributable to declines in the income for the WV Reserve Pool and the WV Bank Pool.

Realized gains in the Consolidated Fund declined by \$6.5 million from fiscal year 2011. The realized gains from fiscal year 2011 were primarily due to the sale of securities in the WV Short Term Bond Pool as the manager repositioned holdings in the pool to reduce duration in anticipation of increases in interest rates. There were no significant sales of investments during the year and those that were sold realized minimal losses.

The fair value of investments decreased by \$1.9 million due to declines in the value of securities held in the WV Short Term Bond Pool and the closing of the Loss Amortization Pool. Fair value of investments in the WV Short Term Bond Pool alone fell by \$1.3 million. Yield spreads on corporate and asset-backed bonds widened during the year, resulting in price declines relative to last fiscal year. The pool also continued to hold several asset-backed securities whose ratings had previously fallen out of compliance with the Investment Policy and Code during the financial meltdown. Values on several of these holdings were down sharply for the year, reflecting the weakening economy. BTI management and Federated Investors monitor these securities on an ongoing basis. Federated has continued to maintain the position to "hold" the securities as opposed to liquidating them in a "fire sale." The fair value of investments in the Loss Amortization Pool fell by \$0.9 million as the lone holding in the pool matured. These decreases in fair value were offset by a \$0.3 million increase in the fair value of investments in the EDA-AW Account. This account is invested in a Treasury issue which experienced an increase in fair value as Treasury yields plummeted during the year.

Unit purchases and contributions to the Consolidated Fund increased nearly \$543 million from the previous fiscal year, while unit redemptions and withdrawals to participants increased nearly \$1,045.5 million.

Economic Factors

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

Concerns over debt levels in peripheral European countries captured most of the market's attention over the past fiscal year. As concerns moved from Greece to larger countries such as Italy and Spain, European policymakers were forced to intervene once again. The European Central Bank instituted a three-year loan facility whereby banks could borrow against collateral on their balance sheets. This was meant to help ensure that European banks had access to short-term funding. The program was viewed favorably by the market and alleviated some immediate fears about the ability of European banks to roll over short-term funding in the marketplace. Still, the first half of 2012 saw a further deterioration in the economic outlook for many European Union countries, due in part to austerity measures meant to curb high debt levels.

U.S. economic growth during the year was mixed, with continued signs of weakness present throughout the economy. Real GDP during the fourth quarter of 2011 increased to 3.0%, but that was the only quarter to post above 2% growth over the past fiscal year, demonstrating the sluggishness of the current economic recovery. To help stimulate the economy and ensure that interest rates, especially long-term rates, remained low, the Federal Reserve conducted another round of quantitative easing and also a new "Twist" operation which had the Fed selling shorter term Treasuries in favor of purchasing longer dated Treasuries. The Federal Reserve also extended its short term rate policy of maintaining the federal funds target rate between 0% - 0.25% from mid-2013 to late-2014.

Looking forward, finding attractive yields in relatively safe assets will continue to be a challenge for some time to come. The Federal Reserve has said it will keep short term interest rates near zero through the end of 2014, and is likely to implement further quantitative easing if the unemployment rate remains above 8%. The potential for additional quantitative easing, the demand in an investor community desperate for yield and a large amount of un-invested cash are likely to keep high-quality spread products in sectors such as corporates, mortgage-backed securities and asset-backed securities well-bid in the coming months.

In 2012, West Virginia experienced its fifth consecutive year with a budget surplus. The budget surplus was smaller in fiscal year 2012, falling from \$330 million in 2011 to nearly \$100 million in 2012. While West Virginia continues to be one of the few states to experience a budget surplus, future budget years are likely to prove challenging. The major keys to both West Virginia economic growth and fiscal health over the past three years were a strong energy sector with higher coal prices and higher natural gas production and growing foreign exports of both manufactured goods and steam and metallurgical coal. However, record natural gas production has resulted in both significantly lower natural gas prices and significant competition for domestic steam coal. A very slow-growing national economy in combination with slower worldwide economic growth poses significant challenges for both coal markets and export markets. Coal production is falling and export trade is slowing. In addition, another important sector of the State's economy, the gaming sector, is facing new competition from the State of Ohio. Overall growth rates for personal income and gross state product are anticipated to slow significantly from the higher than average growth rates of the past two years. State revenue growth is anticipated to be minimal in this environment. Flat or declining state revenues could result in decreases in assets under management as the state draws against invested funds to meet cash needs.

Requests for Information

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

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

June 30, 2012

(In Thousands)

Assets	
Current assets:	
Cash	\$ 563
Receivables	<u>443</u>
Total current assets	1,006
Noncurrent assets:	
Capital assets, net of accumulated depreciation	<u>7</u>
Total assets	<u>1,013</u>
 Liabilities	
Current liabilities:	
Accounts payable	<u>478</u>
Total liabilities	<u>478</u>
 Net assets	
Invested in capital assets	7
Unrestricted	<u>528</u>
Total net assets	<u><u>\$ 535</u></u>

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, 2012

(In Thousands)

Operating revenues	
Management services	\$ 1,004
Advisor services	1,420
Custodian services	<u>141</u>
Total operating revenues	2,565
 Operating expenses	
Advisor fees	1,420
Management fees	647
Professional service fees	212
Fiduciary bond	155
Custodian fees	141
General and administrative	214
Depreciation	<u>2</u>
Total operating expenses	<u>2,791</u>
 Operating loss	 <u>(226)</u>
 Change in net assets	 (226)
Net assets at beginning of period	<u>761</u>
Net assets at end of period	<u><u>\$ 535</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, 2012

(In Thousands)

Cash flows from operating activities	
Cash received for services	\$ 2,570
Payments to vendors	<u>(2,732)</u>
Net cash used for operating activities	<u>(162)</u>
 Cash flows from capital and related financing activities	
Purchase of capital equipment	<u>(3)</u>
Total cash used for capital and related financing activities	<u>(3)</u>
 Cash at beginning of period	 <u>728</u>
Cash at end of period	<u>\$ 563</u>
 Reconciliation of operating loss to net cash used for operating activities	
Operating loss	\$ (226)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation	2
Changes in assets and liabilities:	
Receivables	5
Accounts payable	<u>57</u>
Net cash used for operating activities	<u>\$ (162)</u>

See accompanying notes to financial statements

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

June 30, 2012

(In Thousands)

Assets	
Investments:	
At amortized cost	\$3,409,974
At fair value	<u>507,271</u>
Total investments	3,917,245
Receivables:	
Accrued interest	3,249
Dividends	<u>41</u>
Total receivables	<u>3,290</u>
Total assets	3,920,535
 Liabilities	
Accrued expenses	443
Dividends payable	<u>415</u>
Total liabilities	<u>858</u>
 Net Assets	
Held in trust for investment pool participants	3,770,839
Held in trust for individual investment account holders	<u>148,838</u>
Total net assets	<u><u>\$3,919,677</u></u>

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, 2012

(In Thousands)

Additions	
Investment income:	
Interest	\$ 17,094
Dividends	461
Net amortization	(3,986)
Provision for uncollectible loans	<u>(945)</u>
Total investment income	12,624
Investment expenses:	
Investment advisor fees	1,420
Custodian bank fees	141
Administrative fees	<u>1,004</u>
Total investment expenses	<u>2,565</u>
Net investment income	10,059
Net realized loss from investments	(12)
Net decrease in fair value of investments	<u>(1,946)</u>
Net increase in net assets from operations	8,101
Participant transaction additions:	
Purchase of pool units by participants	10,994,105
Reinvestment of pool distributions	10,918
Contributions to individual investment accounts	<u>156,312</u>
Total participant transaction additions	<u>11,161,335</u>
Total additions	11,169,436
Deductions	
Distributions to pool participants:	
Net investment income	8,862
Net realized loss from investments	<u>(114)</u>
Total distributions to pool participants	8,748
Participant transaction deductions:	
Redemption of pool units by participants	11,391,935
Withdrawals from individual investment accounts	<u>21,259</u>
Total participant transaction deductions	<u>11,413,194</u>
Total deductions	<u>11,421,942</u>
Change in net assets	(252,506)
Net assets at beginning of period	<u>4,172,183</u>
Net assets at end of period	<u><u>\$3,919,677</u></u>

See accompanying notes to financial statements

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West Virginia Board of Treasury Investments

Notes to Financial Statements

June 30, 2012

1. Organization and Operations

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

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

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

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

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

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

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

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

Loss Amortization – This pool was closed during the fiscal year. It had been created to account for those participant claims on the general operating funds of the State that exceeded the underlying assets of the other pools. This excess of participant claims on net assets over underlying assets occurred as a result of the distribution of earnings to participants in various State investment pools, principally the Unrestricted Pool (predecessor to the WV Money Market Pool), in excess of the true investment income experience of the pools, principally in 1987 and 1988. On August 15, 2011, the US Treasury Principal Strip held in the pool matured. At maturity, the proceeds from the investment, approximately \$188,557,000, were transferred to the State Participation Account in the WV Money Market Pool in satisfaction of the amounts provided from general operating funds of the State.

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

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

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

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

2. Significant Accounting Policies

Basis of Accounting

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

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

Budgetary Information

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

Cash Equivalents

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

Capital Assets

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

Wages, Compensated Absences, Retirement Plan and Other Postemployment Benefits

The BTI has no employees. The State Treasurer's Office provides administrative and management services to the BTI. As a result, the BTI does not accrue for compensated absences and other

postemployment benefits or directly contributes to the state retirement plan. Management services provided are recorded as management fees paid to the State Treasurer's Office.

Income Taxes

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

Revenues and expenses – Proprietary fund

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

Net Assets – Proprietary fund

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

Use of Estimates

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

Investment Accounting

Investment Valuation The BTI is an investment vehicle of the State and its component units, all of which are government entities. The investments of the WV Money Market, WV Government Money Market, WV Bank, Loan, Reserve, and Municipal Bond Commission pools or accounts are carried at amortized cost, as permissible under Government Accounting Standards Board ("GASB") Statement Number 31, as amended by GASB Statement Number 59. The WV Money Market and WV Government Money Market pools are considered "2a7-like" investment pools and, as such, are reported at amortized cost, which approximates fair value. A 2a7-like pool operates in conformity with the Securities and Exchange Commission (the "SEC") Rule 2a7 of the Investment Company Act of 1940, which allows money market mutual funds to use amortized cost to report net assets. A pool must satisfy all SEC requirements of Rule 2a7 to qualify as a 2a7-like pool. A 2a7-like pool is not necessarily registered with the SEC as an investment company, but it would qualify as a money market fund should it be registered. The specific exceptions to fair value reporting for the other pools as defined in professional standards are as follows:

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

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

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

Securities Lending The BTI closed its securities lending program in July 2011. The BTI does not believe the increased risk of a securities lending program justifies its continuing participation in the program. Since fiscal year 2009, the BTI wound down its securities lending program in a controlled withdrawal from the program to reduce risk and minimize losses. This strategy allowed the BTI to incorporate a more conservative collateral reinvestment policy, cap the program at a more manageable level, and raise cash for liquidity. In July 2011, the BTI directed its securities lending agent, Clearlend Securities (a division of Wells Fargo), to liquidate the collateral reinvestment pool and recall all loans with the securities lending program. The BTI was required to fund the difference between the sale proceeds and the amount of cash collateral received from the borrowers. The realized loss on the transaction was \$215,000 for the year ended June 30, 2012. In planning for the exit from securities lending activities, the BTI had approximately \$1.7 million of reserves set aside to cover potential losses from the securities lending program.

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, 2012, the Loan Pool had an allowance for uncollectible loans of \$18,615,620.

Distributions to Participants The net income of the WV Money Market and WV Government Money Market Pools are declared as dividends and distributed daily to the participants based upon their pro rata participation in the pools. The distributions of net investment income are credited to the participants' accounts in the form of dividend reinvestments in the pool and have been included in distributions to participants and reinvestment of distributions as presented on the Statement of Changes in Fiduciary Net 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 State Participation Account which represents invested cash of the state not specifically allocated to individual agencies.

The net income of the Loan Pool is determined monthly and distributed to the participant on the last day of the month. Distributions are paid in the form of reinvestments in the pool and have been included in distributions to participants and reinvestment of distributions as presented on the Statement of Changes in Fiduciary Net 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 proprietary fund pays all expenses on behalf of the pools and is subsequently reimbursed by the pools.

3. Cash and Cash Equivalents

The internal service fund's cash on deposit with the State Treasurer's Office was approximately \$563,000 at June 30, 2012. 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, 2012.

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

4. Investments and deposits

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

Credit Risk

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

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

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

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
Commercial paper	P-1	A-1	\$ 853,470	30.62%
Corporate bonds and notes	Aa2	AA-	15,000	0.54
	Aa3	AA-	13,000	0.47
	Aa3	A+	8,000	0.29
Total corporate bonds and notes			36,000	1.30
U.S. agency bonds	Aaa	AA+	189,691	6.80
U.S. Treasury notes *	Aaa	AA+	330,865	11.87
U.S. Treasury bills *	Aaa	AA+	237,978	8.54
Negotiable certificates of deposit	P-1	A-1	110,000	3.95
U.S. agency discount notes	P-1	A-1+	738,706	26.50
Money market funds	Aaa	AAAm	200,054	7.18
Repurchase agreements (underlying securities):				
U.S. Treasury notes *	Aaa	AAA	90,204	3.24
			<u>\$ 2,786,968</u>	<u>100.00%</u>

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

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

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
U.S. agency bonds	Aaa	AA+	\$ 23,004	7.68%
U.S. Treasury notes *	Aaa	AA+	103,324	34.48
U.S. Treasury bills *	Aaa	AA+	4,999	1.67
U.S. agency discount notes	P-1	A-1+	76,397	25.50
Money market funds	Aaa	AAAm	5	0.00
Repurchase agreements (underlying securities):				
U.S. Treasury notes	Aaa	AAA	46,900	15.65
U.S. agency notes	Aaa	AAA	45,000	15.02
Total repurchase agreements			91,900	30.67
			<u>\$ 299,629</u>	<u>100.00%</u>

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

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

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

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets	
	Moody's	S&P			
Corporate asset backed securities	Aaa	AAA	\$ 95,628	18.99%	
		Aaa	NR*	38,524	7.64
		NR	AA+	3,900	0.77
	**	B1	CCC	896	0.18
	**	B3	BB	311	0.06
	**	B3	BBB-	53	0.01
	**	B3	CCC	280	0.06
	**	Caa2	CCC	186	0.04
	**	Caa3	CCC	243	0.05
	**	Caa3	D	26	0.01
	**	Ca	CCC	586	0.12
	NR	NR	3,786	0.75	
Total corporate asset backed securities			144,419	28.68	
Corporate bonds and notes	Aa2	AA+	9,025	1.79	
	Aa3	AA-	15,666	3.11	
	Aa3	A	23,032	4.57	
	A1	AA	12,145	2.41	
	A1	A+	30,684	6.09	
	A2	A	39,064	7.76	
	A3	A-	7,755	1.54	
	A3	BBB+	3,006	0.60	
	Baa1	A-	4,162	0.83	
	Baa2	A-	6,709	1.33	
Total corporate bonds and notes			151,248	30.03	
U.S. agency bonds	Aaa	AA+	45,024	8.94	
U.S. Treasury notes ***	Aaa	AA+	44,251	8.79	
U.S. agency mortgage backed securities ****	Aaa	AA+	77,065	15.30	
Money market funds	Aaa	AAAm	41,610	8.26	
			<u>\$ 503,617</u>	<u>100.00%</u>	

* NR = Not Rated

** These securities were not in compliance with BTI Investment Policy at June 30, 2012. The securities were in compliance when originally acquired, but were subsequently downgraded. BTI management and its investment advisors have determined that it is in the best interests of the participants to hold the securities for optimal outcome.

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

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

The Loan Pool is composed of loans made by the State. The pool holds intergovernmental loans and an investment in a money market mutual fund of approximately \$60,000. The mutual fund is rated AAAM by Standard & Poor's and Aaa by Moody's. The loans are not rated; however, because there is the potential for defaults on the loans, the pool is subject to credit risk related to the loans. The BTI addresses this credit risk by establishing and regularly evaluating a reserve for uncollectible loans.

The School Fund Account holds only an interest in a money market mutual fund valued at approximately \$1,555,000. The mutual fund is rated AAAM by Standard & Poor's and Aaa by Moody's. The BTI does not have a policy specifically addressing credit risk in the School Fund Account.

Interest Rate Risk

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

The overall weighted average maturity of the investments of the WV Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 731 days. The following table provides information on the weighted average maturities for the various asset types in the WV Money Market Pool:

Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 90,204	3
U.S. Treasury notes	330,865	122
U.S. Treasury bills	237,978	37
Commercial paper	853,470	35
Certificates of deposit	110,000	10
U.S. agency discount notes	738,706	44
Corporate bonds and notes	36,000	48
U.S. agency bonds and notes	189,691	68
Money market funds	200,054	1
	\$ 2,786,968	46

The overall weighted average maturity of the investments of the WV Government Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase, except for government floating rate notes, which can be up to 731 days. The following table provides information on the weighted average maturities for the various asset types in the WV Government Money Market Pool:

Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 91,900	3
U.S. Treasury notes	103,324	111
U.S. Treasury bills	4,999	62
U.S. agency discount notes	76,397	52
U.S. agency bonds and notes	23,004	9
Money market funds	5	1
	<u>\$ 299,629</u>	54

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

Security Type	Carrying Value (In Thousands)	Effective Duration (Days)
U.S. Treasury bonds and notes	\$ 44,251	366
Corporate notes	151,248	242
Corporate asset backed securities	144,419	250
U.S. agency bonds and notes	45,024	23
U.S. agency mortgage backed securities	77,065	13
Money market funds	41,610	1
	<u>\$ 503,617</u>	180

The West Virginia Bank Pool holds nonnegotiable certificates of deposit totaling \$52,500,000 with maturity dates ranging from October 2012 to March 2013. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in this pool arising from increasing interest rates.

The Loan Pool holds an interest in a money market mutual fund in the amount of approximately \$60,000 with a weighted average maturity of one day. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in this pool arising from increasing interest rates.

The Reserve Pool maintains funds totaling approximately \$19,034,000 in a bank depository account. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in this pool arising from increasing interest rates.

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

Security Type	Carrying Value (In Thousands)	WAM (Days)
U.S. Treasury strips	\$ 2,909	683
U.S. Treasury bonds and notes	4,508	1,821
State and local government securities	137,688	614
	\$ 145,105	653

The School Fund Account holds only an interest in a money market mutual fund valued at approximately \$1,555,000 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 \$2,099,000 that matures August 15, 2023. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in this pool arising from increasing interest rates.

Other Risks of Investing

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

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

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

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

Deposits

Custodial credit risk of deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits include nonnegotiable certificates of deposit. The WV Bank Pool contains nonnegotiable certificates of deposit valued at \$52,500,000. The Reserve Pool

contains funds totaling approximately \$19,034,000 in a bank depository account. The BTI does not have a deposit policy for custodial credit risk.

5. Capital Assets

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

	June 30, 2011	Increases	Decreases	June 30, 2012
Equipment, at cost	\$ 38	\$ 3	\$ (6)	\$ 35
Accumulated depreciation	(32)	(2)	6	(28)
Equipment, net of accumulated depreciation	<u>\$ 6</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 7</u>

6. Related Party Transactions

Intergovernmental Investments

The BTI is required by law to enter into certain investment transactions with other state entities. At June 30, 2012, the BTI's intergovernmental investments, which are assets of the Loan Pool, included the following:

- a. The "WVEDA Revolving Loan" is an obligation of the West Virginia Economic Development Authority (WVEDA). The terms of the loan program require the BTI to make available on a revolving basis up to \$175,000,000 for the WVEDA to use to fund economic development initiatives. The interest rate is reset on July 1 of each year and is based on the twelve month return of the WV Money Market Pool. The rate for the year ending June 30, 2012, was 1.17%. The rate has a 1% annual adjustment cap. The WVEDA makes monthly principal and interest payments calculated on a 120-month amortization of the outstanding balance. At June 30, 2012, the outstanding balance was \$100,425,076.
- b. The "WVEDA Non-recourse Loan" represents an obligation of the WVEDA. The BTI assumed the loan as of July 8, 2005. The loan was originally entered into with the West Virginia Investment Management Board on April 9, 2002. The terms of the loan allow for the WVEDA to borrow up to \$25,000,000 from the BTI through June 29, 2012. As of March 2010, the WVEDA had borrowed the maximum amount. The funds borrowed by the WVEDA are to be loaned, without recourse, to the West Virginia Enterprise Advancement Corporation (WVEAC), for investment in the West Virginia Enterprise Capital Fund, to fund certain venture capital initiatives. The loan earns interest at 3%, which is fixed for the term of the loan. The WVEDA is required to make annual principal payments of \$10,000 plus accrued interest for the first ten years. However, in the event the WVEDA has not received any returns from the investment with the WVEAC, these payments may be deferred through June 30, 2012. Beginning June 30, 2013, the WVEDA 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, 2012, \$24,862,000 of principal was outstanding.

Because of the uncertain collectability of this loan, the BTI has elected to recognize income when the cash is received. Additionally, a valuation reserve of \$18,615,620 has been accrued at June 30, 2012.

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

Fiscal Year 2008 interest deferred	\$ 290,672
Fiscal Year 2009 interest deferred	657,953
Fiscal Year 2010 interest deferred	702,859
Fiscal Year 2011 interest deferred	747,600
Fiscal Year 2012 interest deferred	<u>747,110</u>
Total interest deferred	<u>\$ 3,146,194</u>

Interpool Investments

Reserve Pool assets totaling \$17,127,000 have been redeemed from the Reserve Pool and invested in the WV Short Term Bond Pool. These assets and the Reserve Pool assets of \$19,041,000 provide \$36,168,000 to support unit net asset values in the WV Money Market Pool and the WV Government Money Market Pool.

Transactions with State Treasurer’s Office

The State Treasurer’s Office provides various services to the BTI, some of which are reimbursed by the BTI, and others of which the Treasurer provides at no cost to the BTI. During the year ended June 30, 2012, the BTI reimbursed the Treasurer’s Office \$615,000 for services, which includes \$596,000 for management services provided by Treasurer’s Office employees. As of June 30, 2012, the BTI had a payable to the Treasurer’s Office totaling \$56,000, of which \$52,000 was 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; and natural disasters.

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

8. Effect of New Accounting Pronouncements

The GASB has issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The Statement also amends net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2011. BTI Management has not determined the effect, if any, this statement will have on its financial statements.

The GASB has issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources (expenses or expenditures) or inflows of resources (revenues), certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. BTI Management has not determined the effect, if any, this statement will have on its financial statements.

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

June 30, 2012

(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	\$ 2,786,968	\$ 299,629	\$ -	\$ 52,507	\$ -
At fair value	-	-	503,617	-	-
Receivables:					
Accrued interest	1,325	452	1,212	84	-
Dividends	31	-	3	-	-
Total receivables	<u>1,356</u>	<u>452</u>	<u>1,215</u>	<u>84</u>	<u>-</u>
Total assets	<u>2,788,324</u>	<u>300,081</u>	<u>504,832</u>	<u>52,591</u>	<u>-</u>
Liabilities					
Accrued expenses	280	34	125	1	-
Dividends payable	-	-	415	-	-
Total liabilities	<u>280</u>	<u>34</u>	<u>540</u>	<u>1</u>	<u>-</u>
Net Assets					
Held in trust for investment pool participants	2,788,044	300,047	504,292	52,590	-
Held in trust for individual investment account holders	-	-	-	-	-
Total net assets	<u>\$ 2,788,044</u>	<u>\$ 300,047</u>	<u>\$ 504,292</u>	<u>\$ 52,590</u>	<u>\$ -</u>

* The Loss Amortization Pool was closed in August 2011

See accompanying notes to financial statements.

<u>Loan Pool</u>	<u>Reserve Pool</u>	<u>Municipal Bond Commission Account</u>	<u>School Fund Account</u>	<u>Economic Development Authority - American Woodmark Account</u>	<u>Total</u>
\$ 106,731	\$ 19,034	\$ 145,105	\$ -	\$ -	\$3,409,974
-	-	-	1,555	2,099	507,271
96	-	45	-	35	3,249
-	7	-	-	-	41
<u>96</u>	<u>7</u>	<u>45</u>	<u>-</u>	<u>35</u>	<u>3,290</u>
106,827	19,041	145,150	1,555	2,134	3,920,535
2	-	-	-	1	443
-	-	-	-	-	415
<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>858</u>
106,825	19,041	-	-	-	3,770,839
-	-	145,150	1,555	2,133	148,838
<u>\$ 106,825</u>	<u>\$ 19,041</u>	<u>\$ 145,150</u>	<u>\$ 1,555</u>	<u>\$ 2,133</u>	<u>\$3,919,677</u>

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

For the Year Ended June 30, 2012

(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	\$ 6,708	\$ 1,306	\$ 6,642	\$ 154	\$ -
Dividends	346	-	39	-	-
Net (amortization) accretion	(1,944)	(928)	(1,895)	-	937
Provision for uncollectible loans	-	-	-	-	-
Total investment income	<u>5,110</u>	<u>378</u>	<u>4,786</u>	<u>154</u>	<u>937</u>
Investment expenses:					
Investment advisor fees	871	107	442	-	-
Custodian bank fees	101	18	22	-	-
Administrative fees	764	77	117	12	-
Total investment expenses	<u>1,736</u>	<u>202</u>	<u>581</u>	<u>12</u>	<u>-</u>
Net investment income	3,374	176	4,205	142	937
Net realized gain (loss) from investments	2	1	(15)	-	-
Net (decrease) increase in fair value of investments	-	-	(1,298)	-	(924)
Net increase in net assets from operations	3,376	177	2,892	142	13
Participant transaction additions:					
Purchase of pool units by participants	10,099,676	825,475	67,414	-	-
Reinvestment of pool distributions	3,376	177	5,935	142	-
Contributions to individual investment accounts	-	-	-	-	-
Total participant transaction additions	<u>10,103,052</u>	<u>825,652</u>	<u>73,349</u>	<u>142</u>	<u>-</u>
Total additions	10,106,428	825,829	76,241	284	13
Deductions					
Distributions to pool participants:					
Net investment income	3,374	176	4,205	142	-
Net realized gain (loss) from investments	2	1	(117)	-	-
Total distributions to pool participants	<u>3,376</u>	<u>177</u>	<u>4,088</u>	<u>142</u>	<u>-</u>
Participant transaction deductions:					
Redemption of pool units by participants	10,342,505	788,503	44,048	-	188,557
Withdrawals from individual investment accounts	-	-	-	-	-
Total participant transaction deductions	<u>10,342,505</u>	<u>788,503</u>	<u>44,048</u>	<u>-</u>	<u>188,557</u>
Total deductions	<u>10,345,881</u>	<u>788,680</u>	<u>48,136</u>	<u>142</u>	<u>188,557</u>
Net (decrease) increase in net assets from operations	(239,453)	37,149	28,105	142	(188,544)
Inter-pool transfers in	100,119	-	-	92,500	-
Inter-pool transfers out	(92,500)	-	-	(100,119)	-
Net inter-pool transfers in (out)	<u>7,619</u>	<u>-</u>	<u>-</u>	<u>(7,619)</u>	<u>-</u>
Change in net assets	(231,834)	37,149	28,105	(7,477)	(188,544)
Net assets at beginning of period	<u>3,019,878</u>	<u>262,898</u>	<u>476,187</u>	<u>60,067</u>	<u>188,544</u>
Net assets at end of period	<u>\$ 2,788,044</u>	<u>\$ 300,047</u>	<u>\$ 504,292</u>	<u>\$ 52,590</u>	<u>\$ -</u>

* The Loss Amortization Pool was closed in August 2011

See accompanying notes to financial statements.

<u>Loan Pool</u>	<u>Reserve Pool</u>	<u>Municipal Bond Commission Account</u>	<u>School Fund Account</u>	<u>Economic Development Authority - American Woodmark Account</u>	<u>Total</u>
\$ 1,863	\$ -	\$ 330	\$ -	\$ 91	\$ 17,094
-	76	-	-	-	461
-	-	(145)	-	(11)	(3,986)
<u>(945)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(945)</u>
918	76	185	-	80	12,624
-	-	-	-	-	1,420
-	-	-	-	-	141
<u>29</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>1</u>	<u>1,004</u>
<u>29</u>	<u>-</u>	<u>4</u>	<u>-</u>	<u>1</u>	<u>2,565</u>
889	76	181	-	79	10,059
-	-	-	-	-	(12)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>276</u>	<u>(1,946)</u>
889	76	181	-	355	8,101
1,539	1	-	-	-	10,994,105
1,212	76	-	-	-	10,918
-	-	155,747	565	-	156,312
<u>2,751</u>	<u>77</u>	<u>155,747</u>	<u>565</u>	<u>-</u>	<u>11,161,335</u>
3,640	153	155,928	565	355	11,169,436
889	76	-	-	-	8,862
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(114)</u>
889	76	-	-	-	8,748
28,107	215	-	-	-	11,391,935
<u>-</u>	<u>-</u>	<u>20,775</u>	<u>395</u>	<u>89</u>	<u>21,259</u>
<u>28,107</u>	<u>215</u>	<u>20,775</u>	<u>395</u>	<u>89</u>	<u>11,413,194</u>
<u>28,996</u>	<u>291</u>	<u>20,775</u>	<u>395</u>	<u>89</u>	<u>11,421,942</u>
(25,356)	(138)	135,153	170	266	(252,506)
-	-	-	-	-	192,619
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(192,619)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(25,356)	(138)	135,153	170	266	(252,506)
<u>132,181</u>	<u>19,179</u>	<u>9,997</u>	<u>1,385</u>	<u>1,867</u>	<u>4,172,183</u>
<u>\$ 106,825</u>	<u>\$ 19,041</u>	<u>\$ 145,150</u>	<u>\$ 1,555</u>	<u>\$ 2,133</u>	<u>\$ 3,919,677</u>

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

WEST VIRGINIA MONEY MARKET POOL

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
United States Treasury Note		0.625 %	0.086 %	06/30/2012	25,000	\$ 25,000	\$ 25,000
United States Treasury Note		1.500	0.111	07/15/2012	20,000	20,010	20,009
United States Treasury Note		0.625	0.105	07/31/2012	25,000	25,010	25,010
United States Treasury Note		0.375	0.145	08/31/2012	26,000	26,010	26,011
United States Treasury Note		1.375	0.110	09/15/2012	20,000	20,052	20,051
United States Treasury Note		0.375	0.143	09/30/2012	25,000	25,014	25,015
United States Treasury Note		1.375	0.150	10/15/2012	20,000	20,070	20,070
United States Treasury Note		0.375	0.171	10/31/2012	20,000	20,013	20,015
United States Treasury Note		3.875	0.166	10/31/2012	7,000	7,085	7,086
United States Treasury Note		1.375	0.173	11/15/2012	15,000	15,067	15,067
United States Treasury Note		0.500	0.192	11/30/2012	20,000	20,025	20,027
United States Treasury Note		1.125	0.173	12/15/2012	25,000	25,108	25,107
United States Treasury Note		0.625	0.160	12/31/2012	20,000	20,046	20,044
United States Treasury Note		1.375	0.183	02/15/2013	25,000	25,185	25,184
United States Treasury Note		0.625	0.192	02/28/2013	25,000	25,072	25,072
United States Treasury Note		1.375	0.208	03/15/2013	12,000	12,098	12,099
Total U. S. Treasury Issues	11.9%					330,865	330,867
<i>U. S. Government Agency Bonds</i>							
Federal Home Loan Bank		0.260 %	0.264 %	07/16/2012	14,000	14,000	14,001
Federal Home Loan Bank		0.175	<i>F</i> 0.175	07/19/2012	15,000	15,000	15,000
Federal Farm Credit Bank		0.300	<i>F</i> 0.280	07/23/2012	4,000	4,000	4,000
Federal Home Loan Bank		0.130	0.168	08/08/2012	4,000	4,000	4,000
Federal National Mortgage Assn		1.750	0.144	08/10/2012	25,000	25,042	25,042
Federal Home Loan Mort Corp		1.000	0.143	08/28/2012	7,000	7,009	7,009
Federal Home Loan Mort Corp		2.125	0.163	09/21/2012	11,000	11,047	11,048
Federal National Mortgage Assn		0.625	0.148	09/24/2012	10,000	10,011	10,012
Federal Home Loan Bank		0.140	0.148	09/25/2012	18,000	18,000	18,000
Federal Home Loan Bank		0.195	<i>F</i> 0.215	10/26/2012	10,000	9,999	10,002
Federal Home Loan Bank		0.160	0.174	11/13/2012	8,000	8,000	8,000
Federal National Mortgage Assn		4.750	0.179	11/19/2012	9,000	9,157	9,157
Federal Farm Credit Bank		0.150	0.194	02/06/2013	4,925	4,924	4,921
Federal Home Loan Bank		0.310	<i>F</i> 0.330	03/01/2013	4,000	3,999	4,004
Federal Home Loan Bank		0.280	<i>F</i> 0.280	03/26/2013	15,000	15,000	15,015
Federal Home Loan Bank		0.230	0.248	04/05/2013	6,000	5,999	5,999
Federal Home Loan Bank		0.230	0.233	04/26/2013	7,000	7,000	6,998
Federal Home Loan Mort Corp		0.189	<i>F</i> 0.168	05/03/2013	12,500	12,502	12,503
Federal Farm Credit Bank		0.209	<i>F</i> 0.184	08/01/2013	5,000	5,002	5,002
Total U. S. Government Agency Bonds	6.8%					189,691	189,713

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F – Floating rate note security.

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

See accompanying notes to financial statements.

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

WEST VIRGINIA MONEY MARKET POOL (Continued)							
<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Corporate Bonds</i>							
Svenska Handelsbanken AB		0.508 %	F	0.506 %	09/07/2012	13,000	12,998
JP Morgan Chase Bank		0.498	F	0.507	10/09/2012	8,000	8,000
Total Corporate Bonds	0.7%					21,000	20,998
<i>Short Term Issues</i>							
Deutsche Bank Securities Inc		0.150 %		0.150 %	07/02/2012	34,800	34,800
Merrill Lynch PFS Inc		0.140		0.140	07/02/2012	55,404	55,404
Federal Home Loan Mort Corp		0.000		0.081	07/02/2012	7,000	7,000
Federal National Mortgage Assn		0.000		0.152	07/02/2012	9,000	9,000
Variable Funding Capital		0.000		0.172	07/02/2012	15,000	15,000
Credit Suisse First Boston NY		0.300		0.200	07/05/2012	20,000	20,000
Federal Home Loan Bank		0.000		0.101	07/05/2012	28,000	28,000
Federal National Mortgage Assn		0.000		0.071	07/05/2012	28,000	28,000
Market Street Funding LLC		0.000		0.172	07/05/2012	10,166	10,166
Mizuho Corporate Bank		0.180		0.180	07/05/2012	20,000	20,000
Norinchukin Bank, NY		0.170		0.170	07/05/2012	30,000	30,000
Jupiter Securitization Co LLC		0.000		0.172	07/06/2012	11,400	11,400
Bryant Park Funding LLC		0.000		0.193	07/09/2012	20,000	19,999
Massachusetts Mutal Life Insurance		0.000		0.172	07/09/2012	10,000	10,000
Mizuho Corporate Bank		0.180		0.180	07/09/2012	10,000	10,000
Bank of Toykyo Mitsubishi UFJ		0.000		0.172	07/10/2012	44,000	43,998
Credit Suisse First Boston		0.000		0.294	07/10/2012	10,000	9,999
Jupiter Securitization Co LLC		0.000		0.203	07/10/2012	10,000	10,000
Federal Home Loan Bank		0.000		0.106	07/11/2012	81,310	81,308
Market Street Funding LLC		0.000		0.233	07/11/2012	15,000	14,999
Oversea-Chinese Banking Corp		0.000		0.254	07/11/2012	10,000	9,999
Salisbury Receivables Co LLC		0.000		0.203	07/11/2012	15,000	14,999
Sheffield Receivables		0.000		0.223	07/11/2012	15,000	14,999
Sheffield Receivables		0.000		0.223	07/12/2012	15,000	14,999
United States Treasury Bill		0.000		0.063	07/12/2012	35,000	34,999
Victory Receivables Corp		0.000		0.193	07/12/2012	15,000	14,999
Bank of Nova Scotia		0.000		0.137	07/13/2012	45,000	44,998
Federal Home Loan Bank		0.000		0.101	07/13/2012	45,000	44,999
Regency Markets No 1 LLC		0.000		0.223	07/13/2012	20,000	19,999
Chariot Funding LLC		0.000		0.183	07/16/2012	25,000	24,998
Gotham Funding Corp		0.000		0.213	07/16/2012	14,000	13,999
Variable Funding Capital		0.000		0.193	07/16/2012	10,000	9,999
Federal Home Loan Mort Corp		0.000		0.122	07/17/2012	10,000	9,999
Nestle Finance Intl. LTD		0.000		0.193	07/17/2012	15,000	14,999
Victory Receivables Corp		0.000		0.213	07/17/2012	15,000	14,999
Federal Home Loan Bank		0.000		0.117	07/18/2012	27,000	26,999
Oversea-Chinese Banking Corp		0.000		0.264	07/18/2012	13,000	12,998
Sumitomo Mitsui Banking Corp		0.350		0.350	07/19/2012	30,000	30,000
Toronto Dominion Holdings USA		0.000		0.172	07/19/2012	20,000	19,998
United States Treasury Bill		0.000		0.060	07/19/2012	55,000	54,998
Bryant Park Funding LLC		0.000		0.193	07/20/2012	15,000	14,999
Federal Home Loan Bank		0.000		0.085	07/20/2012	45,000	44,998
Regency Markets No 1 LLC		0.000		0.223	07/20/2012	10,000	9,999

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F – Floating rate note security.

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See accompanying notes to financial statements.

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

WEST VIRGINIA MONEY MARKET POOL (Continued)

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
Jupiter Securitization Co LLC	0.000	0.193	0.193	07/23/2012	13,000	12,999	12,999
Federal Home Loan Bank	0.000	0.117	0.117	07/25/2012	23,000	22,998	22,998
Gotham Funding Corp	0.000	0.223	0.223	07/25/2012	10,000	9,999	9,999
United States Treasury Bill	0.000	0.081	0.081	07/26/2012	50,000	49,997	49,997
Federal Home Loan Bank	0.000	0.122	0.122	07/27/2012	23,000	22,998	22,998
Federal Home Loan Bank	0.000	0.115	0.115	08/01/2012	45,000	44,996	44,996
Salisbury Receivables Co LLC	0.000	0.233	0.233	08/01/2012	15,000	14,997	14,997
Commonwealth Bank of Australia	0.000	0.178	0.178	08/02/2012	15,000	14,998	14,998
United States Treasury Bill	0.000	0.081	0.081	08/02/2012	10,000	9,999	9,999
Atlantis One Funding	0.000	0.264	0.264	08/06/2012	27,000	26,993	26,993
Fairway Finance Corp	0.000	0.193	0.193	08/06/2012	28,240	28,235	28,235
Federal Home Loan Mort Corp	0.000	0.122	0.122	08/06/2012	22,000	21,997	21,997
Thunder Bay Funding Inc	0.000	0.223	0.223	08/06/2012	15,000	14,997	14,997
National Australia Funding	0.000	0.203	0.203	08/07/2012	20,000	19,996	19,996
Federal Home Loan Bank	0.000	0.117	0.117	08/08/2012	15,000	14,998	14,998
Federal Home Loan Mort Corp	0.000	0.127	0.127	08/08/2012	25,000	24,997	24,997
Oversea-Chinese Banking Corp	0.000	0.213	0.213	08/08/2012	12,000	11,997	11,997
United States Treasury Bill	0.000	0.094	0.094	08/09/2012	40,000	39,996	39,996
Federal Home Loan Mort Corp	0.000	0.071	0.071	08/10/2012	14,000	13,999	13,999
Liberty Street Funding LLC	0.000	0.203	0.203	08/10/2012	15,000	14,997	14,997
UOB Funding LLC	0.000	0.203	0.203	08/10/2012	10,000	9,998	9,998
Federal Home Loan Bank	0.000	0.118	0.118	08/17/2012	30,000	29,996	29,996
Toyota Motor Credit Corp	0.000	0.203	0.203	08/17/2012	10,000	9,997	9,997
JP Morgan Chase & Co	0.000	0.203	0.203	08/20/2012	15,000	14,996	14,996
Liberty Street Funding LLC	0.000	0.193	0.193	08/20/2012	20,000	19,995	19,995
Caisse Centrale DesJardn	0.000	0.193	0.193	08/21/2012	15,000	14,996	14,996
Federal Home Loan Mort Corp	0.000	0.106	0.106	08/21/2012	20,000	19,997	19,997
Federal Home Loan Mort Corp	0.000	0.102	0.102	08/27/2012	43,000	42,993	42,997
DBS Bank LTD	0.000	0.244	0.244	08/28/2012	20,000	19,992	19,990
Federal Home Loan Bank	0.000	0.107	0.107	08/29/2012	30,000	29,995	29,998
United States Treasury Bill	0.000	0.139	0.139	08/30/2012	25,000	24,994	24,998
Federal Home Loan Bank	0.000	0.101	0.101	08/31/2012	29,000	28,995	28,998
Federal Home Loan Mort Corp	0.000	0.096	0.096	09/04/2012	13,000	12,998	12,998
PNC Bank NA	0.000	0.233	0.233	09/04/2012	20,000	19,992	19,993
Thunder Bay Funding Inc	0.000	0.203	0.203	09/04/2012	15,000	14,995	14,993
Commonwealth Bank of Australia	0.000	0.243	0.243	09/06/2012	10,000	9,996	9,996
United States Treasury Bill	0.000	0.077	0.077	09/06/2012	13,000	12,998	12,998
Coca-Cola Company	0.000	0.193	0.193	09/07/2012	26,850	26,841	26,841
Federal Home Loan Bank	0.000	0.127	0.127	09/07/2012	15,000	14,997	14,998
Rabobank USA Fin Corp	0.000	0.590	0.590	09/07/2012	15,000	14,984	14,984
State Street Bank & Trust	0.000	0.223	0.223	09/07/2012	15,000	14,994	14,995
Commonwealth Bank of Australia	0.000	0.243	0.243	09/10/2012	10,000	9,995	9,996
Coca-Cola Company	0.000	0.203	0.203	09/13/2012	10,000	9,996	9,997
Toronto Dominion Holdings USA	0.000	0.223	0.223	09/17/2012	10,000	9,995	9,996
Toyota Motor Credit Corp	0.000	0.406	0.406	09/24/2012	14,000	13,987	13,987
Federal Home Loan Mort Corp	0.000	0.101	0.101	09/26/2012	15,000	14,997	14,997
Federal National Mortgage Assn	0.000	0.132	0.132	10/01/2012	30,000	29,990	29,990

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F – Floating rate note security.

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See accompanying notes to financial statements.

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

WEST VIRGINIA MONEY MARKET POOL (Continued)							
<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
General Electric Capital Corp		0.000	0.294	10/09/2012	15,000	14,988	14,991
General Electric Capital Corp		0.000	0.355	10/15/2012	15,000	14,985	14,989
Westpac Trust Securities NZ		0.393	<i>F</i> 0.393	10/16/2012	15,000	15,000	15,000
Federal Home Loan Bank		0.000	0.183	10/17/2012	7,500	7,496	7,498
Federal Home Loan Bank		0.000	0.162	10/31/2012	30,000	29,984	29,991
United States Treasury Bill		0.000	0.152	11/15/2012	10,000	9,995	9,996
Federal Home Loan Bank		0.000	0.162	11/16/2012	15,000	14,991	14,994
Federal National Mortgage Assn		0.000	0.152	11/21/2012	14,000	13,992	13,994
UBS Select Prime Preferred Fund		0.170	**		200,000	200,000	200,000
Dreyfus Cash Management Institutional Fund		0.080	**		54	54	54
Total Short Term Issues	<u>80.6%</u>					<u>2,245,412</u>	<u>2,245,450</u>
Total Money Market Pool	<u>100.0%</u>					<u>\$ 2,786,968</u>	<u>\$ 2,787,028</u>

WEST VIRGINIA GOVERNMENT MONEY MARKET POOL							
<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
United States Treasury Note		0.625 %	0.086 %	06/30/2012	5,000	\$ 5,000	\$ 5,000
United States Treasury Note		0.625	0.105	07/31/2012	5,000	5,002	5,002
United States Treasury Note		4.625	0.153	07/31/2012	5,000	5,018	5,018
United States Treasury Note		1.750	0.142	08/15/2012	5,000	5,010	5,010
United States Treasury Note		4.375	0.130	08/15/2012	5,000	5,026	5,026
United States Treasury Note		0.375	0.162	08/31/2012	5,000	5,002	5,002
United States Treasury Note		1.375	0.110	09/15/2012	5,000	5,013	5,013
United States Treasury Note		0.375	0.145	09/30/2012	10,000	10,006	10,006
United States Treasury Note		1.375	0.151	10/15/2012	13,000	13,046	13,046
United States Treasury Note		0.375	0.149	10/31/2012	10,000	10,007	10,007
United States Treasury Note		1.375	0.168	11/15/2012	10,000	10,045	10,045
United States Treasury Note		0.500	0.192	11/30/2012	5,000	5,006	5,007
United States Treasury Note		1.125	0.178	12/15/2012	5,000	5,021	5,021
United States Treasury Note		1.375	0.214	01/15/2013	5,000	5,031	5,032
United States Treasury Note		2.875	0.196	01/31/2013	5,000	5,077	5,078
United States Treasury Note		0.625	0.187	02/28/2013	5,000	5,014	5,014
Total U. S. Treasury Issues	34.5%					103,324	103,327
<i>U. S. Government Agency Bonds</i>							
Federal National Mortgage Assn		0.235 %	<i>F</i> 0.094 %	07/26/2012	5,000	5,000	5,001
Federal Home Loan Bank		0.280	<i>F</i> 0.280	03/26/2013	3,000	3,000	3,003
Federal Home Loan Mort Corp		0.189	<i>F</i> 0.168	05/03/2013	5,000	5,001	5,001
Federal Home Loan Mort Corp		0.189	<i>F</i> 0.178	06/03/2013	5,000	5,001	5,001
Federal Farm Credit Bank		0.209	<i>F</i> 0.184	08/01/2013	5,000	5,002	5,002
Total U. S. Government Agency Bonds	7.7%					23,004	23,008

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See accompanying notes to financial statements.

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

WEST VIRGINIA GOVERNMENT MONEY MARKET POOL (Continued)

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Short Term Issues</i>							
Deutsche Bank Securities Inc		0.150 %	0.150 %	07/02/2012	46,900	46,900	46,900
Goldman, Sachs & Co		0.140	0.140	07/02/2012	45,000	45,000	45,000
Federal Home Loan Bank		0.000	0.112	07/05/2012	7,100	7,100	7,100
Federal National Mortgage Assn		0.000	0.122	07/11/2012	5,000	5,000	5,000
Federal National Mortgage Assn		0.000	0.122	07/16/2012	3,200	3,200	3,200
Federal National Mortgage Assn		0.000	0.122	07/18/2012	3,300	3,300	3,300
Federal Home Loan Bank		0.000	0.112	07/27/2012	10,000	9,999	9,999
Federal National Mortgage Assn		0.000	0.132	08/01/2012	5,000	4,999	4,999
Federal Home Loan Bank		0.000	0.234	08/03/2012	2,500	2,499	2,499
Federal Home Loan Mort Corp		0.000	0.127	08/08/2012	5,000	4,999	4,999
Federal Home Loan Mort Corp		0.000	0.132	08/20/2012	3,000	2,999	2,999
United States Treasury Bill		0.000	0.139	08/30/2012	5,000	4,999	5,000
Federal Home Loan Bank		0.000	0.112	09/05/2012	5,000	4,999	4,999
Federal Home Loan Bank		0.000	0.132	09/12/2012	5,000	4,999	4,999
Federal National Mortgage Assn		0.000	0.132	09/20/2012	5,000	4,999	4,999
Federal Home Loan Bank		0.000	0.127	09/21/2012	5,000	4,999	4,998
Federal National Mortgage Assn		0.000	0.142	10/02/2012	6,000	5,998	5,999
Federal Home Loan Mort Corp		0.000	0.132	10/03/2012	2,311	2,310	2,310
Federal Home Loan Bank		0.000	0.167	11/02/2012	4,000	3,998	3,998
Dreyfus Cash Management Treasury Institutional Fund		0.010 **			5	5	5
Total Short Term Issues	57.8%					173,301	173,302
Total Government Money Market Pool	100.0%					\$ 299,629	\$ 299,637

WEST VIRGINIA SHORT TERM BOND POOL

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
United States Treasury Inflation Index Note		0.625 %	0.400 %	04/15/2013	21,769	\$ 22,013	\$ 21,805
United States Treasury Inflation Index Note		1.250	0.400	04/15/2014	21,742	22,635	22,446
Total U. S. Treasury Issues	8.8%					44,648	44,251
<i>U. S. Government Agency Bonds</i>							
Federal Farm Credit Bank		0.260 % F	0.260 %	09/07/2012	10,000	10,000	10,002
Federal National Mortgage Assn		0.290 F	0.320	12/03/2012	10,000	9,999	10,007
Federal National Mortgage Assn		0.231 F	0.261	08/12/2013	25,000	24,992	25,015
Total U. S. Government Agency Bonds	8.9%					44,991	45,024

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See accompanying notes to financial statements.

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Schedule of Investments in Securities (Continued)
June 30, 2012
(In thousands)

WEST VIRGINIA SHORT TERM BOND POOL (Continued)

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
Federal Home Loan Mort Corp	0.492 %	F	0.585 %	03/15/2021	631	628	630
Federal Home Loan Mort Corp	0.492	F	0.583	06/15/2021	1,132	1,127	1,131
Federal Home Loan Mort Corp	0.542	F	0.876	06/15/2023	1,031	1,028	1,031
Federal National Mortgage Assn	1.100	F	0.888	01/25/2024	2,076	2,101	2,111
Federal Home Loan Mort Corp	0.742	F	0.739	04/15/2027	567	567	571
Federal Home Loan Mort Corp	0.742	F	0.739	04/15/2028	622	622	626
Federal Home Loan Mort Corp	0.442	F	0.508	10/15/2028	974	970	971
Federal Home Loan Mort Corp	0.592	F	0.634	04/15/2029	892	889	893
Federal Home Loan Mort Corp	0.442	F	0.494	05/15/2030	1,918	1,909	1,912
Federal Home Loan Mort Corp	0.842	F	0.829	08/15/2030	242	242	244
Federal Home Loan Mort Corp	0.492	F	0.547	09/15/2030	628	626	628
Federal Home Loan Mort Corp	0.742	F	0.791	09/15/2030	154	153	155
Federal Home Loan Mort Corp	0.592	F	0.652	09/15/2030	5,476	5,447	5,476
Federal Home Loan Mort Corp	0.542	F	0.593	04/15/2031	1,033	1,029	1,032
Federal Home Loan Mort Corp	0.642	F	0.639	06/15/2031	372	372	373
Federal Home Loan Mort Corp	0.642	F	0.643	07/15/2031	177	177	177
Federal Home Loan Mort Corp	0.642	F	0.639	09/15/2031	1,480	1,481	1,485
Federal National Mortgage Assn	0.645	F	0.642	09/25/2031	2,236	2,237	2,237
Federal National Mortgage Assn	0.545	F	0.555	09/25/2031	1,078	1,077	1,079
Federal Home Loan Mort Corp	0.692	F	0.690	11/15/2031	1,181	1,182	1,187
Federal Home Loan Mort Corp	0.542	F	0.579	11/15/2031	2,499	2,490	2,500
Federal Home Loan Mort Corp	0.692	F	0.690	12/15/2031	395	395	397
Federal Home Loan Mort Corp	0.692	F	0.690	12/15/2031	522	522	525
Federal Home Loan Mort Corp	0.792	F	0.790	02/15/2032	605	605	610
Federal Home Loan Mort Corp	0.693	F	0.691	02/17/2032	941	941	945
Federal National Mortgage Assn	0.595	F	0.600	02/25/2032	1,988	1,988	1,992
Federal Home Loan Mort Corp	0.692	F	0.690	03/15/2032	433	433	434
Federal Home Loan Mort Corp	0.742	F	0.740	03/15/2032	456	456	459
Federal Home Loan Mort Corp	0.742	F	0.740	03/15/2032	1,306	1,306	1,315
Federal Home Loan Mort Corp	0.742	F	0.740	04/15/2032	597	597	601
Federal Home Loan Mort Corp	0.742	F	0.740	07/15/2032	993	993	999
Federal National Mortgage Assn	0.593	F	0.596	08/17/2032	1,300	1,299	1,303
Federal Home Loan Mort Corp	0.642	F	0.640	10/15/2032	811	812	815
Federal National Mortgage Assn	0.593	F	0.596	10/18/2032	882	881	883
Federal Home Lone Mort Corp	0.692	F	0.690	11/15/2032	433	433	435
Federal Home Loan Mort Corp	0.642	F	0.640	01/15/2033	843	843	845
Federal Home Loan Mort Corp	0.642	F	0.640	01/15/2033	2,302	2,302	2,309
Federal Home Loan Mort Corp	0.642	F	0.640	02/15/2033	1,582	1,583	1,585
Federal Home Loan Mort Corp	0.542	F	0.583	02/15/2033	4,533	4,515	4,532
Federal National Mortgage Assn	0.645	F	0.640	03/25/2033	836	837	837
Federal Home Loan Mort Corp	0.552	F	0.605	04/15/2033	1,735	1,727	1,735
Federal National Mortgage Assn	0.645	F	0.640	07/25/2033	3,033	3,035	3,035
Federal Home Loan Mort Corp	0.692	F	0.701	06/15/2034	755	754	758
Federal Home Loan Mort Corp	0.642	F	0.887	10/15/2034	1,317	1,312	1,318
Federal Home Loan Mort Corp	0.542	F	0.614	09/15/2035	2,641	2,628	2,640
Federal National Mortgage Assn	0.495	F	0.818	03/25/2036	3,126	3,120	3,118

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See accompanying notes to financial statements.

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

WEST VIRGINIA SHORT TERM BOND POOL (Continued)

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
Government National Mort Assn		0.639	<i>F</i>	0.688	12/20/2060	4,762	4,722
Government National Mort Assn		0.739	<i>F</i>	0.749	03/20/2061	6,684	6,670
Government National Mort Assn		0.839	<i>F</i>	0.848	10/20/2061	4,785	4,799
Total U.S. Agency Issues	15.3%					76,846	77,065
Corporate Issues							
Corporate Bonds							
Proctor & Gamble Company		1.375 %		0.421 %	08/01/2012	2,000	2,001
Bear Stearns Co Inc		2.216	<i>F</i>	0.937	08/10/2012	1,000	1,002
Hewlett-Packard Company		2.950		1.349	08/15/2012	3,000	3,006
Deutsche Bank London		5.375		2.441	10/12/2012	3,000	3,024
General Electric Capital Corp		5.250		0.727	10/19/2012	1,800	1,824
duPont EI de Nemours Co		5.000		2.482	01/15/2013	334	342
Barclays Bank PLC		2.500		2.446	01/23/2013	3,000	3,022
American Honda Finance		4.625		0.533	04/02/2013	1,500	1,546
Morgan Stanley		1.446	<i>F</i>	1.446	04/29/2013	2,000	1,972
International Business Machs		2.100		1.900	05/06/2013	2,000	2,027
Credit Suisse		5.000		1.939	05/15/2013	2,000	2,053
Texas Instruments Inc		0.647	<i>F</i>	0.623	05/15/2013	2,500	2,508
BlackRock Inc		0.767	<i>F</i>	0.767	05/24/2013	4,250	4,264
Wachovia Corp		5.700		0.950	08/01/2013	3,000	3,153
HSBC Bank		1.117	<i>F</i>	1.014	08/12/2013	1,100	1,103
Berkshire Hathaway Finance		5.000		0.560	08/15/2013	3,001	3,146
US Bancorp		1.375		0.690	09/13/2013	2,000	2,017
Caterpillar Financial Services		6.200		1.367	09/30/2013	2,656	2,814
American Honda Finance		6.700		1.666	10/01/2013	2,000	2,124
US Bancorp		1.125		0.957	10/30/2013	3,000	3,007
BP Capital Markets PLC		5.250		0.777	11/07/2013	2,000	2,119
BP Capital Markets PLC		1.092	<i>F</i>	1.092	12/06/2013	5,000	5,041
MassMutual Global Funding		0.627	<i>F</i>	0.867	12/06/2013	3,000	2,993
Caterpillar Financial Services		1.550		0.554	12/20/2013	1,000	1,015
Credit Suisse NY		2.200		1.656	01/14/2014	1,250	1,260
Credit Suisse NY		1.427	<i>F</i>	1.427	01/14/2014	2,000	2,002
HSBC Bank		1.266	<i>F</i>	1.266	01/17/2014	3,700	3,708
PNC Funding Corp		0.666	<i>F</i>	1.175	01/31/2014	4,000	3,968
Wyeth LLC		5.500		0.529	02/01/2014	4,000	4,313
BHP Billiton Finance USA		0.737	<i>F</i>	0.737	02/18/2014	1,500	1,505
Citigroup Inc		0.593	<i>F</i>	1.971	03/07/2014	4,000	3,908
Cisco Systems Inc		0.718	<i>F</i>	0.718	03/14/2014	3,700	3,719
Coca-Cola Company		0.418	<i>F</i>	0.418	03/14/2014	2,950	2,955
Bottling Group LLC		6.950		0.730	03/15/2014	4,750	5,249
Coca-Cola Company		3.625		0.576	03/15/2014	2,000	2,103
BHP Billiton Finance USA		5.500		1.717	04/01/2014	4,000	4,259
Caterpillar Financial Services		0.758	<i>F</i>	0.758	04/01/2014	1,000	1,000
Metlife Institutional Fund		1.368	<i>F</i>	1.368	04/04/2014	4,000	4,019
Northern Trust Corp		4.625		2.475	05/01/2014	2,000	2,077
International Business Machs		1.250		0.606	05/12/2014	2,778	2,811
Schwab Charles Corp		4.950		2.238	06/01/2014	5,000	5,252

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

WEST VIRGINIA SHORT TERM BOND POOL (Continued)

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
Target Corp		0.636	F	0.636	07/18/2014	2,350	2,357
Bank of New York Mellon		0.736	F	0.736	07/28/2014	4,000	4,004
Berkshire Hathaway Inc		1.167	F	1.167	08/15/2014	2,850	2,886
General Electric Capital Corp		0.728	F	1.558	09/15/2014	3,000	2,964
US Bank NA		0.747	F	1.115	10/14/2014	3,000	2,987
General Electric Capital Corp		2.150		1.275	01/09/2015	3,000	3,051
Goldman Sachs Group Inc		0.969	F	1.669	01/12/2015	3,000	2,947
Merrill Lynch & Company Inc		0.927	F	2.423	01/15/2015	3,000	2,888
JP Morgan Chase & Co		3.700		1.542	01/20/2015	1,000	1,054
Bank of New York Mellon		1.200		1.231	02/20/2015	700	699
BlackRock Inc		1.375		1.414	06/01/2015	2,000	1,998
American Honda Finance		2.500		1.594	09/21/2015	1,150	1,183
Wells Fargo & Company		0.666	F	1.427	10/28/2015	4,000	3,900
Bank of America		0.748	F	2.389	06/15/2016	1,000	937
Morgan Stanley Dean Witter		0.916	F	2.096	10/18/2016	1,500	1,426
Bear Stearns Co Inc		0.857	F	1.831	11/21/2016	4,000	3,834
National City Bank		0.818	F	2.186	12/15/2016	1,000	941
Total U. S. Corporate Bonds	30.0%					151,080	151,248
Corporate Asset Backed Issues							
GE Equipment Small Ticket LLC		0.880 %	F	0.888	08/21/2013	787	787
Smart Trust		0.991	F	0.993	11/14/2013	2,652	2,656
Nissan Auto Lease Trust		0.422	F	0.422	01/15/2014	1,803	1,805
BMW Floorplan Master Owner Trust		1.392	F	0.757	09/15/2014	10,000	10,023
Chase Issuance Trust		0.312	F	0.442	12/15/2014	7,254	7,256
Ford Credit Floorplan Master		1.892	F	1.028	12/15/2014	10,000	10,109
Ally Master Owner Trust		1.992	F	2.000	01/15/2015	5,000	5,040
Nissan Master Owner Trust Receivables		1.392	F	0.755	01/15/2015	10,000	10,057
Discover Card Master Trust		1.542	F	0.797	02/17/2015	5,000	5,008
GE Equipment Small Ticket LLC		1.370		1.383	06/22/2015	3,500	3,514
GE Equipment Midticket LLC		1.470		1.305	07/14/2015	5,000	5,035
Bank of America Credit Card Trust		0.542	F	0.514	09/15/2015	4,000	4,008
Capital One Multi Asset Trust		0.322	F	0.511	09/15/2015	5,000	4,999
Americredit Automobile Receivables		0.910		0.914	10/08/2015	800	802
MBNA Credit Card Master Note		0.302	F	0.538	10/15/2015	5,000	5,000
American Express Credit Acct		0.492	F	0.473	11/16/2015	5,425	5,434
Ally Master Owner Trust		1.112	F	1.114	01/15/2016	4,100	4,127
Ally Master Owner Trust		1.810		1.662	05/15/2016	5,590	5,672
Discover Card Master Trust		0.592	F	0.592	08/15/2016	3,000	3,013
Ally Master Owner Trust		1.042	F	1.044	09/15/2016	2,000	2,010
World Omni Automobile Lease		1.780		1.370	09/15/2016	5,945	6,013
Navistar Financial Dealer Note		1.395	F	1.399	10/25/2016	2,000	2,016
GE Dealer Floorplan Master Trust		0.814	F	0.815	02/20/2017	3,000	3,006
Citibank Omni Master Trust		4.900		2.477	11/15/2018	5,000	5,459
New Hampshire Higher Education		0.966	F	1.041	10/25/2021	3,937	3,900
SLM Student Loan Trust		1.242	F	1.245	10/15/2024	2,372	2,371
Equity One ABS Inc		4.140		4.253	04/25/2034	377	372
Opteum Mortgage Acceptance Corp		5.640		5.805	12/25/2035	319	310

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

WEST VIRGINIA SHORT TERM BOND POOL (Continued)

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
Citigroup Mortgage Loan Trust		5.850	5.885	05/25/2036	164	164	93
Banc of America Funding Corp		5.790	5.818	10/25/2036	38	38	26
Bank of America Alternative Loan		5.710	5.740	10/25/2036	290	290	186
Morgan Stanley Mortgage Loan Trust		5.800	5.832	10/25/2036	1,119	1,119	526
CSAB Mortgage Backed Trust		6.000	6.005	11/25/2036	109	109	60
Renaissance Home Equity Loan		5.575	5.655	11/25/2036	528	526	280
Credit Suisse Mortgage Capital		5.940	5.959	02/25/2037	260	261	151
Credit-Based Asset Servicing		5.541	F 5.678	02/25/2037	56	56	53
Countrywide Certificates		5.530	5.561	04/25/2047	1,000	999	895
CSFB Mortgage Securities		5.230	5.262	12/15/2040	478	478	491
Wells Fargo RBS		1.192	F 1.018	03/15/2044	4,000	4,000	3,786
Holmes Master Issuer PLC		1.867	F 1.718	10/15/2054	3,000	3,004	3,014
Holmes Master Issuer PLC		1.817	F 1.821	10/15/2054	3,000	3,000	3,014
Holmes Master Issuer PLC		2.117	F 2.070	10/15/2054	8,000	8,077	8,061
Fosse Master Issuer PLC		1.727	F 1.870	10/18/2054	1,500	1,500	1,501
Silverstone Master Trust		2.016	F 2.021	01/21/2055	2,500	2,500	2,519
Total Corporate Asset Backed Issues	<u>28.7%</u>					145,716	144,419
Total Corporate Issues	58.7%					296,796	295,667
<i>Short Term Issues</i>							
Dreyfus Cash Management Institutional Fund		0.080	**		41,610	41,610	41,610
Total Short Term Issues	<u>8.3%</u>					41,610	41,610
Total Short Term Bond Pool	<u>100.00%</u>					<u>\$ 504,891</u>	<u>\$ 503,617</u>

WEST VIRGINIA BANK POOL

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Short Term Issues</i>							
Harrison County Bank		0.500 %	0.499 %	10/11/2012	3,000	\$ 3,000	\$ 3,000
Jefferson Security Bank		0.500	0.499	10/11/2012	5,000	5,000	5,000
Jefferson Security Bank		0.200	0.200	10/11/2012	5,000	5,000	5,000
WesBanco Bank		0.500	0.499	10/11/2012	5,000	5,000	5,000
WesBanco Bank		0.200	0.200	10/11/2012	5,000	5,000	5,000
BB&T		0.170	0.170	12/13/2012	5,000	5,000	5,000
WesBanco Bank		0.170	0.170	12/13/2012	5,000	5,000	5,000
Huntington National Bank		0.400	0.400	01/10/2013	4,500	4,500	4,500
Jefferson Security Bank		0.400	0.400	01/10/2013	5,000	5,000	5,000
WesBanco Bank		0.400	0.400	01/10/2013	5,000	5,000	5,000
Jefferson Security Bank		0.300	0.300	03/14/2013	5,000	5,000	5,000
Dreyfus Cash Management Treasury Institutional Fund		0.010	**		7	7	7
Total Short Term Issues	<u>100.0%</u>					52,507	52,507
Total West Virginia Bank Pool	<u>100.0%</u>					<u>\$ 52,507</u>	<u>\$ 52,507</u>

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

STATE LOAN POOL

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Loans and Mortgages</i>							
Intergovernmental Loans							
WVEDA Revolving Loan		1.170 %		12/31/2013	100,425	\$ 100,425	\$ 100,425
WVEDA Non-Recourse Loan		3.000		06/30/2022	24,862	24,862	24,862
Total Intergovernmental Loans						125,287	125,287
Reserve for uncollectable loans						18,616	18,616
Loans and Mortgages,							
net of reserve for uncollectable loans	99.9%					106,671	106,671
<i>Short Term Issues</i>							
Dreyfus Cash Management Treasury Institutional Fund		0.010 **			60	60	60
Total Short Term Issues						60	60
Total State Loan Pool						\$ 106,731	\$ 106,731

RESERVE POOL

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Short Term Issues</i>							
Reserve Pool Depository Account		0.400 %	0.400 %		19,034	\$ 19,034	\$ 19,034
Total Short Term Issues						19,034	19,034
Total Reserve Pool						\$ 19,034	\$ 19,034

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

MUNICIPAL BOND COMMISSION

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
State & Local Government		0.080 %	0.080 %	10/01/2012	3,028	\$ 3,028	\$ 3,028
State & Local Government		2.690	2.690	10/01/2012	40	40	40
United States Treasury Strip-Interest		0.000	0.000	11/15/2012	32	32	32
State & Local Government		4.370	4.370	12/01/2012	4	4	4
State & Local Government		0.150	0.150	04/01/2013	2,949	2,949	2,949
United States Treasury Strip-Interest		0.000	0.000	05/15/2013	941	941	940
State & Local Government		4.380	4.380	06/01/2013	1,175	1,175	1,175
State & Local Government		0.190	0.190	10/01/2013	2,952	2,952	2,952
State & Local Government		0.250	0.250	04/01/2014	127,540	127,540	127,540
United States Treasury Strip-Interest		0.000	0.000	05/15/2014	963	963	957
United States Treasury Strip-Interest		0.000	0.000	05/15/2015	973	973	960
United States Treasury Bond		7.250	0.001	05/15/2016	980	1,255	1,229
United States Treasury Bond		8.750	0.001	05/15/2017	1,055	1,505	1,459
United States Treasury Bond		9.125	0.001	05/15/2018	1,138	1,748	1,674
Total U. S. Treasury Issues	<u>100.0%</u>					<u>145,105</u>	<u>144,939</u>
Total Municipal Bond Commission Pool	<u>100.0%</u>					<u>\$ 145,105</u>	<u>\$ 144,939</u>

SCHOOL FUND

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Short Term Issues</i>							
Dreyfus Cash Management Treasury Institutional Fund		0.010	**		1,555	\$ 1,555	\$ 1,555
Total Short Term Issues	<u>100.0%</u>					<u>1,555</u>	<u>1,555</u>
Total School Fund	<u>100.0%</u>					<u>\$ 1,555</u>	<u>\$ 1,555</u>

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Schedule of Investments in Securities (Continued)
June 30, 2012
(In thousands)

EDA - AW

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
United States Treasury Bond		6.250 %	4.929 %	08/15/2023	1,445	\$ 1,607	\$ 2,099
Total U. S. Treasury Issues	<u>100.0%</u>					<u>1,607</u>	<u>2,099</u>
Total EDA-AW	<u>100.0%</u>					<u>\$ 1,607</u>	<u>\$ 2,099</u>

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Other Financial Information

WEST VIRGINIA BOARD OF TREASURY INVESTMENTS
SCHEDULE OF NET ASSETS (UNAUDITED)

JUNE 30, 2012

(IN THOUSANDS EXCEPT FOR INVESTMENT UNIT DATA)

	WV Money Market Pool	WV Government Money Market Pool	WV Short Term Bond Pool	WV Bank Pool	Loan Pool	Reserve Pool
Paid-in capital	\$ 2,788,044	\$ 300,047	\$ 512,086	\$ 52,590	\$ 106,825	\$ 19,041
Accumulated undistributed net investment income (loss)	-	-	-	-	-	-
Accumulated undistributed net realized gain (loss)	-	-	(6,521)	-	-	-
Unrealized net appreciation (depreciation) of investments	-	-	(1,273)	-	-	-
Net assets at value	<u>\$ 2,788,044</u>	<u>\$ 300,047</u>	<u>\$ 504,292</u>	<u>\$ 52,590</u>	<u>\$ 106,825</u>	<u>\$ 19,041</u>
Investment unit data:						
Units outstanding	2,788,043,790	300,047,291	5,040,030	52,589,741	106,825,132	19,040,859
Net asset value, unit price	\$ 1.00	\$ 1.00	\$ 100.06	\$ 1.00	\$ 1.00	\$ 1.00

WEST VIRGINIA BOARD OF TREASURY INVESTMENTS
PORTFOLIO STATISTICS (UNAUDITED)

JUNE 30, 2012

	WV Money Market Pool	WV Government Money Market Pool	WV Short Term Bond Pool
Weighted Average Days to Maturity	46	54	N/A
Maximum Weighted Average Investment Maturity Term Per Board Guidelines	60 days	60 days	N/A
Effective Duration	N/A	N/A	180 days
Maximum Effective Duration Per Board Guidelines	N/A	N/A	731 days
Money Market Yield - Monthly	0.12%	0.09%	N/A

The money market yield represents the rate of income, net of expenses, earned over the past month and is not intended to indicate future performance. The return is annualized over a 366-day year, assuming no reinvestment of earnings.

WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

PARTICIPANT NET ASSET VALUES (UNAUDITED)

JUNE 30, 2012

(IN THOUSANDS)

WV Money Market Pool	
State Agencies:	
WV State Treasurer's Office:	
Banking Services	\$ 629,006
State Participation	480,466
Safekeeping	17,061
Veterans Lottery	1,469
Deferred Compensation Matching	946
Safe Road Bonds	8
Total WV State Treasurer's Office	<u>1,128,956</u>
Higher Education Policy Commission	292,031
Department of Environmental Protection	291,960
Department of Health and Human Resources	205,249
WV Lottery Commission	201,084
Public Employees Insurance Agency	106,937
Department of Revenue	100,255
West Virginia University	87,788
Department of Transportation	47,254
Regional Jail Authority	42,858
Division of Natural Resources	30,059
WV Municipal Pension Oversight Board	28,666
Board of Risk and Insurance Management	27,758
Water Development Authority	22,379
Department of Administration	20,108
WV Economic Development Authority	15,529
Insurance Commission	13,038
WV Housing Development Fund	6,822
WV Secretary of State's Office	6,742
Criminal Justice	5,509
School Building Authority	2,891
Performance and wage bond accounts	19,938
Other	14,989
Total State Agencies	<u>2,718,800</u>
Local Governments:	
Fayette County Board of Education	11,294
Boone County Commission	9,232
Mercer County Board of Education	8,405
Marshall County Board of Education	8,164
Fayette County Commission	3,567
Barbour County Board of Education	3,276
Kanawha County Emergency Ambulance Authority	1,976
Roane County Board of Education	1,792
Putnam Public Service District	1,776
City of Parkersburg	1,555
Braxton County Board of Education	1,463
Lewis County Board of Education	1,461
Lincoln County Board of Education	1,286
Town of Winfield	1,247
Lincoln County Commission	1,178
Wyoming County Board of Education	1,026
Other	10,546
Total Local Governments	<u>69,244</u>
Total net assets	<u>\$2,788,044</u>

WV Government Money Market Pool	
State Agencies:	
Municipal Bond Commission	\$ 157,616
WV Housing Development Fund	31,796
WV Economic Development Authority	9,254
Department of Environmental Protection	5,664
Other	5,985
Total State Agencies	<u>210,315</u>
Local Governments:	
Preston County Board of Education	38,616
Pleasants County Board of Education	18,469
Kanawha County Sheriff	12,911
Marion County Board of Education	9,270
Jefferson County Board of Education	4,491
Calhoun County Board of Education	2,765
Hancock County Commission	1,097
Other	2,113
Total Local Governments	<u>89,732</u>
Total net assets	<u>\$ 300,047</u>

WV Short Term Bond Pool	
State Agencies:	
WV State Treasurer's Office:	
State Participation	\$ 253,775
Banking Services	159,662
Prepaid Tuition Escrow	15,123
Total WV State Treasurer's Office	<u>428,560</u>
WV Board of Treasury Investments	17,702
WV Economic Development Authority	16,480
Department of Administration	11,384
Department of Transportation	7,649
Higher Education Policy Commission	5,470
WV Court of Claims	5,465
Public Employees Insurance Agency	3,942
WV Parkways Authority	3,085
Division of Culture and History	1,980
Other	769
Total State Agencies	<u>502,486</u>
Local Governments:	
City of Charleston	1,025
Other	781
Total Local Governments	<u>1,806</u>
Total net assets	<u>\$ 504,292</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.

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

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

We have audited the financial statements of the West Virginia Board of Treasury Investments (the BTI) as of and for the year ended June 30, 2012, and have issued our report thereon dated August 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the BTI is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the BTI's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BTI's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the BTI's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the State of West Virginia, the Audit Committee, Board, management and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Gibbons & Kawash, A.C.

August 16, 2012

— | WEST VIRGINIA | —
BOARD OF TREASURY
INVESTMENTS

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