

| WEST VIRGINIA |

# BOARD OF TREASURY INVESTMENTS

*A Component Unit of the State of West Virginia*

Comprehensive Annual Financial Report  
Fiscal Year Ended June 30, 2017





WEST VIRGINIA  
**BOARD OF TREASURY  
INVESTMENTS**

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**Comprehensive Annual Financial Report  
for the Fiscal Year Ended June 30, 2017**

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*A Component Unit of the State of West Virginia*

**James C. Justice, II**  
*Governor*

**John D. Perdue, Chairman**  
*West Virginia State Treasurer*

**John B. McCuskey**  
*West Virginia State Auditor*

**Richard C. Donovan, CPA**  
*Appointed by the Governor*

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

---

*Prepared by the Board of Treasury Investments Staff  
315 70<sup>th</sup> Street SE  
Charleston, West Virginia 25304  
(304) 340-1564  
[www.wvbt.org](http://www.wvbt.org)*

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October 31, 2017

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

I am pleased to present you with the June 30, 2017, Comprehensive Annual Financial Report (“CAFR”) for the West Virginia Board of Treasury Investments (the “BTI”). The report is a review of the financial and investment conditions of the State of West Virginia’s Consolidated Fund. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, rests with the management of the BTI. An independent certified public accounting firm has audited the basic financial statements contained in this report.

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

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

Sincerely,

John D. Perdue  
State Treasurer  
Chairman of the Board

305 70<sup>th</sup> Street SE • Charleston, WV 25304  
304.340.1564 • FAX: 304.341.7095

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## **ACKNOWLEDGEMENTS**

### **Report Prepared By:**

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

### **Staff:**

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

### **A Special Thanks To:**

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

**We invite you to visit our web site at [www.wvbt.org](http://www.wvbt.org)**

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## **Introductory Section**



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October 31, 2017

Members of the West Virginia Board of Treasury Investments

Honorable Members of the West Virginia Legislature

Participants in the State of West Virginia's Consolidated Fund

Citizens of West Virginia

Ladies and Gentlemen:

I am pleased to present you with the June 30, 2017, Comprehensive Annual Financial Report (“CAFR”) for the West Virginia Board of Treasury Investments (the “BTI”). The report is a complete review of the financial status of the State of West Virginia’s short-term operating funds (the “Consolidated Fund”). Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, rests with the management of the BTI. The BTI’s financial statements have been audited by Brown, Edwards & Company, L.L.P. The independent audit provides reasonable assurance that the financial statements for the fiscal year ended June 30, 2017, are free of material misstatement, whether due to fraud or error. The independent audit involved performing procedures to obtain evidence about amounts and disclosures in the financial statements; comprehensive risk assessment as well as assessing the accounting principles used and the reasonableness of significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor rendered an unmodified opinion that the BTI’s financial statements for the fiscal year ended June 30, 2017, are fairly presented in all material respects in conformity with accounting principles generally accepted in the United States of America (“GAAP”). The independent auditor’s report is presented as the first component of the financial section of this report.

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

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

### ***Profile of the West Virginia Board of Treasury Investments***

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

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

The Consolidated Fund provides for the investment of moneys not currently needed to fund state governmental operations, as well as providing the opportunity for local governments to participate in large investment pools, and for those funds statutorily required to be invested in the Consolidated Fund. As of June 30, 2017, the Consolidated Fund had \$3.0 billion in total assets. The Consolidated Fund is made up of nine legally separate investment pools and accounts: three external investment pools, three special-purpose internal investment pools, and three individual investment accounts. A more detailed description of the investment pools that make up the Consolidated Fund are found in Note 1 of the Notes to the Financial Statements.

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

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

### ***Investment Activities***

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

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

### ***Economic Review & Other Financial Information***

The economic growth over the course of fiscal year 2017 was improved over that of fiscal year 2016, averaging 2.2% during fiscal year 2017. The increase in economic activity actually started in the final quarter of fiscal year 2016, with initial estimates revised upwards to 2.2% from 1.1% as actual data came in better than expected. Growth was strong in the first quarter of fiscal year 2017, with increases in consumer spending and business investment, but dropped off in the second and third quarters of the fiscal year. A stronger dollar, as well as a drop in government spending, contributed to a softening in economic growth during the second quarter, while weakening in consumer spending and a continued decrease in government spending were a drag on the third quarter GDP. However, there was a substantial jump in GDP in the fourth quarter of fiscal year 2017, with the economy expanding at its best rate since the first quarter of calendar year 2015. A surge in consumer spending, especially in durable goods such as appliances and automobiles, contributed to a stronger than expected 3% annualized growth rate for the quarter. There were some indications that the growth in consumer spending was at the expense of savings, as the savings rate in the final quarter of fiscal year 2017 slipped from 3.9% to 3.7%. This raises some questions about the sustainability in the growth of consumer spending, as consumers cannot indefinitely continue to rely on savings to fuel their consumption.

Labor markets performed similar to last year, although the headline unemployment rate was down from the prior fiscal year. The headline unemployment rate fell from 4.9% as of the end of fiscal year 2016 to 4.4% as of the end of fiscal year 2017. Nonfarm payroll employment increased by an average of 186,000 jobs per month over the fiscal year, down from an average of 204,000 per month for fiscal year 2016. The labor force participation rate, a measure of those currently in the work force and those actively seeking work, was flat over the fiscal year, staying at 62.8%. There was improvement in the number of long-term unemployed, which fell from 2.0 million as of June 2016 to 1.7 million as of June 2017. Average hourly earnings growth for all employees was still subdued, coming in at 2.5% over the course of the fiscal year versus 2.6% for fiscal year 2016. These numbers may indicate that the labor markets are not facing labor shortages as the labor force participation rate is rising, but wage growth is still subdued.

Inflation, as measured by Core Personal Consumption and Expenditures Less Food and Energy ("Core PCE"), fell by 0.2%, dropping from 1.7% for fiscal year 2016 to 1.5% for fiscal year 2017. Core PCE is the preferred measure of the Federal Reserve (the "Fed") in gauging inflation over the longer run as the Fed views it as better measure for identifying inflation trends. The reading over the fiscal year is the fifth year in a row that the inflation rate has undershot the Fed's stated target of 2.0%. However, the Fed appears to believe that the inflation readings in the latter part of the fiscal year were due to transitory effects and are expecting that inflation will move towards their goal over the medium term. The Fed appeared to emphasize this in the minutes of the May 2017 meeting, adding language to their inflation forecast indicating that the Fed was expecting inflation on a 12-month basis to remain somewhat below 2% in the near term, but that it would stabilize around their 2% objective over the medium term.

The debt ceiling, which has been a source of drama over the past few fiscal years, was largely a non-issue during fiscal year 2017. The debt limit, which had been suspended by the Bipartisan Budget Act of 2015, was reinstated on March 16, 2017 with little fanfare. The U.S. Treasury Department immediately began employing extraordinary measures to continue providing cash for the government to operate. The extraordinary measures include suspending investments in the savings plan for federal employees, Exchange Stabilization Fund and the Civil Service Retirement and Disability Fund. Through these measures, the Treasury will likely be able to continue providing cash for government operations until October or November 2017 before running up against the debt ceiling.

Over fiscal year 2017, key central banks began to remove extraordinary accommodation from the post-crisis era as the global economy continued to edge higher in growth. The European Central Bank (ECB) and the Bank of England (BOE) have signaled that there may be a shift in policy in the near future. Steady growth in the global economy has given the central banks some confidence that tighter monetary policies may be warranted going forward. In the United States, the Fed hiked rates three times over the course of fiscal year 2017 and began laying the groundwork for the shrinking of the Fed's massive balance sheet. At the end of fiscal year 2016, the markets were not pricing any Fed rate hikes for the remainder of the calendar year. This was perhaps an overreaction to the results of the June 2016 Brexit vote, which weighed heavily on the markets at the end of fiscal year 2016. As concerns about the near-term effects of Brexit on the U.S. faded, the market began to price in a rate hike in December 2016. With improving economic data, the Fed did ultimately hike rates in December 2016. The Fed raised rates twice in the last half of the fiscal year as economic data, although unsteady, still indicated that conditions were improving. The Fed funds target rate ended the year at a range of 1.00% to 1.25%.

Treasury yields were higher over fiscal year 2017 as compared to fiscal year 2016 because of three hikes by the Fed over the course of the fiscal year. However, there was downward pressure on Treasury bill yields as investors responded to the implementation of the prime money market fund reforms by shifting assets from prime money market funds to government-only funds. The \$1+ trillion in assets that flowed into government-only funds helped to keep front-end Treasury and Agency yields well anchored. The Treasury bill curve remained relatively flat, with the spread between six-month and one-year bills falling to around 10 basis points by the end of the fiscal year. USD LIBOR ended the year up 76 basis points over fiscal year-end 2016 levels while 3-month LIBOR increased by 65 basis points. Longer dated Treasury yields ended the year slightly higher, although the yields on the 20-year and 30-year Treasury were practically unchanged from fiscal year end 2016.

Primarily due to the three Fed rate hikes during the year, the BTI's principal stability pool returns for fiscal year 2017 were substantially higher than fiscal year 2016 returns. The WV Money Market Pool return more than doubled the prior fiscal year return, rising to 0.85% from 0.36% in the prior fiscal year. The WV Government Money Market Pool also more than doubled its prior fiscal year return, increasing to 0.48% from 0.21%. The WV Short Term Bond Pool return fell approximately 24 basis points from fiscal year 2016's return, falling to 1.31% from 1.52%. Rising market yields blunted the effects of the increasing coupon yield of the pool, bringing down the performance year-over-year.



### ***Major Initiatives***

- *Standard and Poor's AAAM Rating*

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

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

- *Selection of Investment Consultant*

In April 2017, the BTI awarded a contract to NEPC, LLC to be the BTI's investment consultant. NEPC, the BTI's incumbent investment consultant, was the successful bidder from the two respondents to a request for proposal issued by the BTI. The respondents were evaluated on their experience, philosophy, capabilities and cost.

- *Certificate of Achievement for Excellence in Financial Reporting*

The BTI received the Certificate of Achievement for Excellence in Financial Reporting for the June 30, 2016 Comprehensive Annual Financial Report ("CAFR"). The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting, and its attainment represents a significant accomplishment. This is the eleventh consecutive year that the BTI has received this prestigious award.

- *Budget Surplus*

For fiscal year 2017, actual fee collections were in line with estimates. Because of conservative management of expenditures, the BTI ended the year with a budget surplus of \$256,000. With this surplus, the BTI operated in surplus territory for the twelfth consecutive year. With revenues collections during fiscal year 2017 being in line with estimates, and the continued budget surpluses, the BTI is reducing the administrative fee for fiscal year 2018 by 25 percent.

- *Peer Group Benchmark*

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

The WV Money Market Pool peer group includes 316 discrete tier 1 funds comprising \$499 billion in assets. The Pool ranked first out the 316 funds for the 1-year, 3-year and 5-year periods ending June 30, 2017. This high ranking was attributed to the low effective investment management fee paid to the Pool's investment managers. As of June 30, 2017, the effective fee was 3.11 basis points.

The WV Government Money Market Pool peer group comprises 597 discrete Treasury and Agency focused government funds totaling \$1,806 billion in assets. The performance of the Pool ranked in the top four in the 3-month, 1-year, 3-year and 5-year time periods ending June 30, 2017. As with the WV Money Market Pool, this high ranking versus the peer group was attributed to the favorable investment management fee schedule. As of June 30, 2017, the effective fee was 3.58 basis points.

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

The Government Finance Officers Association of the United States and Canada (the “GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the BTI for its comprehensive annual financial report for the fiscal year ended June 30, 2016. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

### ***Acknowledgments***

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

Respectfully, I hereby submit the Comprehensive Annual Financial Report of the West Virginia Board of Treasury Investments for the Year Ended June 30, 2017.

Sincerely,



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



Government Finance Officers Association

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

Presented to

**West Virginia  
Board of Treasury  
Investments**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO

## PRINCIPAL OFFICIALS



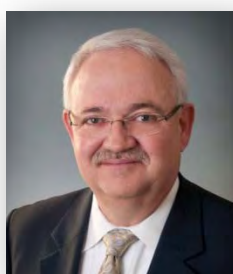
**John D. Perdue**  
WV State Treasurer  
*Chairman*



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



**John B. McCuskey**  
WV State Auditor  
*Director*



**Richard C. Donovan**  
*Director*

Photo  
Not  
Available

**Michael L. Glasser**  
*Director*

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## INVESTMENT PHILOSOPHY

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

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## OBJECTIVES

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

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

WEST VIRGINIA  
**BOARD OF TREASURY  
INVESTMENTS**

**MISSION STATEMENT**

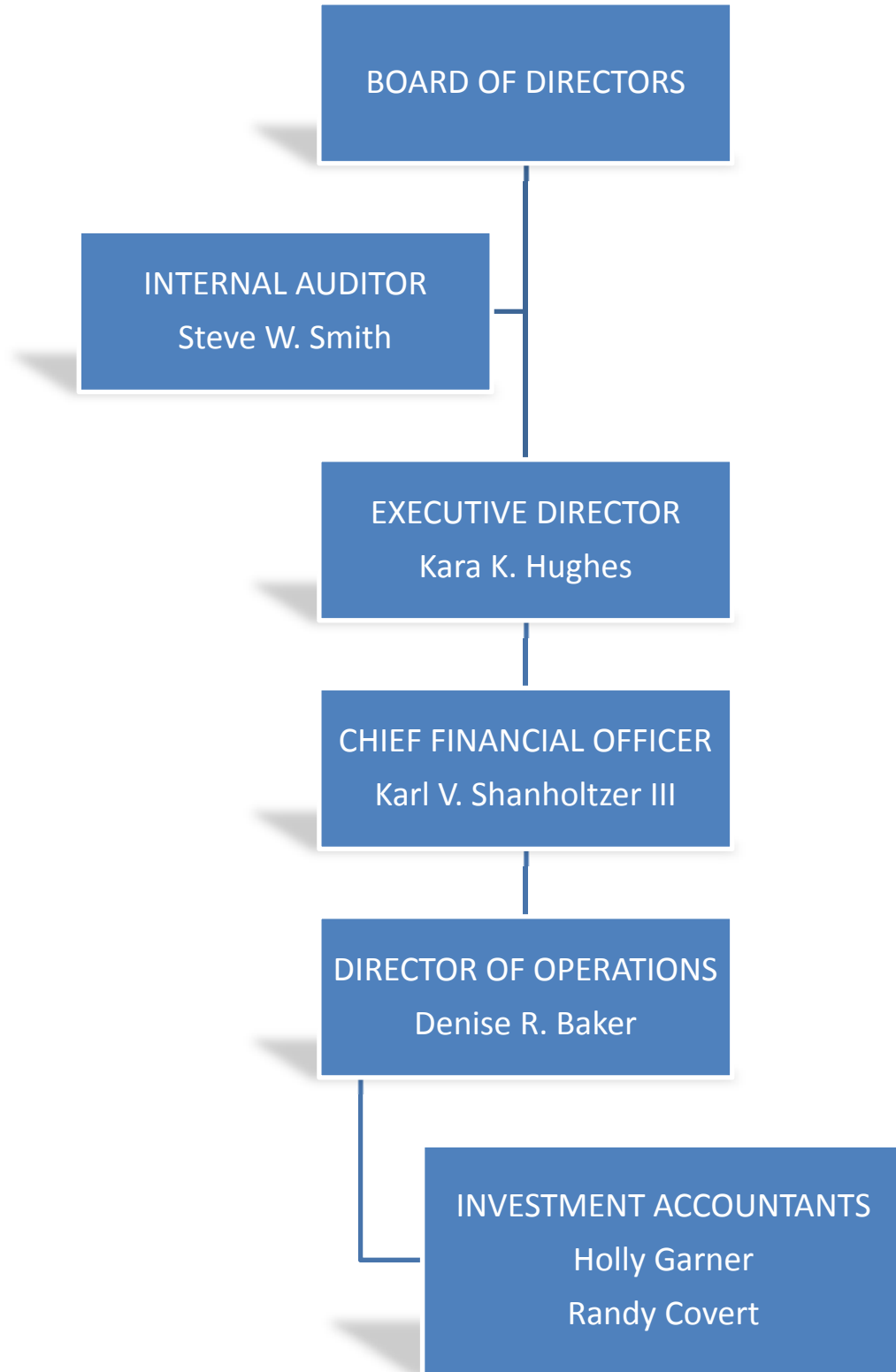
The Board of Treasury Investments' mission is to prudently invest the funds under its charge, for the benefit of its Shareholders, their constituents and citizens, and to achieve the best return possible for them, by providing focused investment management services, and utilizing financial professionals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

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





The following Treasurer’s Office employees provide professional support services to the Board as needed: Christina Merbedone, *Assistant General Counsel*; Bryan Archer, *Deputy Treasurer of Administration*; Wilma Harrison, *Legal Assistant*, and Dave Thomas, *Financial Director of WV College Prepaid Tuition and Savings Program*.

**CONSULTING AND PROFESSIONAL SERVICES  
AS OF JUNE 30, 2017**

**INDEPENDENT AUDITOR**

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

**LEGAL COUNSEL**

West Virginia State Treasurer's Office  
Charleston, West Virginia

**INVESTMENT SYSTEM**

Princeton Financial System  
Princeton, New Jersey

**MASTER CUSTODIAN**

BNY Mellon  
Pittsburgh, Pennsylvania

**INVESTMENT CONSULTANT AND PERFORMANCE MEASUREMENT**

NEPC, LLC Investment Consultants  
Atlanta, Georgia

**INVESTMENT MANAGERS**

Federated Investors  
Pittsburgh, Pennsylvania

UBS Asset Management  
Chicago, Illinois

*The Schedule of Investment and Management Fees is on Page 90 in the Investment Section of this report.*



## **Financial Section**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and the combined fiduciary funds of the West Virginia Board of Treasury Investments (the "BTI"), a component unit of the State of West Virginia, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the BTI's basic financial statements, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the combined fiduciary funds of the BTI, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2017 on our consideration of the BTI's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BTI's internal control over financial reporting and compliance.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia  
August 29, 2017

## West Virginia Board of Treasury Investments

### Management's Discussion and Analysis

June 30, 2017

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, 2017. 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**

Fiscal year 2017 continued the recent trend of budget woes for the State of West Virginia. In November 2016, the Governor announced a 2% across-the-board budget cut for state agencies. This was the second year in a row where revenue shortfalls resulted in mid-year budget cuts. As with the mid-year cut in fiscal year 2016, no program was spared from cuts, with state aid to public schools cut \$11 million and Medicaid spending reduced by \$25 million. Personal income, consumer sales and business and occupation taxes again fell short of expectations, coming in \$166 million under estimates for the year. However, there were some bright spots in the revenue picture, with severance tax collections ticking up and coming in \$58 million ahead of estimates. Overall for the fiscal year, total revenues fell short of estimates by approximately \$121 million. The shortfall was addressed through mid-year budget cuts, one-time appropriations and borrowings from the state's "rainy day" fund. Although short of fiscal year projections, general revenues were up almost \$64 million over fiscal year 2016 collections. An uptick in revenue collections in the last two months of fiscal year 2017 coupled with an increase in local government investments in the BTI's pools appeared to be the primary sources of the increase in net position over the year.

Rates of return for the Consolidated Fund's WV Money Market, WV Government Money Market, and WV Short Term Bond Pools were 0.85%, 0.48%, and 1.31%, respectively, for the year ended June 30, 2017. Fiscal year 2017 experienced something that had not been experienced in over a decade: multiple rate hikes by the Federal Open Market Committee (the "FOMC"). The FOMC raised the benchmark Fed funds rate range a quarter point at the December 2016, March 2017 and June 2017 meetings, increasing the rate range from 0.25% to 0.50% up to a range of 1.00% to 1.25%. In addition to the Fed actively tightening monetary policy, other key central banks signaled that a shift in policy could be possible in the near future. As expected by the BTI's investment managers, the Fed increases were well telegraphed with no real surprises. Similar to last fiscal year, the overall term structure of the Treasury bill curve was flat, with the average spread between the one month and one year Treasury bill staying in the 34 to 36 basis point range. Overall, the market is not convinced that the Fed will be overly aggressive in its tightening campaign and, as of the end of June 2017, there was uncertainty as to when the next rate hike may occur. October 2016 saw the implementation of a floating net asset value ("NAV") for institutional prime money funds as a result of the reforms to SEC Rule 2a7. This affected the front-end markets as there was a massive shift of assets from prime money market funds to government-only money market funds. The inflows into government-only

funds, which were permitted to continue using a stable NAV for processing investors' contributions and withdrawals, increased demand for front-end Treasuries and Agencies, keeping their yields well anchored. Fixed income credit markets performed well during the year, with economic data during the year continuing to reflect moderate growth.

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 a blended benchmark composed of fifteen percent of the iMoneyNet Treasury & Repo Institutional Average plus eighty-five percent of the iMoneyNet First Tier Institutional Average. The Pool return over fiscal year 2017 more than doubled the return for fiscal year 2016, coming in at 0.85% for the fiscal year. As with fiscal year 2016, a large component of the increase in performance year-over-year was due to rate hikes by the Fed. In addition to the rate hikes, the Pool was able to benefit from being able to continue to process participant transactions using a stable NAV. As a governmental external investment pool, the Pool is able to continue using amortized cost accounting so long as it meets the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 79, *Certain External Investment Pools and Pool Participants*. Effective October 14, 2016, institutional prime money market funds regulated by the SEC were required to begin processing investor transactions using a floating market-based NAV. Investors responded to the change by shifting over \$1 trillion in funds from prime money funds to government-only money market funds in the months leading up to the implementation date. Prime money market fund managers maintained very short weighted average maturity ("WAM") profiles, with many having WAMs in the single digits, as they built up higher than normal liquidity to accommodate the withdrawals. The resulting drop in demand for longer-dated money market instruments pushed up the yields of such instruments. This provided opportunities for the Pool to invest in these longer-dated instruments at higher yields. Post implementation date, the investment managers of the Pool began shortening the WAM profile of the Pool in anticipation of Fed rate hikes. The Fed rate hikes over the fiscal year were well telegraphed, with Treasury Bill yields re-pricing leading into each rate hike. The investment managers decreased the WAM of the Pool, dropping it from the mid-40 day range to the mid to high 30 day range. The managers have increased investment in floating-rate securities over the fiscal year, increasing the allocation from around 11% as of the prior fiscal year end to just over 33% as of the end of fiscal year 2017. Exposure to fixed-rate paper maturing in 90 days or less has also increased over the fiscal year, further contributing to the drop in WAM. The managers are likely to maintain a similar WAM profile over the next year, making adjustments as necessary for significant changes to the Fed's outlook.

The WV Government Money Market Pool's objective is to preserve capital and maintain sufficient liquidity to meet the daily disbursement requirements of participants, while earning a return above inflation. The benchmark for the WV Government Money Market Pool is a blended benchmark composed of fifteen percent of the iMoneyNet Treasury & Repo Institutional Average plus eighty-five percent of the iMoneyNet Government & Agencies Institutional Average. Fiscal year 2017 returns in the Pool again exceeded prior fiscal year returns, rising from 0.21% to 0.48%. The Pool also benefited from the Fed rate hikes during the year, but to a lesser extent than the WV Money Market Pool. The \$1+ trillion in assets that have flowed into government only funds has acted as a damper on rates, as demand for short-term Treasury and agency issues has remained elevated. This has only added to the existing demand for high-quality liquid assets that resulted from banking reforms over the past several years. Similar to the WV Money Market Pool, the WV Government Money Market Pool's WAM was shortened up during the year in response to the Fed rate hikes and outlook. The WAM has dropped from the low 50's to the mid to upper 30 day range. Some agency floaters have been added to the holdings in response to rising rates, but overall floating-rate holdings in the pool are not significantly higher than last fiscal year. The manager has maintained a fairly high allocation to overnight repo, as repo yields have generally exceeded the yields available on many shorter dated Treasury and Agency issues. Federal Home Loan Bank ("FHLB") issues made up the bulk of agency debt holdings as a continued oversupply of FHLB discount notes led to more attractive yields as compared to other agency paper. The manager expects to maintain a similar WAM profile over the near term, with adjustments made as necessary for changes to the Fed outlook.



The WV Short Term Bond Pool is structured as a mutual fund with the objective of asset growth rather than current income. The benchmark for the WV Short Term Bond Pool is the BofA Merrill Lynch U.S. Corporate & Government, 1-3 Years, A Rated and Above Index plus 10 basis points. Returns for fiscal year 2017 fell below fiscal year 2016 levels, dropping from 1.52% to 1.31%. The drop in performance year-over-year was not surprising given the longer-term nature of the pool and a rising rate environment. While absolute performance was lower year-over-year, performance relative to the benchmark was more than adequate. The annual return of the Pool soundly beat the benchmark, outperforming the benchmark return of 0.25% by 106 basis points. As in prior years, Federated Investors, manager for the pool, managed the pool with a lower duration and higher allocation to credit spread products versus the benchmark. As of fiscal year-end, the average effective duration of the Pool was 1.2 years versus the benchmark duration of 1.9 years. The duration profiles of both the Pool and the benchmark were little changed over the fiscal year. Maintaining the shorter duration versus the benchmark paid off in fiscal year 2017 as the Fed hiked rates three times during the fiscal year. Also contributing to a rise in yields, was the (somewhat) surprising election of Donald Trump in 2016, with yields rallying on expectations that the new President's agenda of tax cuts, regulatory reform, trade, and infrastructure spending could contribute significantly to U.S. economic growth. Yields on the 2-year Treasury jumped dramatically, ending the calendar year up 37 basis points from the levels just prior to the election. Some of the growth expectations were dampened in the last half of the fiscal year, as gridlock in Washington appears to have put the brakes on rapid implementation of the President's agenda. Even with the two additional rate hikes after the December 2016 hike, the 2-year Treasury yield only increased another 18 basis points over the last half of the fiscal year. Yields across the curve were higher year-over-year, and were notably higher in the one year to ten-year range, increasing an average of 83 basis points over the prior fiscal year end. By maintaining the shorter duration versus the benchmark, Federated added approximately 32 basis points of outperformance versus the benchmark. With continued expectations of Fed rate hikes, as well as the uplift in yields that will likely result from the Fed embarking on their balance sheet normalization program, Federated will continue to maintain a short duration versus the benchmark. Credit spread products, including corporates, asset-backed securities and mortgage-backed securities, made up nearly 82% of the Pool versus a benchmark allocation of 16%. Credit allocation within the Pool increased slightly from the prior year, while the benchmark allocation fell around 4%. Credit spreads continued tightening throughout the fiscal year based on actual, and expected, increases in earnings growth. In the second quarter of calendar year 2017, earnings news was overwhelmingly positive, with more than 50% of companies in the S&P 500 reporting higher earnings than were forecast by Wall Street. This was the second quarter in a row where actual earnings exceeded forecasts, breaking a string of 10 consecutive quarters of firms failing to beat estimates. By the end of the fiscal year, credit spreads were at or near all-time tights. Allocations by the Pool's manager to spread products, along with sector allocation within spread products, added around 60 basis points of outperformance versus the benchmark. Given the tightness of spreads, the allocation to credit products will likely not provide as significant a contribution to performance in the coming year.

## **Overview of the Financial Statements**

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

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

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

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

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

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

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

## Financial Analysis of the Operating Fund

**Net position.** The following is the condensed Statements of Net Position of the proprietary fund, which represents the assets, liabilities, and net position generated by the operating activities of the BTI, as of June 30, 2017 and 2016 (in thousands).

|                              | <u>2017</u>   | <u>2016</u>   |
|------------------------------|---------------|---------------|
| Current assets               | \$ 1,461      | \$ 1,323      |
| Noncurrent assets            | <u>4</u>      | <u>4</u>      |
| Total assets                 | <u>1,465</u>  | <u>1,327</u>  |
| Current liabilities          | <u>474</u>    | <u>513</u>    |
| Total liabilities            | <u>474</u>    | <u>513</u>    |
| Net position:                |               |               |
| Investment in capital assets | 4             | 4             |
| Unrestricted                 | <u>987</u>    | <u>810</u>    |
| Total net position           | <u>\$ 991</u> | <u>\$ 814</u> |

The net position of the Operating Fund increased by \$177,000 during fiscal year 2017. An increase in current assets of \$138,000 was responsible for the majority of the increase year-over-year. Also contributing the increase was a decline in current liabilities of \$39,000. Noncurrent assets did not materially change during fiscal year 2017.

The majority of the proprietary fund's net position consists of current assets. Current assets are composed of cash and accounts receivable that will be used to pay investment advisor, custodian, and administrative costs. The current asset balance of \$1,461,000 comprises \$942,000 in cash and \$519,000 in accounts receivable. The cash balance increased by \$189,000 from 2016, while the accounts receivable balance decreased by \$51,000.

The increase in the cash balance was primarily a result of a net operating income of \$177,000. The remaining \$12,000 increase in cash was a result of the changes in receivables and payables over the fiscal year. These changes are more fully discussed below.

The accounts receivable balance of \$519,000 represents fees that have been accrued but not withdrawn from the investment pools at June 30, 2017 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. Accounts receivable decreased by \$51,000 from the fiscal year end 2016 balance. At the end of fiscal year 2017, there was one month of administrative and three months' custodian fees receivable as compared to the fiscal year 2016 ending balance having two months of each fee type. This change in the number of month's receivables at the end of fiscal year 2017 accounted for \$50,000 of the decrease in receivables. An increase in net assets in the final month of the fiscal year moderated the decline in administrative fees receivable, with June 2017 administrative fees coming in higher than the fees for June 2016. Advisor fees receivable as of the end of fiscal year were approximately \$1,000 less than the advisor fees receivable as of the end of fiscal year 2016. Net assets over the final quarter

of fiscal year 2017 were comparable to the final quarter of fiscal year 2016 which resulted in advisor fees receivable being little changed from the prior fiscal year.

Capital assets, net of accumulated depreciation, did not substantially change during the year. New computer equipment, totaling \$2,000 was purchased during the fiscal year. This increase in capital assets was offset by annual depreciation of \$2,000. There were no asset retirements during fiscal year 2017.

The balance of \$474,000 in current liabilities represents \$418,000 in accounts payable and \$56,000 of reimbursements due the West Virginia State Treasurer’s Office (the “STO”) at June 30, 2017. The majority of the accounts payable balance represents amounts due for services received from the BTI’s investment advisors for the quarter ending June 30, 2017, custodian fees for April, May and June 2017, investment consultant fees for the quarter ending June 2017, and maintenance costs due for the investment management system for June 2017. The \$56,000 in reimbursements due to the STO was for staffing services provided to the BTI, office space rental expense, employee travel and the BTI’s share of statewide technology fees charged to the STO. The decrease in accounts payable was attributable to decreases in the amounts due to the STO for office space rental expenses and fewer outstanding invoices as of fiscal year end. At the end of fiscal year 2016, several invoices were held pending vendors’ satisfying state vendor registration requirements. There were no such issues with vendors at the end of fiscal year 2017. Reimbursements to the STO for office space rental expenses decreased significantly as there were certain make-ready costs due with the first month’s rent in 2016 that were not present in 2017. Remaining accounts payable increased modestly from fiscal year 2016 as there were three months of payables for custodial fees at the end of fiscal year 2017 versus only two months at the end of fiscal year 2016.

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

**Changes in fund net position.** The following is the condensed Statements of Revenues, Expenses and Changes in Fund Net Position of the operating fund for the periods ended June 30, 2017 and 2016 (in thousands).

|                                     | <u>2017</u>          | <u>2016</u>          |
|-------------------------------------|----------------------|----------------------|
| <b>Revenues</b>                     |                      |                      |
| Operating revenues:                 |                      |                      |
| Management services                 | \$ 1,383             | \$ 1,290             |
| Advisor and custodian services      | <u>1,461</u>         | <u>1,492</u>         |
| Total revenues                      | <u>2,844</u>         | <u>2,782</u>         |
| <b>Expenses</b>                     |                      |                      |
| Operating expenses:                 |                      |                      |
| General and administrative          | 1,201                | 1,158                |
| Advisor and custodian fees          | 1,464                | 1,492                |
| Depreciation                        | <u>2</u>             | <u>1</u>             |
| Total expenses                      | <u>2,667</u>         | <u>2,651</u>         |
| Increase (decrease) in net position | 177                  | 131                  |
| Net position at beginning of year   | <u>814</u>           | <u>683</u>           |
| Net position at end of year         | <u><u>\$ 991</u></u> | <u><u>\$ 814</u></u> |

Operating revenues at June 30, 2017 consist of investment advisor, custodian, and management fees billed to the pools by the operating fund to cover the cost of providing investment management services. The fees charged to the pools are categorized into direct or indirect expenses. All direct expenses, investment advisor and custodian fees are charged directly to the pools as they are incurred. All indirect expenses, i.e. insurance, staff costs, and rent, are charged to the pools based upon a fixed basis point fee against the net position of the pool. The fees collected are deposited in a special account in the STO created and designated the Board of Treasury Investments Fee Fund in accordance with *West Virginia Code §12-6C-19*.

Operating revenues for fiscal year 2017 increased by \$62,000. The increase in revenue consisted of an increase of \$93,000 in management (administrative) fees charged to the pools, a decrease of \$21,000 in advisor fee revenues, and a decrease of \$10,000 in custodial fees.

Advisor fees are computed based upon market values of the pools. The average market value of assets under management fell again during fiscal year 2017. However, the declines experienced over fiscal year 2017 were not as severe as in prior years. While the WV Money Market and WV Government Money Market Pool balances increased over fiscal year 2016 balances by approximately \$238 million, the average over the fiscal year 2017 was not significantly different than the averages over fiscal year 2016. Advisor fees for these two pools increased by \$7,000 from fiscal year 2016. Advisor fees for the WV Short Term Bond Pool decreased by \$28,000 from fiscal year 2016 as a result of agencies withdrawing approximately \$46 million over the fiscal year. These factors accounted for the net decrease of \$21,000 in advisor fees in fiscal year 2017. Custodian fees declined by a combined \$10,000 as a result of the changes in the assets of these pools. The administrative fee rate was increased slightly for fiscal year 2017 in anticipation of further declines in assets under management. However, the decreases in assets under management were less severe than anticipated resulting in an increase in management fees of \$93,000.

Total operating expenses for the year increased by \$16,000. This includes an increase of \$43,000 in general and administrative expense and a decrease in advisor and custodian fees of \$28,000. Changes in depreciation expense accounted for the remainder of the increase.

General and administrative expenses represent costs associated with operating the BTI that are not considered directly applicable to investment management. Salary reimbursements, investment consulting fees charged by NEPC Investment Consulting and fiduciary bond expenses make up the majority of this expense line item. Salary reimbursements and related expenses decreased by \$5,000 from the prior year. Other general and administrative expenses increased by a net of \$48,000.

A large portion of BTI expenses represent investment advisor fees. The current investment advisors are Federated Investors and UBS Asset Management. All investment decisions and trade executions are performed by the investment advisors. The balance of custodian and advisor fees is composed of investment advisor fees of \$1,345,000 and custodian fees of \$119,000. Investment advisor fees decreased by \$21,000 and custodian fees decreased by \$7,000 over fiscal year 2016. The net decrease in investment advisor fees was primarily due to the decline in assets under management. Advisor fees charged to the WV Money Market Pool increased by \$14,000 during fiscal year 2017, despite a lower average balance over the fiscal year. Investment advisors are permitted to utilize their own money funds in the investment pools, subject to a 15% maximum. These money funds are typically used opportunistically in place of repurchase agreements when repo supply is constrained or the manager's funds offer better yields than repo. As a condition of using these funds, the investment advisor must rebate the advisor fee charged to the fund to ensure that the BTI is not double charged for advisor fees and does not pay an advisor fee that is higher than the current contractual rate. The fee rebate is applied to the quarterly invoices from the investment managers and reduces the actual cash fee paid outright by the pool. To be eligible as an investment in the Pool, the money market funds must be rated by Standard & Poor's (to meet Standard & Poor's Pool rating criteria) and must invest in securities in which the Pool may otherwise invest. In June of 2016, UBS dropped Standard & Poor's ratings on their money funds which rendered these funds ineligible as an investment for the WV Money Market Pool. The reduction in fee rebates for the use of advisor funds is

entirely responsible for the apparent increase in advisor fees. When considering gross fees invoiced by the advisors, advisor fees fell by approximately \$11,000, which is in line with the decline in the average assets under management over fiscal year 2017. Advisor fees charged to the WV Government Money Market and WV Short Term Bond Pools fell by \$7,000 and \$28,000, respectively, as compared to fiscal year 2016. The decreases in both of these pools was the result of a decline in the average assets under management over the course of the fiscal year. As a result of the decline in average assets over the fiscal year, custodian fees for the year fell approximately \$7,000 from fiscal year 2016.

### Financial Analysis of the Consolidated Fund

**Net position.** The following is combined, condensed Statements of Fiduciary Net Position of the Consolidated Fund fiduciary funds as of June 30, 2017 and 2016 (in thousands).

|   | 2017                | 2016                |
|---|---------------------|---------------------|
| <b>Assets</b>   |                     |                     |
| Investments   | \$ 3,002,710        | \$ 2,837,461        |
| Receivables   | 4,020               | 7,543               |
| Total assets  | <u>3,006,730</u>    | <u>2,845,004</u>    |
| <b>Liabilities</b>                                      |                     |                     |
| Accrued expenses  | 519                 | 570                 |
| Dividends and purchases payable                         | 6,284               | 5,273               |
| Total liabilities                                       | <u>6,803</u>        | <u>5,843</u>        |
| <b>Net Position</b>                                     |                     |                     |
| Held in trust for investment pool participants          | 2,960,796           | 2,810,311           |
| Held in trust for individual investment account holders | 39,131              | 28,850              |
| Net position  | <u>\$ 2,999,927</u> | <u>\$ 2,839,161</u> |

As of June 30, 2017, the Consolidated Fund's assets totaled approximately \$3.0 billion and was composed almost entirely of investments in securities. Net position as of the end of fiscal year 2017 was \$160 million higher than the fiscal year end 2016 net position. Fiscal year 2017 was the first fiscal year since 2011 where net position ended higher year-over-year. Although net position had increased as of fiscal year end, the average assets under management over the course of fiscal year 2017 was approximately \$50 million lower than the average for fiscal year 2016.

As detailed below, the BTI experienced an increase in invested funds over the course of the fiscal year. Participant activity increased during fiscal year 2017, with both contributions and withdrawals rising by significant amounts over fiscal year 2016 activity. However, unlike the past several fiscal years, participant contributions exceeded withdrawals, resulting in an increase of \$134.3 million in net position. The net increase from participant activity, along with a net increase in assets from operations, resulted in an increase in net position of \$160 million from fiscal year 2016. The WV Money Market and WV Government Money Market Pools both increased year-over-year, with the WV Money Market Pool rising by \$224 million and the WV Government Money Market Pool rising by \$12 million. The WV Short Term Bond Pool experienced a net decrease, falling by \$37 million as state agencies drew against their invested balances. The net position of the WV Bank Pool fell significantly during the fiscal year, dropping by \$50 million from fiscal year end 2016. The net position of the Municipal Bond Commission Account was up over 2016, rising by \$10.6 million during the fiscal year. The State Loan Pool was up slightly over the fiscal year,



rising by \$0.9 million. The School Fund, Reserve Pool and West Virginia Economic Development Authority Account were little changed from the prior fiscal year.

The receivables balance comprises accrued interest and dividends and amounts due as a result of unsettled securities sales transactions. Receivables fell by \$3.5 million from the fiscal year end 2016 balance. The decrease was composed of a decrease in the receivable for securities sold of \$4.0 million and increase in interest and dividends receivable of \$0.5 million. The WV Short Term Bond Pool had an open sales transaction at the end of fiscal year 2016, but there were no open security sales transactions at the end of fiscal year 2017. Interest and dividends receivable on investments were up modestly at the end of fiscal year 2017, even with the increase in investments year-over-year and three Federal Reserve rate hikes between fiscal year ends. Interest and dividends receivable in the WV Money Market Pool were up approximately \$0.4 million from fiscal year 2016. In response to rising rates, the investment advisors for the West Virginia Money Market Pool have shortened up the portfolio, lowering the WAM to 36 days as of fiscal year-end 2017 from 49 days as of fiscal year-end 2016. The lower WAM was due, in large part, to a shift to investment in fixed rate CD's with shorter maturities and floating rate securities with more frequent resets. The shorter time to reset and payment offset the effects of higher rates. Receivables in the WV Government Money Market Pool will little changed from fiscal year end 2016. The investment manager increased investment in short-dated discount agency securities towards fiscal year end, finding more attractive yields in discount agencies versus interest bearing Treasuries and agencies. This left the interest and dividends receivable flat compared to fiscal year 2016 in spite of an increase in yields and an increase of \$12 million in funds invested in the pool. A drop of \$37 million in investment in the West Virginia Short Term Bond Pool offset the increase in short-term rates, resulting in a modest increase in interest and dividends receivable of \$0.1 million. Other pools and accounts experienced minor fluctuations in receivables year over year.

Total liabilities increased by approximately \$1.0 million since June 30, 2016. Total liabilities consist of accrued expenses, representing accrued manager fees, custodian bank fees and administrative fees, and dividends and purchases payable, representing dividends payable to participants in the WV Short Term Bond Pool and amounts payable for securities purchases settling in the following accounting period. Nearly all of the increase in the liabilities resulted from an increase of \$0.8 million in amounts payable for securities purchased by the WV Short Term Bond Pool. Dividends payable in the WV Short Term Bond Pool increased by nearly \$0.2 million as a result of the increases in yields as of fiscal year end. Accrued expenses were down slightly as compared to the end of fiscal year 2016.

Net position is the excess of total assets over total liabilities. As of June 30, 2017, the Consolidated Fund had total net position of approximately \$3.0 billion. The net position consists of funds held in trust for investment pool participants and individual account holders. Investment pool participants are those participants investing in the WV Money Market, WV Government Money Market, WV Short Term Bond, WV Bank, Reserve, and Loan Pools. Net position for investment pool participants increased approximately 5.4% from the prior year due to increases in investments in the WV Money Market, WV Government Money Market and Loan Pools and the Municipal Bond Commission Fee Account. These increases were offset slightly by decreases in the WV Short Term Bond and WV Bank Pools. The remaining pools and accounts did not change significantly during the year.

The WV Money Market Pool increased by approximately \$224.5 million from the prior year. The balance of state agency investments in the pool increased by \$156.3 million over the course of the fiscal year, reversing the prior years' trend of declining state agency investment balances. These increases were spread across multiple agencies, with no one single agency being responsible for a significant portion of the increase. Local government investments also increased from fiscal year 2016, rising by approximately \$32.6 million. Rounding out the increases was an increase in safekeeping deposits of \$35.6 million. Safekeeping deposits comprise funds that are required to be held in trust by the State for performance, wage guarantee and mining and oil and gas reclamation bonds.



Amounts invested in the WV Government Money Market Pool increased by \$11.9 million from fiscal year end 2016. State agency deposits, which make up more than 97% of the funds invested in the Pool, increased by \$14.3 million over the course of fiscal year 2017. The Municipal Bond Commission (the “MBC”), the single largest investor in the Pool, increased their deposits by \$26.6 million. The MBC maintains pooled investment accounts where local governments may deposit surplus funds for investment. Offsetting the increases in MBC investments were \$12.3 million in decreases in other State agency investments. The decreases in State investments were concentrated in accounts for the WV Economic Development Authority (the “EDA”) Loan Guaranty program, funds held in trust for the State Small Business Credit Initiative and funds of the West Virginia Housing Development Fund. Direct local government investments in the Pool, which are predominately funds from county school boards, fell by \$2.4 million over fiscal year 2017.

Investments in the State Loan Pool were up slightly for the fiscal year, increasing by \$0.9 million. The balance of the Revolving Loan program increased by \$1.5 million for the year as the EDA increased their borrowings over the fiscal year to fund new loans. The EDA increased their loans by approximately \$19.8 million over the fiscal year. Offsetting the new borrowings were \$18.3 million in principal repayments on existing loans. The remaining decrease in net position was the result of increases in the provision for loan loss reserve for the Non-Recourse Loan of \$0.6 million.

The net position of the WV Short Term Bond Pool decreased by \$37.4 million from fiscal year end 2016. The decrease was primarily the result of State agencies drawing against invested funds. The Division of Environmental Protection drew against invested funds over the year as the investment time horizon of their funds has shortened. Other state agency investments increased over the fiscal year, primarily due to re-investment of investment earnings.

The net position of the WV Bank Pool decreased significantly during fiscal year 2017. The decrease was primarily the result of increases in short-term rates, which reduced demand for the funds. During the fiscal year, short-term interest rates increased significantly, more than doubling by fiscal year end. As interest rates increased, participation by banks in the auction decreased. Starting with the September 2016 auction, the amount of funds placed at auction dropped by more than half. In February 2017, the BTI decreased the amount offered at auction from \$25 million to \$15 million, in part due to the decline in demand for funds. This decrease in net position in the WV Bank Pool was partially responsible for the increase in net position in the WV Money Market Pool as amounts that were withdrawn from the WV Bank Pool were transferred back into the WV Money Market Pool.

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

Net position held in trust for individual account holders represent individual state agency accounts with specific investment needs. Each agency has 100% ownership of the underlying investments in its pool and is solely responsible for the investment decisions in accordance with the legal restrictions applicable to those assets. Net position for individual account holders increased by \$10.3 million from the prior fiscal year. The MBC was responsible for an increase of \$10.6 million in net position for individual account holders. The MBC account holds investments escrowed to defease certain municipal bond issues. Levels of investment in this account are affected by municipal refinancing/refunding activity levels and the availability of, and yield on, eligible assets. Eligible assets for investment of these funds are typically U.S. Treasuries or U.S. Treasury Securities – State and Local Government Series (“SLGS”) issues. The increase in investments in the pool was primarily the result of purchase of new SLGS during the fiscal year. The SLGS window was open during a majority of the fiscal year, closing on March 15, 2017 because of the expiration of the debt ceiling suspension. The net position of the School Fund decreased by \$0.2 million while the West Virginia Economic Development Authority (“EDA-AW”) account decreased by \$0.1 million during the year.

**Changes in net position.** The following is a combined, condensed Statements of Changes in Fiduciary Net Position of the Consolidated Fund fiduciary funds for the years ended June 30, 2017 and 2016 (in thousands).

|  | Year Ended June 30, |              |
|--|---------------------|--------------|
|  | 2017                | 2016         |
| <b>Additions</b>                                     |                     |              |
| Net investment income                                | \$ 28,073           | \$ 15,327    |
| Net realized gain (loss)                             | 128                 | (39)         |
| Net increase (decrease) in fair value of investments | (1,917)             | 2,818        |
| Unit purchases and contributions                     | 11,320,573          | 9,944,131    |
| Total additions                                      | 11,346,857          | 9,962,237    |
| <b>Deductions</b>                                    |                     |              |
| Distributions  | 27,837              | 15,108       |
| Unit redemptions and withdrawals                     | 11,158,254          | 10,277,489   |
| Total deductions                                     | 11,186,091          | 10,292,597   |
| Change in net position                               | 160,766             | (330,360)    |
| Net position at beginning of year                    | 2,839,161           | 3,169,521    |
| Net position at end of year                          | \$ 2,999,927        | \$ 2,839,161 |

Fiscal year 2017 net investment income increased substantially from fiscal year 2016, primarily as a result three Fed rate hikes during the fiscal year. Although net position ended fiscal year 2017 \$160.8 million higher than fiscal year end 2016, the average invested over the course of the year was approximately \$50 million lower. All pools and accounts, with the exception of the EDA account, experienced increases in net investment income, with a total increase of \$12.7 million from the prior fiscal year. The WV Money Market Pool's net invest income increased by \$9.3 million, the largest increase of all the pools in dollar terms. The WV Government Money Market Pool experienced an increase of \$0.6 million over fiscal year 2016 net income. Net investment income in the WV Short Term Bond Pool was up \$2.1 million from fiscal year 2016. The WV Bank Pool's net investment income rose \$0.4 million, while the State Loan Pool's rose \$0.1 million. The increase in the State Loan Pool's net investment income was due to an increase in the rate on the Revolving Loan, which almost doubled, rising from 0.20% to 0.38%. Net investment income in the MBC Fee Account was up \$0.2 million from fiscal year 2016. The remaining pools and accounts were up slightly or, in the case of EDA, down slightly in fiscal year 2017.

There was substantial pessimism in the market at the end of fiscal year 2016 over whether the Fed would be able to continue raising rates. As of the end of fiscal year 2016, the Fed funds futures markets were not pricing in any Fed rate hikes until 2018 at the earliest. That pessimism would prove to be unjustified as conditions during the year gave the Fed confidence that rate hikes were warranted. The Fed passed on raising rates at the September 2016 meeting in spite of progress in employment and inflation. However, the minutes of the September meeting leaned hawkish, as the committee noted that near-term risks were balanced and the case for a rate hike had strengthened. The markets were somewhat skeptical, only pricing in a 60% probability of a rate hike by December 2016. As December rolled around, the markets had priced in a rate hike, which did occur at the December meeting. The summary of economic projections released after the meeting were probably more hawkish than many had expected, appearing to indicate that the Fed was leaning toward a more aggressive stance on rates. Economic data, although a little unsteady, indicated sufficient economic growth and strength in the labor markets to warrant further hikes. The Fed raised rates at the March and June 2017 meetings, bringing the Fed funds target rate to a range of 1.00% to 1.25%. In

addition to the June 2017 rate hike, the Fed also released its preliminary plans to begin reducing its enlarged \$4.5 trillion balance sheet.

The Treasury bill curve ended the year significantly higher than where it started the fiscal year, benefitting from three Fed rate hikes during the year. However, the term structure of the bill curve remained flat, as the markets still remained skeptical that the Fed will be overly aggressive in their tightening campaign. Money market reforms that were implemented during the fiscal year also weighed on the bill curve, largely the result of the shift in assets from prime money market funds to government-only funds. Yields further out the curve ended the year substantially higher, with the increase in the 1 to 10 year part of the curve averaging around 83 basis points higher than fiscal year-end 2016. At the end of fiscal year 2017, expectations are that the Fed will start letting their balance sheet run off by not reinvesting a portion of maturities and interest receipts. The expectation is that the balance sheet reduction will begin in September 2017. The markets are more uncertain as to whether there will be any further rate hikes during calendar year 2017. As of the end of the fiscal year, the markets were indicating that the next likely rate hike would be December 2017, with a 60% chance of a 25 basis point rate hike at that meeting.

The Fed's rate hikes during the fiscal year were the major contributors to the BTI's two principal stability pools outperforming fiscal year 2016 results. WV Money Market Pool performance more than doubled last year's results, increasing by 49 basis points to 0.85%. In addition to the Fed rate hikes, the effects of the October 2016 implementation of floating NAV's for institutional prime money market funds also helped provide a small uplift to returns. Overall the Treasury Bill curve was up again, year-over-year, with a slight flattening in the term structure as the market was of the opinion that the Fed will not tighten aggressively in the near term. As of fiscal year end, the expectations were for the next rate hike to occur at the December 2017 meeting. The increase in market rates, and, in part, the Pool's exemption from the floating NAV provisions of Rule 2a7, resulted in an increase of net investment income in fiscal year 2017 of \$9.3 million.

The WV Government Money Market Pool also experienced an increase in performance, with the return increasing to 0.48% for fiscal year 2017 from 0.21% for fiscal year 2016. The Fed rate hikes did not have as large an effect on the return of the Pool, as high demand for short-term high quality assets continued to restrain short-term Treasury and Agency yields. With the expectations for Fed rate hikes during the fiscal year, the pool was managed with a shorter WAM, falling from the low to mid 50's to the mid 30's. Some floating-rate agency issues were added to the agency holdings, and maturities of agencies purchased were shorter in tenor. Overnight repurchase agreement allocations were steady, with 20% to 25% of the pool invested in overnight repurchase agreements to take advantage of moves in overnight rates. Net position increased by approximately \$12 million year-over-year, but on average, was lower over the course of fiscal year 2017. These factors contributed to an increase of \$0.6 million in net investment income from fiscal year 2016.

Net investment income in the WV Short Term Bond Pool was up from fiscal year 2016, increasing by 24%, or \$2.1 million, during fiscal year 2017. The increase in net investment income was the result of a 31 basis point increase in yields during fiscal year 2017. Yield increases in the 1 to 3 year section of the curve benefited the pool as new investments and interest and maturity receipts were re-invested at higher yields.

The WV Bank Pool experienced an increase of \$0.4 million in net investment income during fiscal year 2017 despite a 38% decline in investments in the pool. As rates increased over the course of the fiscal year, demand for funds auctioned by the Pool declined, resulting in a lower amount of funds placed with local banks. Demand for funds peaked in August 2016 and remained flat for the remainder of the fiscal year, with the BTI placing an average of \$13 million per auction as compared to the average of \$22 million over the same period in the prior fiscal year. Average rates, however, were significantly higher over fiscal year 2017, averaging 88 basis points versus the fiscal year 2016 average of 37 basis points.

The increase in the Loan Pool's net investment income resulted from an increase in the rate on the Revolving Loan at the beginning of fiscal year 2016. The rate, which increases on July 1 of each fiscal

year, almost doubled, increasing from 20 basis points for fiscal year 2016 to 38 basis points for fiscal year 2017. The average amount on loan under the Revolving Loan was higher over the course of the fiscal year, which also contributed to the increase in interest income. For the year, interest income on the Revolving Loan increased by \$0.2 million. Offsetting the increase in interest income, was an increase in loss reserves for the Non-Recourse Loan. Allowances for loan losses on the program increased by \$0.1 million for the year. The net effect of these two factors was a decrease of approximately \$0.1 million in net investment income for the Pool. See Note 7 to the audited financial statements for more information on the loan programs of the Loan Pool.

Net investment income for the MBC Account was up approximately \$0.2 million over fiscal year 2016. The SLGS window at the U.S. Treasury was open during most of the fiscal year, which resulted in new investments being placed into SLGS rather than into U.S. Treasury Notes or Bonds. While the SLGS purchased over the year had higher interest rates than securities that had matured during the year, the relatively low balance of the fund and low yield of securities purchase did not result in a substantial increase in net investment income.

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

For the year, the investment pools had a combined net realized gain of \$128,000. This represents an increase of \$0.1 million from fiscal year 2016. The net realized gain was the result of normal trading activity related to generating liquidity, taking advantage of opportunities or repositioning portfolios to stay within policy limits.

The net change in fair value for fiscal year 2017 was negative, falling by \$4.7 million from fiscal year 2016. Fiscal year 2017 was marked by both quiet times and much more volatile periods. The first quarter of the fiscal year represented a quiet period, with Treasury yields rising gradually. The yield on the 2-year Treasury yield was up by 18 basis points from fiscal year-end levels. While performance for Treasuries were negative over the first quarter of the fiscal year, credit spread products outperformed, more than offsetting the negative Treasury returns. The second quarter of the fiscal year was anything but quiet. Markets were shocked by the surprising win of Donald Trump in the U.S presidential election in November 2016. The Real Clear Politics average of national polls placed Hillary Clinton ahead of Trump by a very narrow margin while the betting markets heavily favored Clinton over Trump. The yield on the 2-year Treasury added 18 basis points in the week following the election, about the same increase experienced over the entire first quarter of the fiscal year. The rationale for the spike in yields across the curve following the election were President-elect Trump's stated policy goals of cutting taxes, renegotiating trade agreements, reforming regulations and increasing infrastructure spending. All of these policies were widely viewed by the market as pro-growth policies that could result in an increase in U.S. economic activity. For November 2016, the yield on the WV Short Term Bond Pool was crushed, dropping nearly 30 basis points from the prior month, with the fair value of the pool falling \$3.0 million. Yields on Treasuries edged up over the final month of the quarter, with the Fed raising their benchmark rate by a quarter point at the December 2016 FOMC meeting. Credit spread products rallied through the remainder of the quarter, moderating the effects of the sudden jump in Treasury yields. The remainder of the fiscal year, while not entirely quiet, was much calmer than the second quarter. The Fed hiked rates at the March 2017 and June 2017 meetings, raising the Fed funds rate another 50 basis points. The 2-year Treasury only added an additional 18 basis points to its yield over the last half of the fiscal year as longer term Treasury yields were less responsive to the Fed rate hikes. Credit markets continued to perform well over the last half of the fiscal year even as President Trump's agenda appeared to have been slowed down significantly in the gridlock of Washington DC politics. Credit spreads continued tightening over this period, providing a boost to the fair value of the WV Short Term Bond Pool. By fiscal year-end, the Pool had recovered approximately \$2.3 million of the decline in fair value experienced in November and December 2016. This left the Pool with a decline in fair value for the year of approximately \$1.7 million. The changes in fair value in the EDA-AW Account and MBC Fee Account were negative for the fiscal year, falling from fiscal year 2016 levels by approximately \$0.2 and \$0.1 million, respectively. These accounts exclusively hold

Treasury issues and the changes in fair value were entirely related to previously discussed factors that influenced shifts in the Treasury yield curve. The total drop \$1.9 million in fair value during the year was \$4.4 million less than the increase of \$2.8 million in the prior fiscal year.

## **Economic Factors**

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

As previously discussed, Treasury yields were up across the curve in fiscal year 2017. Three Fed rate hikes over the course of the fiscal year helped to push the Treasury curve up from fiscal year 2016 levels. Treasury supply overall increased during the fiscal year, but at a lower rate than in fiscal year 2016. Treasury bill issuances were up significantly, with supply increasing by \$210 billion during fiscal year 2017. However, a significant increase in the demand for short-dated Treasuries overwhelmed the increased supply and helped to keep short-term Treasury yields depressed. The implementation of floating NAV for prime money market funds in October 2016 led to a sizable shift in assets from prime money funds to government-only money funds. Government-only funds, which were permitted to continue using a stable NAV, experienced inflows of approximately \$705 billion between fiscal year-end 2016 and the end of October 2016. Prime money funds continued to shorten their WAM profiles leading up to the floating NAV implementation date, with prime funds as a whole averaging WAM's in the low to mid-20 day range leading up to October. Prime funds, which had been the natural buyers of short-term financial company debt, curtailed their investment in such instruments and also limited their purchases to shorter-dated paper. This resulted in some stress in the bank funding markets as evidenced by the LIBOR-OIS spread (the difference between LIBOR and the overnight index swap rate), which spiked at 43 basis points in late September 2016. Banks were able to adjust their fund profiles and, as a result, LIBOR-OIS spreads have fallen ever since, ending the fiscal year in the low teens. Yields on short-term financial company debt maturing, which had risen significantly early in the year as a result of the effects of money market reform, fell into more normal ranges as banks adjusted their funding profiles.

Fiscal year 2016 ended with serious concerns over the potential negative economic effects of the United Kingdom (the "U.K.") vote to leave the European Union (the "E.U."). Those concerns soon faded as it became clear that the U.K.'s separation from the E.U. would have little impact on the U.S. in the near term. Once the U.K. invokes Article 50 of the Treaty on European Union, there will be a two year time period before the U.K. is officially out of the E.U. U.S. GDP growth, while uneven during the fiscal year, maintained a growth rate in excess of 1%, ranging from 1.2% to 3.0%. The wave of optimism that swept many business and consumer confidence indicators in the wake of President Trump's victory in November 2016, had faded somewhat by fiscal year-end as the optimism regarding the President's economic agenda met up with the realities of the office and negotiating with Congress to implement legislative priorities. While confidence indicators still remained elevated, "hard" economic data hasn't quite come into line with expectations. The Citigroup Economic Surprise Index, a diffusion index that measures economic data performance versus expectation, started the year off positive, peaking at 57.9 in March 2017, before reaching a low of -73.60 at the end of the fiscal year. The negative number is more likely an indicator that optimism was running a little too high as opposed to an indication of an economy that is faltering. While there are some drags on economic growth, the economy has performed pretty much as it has since 2010. Economic progress, although unsteady, has given the Fed confidence that the economy is not in need of extraordinary accommodation to sustain growth. The progress on economic growth, coupled with a still improving labor market, gave the Fed the justification to hike rates three times during the fiscal year. However, inflation continues to fall short of the Fed's target of 2%. The Fed has largely explained away



recent inflation trends as being due to temporary factors and is holding firm to their medium term projections that anticipate inflation soon returning to target.

At the state level in 2017, General Revenue funds were \$120.7 million below the official estimates and just 2.3% above prior year adjusted receipts. West Virginia balanced its budget through a combination of nearly \$60 million in mid-year budget reductions and \$124.3 million in gap fill revenues, including \$40.4 million from the Revenue Shortfall Reserve Fund (the “rainy day fund”). Revenue collections and revenue growth improved during the course of the year from a 1.5% decline during the first quarter to growth of 0.1%, 6.4% and 6.9% during the second, third and fourth quarters of the year, respectively. Natural gas prices troughed at less than \$1.00 per thousand cubic feet in the first half of the fiscal year and then subsequently more than doubled between October and January to current levels generally in excess of \$2.00 per thousand cubic feet. In addition, coal sales also troughed early in the year at an annualized rate of roughly 80 million tons and then subsequently rebounded to an annualized rate of more than 90 million tons. The value of foreign exports improved by nearly 29% from a twelve-month trailing trend trough of \$4.75 billion in October 2016 to a twelve-month trailing amount in excess of \$6.12 billion as of May 2017. Improvement in economic activity during the latter half of the year contributed to a net surplus of revenues over expenditures of more than \$76.0 million. Half of this surplus was appropriated by the Legislature in the Fiscal Year 2018 budget and the remaining half of \$38.0 million was deposited in the Revenue Shortfall Reserve Fund. After subtracting this deposit, the net amount of Revenue Shortfall Reserve Funds used for the Fiscal Year 2017 budget was \$93.7 million.

The Official Fiscal Year 2018 General Revenue estimate of \$4.225 billion is more than \$34 million above actual Fiscal Year 2017 General Revenue funds of nearly \$4.191 billion. Given that final Fiscal Year 2017 general revenue funds relied on more than \$124 million in temporary revenues, the adjusted required revenue growth in the Official Fiscal Year 2018 general revenue estimate is more than \$158 million or 3.1%. The base budget expenditures for Fiscal Year 2018 from General Revenues and lottery revenues are \$4.687 billion, which is \$20.5 million lower than the base budget expenditures included in the Fiscal Year 2017 budget of \$4.707 billion. The Fiscal Year 2018 budget relies on roughly \$140 million in various one-time funding sources, an improvement over \$200 million in one-time funding sources in the original Fiscal Year 2017 budget.

Given such a large reliance on one-time funding sources, the Fiscal Year 2019 budget would require minimum general fund revenue growth of 3.3% over Fiscal Year 2018 estimates just to match the funding level of the Fiscal Year 2018 budget. The economic momentum associated with improving energy markets during the second half of fiscal year 2017 is projected to continue. In particular, natural gas prices are projected to generally remain above \$2.00 per thousand cubic feet. The improvements in the energy sector should also contribute to modest employment and income growth in this fiscal year. In addition, higher road fund fees and taxes enacted in June 2017 should result in additional highway spending during the year with associated economic benefits. Gains associated with possible voter approval of a State Road Bond Amendment in October 2017 are not reflected in Fiscal Year 2018 revenue estimates, but could be reflected in future year outlooks.

Despite recent economic improvements, the State continues to struggle to balance its ongoing budget with resource limitations reflective of a lack of any net nominal revenue growth over the past five years. Future budget balance may still require some combination of savings associated with significant restructuring of State government service offerings and new revenue sources. Some additional revenue transfers from the Revenue Shortfall Reserve Fund could also occur.

**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, 315 70<sup>th</sup> Street SE, Charleston WV 25304.



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

June 30, 2017

*(In Thousands)*

|   |               |
|---|---------------|
| <b>Assets</b>                                   |               |
| Current assets:                                 |               |
| Cash  | \$ 942        |
| Receivables                                     | <u>519</u>    |
| Total current assets                            | 1,461         |
| Noncurrent assets:                              |               |
| Capital assets, net of accumulated depreciation | <u>4</u>      |
| Total assets                                    | <u>1,465</u>  |
| <br><b>Liabilities</b>                          |               |
| Current liabilities:                            |               |
| Accounts payable                                | <u>474</u>    |
| Total liabilities                               | <u>474</u>    |
| <br><b>Net position</b>                         |               |
| Investment in capital assets                    | 4             |
| Unrestricted                                    | <u>987</u>    |
| Total net position                              | <u>\$ 991</u> |

*See accompanying notes to financial statements*

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

For the Year Ended June 30, 2017

*(In Thousands)*

|                                     |                |
|-------------------------------------|----------------|
| <b>Operating revenues</b>           |                |
| Management services                 | \$ 1,383       |
| Advisor services                    | 1,345          |
| Custodian services                  | <u>116</u>     |
| Total operating revenues            | 2,844          |
| <br><b>Operating expenses</b>       |                |
| Advisor fees                        | 1,345          |
| Management fees                     | 637            |
| Professional service fees           | 265            |
| Fiduciary bond                      | 19             |
| Custodian fees                      | 119            |
| General and administrative          | 280            |
| Depreciation                        | <u>2</u>       |
| Total operating expenses            | <u>2,667</u>   |
| <br><b>Operating income</b>         | <br><u>177</u> |
| <br>Change in net position          | <br>177        |
| Net position at beginning of period | <u>814</u>     |
| Net position at end of period       | <u>\$ 991</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, 2017

*(In Thousands)*

|  |                |
|--|----------------|
| <b>Cash flows from operating activities</b>  |                |
| Cash received for services   | \$ 2,895       |
| Payments to vendors  | <u>(2,704)</u> |
| Net cash provided by operating activities  | 191            |
| <br><b>Cash flows from capital and related financing activities</b>                    |                |
| Purchase of capital equipment  | <u>(2)</u>     |
| Net cash used for capital and related financing activities                             | <u>(2)</u>     |
| <br>Net increase in cash   | <br>189        |
| Cash at beginning of period  | <u>753</u>     |
| Cash at end of period  | <u>\$ 942</u>  |
| <br><b>Reconciliation of operating income to net cash used in operating activities</b> |                |
| Operating income   | \$ 177         |
| Adjustments to reconcile operating gain to net cash provided by operating activities:  |                |
| Depreciation   | 2              |
| Changes in assets and liabilities:   |                |
| Receivables  | 51             |
| Accounts payable   | <u>(39)</u>    |
| Net cash provided by operating activities  | <u>\$ 191</u>  |

*See accompanying notes to financial statements*

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

June 30, 2017

*(In Thousands)*

|   |                           |
|---|---------------------------|
| <b>Assets</b>   |                           |
| Investments:  |                           |
| At amortized cost                                       | \$2,208,706               |
| At fair value   | <u>794,004</u>            |
| Total investments                                       | 3,002,710                 |
| Receivables:  |                           |
| Accrued interest  | 3,917                     |
| Dividends   | <u>103</u>                |
| Total receivables                                       | <u>4,020</u>              |
| Total assets  | 3,006,730                 |
| <br><b>Liabilities</b>                                  |                           |
| Accrued expenses  | 519                       |
| Dividends payable                                       | 1,060                     |
| Investments purchased                                   | <u>5,224</u>              |
| Total liabilities                                       | <u>6,803</u>              |
| <br><b>Net Position</b>                                 |                           |
| Held in trust for investment pool participants          | 2,960,796                 |
| Held in trust for individual investment account holders | <u>39,131</u>             |
| Total net position                                      | <u><u>\$2,999,927</u></u> |

*See accompanying notes to financial statements*

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

For the Year Ended June 30, 2017

(In Thousands)

|   |                            |
|---|----------------------------|
| <b>Additions</b>                                |                            |
| Investment income:                              |                            |
| Interest  | \$ 23,420                  |
| Dividends                                       | 666                        |
| Net amortization                                | 7,470                      |
| Provision for uncollectible loans               | <u>(639)</u>               |
| Total investment income                         | 30,917                     |
| Investment expenses:                            |                            |
| Investment advisor fees                         | 1,345                      |
| Custodian bank fees                             | 116                        |
| Administrative fees                             | <u>1,383</u>               |
| Total investment expenses                       | <u>2,844</u>               |
| Net investment income                           | 28,073                     |
| Net realized gain from investments              | 128                        |
| Net decrease in fair value of investments       | <u>(1,917)</u>             |
| Net increase in net position from operations    | 26,284                     |
| Participant transaction additions:              |                            |
| Purchase of pool units by participants          | 11,266,082                 |
| Reinvestment of pool distributions              | 27,979                     |
| Contributions to individual investment accounts | <u>26,512</u>              |
| Total participant transaction additions         | <u>11,320,573</u>          |
| Total additions                                 | <u>11,346,857</u>          |
| <b>Deductions</b>                               |                            |
| Distributions to pool participants:             |                            |
| Net investment income                           | 27,709                     |
| Net realized gain from investments              | <u>128</u>                 |
| Total distributions to pool participants        | 27,837                     |
| Participant transaction deductions:             |                            |
| Redemption of pool units by participants        | 11,141,869                 |
| Withdrawals from individual investment accounts | <u>16,385</u>              |
| Total participant transaction deductions        | <u>11,158,254</u>          |
| Total deductions                                | <u>11,186,091</u>          |
| Change in net position                          | 160,766                    |
| Net position at beginning of period             | <u>2,839,161</u>           |
| Net position at end of period                   | <u><u>\$ 2,999,927</u></u> |

*See accompanying notes to financial statements*

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# West Virginia Board of Treasury Investments

## Notes to Financial Statements

June 30, 2017

### 1. Organization and Operations

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

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

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

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

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

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

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

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

**Loan** – This pool is composed of loans made by the State. Within the Loan Pool is a non-recourse loan made by the West Virginia Economic Development Authority (the “WVEDA”) to the West Virginia Enterprise Advancement Corporation (the “WVEAC”), which in turn invests the funds in the West Virginia Enterprise Capital Fund, LLC (the “WVECF”), which then invests the money in venture capital funds. The WVEAC is a non-profit corporation that has a common board of directors with the WVEDA. The non-recourse loan program was authorized pursuant to WV Code §12-6-9, which requires the BTI to transfer up to \$25,000,000 in State funds to the WVEDA. The funds transferred by the BTI are to be repaid with proceeds received by the WVEDA from the WVEAC, which will make repayment to the WVEDA from the proceeds it receives from the WVECF. The Loan Pool is restricted by statute to receiving 3% earnings on the funds transferred to the WVEDA. Although the non-recourse loan made by the WVEDA may earn 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. In the 2017 legislative session, the West Virginia State Legislature established a program to provide loan guarantees for borrowings related to projects for the expansion of broadband services to unserved and underserved areas of West Virginia. Under the program, the BTI, subject to a liquidity determination and cash availability, shall make available to the WVEDA, from the Consolidated Fund, in the form of a nonrecourse revolving loan, \$50 million, for the purpose of insuring the payment or repayment of any debt instrument entered into by an entity for purposes of expanding broadband services to unserved and underserved areas of the state. The nonrecourse revolving loan is payable by the WVEDA solely from moneys received in respect to the insured debt instruments.

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

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

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

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

## **2. Significant Accounting Policies**

### **Basis of Accounting**

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

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

### **Budgetary Information**

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

### **Cash Equivalents**

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

### **Capital Assets**

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

### **Wages, Compensated Absences, Retirement Plan and Other Postemployment Benefits**

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

## **Income Taxes**

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

## **Revenues and Expenses – Proprietary Fund**

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

## **Net Position – Proprietary Fund**

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

## **Use of Estimates**

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

## **Investment Accounting**

**Investment Carrying Value** The BTI is an investment vehicle of the State, its component units, and local governments, all of which are government entities. The investments of the WV Money Market, WV Government Money Market, WV Bank, Loan, and Reserve pools or accounts are carried at amortized cost, as permissible under Governmental Accounting Standards Board ("GASB") Statement No. 31, as amended by GASB Statement Nos. 72 and 79. The WV Money Market and WV Government Money Market pools measure all investments at amortized cost for financial reporting purposes in accordance with criteria established in GASB Statement No. 79. The criteria specify that the pools must transact with their participants at a stable net asset value per share and meet requirements for portfolio maturity, portfolio quality, portfolio diversification, portfolio liquidity, and shadow pricing. The BTI does not place any limitations or restrictions on participant withdrawals from the WV Money Market and WV Government Money Market pools, such as redemption notice periods, maximum transaction amounts, and any authority to impose liquidity fees or redemption gates.

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

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

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

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

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

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

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

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

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

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

including analysis of the quality of the underlying collateral; and management's judgment on the impact of current and expected economic conditions on the portfolio. At June 30, 2017, the Loan Pool had an allowance for uncollectible loans of \$23,464,033.

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

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

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

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

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

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

### **3. Cash and Cash Equivalents**

The internal service fund's cash on deposit with the State Treasurer's Office was approximately \$942,000 at June 30, 2017. 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, 2017.

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



#### 4. Investments and Deposits

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

##### Credit Risk

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

The BTI limits the exposure to credit risk in the WV Money Market Pool by requiring all 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 pool must have at least 15% of its assets in U.S. Treasury obligations or obligations guaranteed as to repayment of interest and principal by the United States of America. The following table provides information on the credit ratings of the WV Money Market Pool’s investments (in thousands):

| Security Type                                  | Credit Rating |      | Carrying Value      | Percent of Pool Assets |
|--|---------------|------|---------------------|------------------------|
|  | Moody’s       | S&P  |                     |                        |
| Commercial paper                               | P-1           | A-1+ | \$ 358,377          | 20.10%                 |
|  | P-1           | A-1  | 706,150             | 39.60                  |
| Corporate bonds and notes                      | Aa3           | AA-  | 6,285               | 0.35                   |
|  | A1            | A    | 3,200               | 0.18                   |
| U.S. Treasury notes *                          | Aaa           | AA+  | 97,823              | 5.49                   |
| U.S. Treasury bills *                          | P-1           | A-1+ | 69,837              | 3.92                   |
| Negotiable certificates of deposit             | P-1           | A-1+ | 174,000             | 9.76                   |
|  | P-1           | A-1  | 156,476             | 8.78                   |
| Money market funds                             | Aaa           | AAAM | 100,005             | 5.61                   |
| Repurchase agreements (underlying securities): |               |      |                     |                        |
| U.S. Treasury notes *                          | P-1           | A-1  | 50,000              | 2.80                   |
| U.S. Treasury notes *                          | NR            | A-1  | 60,800              | 3.41                   |
|  |               |      | <u>\$ 1,782,953</u> | <u>100.00%</u>         |

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



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

| Security Type                                  | Credit Rating |      | Carrying Value    | Percent of Pool Assets |
|--|---------------|------|-------------------|------------------------|
|  | Moody's       | S&P  |                   |                        |
| U.S. agency bonds and notes                    | Aaa           | AA+  | \$ 8,000          | 3.96%                  |
| U.S. Treasury notes *                          | Aaa           | AA+  | 35,972            | 17.81                  |
| U.S. Treasury bills *                          | P-1           | A-1+ | 6,992             | 3.46                   |
| U.S. agency discount notes                     | P-1           | A-1+ | 99,921            | 49.47                  |
| Money market funds                             | Aaa           | AAAm | 2,109             | 1.04                   |
| Repurchase agreements (underlying securities): |               |      |                   |                        |
| U.S. Treasury notes *                          | Aaa           | AA+  | 49,000            | 24.26                  |
|  |               |      | <u>\$ 201,994</u> | <u>100.00%</u>         |

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

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

| Security Type                     | Credit Rating |      | Carrying Value | Percent of Pool Assets |
|-----------------------------------|---------------|------|----------------|------------------------|
|                                   | Moody's       | S&P  |                |                        |
| Commercial paper                  | P-1           | A-1+ | \$ 9,963       | 1.32%                  |
|                                   | P-1           | A-1  | 13,940         | 1.85                   |
| Corporate asset backed securities | Aaa           | AAA  | 68,441         | 9.06                   |
|                                   | Aaa           | NR   | 79,853         | 10.58                  |
|                                   | NR            | AAA  | 67,375         | 8.92                   |
|                                   | NR            | AA   | 2,003          | 0.26                   |
| Corporate bonds and notes         | Aaa           | AA+  | 2,935          | 0.39                   |
|                                   | Aaa           | AA+  | 4,019          | 0.53                   |
|                                   | Aa1           | AA+  | 5,027          | 0.67                   |
|                                   | Aa2           | AA+  | 4,036          | 0.53                   |

(Continued on next page)

| Security Type                          | Credit Rating |      | Carrying Value    | Percent of Pool Assets |
|--|---------------|------|-------------------|------------------------|
|  | Moody's       | S&P  |                   |                        |
| Corporate bonds and notes (continued)  | Aa2           | AA   | 6,989             | 0.93                   |
|  | Aa2           | AA-  | 17,124            | 2.27                   |
|  | Aa3           | AA-  | 15,106            | 2.00                   |
|  | Aa2           | A    | 4,011             | 0.53                   |
|  | Aa3           | A+   | 1,104             | 0.15                   |
|  | A1            | AA-  | 16,588            | 2.20                   |
|  | A1            | A+   | 19,078            | 2.53                   |
|  | A1            | A    | 6,355             | 0.84                   |
|  | A1            | A-   | 7,276             | 0.96                   |
|  | A2            | A+   | 2,616             | 0.35                   |
|  | A2            | A    | 25,032            | 3.32                   |
|  | A2            | A-   | 10,079            | 1.33                   |
|  | A3            | A    | 10,747            | 1.42                   |
|  | A3            | A-   | 30,242            | 4.01                   |
|  | A3            | BBB+ | 20,183            | 2.67                   |
|  | Baa1          | A    | 1,501             | 0.20                   |
|  | Baa1          | A-   | 11,991            | 1.59                   |
|  | Baa1          | BBB+ | 47,392            | 6.28                   |
|  | Baa1          | BBB  | 8,495             | 1.12                   |
|  | Baa2          | A-   | 1,018             | 0.13                   |
|  | Baa2          | BBB  | 28,770            | 3.81                   |
|  | Baa2          | BBB- | 3,000             | 0.40                   |
|  | Baa2          | NR   | 2,000             | 0.26                   |
|  | Baa2          | BBB+ | 10,268            | 1.36                   |
|  | Baa3          | BBB  | 15,627            | 2.07                   |
|  | Baa3          | BBB- | 7,166             | 0.95                   |
|  | Ba1           | BBB  | 2,005             | 0.27                   |
|  | Ba1           | BBB- | 2,304             | 0.31                   |
|  | Ba2           | BBB- | 824               | 0.11                   |
|  | NR            | BBB+ | 2,637             | 0.35                   |
|  | NR            | BBB- | 1,990             | 0.26                   |
| U.S. agency mortgage backed securities | Aaa           | AA+  | 37,287            | 4.94                   |
| Corporate mortgage backed securities   | Aaa           | AAA  | 4,217             | 0.56                   |
|  | Aaa           | NR   | 17,281            | 2.29                   |
| U.S. Treasury notes *                  | Aaa           | AA+  | 87,588            | 11.60                  |
| Money market funds                     | Aaa           | AAAm | 11,479            | 1.52                   |
|  |               |      | <u>\$ 754,962</u> | <u>100.00%</u>         |

NR = Not Rated

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

The WV Bank Pool holds an interest in a money market mutual fund valued at approximately \$48,000. The mutual fund is rated AAAM by Standard & Poor's and Aaa by Moody's. The BTI does not have a policy specifically addressing credit risk in the WV Bank Pool.

The Loan Pool is composed of loans made by the State. The pool holds intergovernmental loans and an investment in a money market mutual fund of approximately \$47,000. 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 \$1,417,000. The mutual fund is rated AAAM by Standard & Poor's and Aaa by Moody's. The BTI does not have a policy specifically addressing credit risk in the School Fund Account.

### Interest Rate Risk

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

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

| Security Type             | Carrying Value<br>(In Thousands) | WAM<br>(Days) |
|---------------------------|----------------------------------|---------------|
| Repurchase agreements     | \$ 110,800                       | 3             |
| U.S. Treasury notes       | 97,823                           | 44            |
| U.S. Treasury bills       | 69,837                           | 88            |
| Commercial paper          | 1,064,527                        | 36            |
| Certificates of deposit   | 330,476                          | 41            |
| Corporate bonds and notes | 9,485                            | 79            |
| Money market funds        | 100,005                          | 3             |
|                           | \$ 1,782,953                     | 36            |

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

| Security Type               | Carrying Value<br>(In Thousands) | WAM<br>(Days) |
|-----------------------------|----------------------------------|---------------|
| Repurchase agreements       | \$ 49,000                        | 3             |
| U.S. Treasury notes         | 35,972                           | 65            |
| U.S. Treasury bills         | 6,992                            | 45            |
| U.S. agency discount notes  | 99,921                           | 41            |
| U.S. agency bonds and notes | 8,000                            | 27            |
| Money market funds          | 2,109                            | 3             |
|                             | \$ 201,994                       | 35            |

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<br>(In Thousands) | Effective<br>Duration<br>(Days) |
|--|----------------------------------|---------------------------------|
| Corporate bonds and notes              | \$ 355,535                       | 412                             |
| Corporate asset backed securities      | 217,672                          | 423                             |
| Commercial paper                       | 23,903                           | 113                             |
| U.S. Treasury bonds and notes          | 87,588                           | 766                             |
| U.S. agency mortgage backed securities | 37,287                           | 148                             |
| Corporate mortgage backed securities   | 21,498                           | 347                             |
| Money market funds                     | 11,479                           | 1                               |
|  | \$ 754,962                       | 426                             |

The West Virginia Bank Pool holds nonnegotiable certificates of deposit totaling \$79,500,000 with maturity dates ranging from July 2017 through December 2017, and an interest in a money market mutual fund valued at approximately \$48,000. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to losses in this pool arising from increasing interest rates.

The Loan Pool holds an interest in a money market mutual fund in the amount of approximately \$47,000 with a weighted average maturity of one day. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to losses in this pool arising from increasing interest rates.

The Reserve Pool maintains funds totaling approximately \$18,845,000 in a bank depository account. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to losses in this pool arising from increasing interest rates.

The 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<br>(In Thousands) | WAM<br>(Days) |
|---------------------------------------|----------------------------------|---------------|
| U.S. Treasury bonds and notes         | \$ 13,083                        | 302           |
| State and local government securities | 22,744                           | 610           |
|                                       | \$ 35,827                        | 498           |

The School Fund Account holds only an interest in a money market mutual fund valued at approximately \$1,417,000 with a weighted average maturity of one day. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in this pool arising from increasing interest rates.

The EDA-AW Account holds only a U.S. Treasury bond valued at approximately \$1,798,000 that matures August 15, 2023. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in this pool arising from increasing interest rates.

## **Other Risks of Investing**

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

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

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

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

## **Deposits**

Custodial credit risk of deposits is the risk that in the event of failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits include nonnegotiable certificates of deposit. The WV Bank Pool contains nonnegotiable certificates of deposit valued at \$79,500,000. The Reserve Pool contains funds totaling approximately \$18,845,000 in a bank depository account. The BTI does not have a deposit policy for custodial credit risk.

## **5. Investments Measured at Fair Value**

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

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

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

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

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

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

The table below summarizes the recurring fair value measurements of the investment securities in the WV Short Term Bond Pool in accordance with GASB Statement No. 72 fair value hierarchy levels as of June 30, 2017 (in thousands).

| Investment Type                        | Level 1   | Level 2    | Level 3 | Total      |
|--|-----------|------------|---------|------------|
| Corporate bonds and notes              | \$ -      | \$ 355,535 | \$ -    | \$ 355,535 |
| Corporate asset backed securities      | -         | 217,672    | -       | 217,672    |
| Commercial paper                       | -         | 23,903     | -       | 23,903     |
| U.S. Treasury notes                    | 87,588    | -          | -       | 87,588     |
| U.S. agency mortgage backed securities | -         | 37,287     | -       | 37,287     |
| Corporate mortgage backed securities   | -         | 21,498     | -       | 21,498     |
| Money market funds                     | 11,479    | -          | -       | 11,479     |
|  | \$ 99,067 | \$ 655,895 | \$ -    | \$ 754,962 |

The School Fund Account holds a money market fund reported at a fair value of \$1,417,000 using Level 1 inputs.

The Municipal Bond Commission Account holds U.S. Treasury Notes and Bonds reported at a fair value of \$13,083,000 using Level 1 inputs. The Account also holds Treasury Securities – State and Local Government Series (“SLGS”) issues that are reported at historical cost (face value) of \$22,744,000. SLGS are special purpose securities the U.S. Department of the Treasury issues to state and local government entities, upon request by those entities, to assist them in complying with federal tax laws and Internal Revenue Service arbitrage regulations when they have cash proceeds to invest from their issuance of tax exempt bonds. There is no market for these securities as they may only be redeemed at the U.S. Department of Treasury on or before their stated maturity date at face value plus accrued interest.

The EDA-AW Account holds a U.S. Treasury bond reported at a fair value of \$1,798,000 using Level 1 inputs.

## 6. Capital Assets

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

|  | June 30, 2016 | Increases | Decreases | June 30, 2017 |
|--|---------------|-----------|-----------|---------------|
| Equipment, at cost                         | \$ 16         | \$ 2      | \$ -      | \$ 18         |
| Accumulated depreciation                   | (12)          | (2)       | -         | (14)          |
| Equipment, net of accumulated depreciation | \$ 4          | \$ -      | \$ -      | \$ 4          |

## **7. Related Party Transactions**

### **Intergovernmental Investments**

The BTI is required by law to enter into certain investment transactions with other state entities. At June 30, 2017, 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, 2017, was 0.38%. 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, 2017, the outstanding balance was \$124,322,462.
- b. The "WVEDA Non-recourse Loan" represents an obligation of the WVEDA. The BTI assumed the loan as of July 8, 2005. The loan was originally entered into with the West Virginia Investment Management Board on April 9, 2002. The terms of the loan allow for the WVEDA to borrow up to \$25,000,000 from the BTI through June 29, 2012. As of March 2010, the WVEDA had borrowed the maximum amount. The funds borrowed by the WVEDA are to be loaned, without recourse, to the West Virginia Enterprise Advancement Corporation (WVEAC), for investment in the West Virginia Enterprise Capital Fund, to fund certain venture capital initiatives. The loan earns interest at 3%, which is fixed for the term of the loan. The WVEDA is required to make annual principal payments of \$10,000 plus accrued interest for the first ten years. However, in the event the WVEDA has not received any returns from the investment with the WVEAC, these payments may be deferred through June 30, 2012. Beginning June 30, 2013, the WVEDA was expected to make principal and interest payments sufficient to repay all outstanding principal and accrued interest in full by June 30, 2022. On June 24, 2013, the BTI was notified by the WVEDA that the WVEDA had not received monetary returns from its venture capital investments and therefore would be unable to make the scheduled payment on June 30, 2013. At June 30, 2017, \$24,459,659 of principal was outstanding.

Because of the uncertain collectability of this loan, the BTI has elected to recognize income on a cost recovery basis. Any payments received will be applied to reduce the outstanding principal balances until that balance is fully recovered. Any amounts received after recovery of the principal balance will be recognized as interest income when received. Additionally, a valuation reserve of \$23,464,033 has been accrued at June 30, 2017.

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

the prior quarter. On a quarterly basis, the WVEDA shall determine the outstanding balance of the insured debt covered by the loan and adjust the outstanding balance of the loan to equal the outstanding balance of the insured debt. The program is effective beginning July 7, 2017.

### **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, 2017, the BTI reimbursed the Treasurer's Office \$704,000 for services, which includes \$637,000 for management services provided by Treasurer's Office employees. As of June 30, 2017, the BTI had an amount payable to the Treasurer's Office totaling \$56,000, of which \$48,000 was for management services provided by Treasurer's Office employees. Also during the year, the Treasurer's Office provided services valued at approximately \$16,000 at no cost to the BTI.

### **8. Risk Management**

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

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

### **9. Effect of New Accounting Pronouncements**

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



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

June 30, 2017

(In Thousands)

|   | <b>WV Money<br/>Market Pool</b> | <b>WV<br/>Government<br/>Money<br/>Market Pool</b> | <b>WV Short<br/>Term Bond<br/>Pool</b> | <b>WV Bank<br/>Pool</b> | <b>Loan Pool</b>  |
|---|---------------------------------|--|--|-------------------------|-------------------|
| <b>Assets</b>   |                                 |  |  |                         |                   |
| Investments:  |                                 |  |  |                         |                   |
| At amortized cost                                       | \$ 1,782,953                    | \$ 201,994   | \$ -                                   | \$ 79,548               | \$ 125,366        |
| At fair value   | -                               | -  | 754,962                                | -                       | -                 |
| Receivables:  |                                 |  |  |                         |                   |
| Accrued interest  | 1,419                           | 118  | 2,022                                  | 230                     | 40                |
| Dividends   | 79                              | -  | 14                                     | -                       | -                 |
| Total receivables                                       | <u>1,498</u>                    | <u>118</u>   | <u>2,036</u>                           | <u>230</u>              | <u>40</u>         |
| Total assets  | 1,784,451                       | 202,112  | 756,998                                | 79,778                  | 125,406           |
| <b>Liabilities</b>                                      |                                 |  |  |                         |                   |
| Accrued expenses  | 259                             | 42   | 208                                    | 4                       | 6                 |
| Dividends payable                                       | -                               | -  | 1,060                                  | -                       | -                 |
| Investments purchased                                   | <u>3,225</u>                    | <u>-</u>   | <u>1,999</u>                           | <u>-</u>                | <u>-</u>          |
| Total liabilities                                       | <u>3,484</u>                    | <u>42</u>  | <u>3,267</u>                           | <u>4</u>                | <u>6</u>          |
| <b>Net Position</b>                                     |                                 |  |  |                         |                   |
| Held in trust for investment pool participants          | 1,780,967                       | 202,070  | 753,731                                | 79,774                  | 125,400           |
| Held in trust for individual investment account holders | -                               | -  | -                                      | -                       | -                 |
| Total net position                                      | <u>\$ 1,780,967</u>             | <u>\$ 202,070</u>                                  | <u>\$ 753,731</u>                      | <u>\$ 79,774</u>        | <u>\$ 125,400</u> |

(Continued)

| <u>Reserve Pool</u> | <u>Municipal Bond Commission Account</u> | <u>School Fund Account</u> | <u>Economic Development Authority - American Woodmark Account</u> | <u>Total</u>       |
|---------------------|--|----------------------------|---|--------------------|
| \$ 18,845           | \$ -                                     | \$ -                       | \$ -  | \$ 2,208,706       |
| -                   | 35,827                                   | 1,417                      | 1,798   | 794,004            |
| -                   | 54                                       | -                          | 34  | 3,917              |
| <u>9</u>            | <u>-</u>                                 | <u>1</u>                   | <u>-</u>  | <u>103</u>         |
| <u>9</u>            | <u>54</u>                                | <u>1</u>                   | <u>34</u>   | <u>4,020</u>       |
| 18,854              | 35,881                                   | 1,418                      | 1,832   | 3,006,730          |
| -                   | -  | -                          | -   | 519                |
| -                   | -  | -                          | -   | 1,060              |
| <u>-</u>            | <u>-</u>                                 | <u>-</u>                   | <u>-</u>  | <u>5,224</u>       |
| <u>-</u>            | <u>-</u>                                 | <u>-</u>                   | <u>-</u>  | <u>6,803</u>       |
| 18,854              | -  | -                          | -   | 2,960,796          |
| <u>-</u>            | <u>35,881</u>                            | <u>1,418</u>               | <u>1,832</u>  | <u>39,131</u>      |
| <u>\$ 18,854</u>    | <u>\$ 35,881</u>                         | <u>\$ 1,418</u>            | <u>\$ 1,832</u>   | <u>\$2,999,927</u> |

See accompanying notes to financial statements.

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

For the Year Ended June 30, 2017

(In Thousands)

|   | <b>WV Money<br/>Market Pool</b> | <b>WV Government<br/>Money<br/>Market Pool</b> | <b>WV Short<br/>Term<br/>Bond Pool</b> | <b>WV Bank<br/>Pool</b> | <b>Loan Pool</b>  |
|---|---------------------------------|--|--|-------------------------|-------------------|
| <b>Additions</b>  |                                 |  |  |                         |                   |
| Investment income:                                      |                                 |  |  |                         |                   |
| Interest  | \$ 8,500                        | \$ 829   | \$ 12,327                              | \$ 748                  | \$ 461            |
| Dividends   | 517                             | -  | 52                                     | 2                       | 2                 |
| Net (amortization) accretion                            | 7,492                           | 349  | (177)                                  | -                       | -                 |
| Provision for uncollectible loans                       | -                               | -  | -                                      | -                       | (639)             |
| Total investment income (loss)                          | <u>16,509</u>                   | <u>1,178</u>                                   | <u>12,202</u>                          | <u>750</u>              | <u>(176)</u>      |
| Investment expenses:                                    |                                 |  |  |                         |                   |
| Investment advisor fees                                 | 575                             | 78   | 692                                    | -                       | -                 |
| Custodian bank fees                                     | 76                              | 13   | 27                                     | -                       | -                 |
| Administrative fees                                     | 818                             | 106  | 350                                    | 50                      | 56                |
| Total investment expenses                               | <u>1,469</u>                    | <u>197</u>                                     | <u>1,069</u>                           | <u>50</u>               | <u>56</u>         |
| Net investment income (loss)                            | 15,040                          | 981  | 11,133                                 | 700                     | (232)             |
| Net realized gain from investments                      | 56                              | 4  | 68                                     | -                       | -                 |
| Net decrease in fair value of investments               | -                               | -  | (1,707)                                | -                       | -                 |
| Net increase (decrease) in net position from operations | 15,096                          | 985  | 9,494                                  | 700                     | (232)             |
| Participant transaction additions:                      |                                 |  |  |                         |                   |
| Purchase of pool units by participants                  | 10,940,299                      | 302,675  | 11,813                                 | 679                     | 10,533            |
| Reinvestment of pool distributions                      | 15,093                          | 984  | 11,347                                 | 700                     | (232)             |
| Contributions to individual investment accounts         | -                               | -  | -                                      | -                       | -                 |
| Total participant transaction additions                 | <u>10,955,392</u>               | <u>303,659</u>                                 | <u>23,160</u>                          | <u>1,379</u>            | <u>10,301</u>     |
| Total additions   | 10,970,488                      | 304,644  | 32,654                                 | 2,079                   | 10,069            |
| <b>Deductions</b>                                       |                                 |  |  |                         |                   |
| Distributions to pool participants:                     |                                 |  |  |                         |                   |
| Net investment income (loss)                            | 15,040                          | 981  | 11,133                                 | 700                     | (232)             |
| Net realized gain from investments                      | 56                              | 4  | 68                                     | -                       | -                 |
| Total distributions to pool participants                | <u>15,096</u>                   | <u>985</u>                                     | <u>11,201</u>                          | <u>700</u>              | <u>(232)</u>      |
| Participant transaction deductions:                     |                                 |  |  |                         |                   |
| Redemption of pool units by participants                | 10,781,148                      | 291,749  | 58,871                                 | 679                     | 9,339             |
| Withdrawals from individual investment accounts         | -                               | -  | -                                      | -                       | -                 |
| Total participant transaction deductions                | <u>10,781,148</u>               | <u>291,749</u>                                 | <u>58,871</u>                          | <u>679</u>              | <u>9,339</u>      |
| Total deductions  | <u>10,796,244</u>               | <u>292,734</u>                                 | <u>70,072</u>                          | <u>1,379</u>            | <u>9,107</u>      |
| Net increase (decrease) in net position from operations | 174,244                         | 11,910   | (37,418)                               | 700                     | 962               |
| Inter-pool transfers in                                 | 75,220                          | -  | -                                      | 25,000                  | -                 |
| Inter-pool transfers out                                | (25,000)                        | -  | -                                      | (75,220)                | -                 |
| Net inter-pool transfers in (out)                       | <u>50,220</u>                   | <u>-</u>                                       | <u>-</u>                               | <u>(50,220)</u>         | <u>-</u>          |
| Change in net position                                  | 224,464                         | 11,910   | (37,418)                               | (49,520)                | 962               |
| Net position at beginning of period                     | <u>1,556,503</u>                | <u>190,160</u>                                 | <u>791,149</u>                         | <u>129,294</u>          | <u>124,438</u>    |
| Net position at end of period                           | <u>\$ 1,780,967</u>             | <u>\$ 202,070</u>                              | <u>\$ 753,731</u>                      | <u>\$ 79,774</u>        | <u>\$ 125,400</u> |

(Continued)

| <u>Reserve Pool</u> | <u>Municipal Bond Commission Account</u> | <u>School Fund Account</u> | <u>Economic Development Authority - American Woodmark Account</u> | <u>Total</u>        |
|---------------------|--|----------------------------|---|---------------------|
| \$ -                | \$ 465                                   | \$ -                       | \$ 90   | \$ 23,420           |
| 87                  | -  | 6                          | -   | 666                 |
| -                   | (180)                                    | -                          | (14)  | 7,470               |
| -                   | -  | -                          | -   | (639)               |
| <u>87</u>           | <u>285</u>                               | <u>6</u>                   | <u>76</u>   | <u>30,917</u>       |
| -                   | -  | -                          | -   | 1,345               |
| -                   | -  | -                          | -   | 116                 |
| -                   | 1  | 1                          | 1   | 1,383               |
| <u>-</u>            | <u>1</u>                                 | <u>1</u>                   | <u>1</u>  | <u>2,844</u>        |
| 87                  | 284                                      | 5                          | 75  | 28,073              |
| -                   | -  | -                          | -   | 128                 |
| -                   | (85)                                     | -                          | (125)   | (1,917)             |
| <u>87</u>           | <u>199</u>                               | <u>5</u>                   | <u>(50)</u>   | <u>26,284</u>       |
| 83                  | -  | -                          | -   | 11,266,082          |
| 87                  | -  | -                          | -   | 27,979              |
| -                   | 26,098                                   | 414                        | -   | 26,512              |
| <u>170</u>          | <u>26,098</u>                            | <u>414</u>                 | <u>-</u>  | <u>11,320,573</u>   |
| 257                 | 26,297                                   | 419                        | (50)  | 11,346,857          |
| 87                  | -  | -                          | -   | 27,709              |
| -                   | -  | -                          | -   | 128                 |
| <u>87</u>           | <u>-</u>                                 | <u>-</u>                   | <u>-</u>  | <u>27,837</u>       |
| 83                  | -  | -                          | -   | 11,141,869          |
| -                   | 15,712                                   | 585                        | 88  | 16,385              |
| <u>83</u>           | <u>15,712</u>                            | <u>585</u>                 | <u>88</u>   | <u>11,158,254</u>   |
| <u>170</u>          | <u>15,712</u>                            | <u>585</u>                 | <u>88</u>   | <u>11,186,091</u>   |
| 87                  | 10,585                                   | (166)                      | (138)   | 160,766             |
| -                   | -  | -                          | -   | 100,220             |
| -                   | -  | -                          | -   | (100,220)           |
| <u>-</u>            | <u>-</u>                                 | <u>-</u>                   | <u>-</u>  | <u>-</u>            |
| 87                  | 10,585                                   | (166)                      | (138)   | 160,766             |
| <u>18,767</u>       | <u>25,296</u>                            | <u>1,584</u>               | <u>1,970</u>  | <u>2,839,161</u>    |
| <u>\$ 18,854</u>    | <u>\$ 35,881</u>                         | <u>\$ 1,418</u>            | <u>\$ 1,832</u>   | <u>\$ 2,999,927</u> |

See accompanying notes to financial statements.

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

**WEST VIRGINIA MONEY MARKET POOL**

| <u>SECURITY NAME</u>           | <u>% of POOL</u> | <u>COUPON</u> | <u>YIELD</u> | <u>MATURITY</u> | <u>UNITS</u> | <u>AMORTIZED COST</u> | <u>FAIR VALUE*</u> |
|--------------------------------|------------------|---------------|--------------|-----------------|--------------|-----------------------|--------------------|
| <i>U. S. Treasury Issues</i>   |                  |               |              |                 |              |                       |                    |
| United States Treasury         |                  | 0.875 %       | 0.865 %      | 07/15/2017      | 29,500       | \$ 29,500             | \$ 29,500          |
| United States Treasury         |                  | 0.500         | 0.817        | 07/31/2017      | 9,000        | 8,998                 | 8,997              |
| United States Treasury         |                  | 0.625         | 0.818        | 07/31/2017      | 10,000       | 9,998                 | 9,998              |
| United States Treasury         |                  | 0.875         | 0.733        | 10/15/2017      | 5,000        | 5,002                 | 4,997              |
| United States Treasury         |                  | 2.250         | 0.826        | 11/30/2017      | 5,000        | 5,029                 | 5,023              |
| United States Treasury         |                  | 1.000         | 1.149        | 12/31/2017      | 10,000       | 9,993                 | 9,992              |
| United States Treasury         |                  | 1.275         | F 1.237      | 01/31/2018      | 4,800        | 4,801                 | 4,808              |
| United States Treasury         |                  | 1.193         | F 1.183      | 04/30/2018      | 9,000        | 9,001                 | 9,015              |
| United States Treasury         |                  | 1.177         | F 1.176      | 07/31/2018      | 10,500       | 10,500                | 10,519             |
| United States Treasury         |                  | 1.173         | F 1.160      | 10/31/2018      | 5,000        | 5,001                 | 5,009              |
| Total U. S. Treasury Issues    | 5.5%             |               |              |                 |              | 97,823                | 97,858             |
| <i>Corporate Bonds</i>         |                  |               |              |                 |              |                       |                    |
| Sumitomo Mitsui Bank           |                  | 1.350         | 1.328        | 07/11/2017      | 1,000        | 1,000                 | 1,000              |
| Sumitomo Mitsui Bank           |                  | 1.800         | 1.309        | 07/18/2017      | 2,200        | 2,200                 | 2,200              |
| Toronto Dominion Bank NY       |                  | 1.685         | F 1.685      | 08/10/2017      | 5,000        | 5,000                 | 5,003              |
| Bank of Montreal               |                  | 1.682         | F 1.261      | 08/11/2017      | 3,250        | 3,252                 | 3,252              |
| Westpac Banking Corp           |                  | 2.000         | 1.291        | 08/14/2017      | 2,108        | 2,110                 | 2,109              |
| Toronto Dominion Bank NY       |                  | 1.723         | F 1.722      | 09/06/2017      | 5,000        | 5,000                 | 5,000              |
| Commonwealth Bk Austr NY       |                  | 1.400         | 1.337        | 09/08/2017      | 1,800        | 1,800                 | 1,800              |
| Wells Fargo Bank               |                  | 1.366         | F 1.267      | 10/11/2017      | 10,000       | 10,000                | 10,002             |
| Collateralized CP Co LLC       |                  | 1.677         | F 1.526      | 11/03/2017      | 5,000        | 5,000                 | 5,007              |
| Westpac Banking Corp           |                  | 1.600         | 1.539        | 01/12/2018      | 444          | 444                   | 444                |
| Canadian Imperial Bank Comm NY |                  | 1.394         | F 1.287      | 01/12/2018      | 10,000       | 10,000                | 10,003             |
| Aust & NZ Banking Group        |                  | 1.500         | 1.487        | 01/16/2018      | 1,930        | 1,930                 | 1,930              |
| Crown Point Capital Co         |                  | 1.516         | F 1.516      | 02/26/2018      | 8,000        | 8,000                 | 8,000              |
| Bedford Row Funding Corp       |                  | 1.397         | F 1.397      | 04/13/2018      | 15,000       | 15,000                | 15,009             |
| Toronto Dominion Bank NY       |                  | 1.377         | F 1.377      | 05/10/2018      | 10,000       | 4,000                 | 4,003              |
| Total Corporate Bonds          | 4.2%             |               |              |                 |              | 74,736                | 74,762             |
| <i>Short Term Issues</i>       |                  |               |              |                 |              |                       |                    |
| Goldman, Sachs & Co            |                  | 1.030         | 1.030        | 07/03/2017      | 7,200        | 7,200                 | 7,200              |
| Merrill Lynch PFS Inc          |                  | 1.080         | 1.080        | 07/03/2017      | 53,600       | 53,600                | 53,600             |
| BNP Paribas SA                 |                  | 1.100         | 1.100        | 07/03/2017      | 50,000       | 50,000                | 50,000             |
| Bedford Row Funding Corp       |                  | 0.000         | 1.297        | 07/03/2017      | 5,000        | 5,000                 | 5,000              |
| CNPC Finance HK LTD            |                  | 0.000         | 1.318        | 07/03/2017      | 6,000        | 6,000                 | 6,000              |
| Matchpoint Finance PLC         |                  | 0.000         | 1.217        | 07/03/2017      | 33,000       | 32,998                | 32,998             |
| Sinopec Century Bright         |                  | 0.000         | 1.268        | 07/03/2017      | 17,000       | 16,999                | 16,999             |
| Starbird Funding Group         |                  | 0.000         | 1.217        | 07/03/2017      | 23,100       | 23,098                | 23,098             |
| Swedbank NY                    |                  | 1.120         | 1.120        | 07/05/2017      | 17,000       | 17,000                | 17,000             |
| Sumitomo Mitsui Bank NY        |                  | 1.140         | 1.140        | 07/05/2017      | 25,000       | 25,000                | 25,000             |
| Sumitomo Mitsui Bank NY        |                  | 1.150         | 1.150        | 07/05/2017      | 5,000        | 5,000                 | 5,000              |
| Banque et Caisse d'Epargne     |                  | 0.000         | 1.275        | 07/05/2017      | 5,000        | 4,999                 | 4,999              |
| CNPC Finance HK LTD            |                  | 0.000         | 1.318        | 07/05/2017      | 19,000       | 18,997                | 18,997             |
| Caisse Des Depots ET Con       |                  | 0.000         | 1.120        | 07/05/2017      | 10,000       | 9,999                 | 9,999              |
| Sumitomo Mitsui Banking Corp   |                  | 0.000         | 1.118        | 07/05/2017      | 5,000        | 4,999                 | 4,999              |
| Bedford Row Funding Corp       |                  | 1.530         | F 1.530      | 07/05/2017      | 9,000        | 9,000                 | 9,000              |
| BNP Paribas NY Branch          |                  | 0.000         | 1.116        | 07/06/2017      | 25,000       | 24,996                | 24,996             |
| CAFCO LLC                      |                  | 0.000         | 1.327        | 07/07/2017      | 5,000        | 4,999                 | 4,999              |
| Manhattan Asset Funding Co     |                  | 0.000         | 1.046        | 07/07/2017      | 5,000        | 4,999                 | 4,999              |

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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, 2017**  
*(In thousands)*

| <b>WEST VIRGINIA MONEY MARKET POOL (Continued)</b> |                  |               |              |                 |              |                       |                    |
|--|------------------|---------------|--------------|-----------------|--------------|-----------------------|--------------------|
| <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> |
| DBS Bank LTD                                       |                  | 0.000         | 1.118        | 07/10/2017      | 10,000       | 9,997                 | 9,997              |
| Kells Funding LLC                                  |                  | 0.000         | 1.139        | 07/10/2017      | 6,200        | 6,198                 | 6,198              |
| Mitsubishi UFJ Trust & Banking                     |                  | 0.000         | 1.139        | 07/10/2017      | 20,000       | 19,994                | 19,994             |
| Starbird Funding Group                             |                  | 0.000         | 1.241        | 07/10/2017      | 4,000        | 3,999                 | 3,999              |
| JP Morgan Securities LLC                           |                  | 1.470         | F 1.475      | 07/10/2017      | 10,000       | 10,000                | 10,000             |
| Bank of Montreal                                   |                  | 0.000         | 1.159        | 07/11/2017      | 5,000        | 4,998                 | 4,998              |
| CRC Funding LLC                                    |                  | 0.000         | 1.327        | 07/11/2017      | 5,000        | 4,998                 | 4,998              |
| Toyota Credit Canada Inc                           |                  | 0.000         | 1.306        | 07/11/2017      | 5,000        | 4,998                 | 4,998              |
| United Overseas Bk Sing                            |                  | 0.000         | 1.190        | 07/11/2017      | 7,000        | 6,998                 | 6,998              |
| DZ Bank AG Deutsche                                |                  | 1.517         | F 1.517      | 07/11/2017      | 10,000       | 10,000                | 10,000             |
| Fairway Finance Corp                               |                  | 0.000         | 1.119        | 07/12/2017      | 8,000        | 7,997                 | 7,997              |
| JP Morgan Securities LLC                           |                  | 1.476         | F 1.475      | 07/13/2017      | 10,000       | 10,000                | 10,000             |
| Bedford Row Funding Corp                           |                  | 0.000         | 1.331        | 07/14/2017      | 2,000        | 1,999                 | 1,999              |
| CRC Funding LLC                                    |                  | 0.000         | 1.263        | 07/14/2017      | 15,000       | 14,993                | 14,993             |
| Old Line Funding Corp                              |                  | 0.000         | 1.279        | 07/14/2017      | 5,000        | 4,998                 | 4,998              |
| LMA Americas LLC                                   |                  | 0.000         | 1.238        | 07/17/2017      | 6,120        | 6,117                 | 6,117              |
| Australia & New Zealand Bankin                     |                  | 0.000         | 1.047        | 07/18/2017      | 10,000       | 9,995                 | 9,995              |
| Oversea-Chinese Banking                            |                  | 1.100         | 1.100        | 07/19/2017      | 13,000       | 13,000                | 13,000             |
| LMA Americas LLC                                   |                  | 0.000         | 1.168        | 07/19/2017      | 1,675        | 1,674                 | 1,674              |
| Westpac Banking Corp                               |                  | 0.000         | 1.224        | 07/19/2017      | 10,000       | 9,994                 | 9,994              |
| Bank of Montreal                                   |                  | 1.250         | 1.250        | 07/20/2017      | 5,000        | 5,000                 | 5,000              |
| United States Treasury Bill                        |                  | 0.000         | 0.621        | 07/20/2017      | 10,000       | 9,997                 | 9,996              |
| Antalis SA   |                  | 0.000         | 1.117        | 07/21/2017      | 5,000        | 4,997                 | 4,997              |
| Caisse Des Depots ET Con                           |                  | 0.000         | 1.149        | 07/21/2017      | 10,000       | 9,994                 | 9,994              |
| Toronto Dominion Bank NY                           |                  | 1.250         | 1.250        | 07/24/2017      | 5,000        | 5,000                 | 5,000              |
| Caisse Des Depots ET Con                           |                  | 0.000         | 1.242        | 07/24/2017      | 10,000       | 9,992                 | 9,992              |
| LMA Americas LLC                                   |                  | 0.000         | 1.238        | 07/24/2017      | 17,600       | 17,586                | 17,586             |
| Manhattan Asset Funding Co                         |                  | 0.000         | 1.149        | 07/24/2017      | 10,000       | 9,993                 | 9,993              |
| Mizuho Bank LTD                                    |                  | 0.000         | 1.118        | 07/24/2017      | 15,000       | 14,989                | 14,989             |
| Sumitomo Mitsui Banking Corp                       |                  | 0.000         | 1.129        | 07/24/2017      | 15,000       | 14,989                | 14,989             |
| Manhattan Asset Funding                            |                  | 1.356         | F 1.356      | 07/25/2017      | 15,000       | 15,000                | 15,000             |
| Chariot Funding LLC                                |                  | 0.000         | 1.218        | 07/26/2017      | 5,000        | 4,996                 | 4,996              |
| United Overseas Bk Sing                            |                  | 0.000         | 1.172        | 07/28/2017      | 9,000        | 8,992                 | 8,992              |
| Societe Generale                                   |                  | 0.000         | 1.259        | 07/31/2017      | 10,000       | 9,990                 | 9,990              |
| Starbird Funding Group                             |                  | 0.000         | 1.190        | 08/03/2017      | 7,500        | 7,492                 | 7,492              |
| United States Treasury Bill                        |                  | 0.000         | 0.889        | 08/03/2017      | 10,000       | 9,992                 | 9,993              |
| CAFCO LLC  |                  | 0.000         | 1.119        | 08/04/2017      | 15,000       | 14,984                | 14,984             |
| Bedford Row Funding Corp                           |                  | 1.744         | F 1.596      | 08/04/2017      | 5,000        | 5,000                 | 5,000              |
| Canadian Imperial Bank Comm NY                     |                  | 1.170         | 1.190        | 08/08/2017      | 10,000       | 10,000                | 10,000             |
| CRC Funding LLC                                    |                  | 0.000         | 1.275        | 08/08/2017      | 560          | 559                   | 559                |
| Ciesco LP  |                  | 0.000         | 1.222        | 08/08/2017      | 5,000        | 4,994                 | 4,994              |
| Bank of Montreal                                   |                  | 1.400         | 1.400        | 08/09/2017      | 2,000        | 2,000                 | 2,000              |
| Barton Capital Corp                                |                  | 0.000         | 1.270        | 08/14/2017      | 5,000        | 4,992                 | 4,992              |
| DZ Bank AG Deutsche                                |                  | 0.000         | 1.229        | 08/14/2017      | 5,375        | 5,367                 | 5,367              |
| Versailles Commercial Paper LL                     |                  | 1.359         | F 1.359      | 08/14/2017      | 10,000       | 10,000                | 10,003             |
| Svenska Handelsbanken NY                           |                  | 1.422         | F 1.422      | 08/15/2017      | 5,000        | 5,000                 | 5,001              |
| NRW Bank   |                  | 0.000         | 1.181        | 08/16/2017      | 5,000        | 4,993                 | 4,993              |
| Starbird Funding Group                             |                  | 0.000         | 1.191        | 08/16/2017      | 10,550       | 10,534                | 10,534             |
| Bank of Montreal                                   |                  | 0.000         | 1.200        | 08/17/2017      | 5,000        | 4,992                 | 4,992              |
| CAFCO LLC  |                  | 0.000         | 1.160        | 08/17/2017      | 5,000        | 4,993                 | 4,993              |
| Bank of Montreal                                   |                  | 1.180         | 1.180        | 08/18/2017      | 5,000        | 5,000                 | 5,000              |
| DBS Bank LTD                                       |                  | 0.000         | 1.169        | 08/21/2017      | 10,000       | 9,984                 | 9,984              |
| NRW Bank   |                  | 0.000         | 1.181        | 08/22/2017      | 5,000        | 4,992                 | 4,992              |
| DNB Bank ASA                                       |                  | 1.466         | F 1.466      | 08/23/2017      | 10,000       | 10,000                | 10,000             |
| CRC Funding LLC                                    |                  | 0.000         | 1.200        | 08/24/2017      | 10,000       | 9,982                 | 9,982              |
| CRC Funding LLC                                    |                  | 0.000         | 1.200        | 08/28/2017      | 5,000        | 4,990                 | 4,990              |

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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, 2017**  
*(In thousands)*

| <b>WEST VIRGINIA MONEY MARKET POOL (Continued)</b> |                  |               |              |                 |              |                       |                    |
|--|------------------|---------------|--------------|-----------------|--------------|-----------------------|--------------------|
| <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> |
| United States Treasury Bill                        |                  | 0.000         | 0.793        | 08/31/2017      | 20,000       | 19,974                | 19,970             |
| Banque et Caisse d'Épargne                         |                  | 0.000         | 1.224        | 09/01/2017      | 10,000       | 9,979                 | 9,979              |
| Toronto Dominion Bank NY                           |                  | 1.702         | F 1.702      | 09/01/2017      | 5,000        | 5,000                 | 5,004              |
| Gotham Funding Corp                                |                  | 0.000         | 1.220        | 09/05/2017      | 2,000        | 1,996                 | 1,995              |
| Nieuw Amsterdam Receivables                        |                  | 0.000         | 1.220        | 09/05/2017      | 10,000       | 9,978                 | 9,976              |
| Gotham Funding Corp                                |                  | 0.000         | 1.241        | 09/06/2017      | 17,000       | 16,961                | 16,959             |
| Kells Funding LLC                                  |                  | 0.000         | 1.176        | 09/06/2017      | 5,000        | 4,989                 | 4,988              |
| Banque et Caisse d'Épargne                         |                  | 0.000         | 1.284        | 09/07/2017      | 2,535        | 2,529                 | 2,529              |
| Old Line Funding LLC                               |                  | 1.423         | F 1.284      | 09/07/2017      | 5,000        | 5,000                 | 5,001              |
| Toronto Dominion Bank NY                           |                  | 1.400         | 1.400        | 09/08/2017      | 3,000        | 3,000                 | 3,001              |
| Victory Receivables Corp                           |                  | 0.000         | 1.271        | 09/11/2017      | 13,000       | 12,967                | 12,961             |
| Starbird Funding Group                             |                  | 0.000         | 1.302        | 09/12/2017      | 13,000       | 12,966                | 12,964             |
| Victory Receivables Corp                           |                  | 0.000         | 1.282        | 09/13/2017      | 6,000        | 5,984                 | 5,984              |
| Barton Capital LLC                                 |                  | 1.397         | F 1.397      | 09/13/2017      | 10,000       | 10,000                | 10,005             |
| Thunder Bay Funding                                |                  | 1.327         | F 1.327      | 09/13/2017      | 5,000        | 5,000                 | 5,002              |
| Ciesco LP  |                  | 0.000         | 1.302        | 09/14/2017      | 5,000        | 4,987                 | 4,987              |
| Gotham Funding Corp                                |                  | 0.000         | 1.312        | 09/15/2017      | 3,000        | 2,992                 | 2,992              |
| Thunder Bay Funding Inc                            |                  | 0.000         | 1.281        | 09/15/2017      | 6,529        | 6,512                 | 6,511              |
| Citibank NA  |                  | 1.180         | 1.180        | 09/18/2017      | 12,000       | 12,000                | 11,998             |
| Bank of Nova Scotia                                |                  | 0.000         | 1.431        | 09/18/2017      | 4,000        | 3,988                 | 3,989              |
| Fairway Finance Corp                               |                  | 1.362         | F 1.362      | 09/18/2017      | 10,000       | 10,000                | 10,003             |
| Bank of Montreal                                   |                  | 1.300         | 1.300        | 09/19/2017      | 5,000        | 5,000                 | 5,000              |
| Liberty Street Funding LLC                         |                  | 0.000         | 1.273        | 09/19/2017      | 10,000       | 9,973                 | 9,971              |
| Starbird Funding Group                             |                  | 0.000         | 1.353        | 09/19/2017      | 300          | 299                   | 299                |
| Oversea-Chinese Banking                            |                  | 1.300         | 1.300        | 09/20/2017      | 3,500        | 3,500                 | 3,500              |
| Bank of Montreal                                   |                  | 1.404         | F 1.404      | 09/21/2017      | 10,000       | 10,000                | 10,004             |
| United Overseas Bank LTD                           |                  | 1.406         | F 1.406      | 09/22/2017      | 10,000       | 10,000                | 10,004             |
| Starbird Funding Group                             |                  | 0.000         | 1.363        | 09/25/2017      | 5,000        | 4,984                 | 4,983              |
| Cooperative Rabobank UA                            |                  | 1.360         | 1.350        | 09/27/2017      | 1,225        | 1,225                 | 1,225              |
| Ciesco LP  |                  | 0.000         | 1.368        | 10/04/2017      | 5,000        | 4,982                 | 4,983              |
| Bank of America NA                                 |                  | 1.276         | F 1.276      | 10/05/2017      | 5,000        | 5,000                 | 5,000              |
| Liberty Street Funding LLC                         |                  | 0.000         | 1.274        | 10/06/2017      | 10,000       | 9,966                 | 9,965              |
| Barton Capital LLC                                 |                  | 1.464         | F 1.357      | 10/10/2017      | 15,000       | 15,000                | 15,000             |
| Old Line Funding Corp                              |                  | 0.000         | 1.323        | 10/12/2017      | 7,100        | 7,074                 | 7,073              |
| Bedford Row Funding                                |                  | 1.458         | F 1.456      | 10/12/2017      | 9,000        | 9,000                 | 9,007              |
| Wells Fargo Bank                                   |                  | 1.734         | F 1.586      | 10/12/2017      | 10,000       | 10,000                | 10,012             |
| Commonwealth Bank of Australia                     |                  | 1.558         | F 1.561      | 10/12/2017      | 10,000       | 10,000                | 10,011             |
| Malayan Banking BHD                                |                  | 0.000         | 1.471        | 10/16/2017      | 8,000        | 7,966                 | 7,969              |
| Alpine Sec LTD                                     |                  | 1.409         | F 1.414      | 10/16/2017      | 10,000       | 10,000                | 10,000             |
| DZ Bank NY   |                  | 1.300         | 1.300        | 10/20/2017      | 10,000       | 10,000                | 10,000             |
| United States Treasury Bill                        |                  | 0.000         | 0.973        | 10/26/2017      | 15,000       | 14,953                | 14,950             |
| Malayan Banking BHD                                |                  | 0.000         | 1.481        | 10/31/2017      | 4,000        | 3,980                 | 3,982              |
| Anglesea Funding LLC                               |                  | 0.000         | 1.368        | 11/01/2017      | 10,000       | 9,954                 | 9,953              |
| Banque et Caisse d'Épargne                         |                  | 0.000         | 1.296        | 11/02/2017      | 5,000        | 4,978                 | 4,978              |
| Banque et Caisse d'Épargne                         |                  | 0.000         | 1.296        | 11/03/2017      | 2,000        | 1,991                 | 1,991              |
| Bank of Montreal                                   |                  | 1.522         | F 1.522      | 11/03/2017      | 5,000        | 5,000                 | 5,005              |
| Ciesco LP  |                  | 0.000         | 1.327        | 11/07/2017      | 5,000        | 4,977                 | 4,975              |
| Wells Fargo Bank                                   |                  | 1.559         | F 1.562      | 11/07/2017      | 9,000        | 9,000                 | 9,012              |
| Banque et Caisse d'Épargne                         |                  | 0.000         | 1.347        | 11/08/2017      | 10,000       | 9,952                 | 9,955              |
| Toronto Dominion Bank NY                           |                  | 1.479         | F 1.479      | 11/08/2017      | 5,000        | 5,000                 | 5,005              |
| Wells Fargo Bank                                   |                  | 1.300         | 1.300        | 11/09/2017      | 5,000        | 5,000                 | 5,001              |
| Oversea Chinese Banking Corp                       |                  | 1.230         | F 1.230      | 11/09/2017      | 4,500        | 4,500                 | 4,500              |
| Collateralized CP Co LLC                           |                  | 1.644         | F 1.516      | 11/09/2017      | 5,000        | 5,000                 | 5,006              |
| Oversea - Chinese Banking                          |                  | 0.000         | 1.338        | 11/10/2017      | 10,000       | 9,952                 | 9,951              |
| Skandivan Enskilda Bank NY                         |                  | 1.335         | F 1.335      | 11/10/2017      | 10,000       | 10,000                | 10,004             |

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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, 2017**  
*(In thousands)*

| <b>WEST VIRGINIA MONEY MARKET POOL (Continued)</b> |                      |               |              |                 |              |                           |                        |        |
|--|----------------------|---------------|--------------|-----------------|--------------|---------------------------|------------------------|--------|
| <u>SECURITY NAME</u>                               | <u>% of<br/>POOL</u> | <u>COUPON</u> | <u>YIELD</u> | <u>MATURITY</u> | <u>UNITS</u> | <u>AMORTIZED<br/>COST</u> | <u>FAIR<br/>VALUE*</u> |        |
| DNB Nor Bank ASA                                   |                      | 1.180         | F            | 1.181           | 11/13/2017   | 11,000                    | 11,000                 | 10,998 |
| Bank of Nova Scotia                                |                      | 1.480         | F            | 1.480           | 11/16/2017   | 8,000                     | 8,000                  | 8,007  |
| National Australia Bank                            |                      | 1.460         | F            | 1.460           | 11/16/2017   | 9,000                     | 9,000                  | 9,008  |
| Svenska Handelsbanken NY                           |                      | 1.260         |              | 1.260           | 11/17/2017   | 10,000                    | 10,000                 | 9,998  |
| Toronto Dominion Bank NY                           |                      | 1.736         | F            | 1.736           | 11/22/2017   | 5,000                     | 5,000                  | 5,009  |
| Versailles Commercial Paper LL                     |                      | 1.420         | F            | 1.420           | 11/27/2017   | 15,000                    | 15,000                 | 14,999 |
| Collateralized CP Co LLC                           |                      | 1.572         | F            | 1.572           | 11/28/2017   | 5,000                     | 5,000                  | 5,006  |
| Old Line Funding LLC                               |                      | 1.367         | F            | 1.216           | 12/04/2017   | 9,000                     | 9,000                  | 9,000  |
| Anglesea Funding LLC                               |                      | 1.542         | F            | 1.547           | 12/05/2017   | 10,000                    | 10,000                 | 10,011 |
| Charta LLC   |                      | 0.000         |              | 1.388           | 12/07/2017   | 5,000                     | 4,970                  | 4,968  |
| Collateralized CP Co LLC                           |                      | 1.467         | F            | 1.467           | 12/11/2017   | 4,000                     | 4,000                  | 4,004  |
| Charta LLC   |                      | 0.000         |              | 1.430           | 12/19/2017   | 5,000                     | 4,967                  | 4,965  |
| United States Treasury Bill                        |                      | 0.000         |              | 1.106           | 12/21/2017   | 15,000                    | 14,922                 | 14,924 |
| Citibank NA  |                      | 1.400         |              | 1.400           | 12/26/2017   | 5,000                     | 5,000                  | 5,000  |
| Westpac Banking Corp                               |                      | 1.727         | F            | 1.581           | 12/27/2017   | 9,000                     | 9,000                  | 9,018  |
| Thunder Bay Funding                                |                      | 1.374         | F            | 1.226           | 01/04/2018   | 5,000                     | 5,000                  | 5,000  |
| JP Morgan Chase Bank USA                           |                      | 1.576         | F            | 1.576           | 01/05/2018   | 5,000                     | 5,000                  | 5,010  |
| Toyota Motor Fin Neth Bv                           |                      | 1.404         | F            | 1.408           | 01/11/2018   | 5,000                     | 5,000                  | 5,001  |
| Toronto Dominion Bank NY                           |                      | 1.520         |              | 1.520           | 01/16/2018   | 2,000                     | 2,000                  | 2,002  |
| Bedford Row Funding Corp                           |                      | 1.729         | F            | 1.729           | 01/18/2018   | 5,000                     | 5,000                  | 5,010  |
| Wells Fargo Bank                                   |                      | 1.756         | F            | 1.756           | 01/24/2018   | 5,000                     | 5,000                  | 5,011  |
| Skandinav Enskilda Bank NY                         |                      | 1.182         | F            | 1.180           | 02/02/2018   | 8,000                     | 8,000                  | 7,999  |
| Toronto Dominion Bank NY                           |                      | 1.440         | F            | 1.440           | 02/02/2018   | 5,000                     | 5,000                  | 5,005  |
| Barton Capital LLC                                 |                      | 1.467         | F            | 1.300           | 02/02/2018   | 5,000                     | 5,000                  | 4,999  |
| Barton Capital LLC                                 |                      | 1.477         | F            | 1.310           | 02/02/2018   | 10,000                    | 10,000                 | 10,000 |
| Wells Fargo Bank                                   |                      | 1.459         | F            | 1.459           | 02/06/2018   | 5,000                     | 5,000                  | 5,005  |
| ASB Finance LTD                                    |                      | 1.619         | F            | 1.619           | 02/15/2018   | 9,000                     | 9,000                  | 9,019  |
| Alpine Sec LTD                                     |                      | 1.409         | F            | 1.413           | 02/16/2018   | 5,000                     | 5,000                  | 4,999  |
| Thunder Bay Funding LLC                            |                      | 1.372         | F            | 1.372           | 02/20/2018   | 7,000                     | 7,000                  | 7,000  |
| Alpine Sec LTD                                     |                      | 1.466         | F            | 1.466           | 02/22/2018   | 10,000                    | 10,000                 | 9,999  |
| ANZ National LTD                                   |                      | 1.376         | F            | 1.376           | 03/22/2018   | 10,000                    | 10,000                 | 10,001 |
| Crown Point Capital Co                             |                      | 1.516         | F            | 1.516           | 03/22/2018   | 8,000                     | 8,000                  | 8,000  |
| Bank of Nova Scotia                                |                      | 0.000         |              | 1.483           | 03/23/2018   | 5,000                     | 4,947                  | 4,946  |
| Bank of Nova Scotia                                |                      | 0.000         |              | 1.503           | 03/27/2018   | 10,000                    | 9,890                  | 9,891  |
| Bedford Row Funding                                |                      | 1.514         | F            | 1.517           | 03/29/2018   | 4,000                     | 4,000                  | 4,003  |
| Commonwealth Bank of Australia                     |                      | 1.402         | F            | 1.402           | 04/16/2018   | 5,000                     | 5,000                  | 5,005  |
| BNZ International Funding                          |                      | 1.389         | F            | 1.389           | 04/18/2018   | 9,000                     | 9,000                  | 9,001  |
| Canadian Imperial Bank                             |                      | 1.308         | F            | 1.308           | 04/19/2018   | 5,000                     | 5,000                  | 5,002  |
| Canadian Imperial Bank Comm NY                     |                      | 1.442         | F            | 1.442           | 04/20/2018   | 5,000                     | 5,000                  | 5,002  |
| Wells Fargo Bank                                   |                      | 1.284         | F            | 1.284           | 05/04/2018   | 9,000                     | 9,000                  | 8,996  |
| Commonwealth Bank of Australia                     |                      | 1.424         | F            | 1.317           | 05/10/2018   | 5,000                     | 5,000                  | 5,003  |
| Rabobank Nederland NV                              |                      | 1.242         | F            | 1.242           | 05/15/2018   | 9,000                     | 9,000                  | 8,998  |
| Bank of Montreal                                   |                      | 1.356         | F            | 1.356           | 05/23/2018   | 5,000                     | 5,000                  | 5,002  |
| Commonwealth Bank of Australia                     |                      | 1.397         | F            | 1.249           | 05/31/2018   | 6,000                     | 6,000                  | 6,002  |
| Toronto Dominion Bank NY                           |                      | 1.389         | F            | 1.339           | 06/15/2018   | 4,500                     | 4,500                  | 4,501  |
| Federated  |                      | 0.850         | **           |                 |              | 200                       | 200                    | 200    |
| Federated  |                      | 1.120         | **           |                 |              | 89,594                    | 89,604                 | 89,604 |
| BlackRock Liquidity                                |                      | 0.860         | **           |                 |              | 10,201                    | 10,201                 | 10,201 |
| <b>Total Short Term Issues</b>                     | <u>90.3%</u>         |               |              |                 |              | <u>1,610,394</u>          | <u>1,610,593</u>       |        |
| <b>Total Money Market Pool</b>                     | <u>100.0%</u>        |               |              |                 |              | <u>\$ 1,782,953</u>       | <u>\$ 1,783,213</u>    |        |

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, 2017**  
*(In thousands)*

**WEST VIRGINIA GOVERNMENT MONEY MARKET POOL**

| <u>SECURITY NAME</u>                 | <u>% of<br/>POOL</u> | <u>COUPON</u> | <u>YIELD</u> | <u>MATURITY</u> | <u>UNITS</u> | <u>AMORTIZED<br/>COST</u> | <u>FAIR<br/>VALUE*</u> |
|--------------------------------------|----------------------|---------------|--------------|-----------------|--------------|---------------------------|------------------------|
| <i>U. S. Treasury Issues</i>         |                      |               |              |                 |              |                           |                        |
| United States Treasury               |                      | 0.875 %       | 0.831 %      | 07/15/2017      | 6,000        | \$ 6,000                  | \$ 6,000               |
| United States Treasury               |                      | 0.625         | 0.818        | 07/31/2017      | 3,000        | 3,000                     | 2,999                  |
| United States Treasury               |                      | 0.625         | 0.803        | 08/31/2017      | 2,000        | 1,999                     | 1,999                  |
| United States Treasury               |                      | 1.875         | 0.769        | 09/30/2017      | 8,000        | 8,022                     | 8,015                  |
| United States Treasury               |                      | 0.875         | 0.740        | 10/15/2017      | 6,000        | 6,002                     | 5,996                  |
| United States Treasury               |                      | 1.171         | F 1.178      | 10/31/2017      | 2,500        | 2,500                     | 2,502                  |
| United States Treasury               |                      | 1.000         | 1.149        | 12/31/2017      | 2,000        | 1,999                     | 1,998                  |
| United States Treasury               |                      | 0.875         | 0.848        | 01/31/2018      | 1,250        | 1,250                     | 1,248                  |
| United States Treasury               |                      | 1.275         | F 1.237      | 01/31/2018      | 1,200        | 1,200                     | 1,202                  |
| United States Treasury               |                      | 1.193         | F 1.183      | 04/30/2018      | 2,000        | 2,000                     | 2,003                  |
| United States Treasury               |                      | 1.173         | F 1.165      | 10/31/2018      | 2,000        | 2,000                     | 2,004                  |
| Total U. S. Treasury Issues          | 17.8%                |               |              |                 |              | 35,972                    | 35,966                 |
| <i>U. S. Government Agency Bonds</i> |                      |               |              |                 |              |                           |                        |
| Federal Home Loan Bank               |                      | 1.024         | F 1.024      | 09/14/2017      | 1,000        | 1,000                     | 1,000                  |
| Federal Home Loan Bank               |                      | 1.080         | F 1.086      | 10/10/2017      | 1,500        | 1,500                     | 1,501                  |
| Federal National Mortgage Assn       |                      | 1.275         | F 1.128      | 01/11/2018      | 1,500        | 1,500                     | 1,501                  |
| Federal Home Loan Bank               |                      | 1.179         | F 1.179      | 01/18/2018      | 1,000        | 1,000                     | 1,001                  |
| Federal Home Loan Bank               |                      | 1.056         | F 1.054      | 06/05/2018      | 1,000        | 1,000                     | 1,000                  |
| Federal Home Loan Mort Corp          |                      | 0.928         | F 0.928      | 07/17/2018      | 1,000        | 1,000                     | 1,000                  |
| Federal Home Loan Bank               |                      | 0.988         | F 0.994      | 03/06/2019      | 1,000        | 1,000                     | 999                    |
| Total U. S. Government Agency Bonds  | 4.0%                 |               |              |                 |              | 8,000                     | 8,002                  |
| <i>Short Term Issues</i>             |                      |               |              |                 |              |                           |                        |
| Goldman, Sachs & Co                  |                      | 1.030         | 1.030        | 07/03/2017      | 49,000       | 49,000                    | 49,000                 |
| Federal Home Loan Bank               |                      | 0.000         | 0.742        | 07/03/2017      | 2,000        | 2,000                     | 2,000                  |
| Federal Home Loan Bank               |                      | 0.000         | 0.823        | 07/05/2017      | 3,000        | 3,000                     | 3,000                  |
| Federal Home Loan Bank               |                      | 0.000         | 0.833        | 07/07/2017      | 2,500        | 2,500                     | 2,500                  |
| Federal Home Loan Bank               |                      | 0.000         | 0.792        | 07/10/2017      | 3,000        | 3,000                     | 2,999                  |
| Federal Home Loan Bank               |                      | 0.000         | 0.843        | 07/12/2017      | 7,000        | 6,998                     | 6,998                  |
| United States Treasury Bill          |                      | 0.000         | 0.613        | 07/13/2017      | 5,000        | 4,999                     | 4,999                  |
| Federal Home Loan Bank               |                      | 0.000         | 0.620        | 07/14/2017      | 2,000        | 2,000                     | 1,999                  |
| Federal Home Loan Bank               |                      | 0.000         | 0.629        | 07/19/2017      | 2,000        | 1,999                     | 1,999                  |
| Federal Home Loan Bank               |                      | 0.000         | 1.020        | 07/21/2017      | 11,000       | 10,994                    | 10,994                 |
| Federal Home Loan Bank               |                      | 0.000         | 0.841        | 07/24/2017      | 7,000        | 6,996                     | 6,996                  |
| Federal Home Loan Bank               |                      | 0.000         | 0.928        | 07/26/2017      | 3,250        | 3,248                     | 3,248                  |
| Federal Home Loan Bank               |                      | 0.000         | 0.651        | 08/01/2017      | 2,000        | 1,999                     | 1,998                  |
| Federal Home Loan Bank               |                      | 0.000         | 1.045        | 08/03/2017      | 3,000        | 2,997                     | 2,997                  |
| Federal Home Loan Bank               |                      | 0.000         | 0.925        | 08/04/2017      | 3,200        | 3,197                     | 3,197                  |
| Federal Home Loan Bank               |                      | 0.000         | 0.651        | 08/09/2017      | 2,000        | 1,999                     | 1,998                  |
| Federal Home Loan Bank               |                      | 0.000         | 0.960        | 08/11/2017      | 5,000        | 4,995                     | 4,995                  |
| Federal Home Loan Bank               |                      | 0.000         | 0.776        | 08/16/2017      | 3,000        | 2,997                     | 2,996                  |
| Federal Home Loan Bank               |                      | 0.000         | 0.966        | 08/23/2017      | 2,000        | 1,997                     | 1,997                  |
| Federal Home Loan Bank               |                      | 0.000         | 0.883        | 08/25/2017      | 3,000        | 2,996                     | 2,996                  |
| Federal Home Loan Bank               |                      | 0.000         | 1.057        | 08/29/2017      | 2,669        | 2,664                     | 2,665                  |
| Federal Home Loan Bank               |                      | 0.000         | 1.046        | 08/30/2017      | 2,000        | 1,997                     | 1,997                  |
| Federal Home Loan Bank               |                      | 0.000         | 1.061        | 09/06/2017      | 7,409        | 7,395                     | 7,395                  |
| Federal Home Loan Bank               |                      | 0.000         | 1.063        | 09/08/2017      | 12,000       | 11,976                    | 11,976                 |
| Federal Home Loan Bank               |                      | 0.000         | 0.987        | 09/11/2017      | 4,000        | 3,992                     | 3,992                  |
| Federal Home Loan Mort Corp          |                      | 0.000         | 0.905        | 09/15/2017      | 2,000        | 1,996                     | 1,996                  |

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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, 2017**  
*(In thousands)*

| <b>WEST VIRGINIA GOVERNMENT MONEY MARKET POOL (Continued)</b> |                  |               |              |                 |              |                       |                    |
|---|------------------|---------------|--------------|-----------------|--------------|-----------------------|--------------------|
| <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 Farm Credit Bank                                      |                  | 0.000         | 0.712        | 09/20/2017      | 1,000        | 998                   | 998                |
| Federal Home Loan Bank  |                  | 0.000         | 1.052        | 09/27/2017      | 2,000        | 1,995                 | 1,995              |
| Federal Home Loan Bank  |                  | 0.000         | 1.099        | 10/27/2017      | 1,000        | 996                   | 997                |
| United States Treasury Bill                                   |                  | 0.000         | 0.986        | 11/02/2017      | 2,000        | 1,993                 | 1,993              |
| BlackRock Liquidity   |                  | 0.860 **      |              |                 | 2,109        | 2,109                 | 2,109              |
| Total Short Term Issues                                       | 78.2%            |               |              |                 |              | 158,022               | 158,019            |
| <b>Total Government Money Market Pool</b>                     | <b>100.0%</b>    |               |              |                 |              | <b>\$ 201,994</b>     | <b>\$ 201,987</b>  |

| <b>WEST VIRGINIA SHORT TERM BOND POOL</b> |                  |               |              |                 |              |                       |                    |
|---|------------------|---------------|--------------|-----------------|--------------|-----------------------|--------------------|
| <u>SECURITY NAME</u>                      | <u>% of POOL</u> | <u>COUPON</u> | <u>YIELD</u> | <u>MATURITY</u> | <u>UNITS</u> | <u>AMORTIZED COST</u> | <u>FAIR VALUE*</u> |
| <i>U. S. Treasury Issues</i>              |                  |               |              |                 |              |                       |                    |
| United States Treasury                    |                  | 1.250 %       | 1.284 %      | 04/30/2019      | 3,000        | \$ 2,998              | \$ 2,993           |
| United States Treasury                    |                  | 0.875         | 0.846        | 06/15/2019      | 19,000       | 19,011                | 18,814             |
| United States Treasury                    |                  | 0.750         | 0.846        | 07/15/2019      | 500          | 499                   | 494                |
| United States Treasury                    |                  | 0.750         | 0.878        | 08/15/2019      | 25,000       | 24,933                | 24,660             |
| United States Treasury                    |                  | 1.000         | 0.992        | 10/15/2019      | 39,000       | 39,007                | 38,631             |
| United States Treasury                    |                  | 1.375         | 1.536        | 12/15/2019      | 2,000        | 1,992                 | 1,996              |
| Total U. S. Treasury Issues               | 11.6%            |               |              |                 |              | 88,440                | 87,588             |
| <i>U. S. Agency Issues</i>                |                  |               |              |                 |              |                       |                    |
| Federal Home Loan Mort Corp               |                  | 1.409         | F 1.509      | 03/15/2021      | 37           | 37                    | 37                 |
| Federal Home Loan Mort Corp               |                  | 1.409         | F 1.507      | 06/15/2021      | 19           | 19                    | 19                 |
| Federal Home Loan Mort Corp               |                  | 1.659         | F 1.660      | 04/15/2027      | 192          | 192                   | 194                |
| Federal Home Loan Mort Corp               |                  | 1.659         | F 1.660      | 04/15/2028      | 220          | 220                   | 221                |
| Federal Home Loan Mort Corp               |                  | 1.359         | F 1.431      | 10/15/2028      | 353          | 352                   | 351                |
| Federal Home Loan Mort Corp               |                  | 1.509         | F 1.558      | 04/15/2029      | 279          | 278                   | 279                |
| Federal Home Loan Mort Corp               |                  | 1.759         | F 1.750      | 08/15/2030      | 126          | 126                   | 128                |
| Federal Home Loan Mort Corp               |                  | 1.409         | F 1.470      | 09/15/2030      | 105          | 105                   | 106                |
| Federal Home Loan Mort Corp               |                  | 1.659         | F 1.716      | 09/15/2030      | 61           | 61                    | 62                 |
| Federal Home Loan Mort Corp               |                  | 1.459         | F 1.517      | 04/15/2031      | 374          | 373                   | 373                |
| Federal Home Loan Mort Corp               |                  | 1.559         | F 1.560      | 06/15/2031      | 131          | 131                   | 131                |
| Federal Home Loan Mort Corp               |                  | 1.559         | F 1.564      | 07/15/2031      | 90           | 90                    | 90                 |
| Federal Home Loan Mort Corp               |                  | 1.609         | F 1.611      | 12/15/2031      | 195          | 195                   | 196                |
| Federal Home Loan Mort Corp               |                  | 1.609         | F 1.611      | 12/15/2031      | 148          | 148                   | 148                |
| Federal Home Loan Mort Corp               |                  | 1.709         | F 1.712      | 02/15/2032      | 188          | 188                   | 190                |
| Federal Home Loan Mort Corp               |                  | 1.609         | F 1.611      | 03/15/2032      | 159          | 159                   | 159                |
| Federal Home Loan Mort Corp               |                  | 1.659         | F 1.661      | 03/15/2032      | 149          | 149                   | 150                |
| Federal Home Loan Mort Corp               |                  | 1.659         | F 1.661      | 03/15/2032      | 428          | 428                   | 430                |
| Federal Home Loan Mort Corp               |                  | 1.659         | F 1.661      | 04/15/2032      | 205          | 205                   | 206                |
| Federal Home Loan Mort Corp               |                  | 1.659         | F 1.661      | 07/15/2032      | 483          | 483                   | 485                |
| Federal Home Loan Mort Corp               |                  | 1.559         | F 1.561      | 10/15/2032      | 307          | 307                   | 310                |
| Federal Home Loan Mort Corp               |                  | 1.609         | F 1.611      | 11/15/2032      | 150          | 150                   | 150                |
| Federal Home Loan Mort Corp               |                  | 1.559         | F 1.561      | 01/15/2033      | 234          | 234                   | 234                |
| Federal Home Loan Mort Corp               |                  | 1.559         | F 1.561      | 02/15/2033      | 582          | 582                   | 582                |
| Federal National Mortgage Assn            |                  | 1.616         | F 1.615      | 03/25/2033      | 29           | 29                    | 29                 |

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F – Floating rate note security.

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

| <b>WEST VIRGINIA SHORT TERM BOND POOL (Continued)</b> |                      |               |              |                 |              |                           |                        |
|---|----------------------|---------------|--------------|-----------------|--------------|---------------------------|------------------------|
| <u>SECURITY NAME</u>                                  | <u>% of<br/>POOL</u> | <u>COUPON</u> | <u>YIELD</u> | <u>MATURITY</u> | <u>UNITS</u> | <u>AMORTIZED<br/>COST</u> | <u>FAIR<br/>VALUE*</u> |
| Federal Home Loan Mort Corp                           |                      | 1.609         | F            | 1.624           | 06/15/2034   | 314                       | 317                    |
| Federal Home Loan Mort Corp                           |                      | 1.459         | F            | 1.539           | 09/15/2035   | 233                       | 233                    |
| Federal National Mortgage Assn                        |                      | 1.466         | F            | 1.794           | 03/25/2036   | 594                       | 591                    |
| Government National Mort Assn                         |                      | 1.393         | F            | 1.668           | 12/20/2060   | 2,931                     | 2,922                  |
| Government National Mort Assn                         |                      | 1.493         | F            | 1.710           | 12/20/2060   | 2,482                     | 2,478                  |
| Government National Mort Assn                         |                      | 1.593         | F            | 1.787           | 02/20/2061   | 3,911                     | 3,921                  |
| Government National Mort Assn                         |                      | 1.493         | F            | 1.710           | 06/20/2062   | 3,614                     | 3,614                  |
| Government National Mort Assn                         |                      | 1.513         | F            | 1.725           | 08/20/2062   | 1,693                     | 1,693                  |
| Government National Mort Assn                         |                      | 1.333         | F            | 1.585           | 12/20/2062   | 2,206                     | 2,192                  |
| Government National Mort Assn                         |                      | 1.393         | F            | 1.630           | 03/20/2063   | 3,156                     | 3,147                  |
| Government National Mort Assn                         |                      | 1.443         | F            | 1.669           | 04/20/2063   | 2,945                     | 2,941                  |
| Government National Mort Assn                         |                      | 1.693         | F            | 1.875           | 08/20/2063   | 4,026                     | 4,047                  |
| Government National Mort Assn                         |                      | 1.393         | F            | 1.636           | 04/20/2065   | 3,943                     | 3,931                  |
| Total U.S. Agency Issues                              | 4.9%                 |               |              |                 |              | 37,294                    | 37,287                 |
| <i>Corporate Issues</i>                               |                      |               |              |                 |              |                           |                        |
| <i>Corporate Bonds</i>                                |                      |               |              |                 |              |                           |                        |
| American Honda Finance                                |                      | 1.328         | F            | 1.328           | 07/14/2017   | 1,300                     | 1,300                  |
| Manufacturers & Traders Trust                         |                      | 1.456         | F            | 1.456           | 07/25/2017   | 4,750                     | 4,751                  |
| Weyerhaeuser Company                                  |                      | 6.950         |              | 1.575           | 08/01/2017   | 2,000                     | 2,007                  |
| PRICOA Global Funding                                 |                      | 1.350         |              | 1.374           | 08/18/2017   | 2,000                     | 2,000                  |
| Reynolds American Inc                                 |                      | 2.300         |              | 1.480           | 08/21/2017   | 2,000                     | 2,002                  |
| American Express Credit                               |                      | 1.587         | F            | 1.590           | 09/22/2017   | 1,035                     | 1,035                  |
| HP Enterprise CO                                      |                      | 2.450         |              | 2.482           | 10/05/2017   | 1,362                     | 1,365                  |
| Bayer US Finance LLC                                  |                      | 1.430         | F            | 1.430           | 10/06/2017   | 4,650                     | 4,650                  |
| ERAC USA Finance LLC                                  |                      | 6.375         |              | 1.763           | 10/15/2017   | 1,813                     | 1,836                  |
| Hutch Whampoa International                           |                      | 1.625         |              | 1.704           | 10/31/2017   | 2,000                     | 1,995                  |
| Mississippi State                                     |                      | 1.750         | F            | 1.755           | 11/01/2017   | 2,000                     | 1,999                  |
| Alibaba Group Holding                                 |                      | 1.625         |              | 1.663           | 11/28/2017   | 4,000                     | 3,997                  |
| AT&T Inc  |                      | 1.400         |              | 1.793           | 12/01/2017   | 3,000                     | 2,998                  |
| Ford Motor Credit Company                             |                      | 1.793         | F            | 1.792           | 12/06/2017   | 1,000                     | 1,001                  |
| Carnival Corp   |                      | 1.875         |              | 1.806           | 12/15/2017   | 2,000                     | 2,003                  |
| Schlumberger Holdings Corp                            |                      | 1.900         |              | 1.917           | 12/21/2017   | 1,500                     | 1,501                  |
| Canadian Natural Resources Ltd                        |                      | 1.750         |              | 1.776           | 01/15/2018   | 735                       | 735                    |
| Wells Fargo Bank NA                                   |                      | 1.650         |              | 1.665           | 01/22/2018   | 5,000                     | 5,003                  |
| JP Morgan Chase                                       |                      | 2.056         | F            | 2.056           | 01/25/2018   | 1,000                     | 1,005                  |
| US Bank NA  |                      | 1.350         |              | 1.402           | 01/26/2018   | 2,000                     | 1,999                  |
| International Business Machs                          |                      | 1.125         |              | 1.229           | 02/06/2018   | 2,000                     | 1,997                  |
| MUFG Americas Holding Corp                            |                      | 1.625         |              | 1.648           | 02/09/2018   | 2,000                     | 2,000                  |
| Discover Bank   |                      | 2.000         |              | 2.101           | 02/21/2018   | 2,000                     | 2,002                  |
| PNC Bank NA   |                      | 1.500         |              | 1.509           | 02/23/2018   | 5,000                     | 5,000                  |
| Goldcorp Inc  |                      | 2.125         |              | 1.979           | 03/15/2018   | 2,000                     | 2,002                  |
| Hyundai Capital America                               |                      | 2.000         |              | 2.086           | 03/19/2018   | 2,000                     | 2,001                  |
| Bank of Montreal                                      |                      | 1.755         | F            | 1.755           | 04/09/2018   | 5,000                     | 5,018                  |
| Wal-Mart Stores                                       |                      | 1.125         |              | 1.144           | 04/11/2018   | 5,000                     | 4,990                  |
| Telefonica Emisiones                                  |                      | 3.192         |              | 2.377           | 04/27/2018   | 2,000                     | 2,021                  |
| Enterprise Products                                   |                      | 1.650         |              | 1.691           | 05/07/2018   | 2,000                     | 1,998                  |
| BP Capital Markets PLC                                |                      | 1.695         | F            | 1.580           | 05/10/2018   | 5,000                     | 5,018                  |
| Grupo Televisa SA                                     |                      | 6.000         |              | 2.810           | 05/15/2018   | 2,629                     | 2,720                  |
| HSBC Bank   |                      | 1.822         | F            | 1.728           | 05/15/2018   | 5,000                     | 5,020                  |
| Wisconsin Energy Corporation                          |                      | 1.650         |              | 1.669           | 06/15/2018   | 2,000                     | 2,001                  |
| Westpac Banking Corp                                  |                      | 1.912         | F            | 1.910           | 07/30/2018   | 2,000                     | 2,013                  |
| Shell International Finance                           |                      | 1.900         |              | 1.278           | 08/10/2018   | 4,000                     | 4,011                  |

(Continued on Next Page)

F – Floating rate note security.

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

See accompanying notes to financial statements.

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

| <b>WEST VIRGINIA SHORT TERM BOND POOL (Continued)</b> |                  |               |              |                 |              |                       |                    |       |
|---|------------------|---------------|--------------|-----------------|--------------|-----------------------|--------------------|-------|
| <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> |       |
| HSBC Bank   |                  | 2.176         | F            | 2.176           | 09/24/2018   | 5,000                 | 5,000              | 5,034 |
| Principal Life Global Fund                            |                  | 2.250         |              | 2.297           | 10/15/2018   | 2,750                 | 2,748              | 2,766 |
| Stanley Black & Decker Inc                            |                  | 1.622         |              | 1.618           | 11/17/2018   | 1,020                 | 1,020              | 1,018 |
| Coca-Cola Femsa SAB                                   |                  | 2.375         |              | 2.403           | 11/26/2018   | 3,000                 | 2,999              | 3,015 |
| Wells Fargo Bank NA                                   |                  | 1.800         |              | 1.843           | 11/28/2018   | 3,000                 | 2,998              | 3,006 |
| Marathon Petroleum Corp                               |                  | 2.700         |              | 2.728           | 12/14/2018   | 1,170                 | 1,170              | 1,179 |
| New York Life Global FDG                              |                  | 2.100         |              | 2.124           | 01/02/2019   | 4,000                 | 3,998              | 4,019 |
| Bank of America Corp                                  |                  | 2.198         | F            | 2.198           | 01/15/2019   | 4,000                 | 4,000              | 4,050 |
| Oracle Corporation                                    |                  | 1.738         | F            | 1.738           | 01/15/2019   | 4,450                 | 4,450              | 4,488 |
| Petroleos Mexicanos                                   |                  | 3.125         |              | 3.125           | 01/23/2019   | 300                   | 300                | 302   |
| BB&T Corporation                                      |                  | 1.830         | F            | 1.830           | 02/01/2019   | 4,000                 | 4,000              | 4,028 |
| Mondelez International                                |                  | 1.690         | F            | 1.690           | 02/01/2019   | 2,000                 | 2,000              | 2,008 |
| Cisco Systems Inc                                     |                  | 1.600         |              | 1.601           | 02/28/2019   | 1,700                 | 1,700              | 1,700 |
| Fifth Third Bancorp                                   |                  | 2.300         |              | 2.330           | 03/01/2019   | 625                   | 625                | 628   |
| Cisco Systems Inc                                     |                  | 1.702         | F            | 1.702           | 03/01/2019   | 2,350                 | 2,350              | 2,367 |
| Nissan Motor Acceptance                               |                  | 2.350         |              | 2.360           | 03/04/2019   | 2,000                 | 2,000              | 2,011 |
| Citizens Bank NA/RI                                   |                  | 2.500         |              | 2.504           | 03/14/2019   | 1,320                 | 1,320              | 1,330 |
| Newell Rubbermaid Inc                                 |                  | 2.600         |              | 1.716           | 03/29/2019   | 362                   | 367                | 366   |
| Huntington National Bank                              |                  | 2.200         |              | 2.233           | 04/01/2019   | 1,480                 | 1,479              | 1,482 |
| Bank of America Corp                                  |                  | 2.018         | F            | 2.018           | 04/01/2019   | 3,950                 | 3,950              | 3,986 |
| MassMutual Global Funding                             |                  | 2.350         |              | 2.373           | 04/09/2019   | 4,000                 | 3,998              | 4,036 |
| Capital One Financial Corp                            |                  | 2.450         |              | 2.466           | 04/24/2019   | 3,000                 | 2,999              | 3,016 |
| American Express Credit                               |                  | 1.875         |              | 1.896           | 05/03/2019   | 2,000                 | 1,999              | 2,000 |
| Ford Motor Credit Company                             |                  | 2.021         |              | 2.021           | 05/03/2019   | 1,000                 | 1,000              | 998   |
| Union Bank NA   |                  | 2.250         |              | 2.298           | 05/06/2019   | 615                   | 614                | 618   |
| Apple Computer Inc                                    |                  | 1.479         | F            | 1.479           | 05/06/2019   | 5,000                 | 5,000              | 5,027 |
| Comerica Inc  |                  | 2.125         |              | 2.125           | 05/23/2019   | 850                   | 850                | 848   |
| Ryder System Inc                                      |                  | 2.550         |              | 2.575           | 06/01/2019   | 2,100                 | 2,099              | 2,122 |
| Diamond 1 Fin/Diamond 2                               |                  | 3.480         |              | 3.483           | 06/01/2019   | 1,950                 | 1,949              | 1,996 |
| Penske Truck Leasing                                  |                  | 2.500         |              | 2.503           | 06/15/2019   | 2,000                 | 2,000              | 2,010 |
| Emera US Finance LP                                   |                  | 2.150         |              | 2.163           | 06/15/2019   | 830                   | 830                | 829   |
| Norfolk Southern Corp                                 |                  | 5.900         |              | 2.147           | 06/15/2019   | 2,000                 | 2,143              | 2,152 |
| Verizon Communications                                |                  | 2.037         | F            | 2.037           | 06/17/2019   | 2,000                 | 2,000              | 2,015 |
| Daimler Finance NA                                    |                  | 1.500         |              | 1.551           | 07/05/2019   | 3,640                 | 3,636              | 3,605 |
| Molson Coors Brewing Co                               |                  | 1.450         |              | 1.467           | 07/15/2019   | 770                   | 770                | 761   |
| American International Grp Inc                        |                  | 2.300         |              | 2.343           | 07/16/2019   | 4,000                 | 3,997              | 4,021 |
| TEVA Pharmaceuticals NE                               |                  | 1.700         |              | 1.703           | 07/19/2019   | 2,350                 | 2,350              | 2,329 |
| Citigroup Inc   |                  | 2.500         |              | 2.513           | 07/29/2019   | 5,000                 | 4,999              | 5,045 |
| CBS Corp  |                  | 2.300         |              | 2.365           | 08/15/2019   | 3,000                 | 2,996              | 3,020 |
| Tyson Foods Inc                                       |                  | 2.650         |              | 2.664           | 08/15/2019   | 1,000                 | 1,000              | 1,013 |
| Bank of New York Mellon                               |                  | 1.708         | F            | 1.708           | 09/11/2019   | 2,100                 | 2,100              | 2,114 |
| Nissan Motor Acceptance                               |                  | 1.756         | F            | 1.756           | 09/13/2019   | 2,000                 | 2,000              | 2,007 |
| Brit Sky Broadcasting                                 |                  | 2.625         |              | 2.657           | 09/16/2019   | 885                   | 884                | 891   |
| JP Morgan Chase Bank                                  |                  | 1.650         |              | 1.685           | 09/23/2019   | 1,110                 | 1,109              | 1,104 |
| Shire Acq Inv Ireland DA                              |                  | 1.900         |              | 1.928           | 09/23/2019   | 2,000                 | 1,999              | 1,991 |
| Fifth Third Bancorp                                   |                  | 1.625         |              | 1.682           | 09/27/2019   | 2,290                 | 2,287              | 2,268 |
| ERAC USA Finance LLC                                  |                  | 2.350         |              | 2.380           | 10/15/2019   | 2,000                 | 1,999              | 2,003 |
| Danone SA   |                  | 1.691         |              | 1.691           | 10/30/2019   | 1,770                 | 1,770              | 1,756 |
| Daimler Finance NA                                    |                  | 1.792         | F            | 1.790           | 10/30/2019   | 4,000                 | 4,000              | 4,017 |
| Public Service Enterprise Grp                         |                  | 1.600         |              | 1.640           | 11/15/2019   | 740                   | 739                | 732   |
| Associated Banc-Corp                                  |                  | 2.750         |              | 2.779           | 11/15/2019   | 1,405                 | 1,404              | 1,415 |
| Abbott Laboratories                                   |                  | 2.350         |              | 2.384           | 11/22/2019   | 2,985                 | 2,983              | 3,007 |
| Ford Motor Credit Company                             |                  | 2.155         | F            | 2.155           | 01/09/2020   | 2,000                 | 2,000              | 2,014 |
| Nissan Motor Acceptance                               |                  | 2.250         |              | 2.252           | 01/13/2020   | 2,000                 | 2,000              | 2,005 |
| Broadcom Crp / Caymn FI                               |                  | 2.375         |              | 2.454           | 01/15/2020   | 2,000                 | 1,996              | 2,003 |

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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, 2017**  
*(In thousands)*

| <b>WEST VIRGINIA SHORT TERM BOND POOL (Continued)</b> |                  |               |              |                 |              |                       |                    |
|---|------------------|---------------|--------------|-----------------|--------------|-----------------------|--------------------|
| <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> |
| Exelon Generation Co LLC                              |                  | 2.950         | 2.621        | 01/15/2020      | 1,500        | 1,512                 | 1,523              |
| National Rural Utilities                              |                  | 2.000         | 2.044        | 01/27/2020      | 1,975        | 1,973                 | 1,980              |
| SunTrust Bank   |                  | 2.250         | 2.263        | 01/31/2020      | 3,920        | 3,919                 | 3,937              |
| Smithfield Foods Inc                                  |                  | 2.700         | 2.715        | 01/31/2020      | 820          | 820                   | 825                |
| Caterpillar Financial Services                        |                  | 2.000         | 1.716        | 03/05/2020      | 4,000        | 4,030                 | 3,997              |
| Huntington National Bank                              |                  | 1.738         | F 1.738      | 03/10/2020      | 1,750        | 1,750                 | 1,755              |
| AFLAC Inc   |                  | 2.400         | 2.406        | 03/16/2020      | 2,000        | 2,000                 | 2,021              |
| duPont EI de Nemours Co                               |                  | 1.700         | F 1.700      | 05/01/2020      | 2,000        | 2,000                 | 2,012              |
| Daimler Finance NA                                    |                  | 1.701         | F 1.701      | 05/05/2020      | 1,350        | 1,350                 | 1,353              |
| Qualcomm Inc  |                  | 2.100         | 2.102        | 05/20/2020      | 2,250        | 2,250                 | 2,260              |
| MetLife Global Funding                                |                  | 2.050         | 2.051        | 06/12/2020      | 4,000        | 4,000                 | 3,996              |
| Ford Motor Credit Company                             |                  | 2.018         | F 2.018      | 06/12/2020      | 2,000        | 2,000                 | 2,000              |
| Bank of Montreal                                      |                  | 1.686         | F 1.686      | 06/15/2020      | 4,000        | 4,000                 | 4,000              |
| AT&T Inc  |                  | 2.226         | F 2.226      | 06/30/2020      | 2,100        | 2,100                 | 2,127              |
| AIG Global Funding                                    |                  | 2.150         | 2.172        | 07/02/2020      | 2,000        | 1,999                 | 1,999              |
| General Motors Financial Co                           |                  | 3.200         | 3.206        | 07/13/2020      | 2,000        | 2,000                 | 2,038              |
| Charter Communications                                |                  | 3.579         | 3.582        | 07/23/2020      | 2,230        | 2,230                 | 2,304              |
| JP Morgan Chase                                       |                  | 2.377         | F 2.375      | 10/29/2020      | 3,000        | 3,000                 | 3,064              |
| Stifel Financial Corp                                 |                  | 3.500         | 3.585        | 12/01/2020      | 1,950        | 1,945                 | 1,990              |
| BAE Systems Holdings Inc                              |                  | 2.850         | 2.926        | 12/15/2020      | 1,790        | 1,785                 | 1,814              |
| Goldman Sachs Group Inc                               |                  | 2.023         | F 2.023      | 12/27/2020      | 4,000        | 4,000                 | 4,007              |
| Anheuser Busch Finance                                |                  | 2.650         | 2.717        | 02/01/2021      | 5,000        | 4,989                 | 5,067              |
| Regions Financial Corp                                |                  | 3.200         | 3.223        | 02/08/2021      | 1,950        | 1,948                 | 1,994              |
| Crown Castle INTL Corp                                |                  | 3.400         | 3.405        | 02/15/2021      | 2,000        | 2,000                 | 2,054              |
| Exelon Corp   |                  | 2.450         | 2.455        | 04/15/2021      | 1,000        | 1,000                 | 997                |
| Citizens Bank NA/RI                                   |                  | 2.550         | 2.534        | 05/13/2021      | 1,800        | 1,801                 | 1,801              |
| Chevron Corp  |                  | 2.130         | F 2.130      | 05/16/2021      | 4,000        | 4,000                 | 4,094              |
| CVS Corp  |                  | 2.125         | 2.184        | 06/01/2021      | 1,000        | 998                   | 988                |
| Citizens Financial Group                              |                  | 2.375         | 2.386        | 07/28/2021      | 2,660        | 2,659                 | 2,637              |
| Microsoft Corporation                                 |                  | 1.550         | 1.572        | 08/08/2021      | 3,000        | 2,997                 | 2,935              |
| Ryder System Inc                                      |                  | 2.250         | 2.296        | 09/01/2021      | 1,250        | 1,248                 | 1,234              |
| Commonwealth Bank of Australia                        |                  | 2.053         | F 2.052      | 09/06/2021      | 4,000        | 4,000                 | 4,029              |
| BP Capital Markets PLC                                |                  | 2.120         | F 2.120      | 09/16/2021      | 2,220        | 2,220                 | 2,259              |
| Fortis Inc  |                  | 2.100         | 2.154        | 10/04/2021      | 1,100        | 1,098                 | 1,077              |
| Roper Technologies INC                                |                  | 2.800         | 2.834        | 12/15/2021      | 2,000        | 1,997                 | 2,017              |
| Toyota Motor Credit Corp                              |                  | 1.995         | F 1.850      | 01/11/2022      | 5,000        | 5,000                 | 5,069              |
| General Motors Financial Co                           |                  | 2.708         | F 2.708      | 01/14/2022      | 3,640        | 3,640                 | 3,712              |
| Morgan Stanley  |                  | 2.336         | F 2.177      | 01/20/2022      | 6,000        | 6,041                 | 6,060              |
| Capital One Financial Corp                            |                  | 2.171         | F 2.171      | 03/09/2022      | 2,060        | 2,060                 | 2,056              |
| Petroleos Mexicanos                                   |                  | 4.878         | F 4.878      | 03/11/2022      | 2,000        | 2,000                 | 2,157              |
| Eversource Energy                                     |                  | 2.750         | 2.780        | 03/15/2022      | 2,900        | 2,896                 | 2,922              |
| Verizon Communications                                |                  | 2.250         | F 2.250      | 03/16/2022      | 1,670        | 1,670                 | 1,690              |
| Ford Motor Credit Company                             |                  | 2.565         | F 2.573      | 03/28/2022      | 2,860        | 2,860                 | 2,879              |
| Citigroup Inc   |                  | 2.116         | F 2.116      | 04/25/2022      | 4,000        | 4,000                 | 4,022              |
| Goldman Sachs Group Inc                               |                  | 2.277         | F 2.211      | 04/26/2022      | 4,000        | 4,012                 | 4,030              |
| Becton Dickinson & Company                            |                  | 2.253         | F 2.252      | 06/06/2022      | 2,000        | 2,000                 | 2,005              |
| AstraZeneca Group PLC                                 |                  | 1.848         | F 1.848      | 06/10/2022      | 2,150        | 2,150                 | 2,152              |
| Reckitt Benckiser TSY                                 |                  | 1.856         | F 1.856      | 06/24/2022      | 4,000        | 4,000                 | 4,004              |
| Compass Bank  |                  | 2.875         | 2.910        | 06/29/2022      | 2,000        | 1,997                 | 1,992              |
| Healthcare Trust of America                           |                  | 2.950         | 2.963        | 07/01/2022      | 2,000        | 1,999                 | 2,001              |
| Total U. S. Corporate Bonds                           | 46.6%            |               |              |                 |              | 349,834               | 351,501            |

(Continued on Next Page)

F – Floating rate note security.

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

See accompanying notes to financial statements.

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

| <b>WEST VIRGINIA SHORT TERM BOND POOL (Continued)</b> |                  |               |              |                 |              |                       |                    |
|---|------------------|---------------|--------------|-----------------|--------------|-----------------------|--------------------|
| <u>SECURITY NAME</u>                                  | <u>% of POOL</u> | <u>COUPON</u> | <u>YIELD</u> | <u>MATURITY</u> | <u>UNITS</u> | <u>AMORTIZED COST</u> | <u>FAIR VALUE*</u> |
| <i>Corporate Asset Backed Issues</i>                  |                  |               |              |                 |              |                       |                    |
| Ohio Phase-In-Recovery Funding                        |                  | 0.958         | 0.957        | 07/01/2018      | 197          | 197                   | 197                |
| Ford Credit Auto Lease Trust                          |                  | 1.310         | 1.319        | 08/15/2018      | 1,861        | 1,861                 | 1,861              |
| Smart Trust   |                  | 1.659         | F 1.665      | 09/14/2018      | 1,204        | 1,204                 | 1,203              |
| GM Financial Leasing Trust                            |                  | 1.530         | 1.542        | 09/20/2018      | 1,559        | 1,558                 | 1,559              |
| Honda Auto Receivables                                |                  | 1.050         | 1.056        | 10/15/2018      | 1,508        | 1,508                 | 1,507              |
| World Omni Auto Lease                                 |                  | 1.540         | 1.556        | 10/15/2018      | 3,000        | 3,000                 | 3,001              |
| Volkswagen Auto Loan Trust                            |                  | 0.910         | 1.369        | 10/22/2018      | 222          | 221                   | 221                |
| ARI Fleet Lease Trust                                 |                  | 1.110         | 1.119        | 11/15/2018      | 234          | 234                   | 234                |
| BMW Vehicle Lease Trust                               |                  | 1.550         | 1.559        | 02/20/2019      | 1,740        | 1,740                 | 1,740              |
| Capital Auto Receivables Asset                        |                  | 1.620         | 1.627        | 03/20/2019      | 1,085        | 1,085                 | 1,085              |
| Drive Auto Receivables Trust                          |                  | 1.740         | 1.751        | 06/17/2019      | 2,200        | 2,200                 | 2,200              |
| Hyundai Auto Lease Trust                              |                  | 1.650         | 1.661        | 08/15/2019      | 5,000        | 4,999                 | 5,003              |
| Master Credit Card Trust                              |                  | 1.964         | F 1.972      | 09/23/2019      | 4,000        | 4,000                 | 4,019              |
| Americredit Automobile Rec                            |                  | 1.260         | 1.265        | 11/08/2019      | 376          | 376                   | 375                |
| CNH Equipment Trust                                   |                  | 1.050         | 1.054        | 11/15/2019      | 583          | 583                   | 582                |
| Drive Auto Receivables Trust                          |                  | 1.670         | 1.681        | 11/15/2019      | 3,800        | 3,800                 | 3,800              |
| Hyundai Auto Lease Trust                              |                  | 1.800         | 1.811        | 12/16/2019      | 2,000        | 2,000                 | 2,003              |
| Americredit Automobile Rec                            |                  | 1.270         | 1.281        | 01/08/2020      | 2,054        | 2,054                 | 2,052              |
| Drive Auto Receivables Trust                          |                  | 1.770         | 1.781        | 01/15/2020      | 2,000        | 2,000                 | 2,001              |
| Golden Credit Card Trust                              |                  | 1.599         | F 1.578      | 02/15/2020      | 4,000        | 4,001                 | 4,007              |
| PFS Financing Corp                                    |                  | 2.359         | F 2.368      | 02/18/2020      | 2,900        | 2,900                 | 2,912              |
| BMW Vehicle Lease Trust                               |                  | 1.570         | 1.570        | 02/20/2020      | 1,000        | 1,000                 | 996                |
| Drive Auto Receivables Trust                          |                  | 1.860         | 1.870        | 03/16/2020      | 1,000        | 1,000                 | 1,000              |
| Enterprise Fleet Financing LLC                        |                  | 1.050         | 1.058        | 03/20/2020      | 388          | 388                   | 388                |
| Securitized Term Auto Receivab                        |                  | 1.524         | 1.529        | 03/25/2020      | 2,900        | 2,900                 | 2,888              |
| Evergreen Credit Card Trust                           |                  | 1.879         | F 1.886      | 04/15/2020      | 3,750        | 3,750                 | 3,767              |
| PFS Financing Corp                                    |                  | 1.779         | F 1.785      | 04/15/2020      | 2,500        | 2,500                 | 2,500              |
| Ford Credit Auto Lease Trust                          |                  | 2.020         | 2.037        | 06/15/2020      | 2,500        | 2,500                 | 2,505              |
| BMW Vehicle Lease Trust                               |                  | 2.180         | 2.190        | 06/22/2020      | 5,100        | 5,100                 | 5,129              |
| Americredit Automobile Rec                            |                  | 1.700         | 1.713        | 07/08/2020      | 1,170        | 1,170                 | 1,170              |
| Kubota Credit Owner Trust                             |                  | 1.500         | 1.517        | 07/15/2020      | 2,500        | 2,499                 | 2,484              |
| California Republic Auto Rec                          |                  | 1.560         | 1.571        | 07/15/2020      | 2,000        | 2,000                 | 1,998              |
| Cards II Trust  |                  | 1.679         | F 1.685      | 07/15/2020      | 5,000        | 5,000                 | 5,000              |
| Great American Leasing                                |                  | 1.470         | 1.481        | 08/15/2020      | 2,108        | 2,108                 | 2,108              |
| Capital Auto Receivables Asset                        |                  | 1.540         | 1.551        | 08/20/2020      | 1,350        | 1,350                 | 1,348              |
| GM Financial Auto Leasing                             |                  | 2.260         | 2.277        | 08/20/2020      | 1,650        | 1,650                 | 1,654              |
| Santander Drive Auto Rec                              |                  | 1.770         | 1.777        | 09/15/2020      | 2,250        | 2,250                 | 2,251              |
| Volvo Financial Equipment                             |                  | 1.890         | 1.900        | 09/15/2020      | 1,500        | 1,500                 | 1,500              |
| First National Master Trust                           |                  | 1.929         | F 1.937      | 09/15/2020      | 3,500        | 3,500                 | 3,504              |
| Dell Equipment Finance Trust                          |                  | 1.720         | 1.728        | 09/22/2020      | 1,730        | 1,730                 | 1,731              |
| Americredit Automobile Rec                            |                  | 1.810         | 1.822        | 10/08/2020      | 1,340        | 1,340                 | 1,342              |
| Volvo Financial Equipment LLC                         |                  | 1.300         | 1.304        | 11/16/2020      | 1,569        | 1,569                 | 1,568              |
| Hyundai Floorplan Master Owner                        |                  | 1.810         | 1.825        | 03/15/2021      | 2,450        | 2,449                 | 2,448              |
| Golden Credit Card Trust                              |                  | 1.609         | F 1.614      | 03/15/2021      | 2,950        | 2,950                 | 2,958              |
| Nissan Auto Lease Trust                               |                  | 1.700         | 1.712        | 04/15/2021      | 3,500        | 3,499                 | 3,500              |
| Hyundai Auto Lease Securitized                        |                  | 2.130         | 2.143        | 04/15/2021      | 4,000        | 4,000                 | 4,022              |
| Nextgear Floorplan                                    |                  | 2.859         | F 2.876      | 04/15/2021      | 2,000        | 2,000                 | 2,032              |
| PFS Financing Corp                                    |                  | 1.739         | F 1.745      | 03/15/2021      | 3,000        | 3,000                 | 3,006              |
| Mercedes Benz Auto Lease Trust                        |                  | 1.530         | 1.538        | 05/17/2021      | 1,830        | 1,830                 | 1,830              |
| Trillium Credit Card Trust II                         |                  | 1.936         | F 1.944      | 05/26/2021      | 3,800        | 3,800                 | 3,818              |
| GM Financial Auto Leasing                             |                  | 2.180         | 2.200        | 06/21/2021      | 1,500        | 1,500                 | 1,497              |

(Continued on Next Page)

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See accompanying notes to financial statements.

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

| <b>WEST VIRGINIA SHORT TERM BOND POOL (Continued)</b> |                      |               |              |                 |              |                           |                        |
|---|----------------------|---------------|--------------|-----------------|--------------|---------------------------|------------------------|
| <u>SECURITY NAME</u>                                  | <u>% of<br/>POOL</u> | <u>COUPON</u> | <u>YIELD</u> | <u>MATURITY</u> | <u>UNITS</u> | <u>AMORTIZED<br/>COST</u> | <u>FAIR<br/>VALUE*</u> |
| Discover Card Master Trust                            |                      | 1.640         | 1.655        | 07/15/2021      | 2,500        | 2,500                     | 2,500                  |
| Macquarie Equipment Funding                           |                      | 1.230         | 1.234        | 07/20/2021      | 582          | 582                       | 581                    |
| Master Credit Card Trust                              |                      | 2.260         | 2.281        | 07/21/2021      | 4,000        | 3,999                     | 4,032                  |
| Dell Equipment Finance Trust                          |                      | 1.650         | 1.656        | 07/22/2021      | 850          | 850                       | 850                    |
| Great American Leasing                                |                      | 2.110         | 1.977        | 08/15/2021      | 2,000        | 2,006                     | 2,003                  |
| Nextgear Floorplan                                    |                      | 2.190         | 2.210        | 09/15/2021      | 2,000        | 2,000                     | 1,993                  |
| Enterprise Fleet Financing LLC                        |                      | 1.830         | 1.841        | 09/20/2021      | 2,505        | 2,505                     | 2,505                  |
| Navistar Financial Dealer Note                        |                      | 2.566         | F 2.580      | 09/27/2021      | 4,600        | 4,600                     | 4,625                  |
| PFS Financing Corp                                    |                      | 1.870         | 1.878        | 10/15/2021      | 1,250        | 1,250                     | 1,244                  |
| Mercedes-Benz Auto Lease Trust                        |                      | 1.690         | 1.697        | 11/15/2021      | 2,000        | 2,000                     | 2,001                  |
| AmeriCredit Automobile Rec                            |                      | 1.980         | 1.980        | 12/20/2021      | 2,400        | 2,400                     | 2,402                  |
| Chrysler Capital Auto Rec                             |                      | 1.960         | 1.970        | 01/18/2022      | 3,000        | 3,000                     | 3,001                  |
| GMF Floorplan   |                      | 2.220         | 2.237        | 01/18/2022      | 2,000        | 2,000                     | 2,008                  |
| GE Dealer Floorplan                                   |                      | 1.862         | F 1.869      | 01/20/2022      | 5,000        | 5,000                     | 5,033                  |
| Enterprise Fleet Financing LLC                        |                      | 2.040         | 2.057        | 02/22/2022      | 1,375        | 1,375                     | 1,369                  |
| Nextgear Floorplan                                    |                      | 2.540         | 2.556        | 04/18/2022      | 4,000        | 4,000                     | 4,012                  |
| Cards II Trust  |                      | 1.529         | F 1.534      | 04/18/2022      | 2,800        | 2,800                     | 2,803                  |
| First National Master Trust                           |                      | 1.559         | F 1.564      | 04/18/2022      | 1,200        | 1,200                     | 1,201                  |
| Dell Equipment Finance Trust                          |                      | 2.140         | 2.152        | 04/22/2022      | 2,650        | 2,650                     | 2,654                  |
| Mercedes-Benz Auto Lease                              |                      | 1.520         | 1.520        | 06/15/2022      | 1,160        | 1,160                     | 1,157                  |
| Capital One Multi Asset Trust                         |                      | 1.519         | F 1.524      | 06/15/2022      | 2,600        | 2,600                     | 2,611                  |
| Motor PLC   |                      | 1.816         | F 1.822      | 06/25/2022      | 960          | 960                       | 961                    |
| Navistar Financial Dealer Note                        |                      | 2.489         | F 2.004      | 06/27/2022      | 2,575        | 2,575                     | 2,581                  |
| SLM Student Loan Trust                                |                      | 1.759         | F 1.765      | 07/15/2022      | 19           | 19                        | 19                     |
| Enterprise Fleet Financing LLC                        |                      | 2.130         | 2.141        | 07/20/2022      | 1,500        | 1,500                     | 1,502                  |
| Bank of America Credit Card                           |                      | 1.950         | 1.969        | 08/15/2022      | 3,000        | 2,999                     | 3,010                  |
| World Omni Auto Lease Security                        |                      | 2.320         | 2.332        | 08/15/2022      | 1,500        | 1,500                     | 1,509                  |
| Nissan Auto Lease Trust                               |                      | 2.040         | 2.049        | 09/15/2022      | 2,275        | 2,275                     | 2,270                  |
| Mercedes Benz Auto Lease                              |                      | 2.010         | 2.021        | 01/17/2023      | 1,750        | 1,749                     | 1,753                  |
| Enterprise Fleet Financing                            |                      | 2.220         | 2.220        | 01/20/2023      | 1,800        | 1,800                     | 1,800                  |
| Great American Leasing Rec                            |                      | 2.360         | 2.373        | 01/20/2023      | 4,750        | 4,749                     | 4,753                  |
| SMB Private Education Loan                            |                      | 1.859         | F 1.906      | 02/15/2023      | 963          | 962                       | 964                    |
| GM Financial Consumer Auto                            |                      | 2.060         | 2.076        | 05/16/2023      | 3,500        | 3,499                     | 3,507                  |
| ARI Fleet Lease Trust                                 |                      | 2.110         | 2.124        | 07/15/2024      | 3,000        | 3,000                     | 3,003                  |
| Discover Card Master Trust                            |                      | 1.649         | F 1.655      | 07/15/2024      | 1,250        | 1,250                     | 1,257                  |
| American Express Credit Acct                          |                      | 1.609         | F 1.614      | 09/16/2024      | 3,300        | 3,300                     | 3,321                  |
| Capital One Multi Asset Trust                         |                      | 1.669         | F 1.675      | 09/16/2024      | 2,500        | 2,500                     | 2,522                  |
| ARI Fleet Lease Trust                                 |                      | 2.280         | 2.296        | 04/15/2026      | 5,000        | 4,999                     | 4,998                  |
| Hertz Fleet Lease Funding LP                          |                      | 1.517         | F 1.522      | 04/10/2028      | 410          | 410                       | 410                    |
| Chesapeake Funding II LLC                             |                      | 1.880         | 1.888        | 06/15/2028      | 2,165        | 2,165                     | 2,163                  |
| Chesapeake Funding II LLC                             |                      | 1.990         | 1.999        | 05/15/2029      | 4,180        | 4,179                     | 4,180                  |
| SLMA Student Loan Trust                               |                      | 2.259         | F 2.269      | 06/17/2030      | 4,000        | 4,000                     | 4,043                  |
| Social Professional Loan Progr                        |                      | 1.680         | 1.687        | 03/25/2031      | 838          | 838                       | 839                    |
| Cosmopolitan Hotel Trust                              |                      | 2.559         | F 2.572      | 11/15/2033      | 3,600        | 3,600                     | 3,627                  |
| Equity One ABS Inc                                    |                      | 4.145         | 4.253        | 04/25/2034      | 65           | 65                        | 65                     |
| Social Professional Loan Progr                        |                      | 2.066         | F 2.075      | 07/25/2039      | 2,136        | 2,136                     | 2,152                  |
| Sequoia Mortgage Trust                                |                      | 2.500         | 2.540        | 05/25/2043      | 3,023        | 3,009                     | 2,934                  |
| Wells Fargo RBS                                       |                      | 2.122         | F 2.118      | 03/15/2044      | 3,462        | 3,462                     | 3,474                  |
| JPMBB Commercial Mortgage                             |                      | 1.644         | F 1.816      | 11/15/2045      | 2,280        | 2,280                     | 2,289                  |
| Commercial Mortgage Trust                             |                      | 1.024         | 1.026        | 06/10/2046      | 1,125        | 1,125                     | 1,122                  |

(Continued on Next Page)

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

| <b>WEST VIRGINIA SHORT TERM BOND POOL (Continued)</b> |                      |               |              |                 |              |                          |                          |
|---|----------------------|---------------|--------------|-----------------|--------------|--------------------------|--------------------------|
| <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>       |
| GS Mortgage Securities Trust                          |                      | 1.509         | 1.514        | 09/10/2047      | 884          | 884                      | 881                      |
| Commercial Mortgage Trust                             |                      | 1.381         | 1.385        | 10/10/2047      | 1,160        | 1,160                    | 1,156                    |
| Gosforth Funding PLC                                  |                      | 1.882         | F 1.884      | 02/15/2058      | 1,793        | 1,793                    | 1,799                    |
| Silverstone Master                                    |                      | 1.706         | F 1.709      | 01/21/2070      | 4,200        | 4,200                    | 4,217                    |
| Total Corporate Asset Backed Issues                   | <u>31.7%</u>         |               |              |                 |              | <u>238,772</u>           | <u>239,170</u>           |
| Total Corporate Issues                                | 78.2%                |               |              |                 |              | 588,606                  | 590,671                  |
| <i>Short Term Issues</i>                              |                      |               |              |                 |              |                          |                          |
| Bank of Nova Scotia                                   |                      | 0.000         | 1.434        | 08/21/2017      | 4,000        | 3,992                    | 3,993                    |
| National Australia Bank LTD                           |                      | 0.000         | 1.289        | 10/11/2017      | 5,000        | 4,982                    | 4,983                    |
| JP Morgan Securities LLC                              |                      | 0.000         | 1.373        | 10/24/2017      | 5,000        | 4,978                    | 4,979                    |
| Nordea Bank AB  |                      | 0.000         | 1.174        | 10/24/2017      | 5,000        | 4,977                    | 4,980                    |
| CA Imperial Bank of Comm                              |                      | 0.000         | 1.518        | 12/22/2017      | 5,000        | 4,964                    | 4,968                    |
| Royal Bank of Canada                                  |                      | 1.900         | F 1.900      | 02/01/2022      | 4,000        | 4,000                    | 4,034                    |
| BlackRock   |                      | 0.860         | **           |                 | 11,479       | 11,479                   | 11,479                   |
| Total Short Term Issues                               | <u>5.2%</u>          |               |              |                 |              | <u>39,372</u>            | <u>39,416</u>            |
| <b>Total Short Term Bond Pool</b>                     | <b><u>100.0%</u></b> |               |              |                 |              | <b><u>\$ 753,712</u></b> | <b><u>\$ 754,962</u></b> |

| <b>WEST VIRGINIA BANK POOL</b>       |                      |               |              |                 |              |                         |                         |
|--------------------------------------|----------------------|---------------|--------------|-----------------|--------------|-------------------------|-------------------------|
| <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>             |                      |               |              |                 |              |                         |                         |
| Citizens Bank of WV-Elkins           |                      | 0.910 %       | 0.910 %      | 07/13/2017      | 5,000        | \$ 5,000                | \$ 5,000                |
| Grant County Bank                    |                      | 0.910         | 0.910        | 07/13/2017      | 2,000        | 2,000                   | 2,000                   |
| Bank of Romney                       |                      | 0.910         | 0.910        | 07/13/2017      | 3,000        | 3,000                   | 3,000                   |
| WesBanco Bank                        |                      | 0.910         | 0.910        | 07/13/2017      | 10,000       | 10,000                  | 10,000                  |
| Jefferson Security Bank              |                      | 0.950         | 0.950        | 08/10/2017      | 5,000        | 5,000                   | 5,000                   |
| Mountain Valley Bank                 |                      | 0.950         | 0.950        | 08/10/2017      | 2,000        | 2,000                   | 2,000                   |
| Bank of Romney                       |                      | 0.950         | 0.950        | 08/10/2017      | 1,500        | 1,500                   | 1,500                   |
| WesBanco Bank                        |                      | 0.950         | 0.950        | 08/10/2017      | 6,500        | 6,500                   | 6,500                   |
| Bank of Romney                       |                      | 1.000         | 1.000        | 09/14/2017      | 1,000        | 1,000                   | 1,000                   |
| WesBanco Bank                        |                      | 1.000         | 1.000        | 09/14/2017      | 10,000       | 10,000                  | 10,000                  |
| Grant County Bank                    |                      | 1.120         | 1.120        | 10/12/2017      | 3,000        | 3,000                   | 3,000                   |
| WesBanco Bank                        |                      | 1.120         | 1.120        | 10/12/2017      | 10,000       | 10,000                  | 10,000                  |
| Citizens Bank of WV-Elkins           |                      | 1.060         | 1.060        | 11/09/2017      | 2,000        | 2,000                   | 2,000                   |
| Bank of Romney                       |                      | 1.060         | 1.060        | 11/09/2017      | 1,500        | 1,500                   | 1,500                   |
| WesBanco Bank                        |                      | 1.060         | 1.060        | 11/09/2017      | 10,000       | 10,000                  | 10,000                  |
| Citizens Bank of WV-Elkins           |                      | 1.250         | 1.250        | 12/14/2017      | 5,000        | 5,000                   | 5,000                   |
| Bank of Romney                       |                      | 1.250         | 1.250        | 12/14/2017      | 2,000        | 2,000                   | 2,000                   |
| BlackRock Liquidity                  |                      | 0.860         | **           |                 | 48           | 48                      | 48                      |
| Total Short Term Issues              | <u>100.0%</u>        |               |              |                 |              | <u>79,548</u>           | <u>79,548</u>           |
| <b>Total West Virginia Bank Pool</b> | <b><u>100.0%</u></b> |               |              |                 |              | <b><u>\$ 79,548</u></b> | <b><u>\$ 79,548</u></b> |

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

**STATE LOAN POOL**

| <u>SECURITY NAME</u>   | <u>% of POOL</u> | <u>COUPON</u> | <u>YIELD</u> | <u>MATURITY</u> | <u>UNITS</u> | <u>AMORTIZED COST</u> | <u>FAIR VALUE*</u> |
|--|------------------|---------------|--------------|-----------------|--------------|-----------------------|--------------------|
| <i>Loans and Mortgages</i>                                     |                  |               |              |                 |              |                       |                    |
| Intergovernmental Loans  |                  |               |              |                 |              |                       |                    |
| WVEDA Revolving Loan   |                  | 0.380 %       |              |                 | 124,323      | \$ 124,323            | \$ 124,323         |
| WVEDA Non-Recourse Loan  |                  | 3.000         |              |                 | 24,460       | 24,460                | 24,460             |
| Total Intergovernmental Loans                                  |                  |               |              |                 |              | 148,783               | 148,783            |
| Reserve for uncollectable loans                                |                  |               |              |                 | 23,464       | 23,464                | 23,464             |
| Loans and Mortgages,<br>net of reserve for uncollectable loans | 100.0%           |               |              |                 |              | 125,319               | 125,319            |
| <i>Short Term Issues</i>                                       |                  |               |              |                 |              |                       |                    |
| BlackRock Liquidity  |                  | 0.860 **      |              |                 | 47           | 47                    | 47                 |
| Total Short Term Issues  | 0.0%             |               |              |                 |              | 47                    | 47                 |
| <b>Total State Loan Pool</b>                                   | <b>100.0%</b>    |               |              |                 |              | <b>\$ 125,366</b>     | <b>\$ 125,366</b>  |

**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 |                  | 0.530 %       | 0.530 %      |                 | 18,845       | \$ 18,845             | \$ 18,845          |
| Total Short Term Issues         | 100.0%           |               |              |                 |              | 18,845                | 18,845             |
| <b>Total Reserve Pool</b>       | <b>100.0%</b>    |               |              |                 |              | <b>\$ 18,845</b>      | <b>\$ 18,845</b>   |

**MUNICIPAL BOND COMMISSION**

| <u>SECURITY NAME</u>                        | <u>% of POOL</u> | <u>COUPON</u> | <u>YIELD</u> | <u>MATURITY</u> | <u>UNITS</u> | <u>AMORTIZED COST</u> | <u>FAIR VALUE*</u> |
|---|------------------|---------------|--------------|-----------------|--------------|-----------------------|--------------------|
| <i>U. S. Government Issues</i>              |                  |               |              |                 |              |                       |                    |
| United States Treasury                      |                  | 1.880 %       | 0.726 %      | 10/31/2017      | 236          | \$ 237                | \$ 237             |
| United States Treasury                      |                  | 0.625         | 0.752        | 04/30/2018      | 11,693       | 11,681                | 11,631             |
| United States Treasury                      |                  | 9.125         | 0.001        | 05/15/2018      | 1,138        | 1,229                 | 1,215              |
| State & Local Governments                   |                  | 0.550         | 0.550        | 11/01/2017      | 380          | 380                   | 380                |
| State & Local Governments                   |                  | 0.630         | 0.630        | 05/01/2018      | 2,981        | 2,981                 | 2,981              |
| State & Local Governments                   |                  | 0.700         | 0.700        | 11/01/2018      | 326          | 326                   | 326                |
| State & Local Governments                   |                  | 0.750         | 0.750        | 05/01/2019      | 19,057       | 19,057                | 19,057             |
| Total U. S. Treasury Issues                 | 100.0%           |               |              |                 |              | 35,891                | 35,827             |
| <b>Total Municipal Bond Commission Pool</b> | <b>100.0%</b>    |               |              |                 |              | <b>\$ 35,891</b>      | <b>\$ 35,827</b>   |

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

**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> |                      |               |              |                 |              |                        |                        |
| BlackRock Liquidity      |                      | 0.860 **      |              |                 | 1,417        | \$ 1,417               | \$ 1,417               |
| Total Short Term Issues  | <u>100.0%</u>        |               |              |                 |              | <u>1,417</u>           | <u>1,417</u>           |
| <b>Total School Fund</b> | <b><u>100.0%</u></b> |               |              |                 |              | <b><u>\$ 1,417</u></b> | <b><u>\$ 1,417</u></b> |

**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        | \$ 1,545               | \$ 1,798               |
| Total U. S. Treasury Issues  | <u>100.0%</u>        |               |              |                 |              | <u>1,545</u>           | <u>1,798</u>           |
| <b>Total EDA-AW</b>          | <b><u>100.0%</u></b> |               |              |                 |              | <b><u>\$ 1,545</u></b> | <b><u>\$ 1,798</u></b> |

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## **Investment Section**

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## Consolidated Fund Overview at June 30, 2017

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

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

**Total Investments at June 30, 2017:** \$ 3,002,710,000.

**Description of the Consolidated Fund:** The Consolidated Fund under the management of the BTI consisted of nine investment pools and single participant accounts during the year. The 2005 West Virginia Legislature established the BTI, effective July 8, 2005, as a public corporation of the State of West Virginia to make short-term operating funds of the state more accessible to state government. The BTI employs a top-down approach to developing its investment strategy for the management of its funds. Starting with the objectives of the fund, the BTI considers constraints outlined in its investment policy, which includes among other parameters: safety, liquidity, and maximization of rate of return. The Investment Policy is summarized on Pages 91 – 96 of this Investment Section.

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

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

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

Expense ratios for the pools and accounts are detailed in Table 2: Financial Highlights on Page 104 in the Statistical Section.

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

**Economic Environment:** Economic data indicated that the economy improved over the course of fiscal year 2017, although it also indicated that the rate of improvement was uneven. Central banks around the world maintained highly accommodative monetary policies, keeping the markets flooded with liquidity. However, during fiscal year 2017 central banks began signaling that tightening was on the horizon. The Federal Reserve hiked the fed funds target rate three times during fiscal year 2017, with the target rate ending the year in the 1.00% to 1.25% range. With the full implementation of the SEC’s Rule 2a-7 in October 2016, money market yields stabilized as issuers adjusted their funding profiles and prime money fund balances stabilized in the new floating-NAV era. The BTI’s principal stability fund yields continued



to benefit from the funds' ability to continue using amortized cost, but the yield advantage diminished. Looking forward, markets are not expecting any rate hikes over the next quarter, with the most likely next move of the Fed expected to be an announcement about the Fed's plans for shrinking their balance sheet.

In a turnabout from the prior fiscal year, bond returns disappointed in fiscal year 2017 while equity returns increased significantly year-over-year. The U.S. bond market, as measured by the Barclays Aggregate Bond Index, was almost flat for the fiscal year, returning only negative 31 basis points for the year. Both domestically and internationally, equity returns were much stronger over fiscal year 2017. The broad U.S. equity market, as measured by the Russell 3000 index, returned 18.50% for the fiscal year. Smaller or emerging markets equity returns were not far behind domestic returns with the MSCI Emerging Markets Index posting a return of 17.08% for the year. Commodity markets, as measured by the S&P GSCI Total Return Index, again disappointed in fiscal year 2017, returning a negative 9.01% for the fiscal year.

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

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

The Schedule of Investments in Securities is presented in the Financial Section on Pages 48-61, and Participant Net Asset Values are presented in the Statistical Section on Page 114.

## **West Virginia Money Market Pool**

### **□ Investment Objectives and Policy Guidelines**

#### Objectives

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

Participants include state agencies and local governments throughout the state.

#### Benchmarks

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

#### Investment Managers

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

#### Maturity Restrictions, Diversification Guidelines and Credit Limits

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

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

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

#### **❑ BTI Role**

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

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

#### **❑ Income Allocation**

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

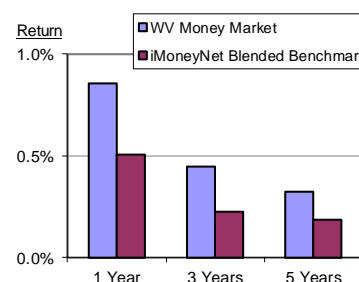
❑ **Asset Allocation – Permissible vs. Actual**

| Security Type  | Permissible Allocation        | Actual Allocation<br>June 30, 2017 |                    |
|--|-------------------------------|------------------------------------|--------------------|
|  | Maximum<br>Percent of<br>Pool | Carrying<br>Value<br>(Thousands)   | Percent of<br>Pool |
| U.S. Treasury obligations  | 100.0%                        | \$ 167,660                         | 9.4%               |
| U.S. government agency obligations & FDIC<br>guaranteed obligations                                  | 85.0%                         | -                                  | -                  |
| Repurchase agreements  | 85.0%                         | 110,800                            | 6.2%               |
| Commercial paper, asset backed commercial paper,<br>corporate debt and supranational debt (Combined) | 75.0%                         | 1,074,012                          | 60.2%              |
| Certificates of deposit  | 75.0%                         | 330,476                            | 18.6%              |
| Money market funds   | 30.0%                         | 100,005                            | 5.6%               |
| Asset-backed & mortgage-backed securities  | 20.0%                         | -                                  | -                  |
| Municipal securities   | 15.0%                         | -                                  | -                  |
| Depository accounts  | 5.0%                          | -                                  | -                  |
|  |                               | <u>\$ 1,782,953</u>                | <u>100.0%</u>      |

❑ **Actual Returns**

Actual Annualized Returns for Periods Ended June 30, 2017

|                                       | 1 Year | 3 Years | 5 Years |
|---------------------------------------|--------|---------|---------|
| <b>Returns by Investment Manager:</b> |        |         |         |
| Federated Investors *                 | 0.89%  | -       | -       |
| UBS                                   | 0.82%  | 0.44%   | 0.33%   |
| Total pool returns                    | 0.85%  | 0.45%   | 0.32%   |
| <b>Benchmark:</b>                     |        |         |         |
| Custom Index **                       | 0.50%  | 0.22%   | 0.19%   |



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

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

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

□ **Investments**

For a detailed list of investments in the West Virginia Money Market Pool, see the Schedule of Investments in Securities in the Supplementary Information on Pages 48-51.

## **West Virginia Government Money Market Pool**

### **❑ Investment Objectives and Policy Guidelines**

#### Objectives

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

Participants include state agencies and local governments throughout the state.

#### Benchmarks

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

#### Investment Manager

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

#### Maturity Restrictions, Diversification Guidelines and Credit Limits

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

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

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

❑ **BTI Role**

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

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

❑ **Income Allocation**

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

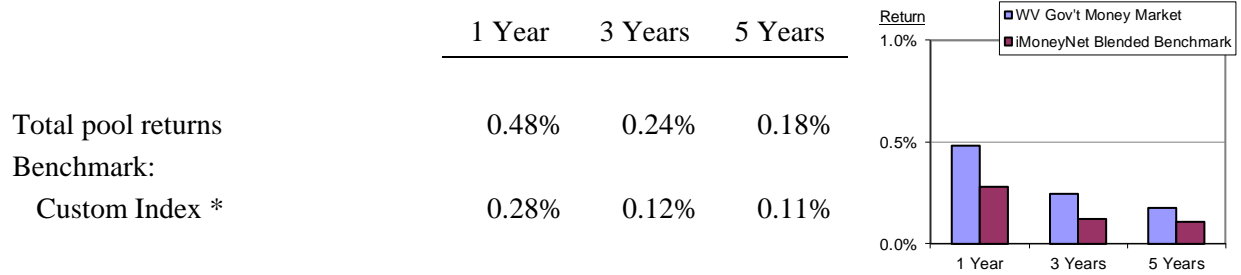
❑ **Asset Allocation – Permissible vs. Actual**

| Permissible Allocation  |                               | Actual Allocation<br>June 30, 2017 |                    |
|---|-------------------------------|------------------------------------|--------------------|
| Security Type   | Maximum<br>Percent of<br>Pool | Carrying<br>Value<br>(Thousands)   | Percent of<br>Pool |
| U.S. Treasury obligations   | 100.0%                        | \$ 42,964                          | 21.3%              |
| U.S. government agency obligations &<br>FDIC guaranteed obligations | 85.0%                         | 107,921                            | 53.4%              |
| Repurchase agreements   | 85.0%                         | 49,000                             | 24.3%              |
| Government money market funds                                       | 30.0%                         | 2,109                              | 1.0%               |
| Depository accounts   | 5.0%                          | -                                  | -                  |
|   |                               | <u>\$ 201,994</u>                  | <u>100.0%</u>      |



**Actual Returns**

Actual Annualized Returns for Periods Ended June 30, 2017



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

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

**Investments**

For a detailed list of investments in the West Virginia Government Money Market Pool, see the Schedule of Investments in Securities in the Supplementary Information on Pages 52-53.

## **West Virginia Short Term Bond Pool**

### **❑ Investment Objectives and Policy Guidelines**

#### Objectives

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

Participants include state agencies and local governments throughout the state.

#### Benchmark

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

#### Investment Manager

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

#### Maturity Restrictions, Diversification Guidelines and Credit Limits

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

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

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

#### ❑ **BTI Role**

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

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

#### ❑ **Income Allocation**

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

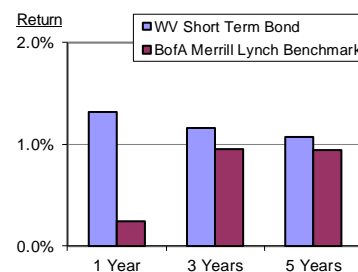
❑ **Asset Allocation – Permissible vs. Actual**

| Security Type   | Permissible Allocation        | Actual Allocation<br>June 30, 2017 |                    |
|---|-------------------------------|------------------------------------|--------------------|
|   | Maximum<br>Percent of<br>Pool | Carrying<br>Value<br>(Thousands)   | Percent of<br>Pool |
| U.S. Treasury obligations   | 100.0%                        | \$ 87,588                          | 11.6%              |
| U.S. government agency obligations & FDIC<br>guaranteed obligations                                     | 85.0%                         | 37,287                             | 4.9%               |
| Repurchase agreements   | 85.0%                         | -                                  | -                  |
| Commercial paper, asset backed commercial<br>paper, corporate debt and supranational debt<br>(combined) | 75.0%                         | 379,438                            | 50.3%              |
| Asset backed and mortgage backed securities   | 50.0%                         | 239,170                            | 31.7%              |
| Certificates of deposit   | 50.0%                         | -                                  | -                  |
| Money market and fixed income funds   | 30.0%                         | 11,479                             | 1.5%               |
| Municipal securities  | 15.0%                         | -                                  | -                  |
| Depository accounts   | 5.0%                          | -                                  | -                  |
|   |                               | <b>\$ 754,962</b>                  | <b>100.0%</b>      |

❑ **Actual Returns**

Actual Annualized Returns for Periods Ended June 30, 2017

|                    | 1 Year | 3 Years | 5 Years |
|--------------------|--------|---------|---------|
| Total pool returns | 1.31%  | 1.16%   | 1.07%   |
| Benchmark *        | 0.25%  | 0.95%   | 0.94%   |



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

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

□ **Investments**

For a detailed list of investments in the West Virginia Short Term Bond Pool, see the Schedule of Investments in Securities in the Supplementary Information on Pages 53-59.

## **West Virginia Bank Pool**

### **❑ Investment Objectives and Policy Guidelines**

#### Objectives

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

#### Benchmark

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

#### Investment Manager

None.

#### Maturity Restrictions, Diversification Guidelines and Credit Limits

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

### **❑ BTI Role**

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

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

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

**☐ Income Allocation**

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

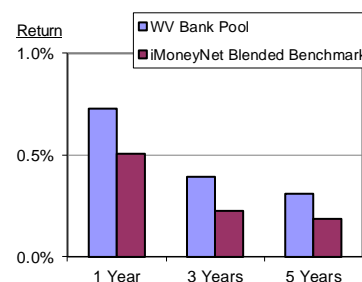
**☐ Asset Allocation – Permissible vs. Actual**

| Permissible Allocation  |                               | Actual Allocation<br>June 30, 2017 |                    |
|-------------------------|-------------------------------|------------------------------------|--------------------|
| Security Type           | Maximum<br>Percent of<br>Pool | Carrying<br>Value<br>(Thousands)   | Percent of<br>Pool |
| Certificates of deposit | 100.0%                        | \$ 79,500                          | 99.9%              |
| Money market funds      | 30.0%                         | 48                                 | 0.1%               |
|                         |                               | <u>\$ 79,548</u>                   | <u>100.0%</u>      |

**☐ Actual Returns**

Actual Annualized Returns for Periods Ended June 30, 2017

|                    | 1 Year | 3 Years | 5 Years |
|--------------------|--------|---------|---------|
| Total pool returns | 0.73%  | 0.39%   | 0.31%   |
| Benchmark *        | 0.50%  | 0.22%   | 0.19%   |



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

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

**☐ Investments**

For a detailed list of investments in the West Virginia Bank Pool, see the Schedule of Investments in Securities in the Supplementary Information on Page 59.



## **Loan Pool**

### **❑ Investment Objectives and Policy Guidelines**

#### Objectives

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

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

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

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

#### Benchmarks

None.

#### Investment Manager

None.

#### Maturity Restrictions, Diversification Guidelines and Credit Limits

None.

### **❑ BTI Role**

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

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

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

- Provide EDA with the annual rate to be charged on the loan.
- Facilitate the transfer of funds to EDA via the State Treasurer’s Office.

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

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

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

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

**Income Allocation**

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

**Asset Allocation – Permissible vs. Actual**

| Permissible Allocation |                               | Actual Allocation<br>June 30, 2017 |                    |
|------------------------|-------------------------------|------------------------------------|--------------------|
| Security Type          | Maximum<br>Percent of<br>Pool | Carrying<br>Value<br>(Thousands)   | Percent of<br>Pool |
| Other investments      | 100.0%                        | \$ 125,319                         | 100.0%             |
| Money market funds     | 20.0%                         | 47                                 | 0.0%               |
| Depository accounts    | 5.0%                          | -                                  | -                  |
|                        |                               | <u>\$ 125,366</u>                  | <u>100.0%</u>      |

**Actual Returns**

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

**Investments**

For a detailed list of investments in the Loan Pool, see the Schedule of Investments in Securities in the Supplementary Information on Page 60.

## **Reserve Pool**

### **❑ Investment Objectives and Policy Guidelines**

#### Objectives

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

#### Benchmarks

None.

#### Investment Manager

None.

#### Maturity Restrictions, Diversification Guidelines and Credit Limits

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

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

### **❑ BTI Role**

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

- Develop investment guidelines.
- Provide cash flow information regarding securities held by the pool.
- Record contributions and withdrawals.
- Calculate monthly net income and net asset value.
- Prepare monthly a statement of net position, a statement of changes in net position, and a detailed list of securities.
- The BTI will monitor the net asset value of the West Virginia Money Market and West Virginia Government Money Market Pools on a daily basis in accordance with the BTI's Net Asset Value Monitoring Policy. This policy requires the Chief Financial Officer and Executive Director to develop a formal and written action plan to address the NAV decline when it falls below \$0.9985 per unit. Board members are notified to approve the written action plan.
- If the net asset value falls below \$0.9985 per unit, the BTI will request Board approval to utilize the Reserve Pool to ensure the NAV is stabilized at \$0.9985 per unit.

**Income Allocation**

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

**Asset Allocation – Permissible vs. Actual**

| Permissible Allocation             |                               | Actual Allocation<br>June 30, 2017 |                    |
|------------------------------------|-------------------------------|------------------------------------|--------------------|
| Security Type                      | Maximum<br>Percent of<br>Pool | Carrying<br>Value<br>(Thousands)   | Percent of<br>Pool |
| U.S. Treasury obligations          | 100.0%                        | \$ -                               | -                  |
| U.S. government agency obligations | 100.0%                        | -                                  | -                  |
| Repurchase agreements              | 100.0%                        | -                                  | -                  |
| Government money market funds      | 100.0%                        | -                                  | -                  |
| Certificates of deposit            | 100.0%                        | -                                  | -                  |
| Depository accounts                | 100.0%                        | 18,845                             | 100.0%             |
|                                    |                               | <u>\$ 18,845</u>                   | <u>100.0%</u>      |

**Actual Returns**

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

**Investments**

For a detailed list of investments in the Reserve Pool, see the Schedule of Investments in Securities in the Supplementary Information on Page 60.

## **Municipal Bond Commission Account**

### **❑ Investment Objectives and Policy Guidelines**

#### Objectives

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

#### Benchmarks

None.

#### Investment Manager

None.

#### Maturity Restrictions, Diversification Guidelines and Credit Limits

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

### **❑ BTI Role**

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

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

☐ **Income Allocation**

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

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

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

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

☐ **Actual Returns**

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

☐ **Investments**

For a detailed list of investments in the Municipal Bond Commission Account, see the Schedule of Investments in Securities in the Supplementary Information on Page 60.

## **School Fund Account**

### **❑ Investment Objectives and Policy Guidelines**

#### **Objectives**

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

#### **Benchmarks**

None.

#### **Investment Manager**

None.

#### **Maturity Restrictions, Diversification Guidelines and Credit Limits**

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

### **❑ BTI Role**

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

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

### **❑ Income Allocation**

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

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

The School Fund shall be invested in interest-bearing securities of the United States, or securities, the payment of which as to both principal and interest, has been guaranteed by the United States, or of West Virginia, or of any county, city, town or village, or school district of West Virginia, or if such interest-bearing securities cannot be obtained, then such fund shall be invested in such other solvent interest-bearing securities as shall be approved by the School Fund Board. At June 30, 2017, 100.0% of the School Fund

Account's securities, totaling \$1,417,000, were invested in a money market fund which invests in U.S. Treasury and agency securities.

**Actual Returns**

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

**Investments**

For a detailed list of investments in the School Fund Account, see the Schedule of Investments in Securities in the Supplementary Information on Page 61.



**Economic Development Authority – American Woodmark Account**

**❑ Investment Objectives and Policy Guidelines**

Objectives

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

Benchmarks

None.

Investment Manager

None.

Maturity Restrictions, Diversification Guidelines and Credit Limits

None

**❑ BTI Role**

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

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

**❑ Income Allocation**

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

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

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

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

At June 30, 2017, 100.0% of the EDA – American Woodmark Account’s securities, totaling \$1,798,000, were invested in a U.S. Treasury Bond maturing August 15, 2023.

❑ **Actual Returns**

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

❑ **Investments**

For a detailed list of investments in the EDA – American Woodmark Account, see the Schedule of Investments in Securities in the Supplementary Information on Page 61.

**Schedule of Investment Management Fees**  
**Consolidated Fund**  
**For the Fiscal Year Ended June 30, 2017**  
*(In Thousands)*

|                                  |                        |
|----------------------------------|------------------------|
| External fees:                   |                        |
| Investment advisors:             |                        |
| WV Money Market Pool             | \$ 575                 |
| WV Government Money Market Pool  | 78                     |
| WV Short Term Bond Pool          | 692                    |
|                                  | <u>1,345</u>           |
| Custodians:                      |                        |
| WV Money Market Pool             | 76                     |
| WV Government Money Market Pool  | 13                     |
| WV Short Term Bond Pool          | 27                     |
|                                  | <u>116</u>             |
| Total external fees              | <u>1,461</u>           |
| Internal fees:                   |                        |
| Investment consultant            | 149                    |
| Fiduciary bond                   | 19                     |
| Administration                   | 1,215                  |
| Total internal fees              | <u>1,383</u>           |
| Total investment management fees | <u><u>\$ 2,844</u></u> |

## INVESTMENT POLICY SUMMARY

### I. PURPOSE

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

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

### II. INVESTMENT PHILOSOPHY

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

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

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

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

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

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

### **III. INVESTMENT OBJECTIVES**

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

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

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

### **IV. INVESTMENT/ADMINISTRATIVE RESPONSIBILITIES**

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

#### **A. BOARD OF DIRECTORS**

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

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

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

#### **B. INVESTMENT COMMITTEE**

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

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

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

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

#### **C. INVESTMENT CONSULTANT**

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

#### **D. INVESTMENT MANAGERS**

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

#### **E. CUSTODIAN**

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

#### **F. INTERNAL AUDITOR**

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

#### **G. EXTERNAL AUDITOR**

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

#### **H. NATIONALLY RECOGNIZED STATISTICAL RATING ORGANIZATION**

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

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

#### **V. STANDARD OF CARE**

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

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

#### **VI. GENERAL INVESTMENT GUIDELINES**

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

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

#### **VII. CONFLICT OF INTEREST AND ETHICS**

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

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

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

## **VIII. AUDITOR ACCESS TO RECORDS**

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

## **IX. OTHER BTI POLICIES**

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

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

## **X. MISCELLANEOUS PROVISIONS**

### **A. AMENDMENTS**

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

### **B. NO RECOURSE**

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



**C. EFFECT UPON EXISTING CONTRACT**

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

**D. EFFECT OF FAILURE TO COMPLY AS TO INVESTMENTS**

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

## **Statistical Section**

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## INTRODUCTION TO STATISTICAL SECTION

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

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

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

### **Table 2: Financial Highlights – Consolidated Fund State Operating Pools**

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

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

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

### **Table 4: Participation in Consolidated Fund State Operating Pools**

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

### **Table 5: Net Position – Consolidated Fund**

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

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

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

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

This table presents components of total net asset values of the Consolidated Fund Operating and Special Purpose Pools at June 30, 2017, as well as investment unit data.

### **Table 8: Portfolio Statistics – Consolidated Fund Operating Pools**

This table presents weighted average days to maturity, maximum weighted average investment maturity term per BTI investment policy, and money market yields for the Consolidated Fund Operating Pools at June 30, 2017.

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

This table presents major investors in the Consolidated Fund Operating Pools at June 30, 2017.

**Glossary of Financial and Investment Terms**

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

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

Fiscal Year Ended June 30

(In Thousands)

|  | 2017       | 2016         | 2015        | 2014         | 2013        |
|--|------------|--------------|-------------|--------------|-------------|
| <b>Additions</b>                                     |            |              |             |              |             |
| Investment income:                                   |            |              |             |              |             |
| Interest   | \$ 23,420  | \$ 17,145    | \$ 14,942   | \$ 15,103    | \$ 17,579   |
| Dividends  | 666        | 402          | 1,575       | 1,653        | 330         |
| Securities lending income                            | -          | -            | -           | -            | -           |
| Net accretion (amortization)                         | 7,470      | 1,069        | (3,885)     | (4,562)      | (6,351)     |
| Provision for securities lending loss                | -          | -            | -           | -            | (1,629)     |
| Provision for uncollectible loans                    | (639)      | (507)        | (822)       | (1,251)      | -           |
| Total investment income                              | 30,917     | 18,109       | 11,810      | 10,943       | 9,929       |
| Investment expenses:                                 |            |              |             |              |             |
| Investment advisor fees                              | 1,345      | 1,366        | 1,552       | 1,486        | 1,366       |
| Custodian bank fees                                  | 116        | 126          | 133         | 129          | 132         |
| Administrative fees                                  | 1,383      | 1,290        | 1,298       | 1,084        | 593         |
| Securities lending agent fees                        | -          | -            | -           | -            | -           |
| Securities lending borrower rebates                  | -          | -            | -           | -            | -           |
| Bad debt expense                                     | -          | -            | -           | -            | -           |
| Total investment expenses                            | 2,844      | 2,782        | 2,983       | 2,699        | 2,091       |
| Net investment income                                | 28,073     | 15,327       | 8,827       | 8,244        | 7,838       |
| Net realized gain (loss) from investments            | 128        | (39)         | (442)       | 44           | 2,850       |
| Net increase (decrease) in fair value of investments | (1,917)    | 2,818        | (986)       | 2,401        | (96)        |
| Net increase in net position from operations         | 26,284     | 18,106       | 7,399       | 10,689       | 10,592      |
| Participant transaction additions:                   |            |              |             |              |             |
| Purchase of pool units by participants               | 11,266,082 | 9,864,797    | 10,934,435  | 10,832,452   | 11,345,517  |
| Reinvestment of pool distributions                   | 27,979     | 15,082       | 8,679       | 8,812        | 8,277       |
| Contributions to individual investment accounts      | 26,512     | 64,252       | 825         | 356          | 291,228     |
| Total participant transaction additions              | 11,320,573 | 9,944,131    | 10,943,939  | 10,841,620   | 11,645,022  |
| Total additions                                      | 11,346,857 | 9,962,237    | 10,951,338  | 10,852,309   | 11,655,614  |
| <b>Deductions</b>                                    |            |              |             |              |             |
| Distributions to pool participants:                  |            |              |             |              |             |
| Net investment income                                | 27,709     | 15,147       | 8,714       | 8,087        | 6,727       |
| Net realized gain (loss) from investments            | 128        | (39)         | (442)       | 44           | (370)       |
| Total distributions to pool participants             | 27,837     | 15,108       | 8,272       | 8,131        | 6,357       |
| Participant transaction deductions:                  |            |              |             |              |             |
| Redemption of pool units by participants             | 11,141,869 | 10,233,163   | 10,977,054  | 11,259,269   | 11,513,580  |
| Withdrawals from individual investment accounts      | 16,385     | 44,326       | 20,105      | 193,011      | 223,638     |
| Total participant transaction deductions             | 11,158,254 | 10,277,489   | 10,997,159  | 11,452,280   | 11,737,218  |
| Total deductions                                     | 11,186,091 | 10,292,597   | 11,005,431  | 11,460,411   | 11,743,575  |
| Change in net position                               | \$ 160,766 | \$ (330,360) | \$ (54,093) | \$ (608,102) | \$ (87,961) |

| 2012                | 2011              | 2010              | 2009              | 2008              |
|---------------------|-------------------|-------------------|-------------------|-------------------|
| \$ 17,094           | \$ 20,410         | \$ 21,499         | \$ 35,328         | \$ 68,731         |
| 461                 | 446               | 624               | 2,794             | 1,684             |
| -                   | -                 | -                 | 2,956             | 23,351            |
| (3,986)             | 6,255             | 7,700             | 25,918            | 65,983            |
| (945)               | (596)             | (1,193)           | (6,837)           | -                 |
| -                   | -                 | -                 | (7,117)           | (3,021)           |
| <u>12,624</u>       | <u>26,515</u>     | <u>28,630</u>     | <u>53,042</u>     | <u>156,728</u>    |
| 1,420               | 1,399             | 1,277             | 1,157             | 1,060             |
| 141                 | 134               | 107               | 86                | 110               |
| 1,004               | 1,052             | 1,468             | 1,208             | 1,256             |
| -                   | -                 | -                 | 226               | 1,353             |
| -                   | -                 | -                 | 2,054             | 18,446            |
| -                   | -                 | -                 | -                 | 3                 |
| <u>2,565</u>        | <u>2,585</u>      | <u>2,852</u>      | <u>4,731</u>      | <u>22,228</u>     |
| 10,059              | 23,930            | 25,778            | 48,311            | 134,500           |
| (12)                | 6,527             | 1,576             | (1,578)           | 3,603             |
| <u>(1,946)</u>      | <u>(11,329)</u>   | <u>(770)</u>      | <u>8,560</u>      | <u>11,033</u>     |
| 8,101               | 19,128            | 26,584            | 55,293            | 149,136           |
| 10,994,105          | 10,590,080        | 10,192,912        | 10,316,680        | 10,173,315        |
| 10,918              | 21,531            | 19,301            | 48,995            | 130,263           |
| <u>156,312</u>      | <u>6,760</u>      | <u>4,950</u>      | <u>6,708</u>      | <u>146,314</u>    |
| <u>11,161,335</u>   | <u>10,618,371</u> | <u>10,217,163</u> | <u>10,372,383</u> | <u>10,449,892</u> |
| 11,169,436          | 10,637,499        | 10,243,747        | 10,427,676        | 10,599,028        |
| 8,862               | 16,264            | 17,989            | 40,788            | 126,764           |
| (114)               | 6,527             | 1,576             | (1,578)           | 90                |
| <u>8,748</u>        | <u>22,791</u>     | <u>19,565</u>     | <u>39,210</u>     | <u>126,854</u>    |
| 11,391,935          | 10,356,782        | 9,949,245         | 10,063,667        | 9,816,801         |
| <u>21,259</u>       | <u>10,949</u>     | <u>13,023</u>     | <u>26,041</u>     | <u>214,011</u>    |
| <u>11,413,194</u>   | <u>10,367,731</u> | <u>9,962,268</u>  | <u>10,089,708</u> | <u>10,030,812</u> |
| 11,421,942          | 10,390,522        | 9,981,833         | 10,128,918        | 10,157,666        |
| <u>\$ (252,506)</u> | <u>\$ 246,977</u> | <u>\$ 261,914</u> | <u>\$ 298,758</u> | <u>\$ 441,362</u> |



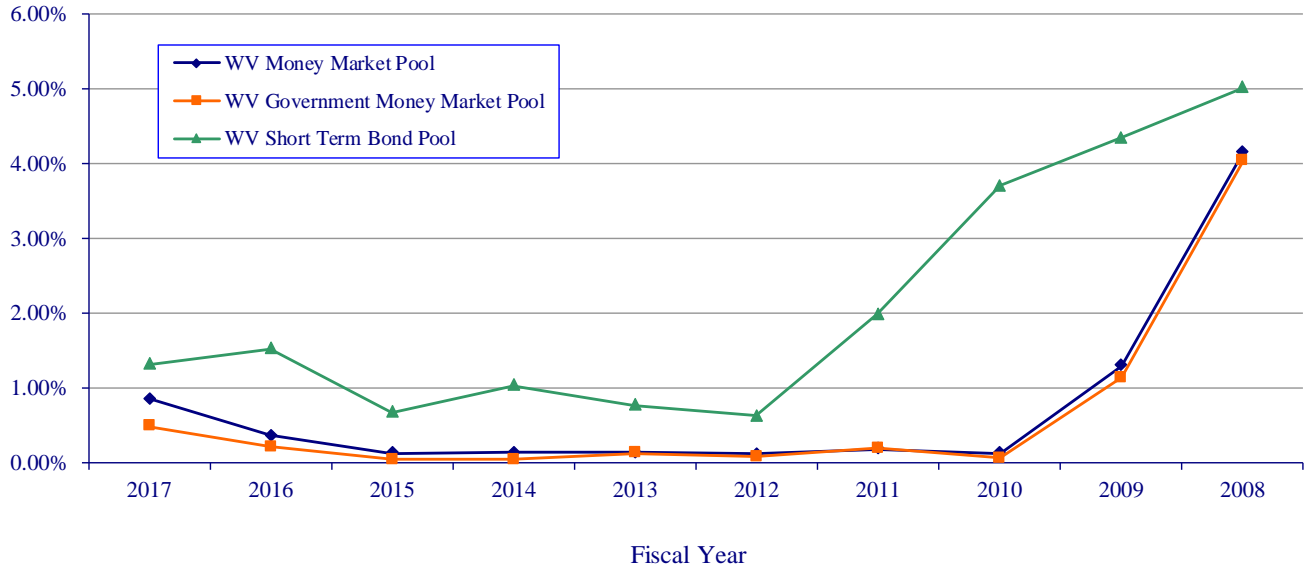
**Table 2: Financial Highlights – Consolidated Fund State Operating Pools**

|  | Fiscal Year Ended June 30 |                  |                  |                  |                  |                  |                  |                  |                  |                 |
|--|---------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------|
|  | 2017                      | 2016             | 2015             | 2014             | 2013             | 2012             | 2011             | 2010             | 2009             | 2008            |
| <b>WV Money Market Pool</b>                          |                           |                  |                  |                  |                  |                  |                  |                  |                  |                 |
| Per share data:                                      |                           |                  |                  |                  |                  |                  |                  |                  |                  |                 |
| Net asset value at beginning of year                 | \$ 1.00                   | \$ 1.00          | \$ 1.00          | \$ 1.00          | \$ 1.00          | \$ 1.00          | \$ 1.00          | \$ 1.00          | \$ 1.00          | \$ 1.00         |
| Net investment income (loss)                         | 0.01                      | -                | -                | -                | -                | -                | -                | -                | 0.01             | 0.04            |
| Net realized and unrealized gain (loss)              | -                         | -                | -                | -                | -                | -                | -                | -                | -                | -               |
| Net increase (decrease) from operations              | 0.01                      | -                | -                | -                | -                | -                | -                | -                | 0.01             | 0.04            |
| Distributions to participants                        | 0.01                      | -                | -                | -                | -                | -                | -                | -                | 0.01             | 0.04            |
| Net asset value at end of year                       | <u>\$ 1.00</u>            | <u>\$ 1.00</u>   | <u>\$ 1.00</u>   | <u>\$ 1.00</u>   | <u>\$ 1.00</u>   | <u>\$ 1.00</u>   | <u>\$ 1.00</u>   | <u>\$ 1.00</u>   | <u>\$ 1.00</u>   | <u>\$ 1.00</u>  |
| Shares outstanding (in thousands)                    | 1,780,967                 | 1,556,503        | 1,890,872        | 1,960,118        | 2,496,857        | 2,788,044        | 3,019,878        | 2,820,141        | 2,570,620        | 2,361,834       |
| Ratio of expenses to average net assets              | 0.08%                     | 0.08%            | 0.08%            | 0.07%            | 0.05%            | 0.06%            | 0.06%            | 0.07%            | 0.07%            | 0.08%           |
| Ratio of net investment income to average net assets | 0.84%                     | 0.27%            | 0.13%            | 0.13%            | 0.14%            | 0.11%            | 0.18%            | 0.14%            | 1.15%            | 4.10%           |
| <b>WV Government Money Market Pool</b>               |                           |                  |                  |                  |                  |                  |                  |                  |                  |                 |
| Per share data:                                      |                           |                  |                  |                  |                  |                  |                  |                  |                  |                 |
| Net asset value at beginning of year                 | \$ 1.00                   | \$ 1.00          | \$ 1.00          | \$ 1.00          | \$ 1.00          | \$ 1.00          | \$ 1.00          | \$ 1.00          | \$ 1.00          | \$ 1.00         |
| Net investment income (loss)                         | -                         | -                | -                | -                | -                | 0.01             | -                | -                | 0.01             | 0.04            |
| Net realized and unrealized gain (loss)              | -                         | -                | -                | -                | -                | -                | -                | -                | -                | -               |
| Net increase (decrease) from operations              | -                         | -                | -                | -                | -                | 0.01             | -                | -                | 0.01             | 0.04            |
| Distributions to participants                        | -                         | -                | -                | -                | -                | 0.01             | -                | -                | 0.01             | 0.04            |
| Net asset value at end of year                       | <u>\$ 1.00</u>            | <u>\$ 1.00</u>   | <u>\$ 1.00</u>   | <u>\$ 1.00</u>   | <u>\$ 1.00</u>   | <u>\$ 1.00</u>   | <u>\$ 1.00</u>   | <u>\$ 1.00</u>   | <u>\$ 1.00</u>   | <u>\$ 1.00</u>  |
| Shares outstanding (in thousands)                    | 202,070                   | 190,160          | 248,503          | 238,981          | 287,253          | 300,047          | 262,898          | 221,265          | 283,795          | 187,291         |
| Ratio of expenses to average net assets              | 0.09%                     | 0.09%            | 0.08%            | 0.08%            | 0.06%            | 0.06%            | 0.07%            | 0.08%            | 0.07%            | 0.08%           |
| Ratio of net investment income to average net assets | 0.47%                     | 0.16%            | 0.03%            | 0.02%            | 0.09%            | 0.06%            | 0.15%            | 0.10%            | 0.88%            | 3.90%           |
| <b>WV Short Term Bond Pool</b>                       |                           |                  |                  |                  |                  |                  |                  |                  |                  |                 |
| Per share data:                                      |                           |                  |                  |                  |                  |                  |                  |                  |                  |                 |
| Net asset value at beginning of year                 | \$ 102.03                 | \$ 101.67        | \$ 101.79        | \$ 101.47        | \$ 100.06        | \$ 100.34        | \$ 101.35        | \$ 100.59        | \$ 99.27         | \$ 98.55        |
| Net investment income (loss)                         | 1.47                      | 1.15             | 0.85             | 1.20             | 0.70             | 0.86             | 1.56             | 2.41             | 2.87             | 4.26            |
| Net realized and unrealized gain (loss)              | (0.22)                    | 0.34             | (0.19)           | 0.33             | 1.34             | (0.31)           | 0.40             | 1.20             | 0.63             | 1.92            |
| Net increase (decrease) from operations              | 1.25                      | 1.49             | 0.66             | 1.53             | 2.04             | 0.55             | 1.96             | 3.61             | 3.50             | 6.18            |
| Distributions to participants                        | 1.47                      | 1.13             | 0.78             | 1.21             | 0.63             | 0.83             | 2.97             | 2.85             | 2.18             | 5.46            |
| Net asset value at end of year                       | <u>\$ 101.81</u>          | <u>\$ 102.03</u> | <u>\$ 101.67</u> | <u>\$ 101.79</u> | <u>\$ 101.47</u> | <u>\$ 100.06</u> | <u>\$ 100.34</u> | <u>\$ 101.35</u> | <u>\$ 100.59</u> | <u>\$ 99.27</u> |
| Shares outstanding (in thousands)                    | 7,403                     | 7,754            | 7,490            | 7,600            | 6,083            | 5,040            | 4,746            | 4,496            | 3,251            | 3,593           |
| Ratio of expenses to average net assets              | 0.14%                     | 0.14%            | 0.14%            | 0.12%            | 0.07%            | 0.10%            | 0.10%            | 0.14%            | 0.11%            | 0.10%           |
| Ratio of net investment income to average net assets | 1.47%                     | 1.19%            | 0.87%            | 0.78%            | 0.50%            | 0.73%            | 1.26%            | 2.52%            | 2.37%            | 4.19%           |
| Portfolio turnover rate                              | 3.06%                     | 6.77%            | 4.17%            | 1.10%            | 2.48%            | 11.11%           | 3.66%            | 5.07%            | 17.15%           | 5.13%           |

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

|                                 | Fiscal Year Ended June 30 |       |       |       |       |       |       |       |       |       |
|---------------------------------|---------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
|                                 | 2017                      | 2016  | 2015  | 2014  | 2013  | 2012  | 2011  | 2010  | 2009  | 2008  |
| WV Money Market Pool            | 0.85%                     | 0.36% | 0.12% | 0.13% | 0.13% | 0.11% | 0.18% | 0.12% | 1.29% | 4.15% |
| WV Government Money Market Pool | 0.48%                     | 0.21% | 0.04% | 0.04% | 0.12% | 0.08% | 0.19% | 0.06% | 1.13% | 4.03% |
| WV Short Term Bond Pool         | 1.31%                     | 1.52% | 0.67% | 1.03% | 0.77% | 0.62% | 1.98% | 3.70% | 4.35% | 5.02% |

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



**Table 4: Participation in Consolidated Fund State Operating Pools**

Fiscal Year Ended June 30

(Net Asset Values Expressed in Thousands)

|   | 2017               |                    | 2016               |                    | 2015               |                    | 2014               |                    | 2013               |                    |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
|   | Number of Accounts | Net Asset Value    | Number of Accounts | Net Asset Value    | Number of Accounts | Net Asset Value    | Number of Accounts | Net Asset Value    | Number of Accounts | Net Asset Value    |
| <b>WV Money Market Pool:</b>                        |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| State agency accounts                               | 1,115              | \$1,653,945        | 1,196              | \$1,462,081        | 1,275              | \$1,804,995        | 1,336              | \$1,869,338        | 1,347              | \$2,427,230        |
| Local government accounts                           | 207                | 127,022            | 206                | 94,422             | 208                | 85,877             | 221                | 90,780             | 222                | 69,627             |
| Accumulated undistributed securities lending income |                    | -                  |                    | -                  |                    | -                  |                    | -                  |                    | -                  |
|   | <u>1,322</u>       | <u>\$1,780,967</u> | <u>1,402</u>       | <u>\$1,556,503</u> | <u>1,483</u>       | <u>\$1,890,872</u> | <u>1,557</u>       | <u>\$1,960,118</u> | <u>1,569</u>       | <u>\$2,496,857</u> |
| <b>WV Government Money Market Pool:</b>             |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| State agency accounts                               | 20                 | \$ 198,527         | 24                 | \$ 184,246         | 23                 | \$ 202,008         | 20                 | \$ 184,523         | 17                 | \$ 189,828         |
| Local government accounts                           | 27                 | 3,543              | 27                 | 5,914              | 70                 | 46,495             | 77                 | 54,458             | 80                 | 97,425             |
| Accumulated undistributed securities lending income |                    | -                  |                    | -                  |                    | -                  |                    | -                  |                    | -                  |
|   | <u>47</u>          | <u>\$ 202,070</u>  | <u>51</u>          | <u>\$ 190,160</u>  | <u>93</u>          | <u>\$ 248,503</u>  | <u>97</u>          | <u>\$ 238,981</u>  | <u>97</u>          | <u>\$ 287,253</u>  |
| <b>WV Short Term Bond Pool:</b>                     |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| State agency accounts                               | 38                 | \$ 750,256         | 37                 | \$ 787,715         | 35                 | \$ 758,066         | 34                 | \$ 768,763         | 12                 | \$ 611,495         |
| Local government accounts                           | 9                  | 3,475              | 9                  | 3,434              | 9                  | 3,384              | 9                  | 4,837              | 10                 | 5,756              |
|   | <u>47</u>          | <u>\$ 753,731</u>  | <u>46</u>          | <u>\$ 791,149</u>  | <u>44</u>          | <u>\$ 761,450</u>  | <u>43</u>          | <u>\$ 773,600</u>  | <u>22</u>          | <u>\$ 617,251</u>  |
| <b>2012</b>   |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| <b>WV Money Market Pool:</b>                        |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| State agency accounts                               | 1,282              | \$2,708,359        | 1,239              | \$2,956,372        | 1,118              | \$2,746,279        | 1,059              | \$2,474,600        | 1,014              | \$2,243,023        |
| Local government accounts                           | 222                | 79,685             | 226                | 63,506             | 217                | 73,862             | 252                | 96,020             | 241                | 118,810            |
| Accumulated undistributed securities lending income |                    | -                  |                    | -                  |                    | 14                 | 255                |                    |                    | -                  |
|   | <u>1,504</u>       | <u>\$2,788,044</u> | <u>1,465</u>       | <u>\$3,019,878</u> | <u>1,335</u>       | <u>\$2,820,155</u> | <u>1,311</u>       | <u>\$2,570,875</u> | <u>1,255</u>       | <u>\$2,361,833</u> |
| <b>WV Government Money Market Pool:</b>             |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| State agency accounts                               | 18                 | \$ 178,519         | 15                 | \$ 184,473         | 26                 | \$ 193,292         | 17                 | \$ 231,772         | 15                 | \$ 170,226         |
| Local government accounts                           | 80                 | 121,528            | 84                 | 78,425             | 48                 | 27,973             | 61                 | 52,023             | 48                 | 17,065             |
| Accumulated undistributed securities lending income |                    | -                  |                    | -                  |                    | -                  | 63                 |                    |                    | -                  |
|   | <u>98</u>          | <u>\$ 300,047</u>  | <u>99</u>          | <u>\$ 262,898</u>  | <u>74</u>          | <u>\$ 221,265</u>  | <u>78</u>          | <u>\$ 283,858</u>  | <u>63</u>          | <u>\$ 187,291</u>  |
| <b>WV Short Term Bond Pool:</b>                     |                    |                    |                    |                    |                    |                    |                    |                    |                    |                    |
| State agency accounts                               | 14                 | \$ 499,402         | 14                 | \$ 474,511         | 14                 | \$ 454,793         | 10                 | \$ 326,516         | 8                  | \$ 356,618         |
| Local government accounts                           | 9                  | 4,890              | 10                 | 1,676              | 8                  | 904                | 7                  | 460                | 4                  | 92                 |
|   | <u>23</u>          | <u>\$ 504,292</u>  | <u>24</u>          | <u>\$ 476,187</u>  | <u>22</u>          | <u>\$ 455,697</u>  | <u>17</u>          | <u>\$ 326,976</u>  | <u>12</u>          | <u>\$ 356,710</u>  |

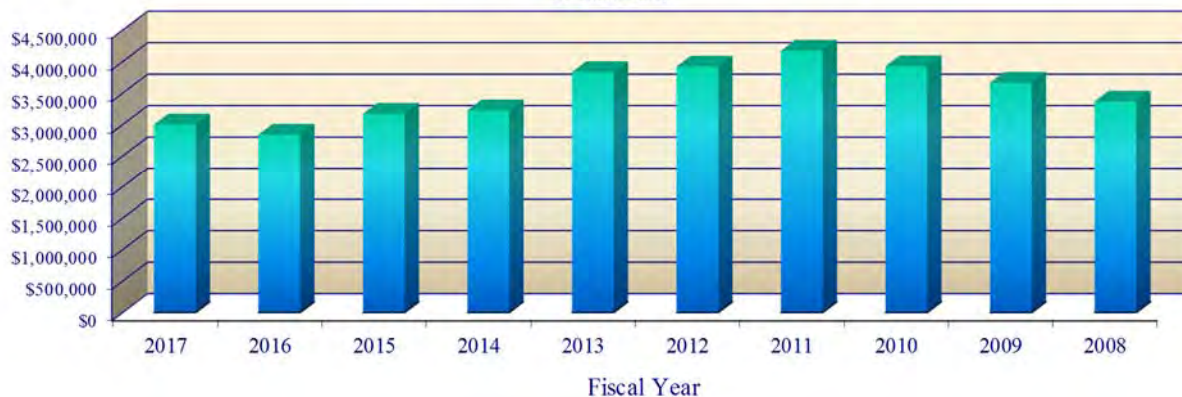
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**Table 5: Net Position – Consolidated Fund**

Fiscal Year Ended June 30  
(In Thousands)

|                                   | 2017                | 2016                | 2015                | 2014                |
|-----------------------------------|---------------------|---------------------|---------------------|---------------------|
| WV Money Market Pool              | \$ 1,780,967        | \$ 1,556,503        | \$ 1,890,872        | \$ 1,960,118        |
| WV Government Money Market Pool   | 202,070             | 190,160             | 248,503             | 238,981             |
| WV Short Term Bond Pool           | 753,731             | 791,149             | 761,450             | 773,600             |
| WV Bank Pool                      | 79,774              | 129,294             | 116,111             | 73,060              |
| Loss Amortization Pool            | -                   | -                   | -                   | -                   |
| Loan Pool                         | 125,400             | 124,438             | 125,210             | 129,264             |
| Reserve Pool                      | 18,854              | 18,767              | 18,716              | 20,757              |
| Municipal Bond Commission Account | 35,881              | 25,296              | 4,565               | 24,538              |
| Lottery Defeasance Account        | -                   | -                   | -                   | -                   |
| School Fund Account               | 1,418               | 1,584               | 2,174               | 1,356               |
| EDA-AW Account                    | 1,832               | 1,970               | 1,920               | 1,940               |
| Department of Highways Account    | -                   | -                   | -                   | -                   |
|                                   | <u>\$ 2,999,927</u> | <u>\$ 2,839,161</u> | <u>\$ 3,169,521</u> | <u>\$ 3,223,614</u> |

**Total Consolidated Fund Net Position**  
(In Thousands)



| 2013                | 2012                | 2011                | 2010                | 2009                | 2008                |
|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 2,496,857        | \$ 2,788,044        | \$ 3,019,878        | \$ 2,820,155        | \$ 2,570,875        | \$ 2,361,833        |
| 287,253             | 300,047             | 262,898             | 221,265             | 283,858             | 187,291             |
| 617,251             | 504,292             | 476,187             | 455,697             | 326,976             | 356,710             |
| 70,042              | 52,590              | 60,067              | 60,082              | 100,215             | 126,712             |
| -                   | -                   | 188,544             | 187,726             | 184,107             | 172,077             |
| 118,366             | 106,825             | 132,181             | 132,918             | 127,728             | 116,748             |
| 21,920              | 19,041              | 19,179              | 30,147              | 44,792              | -                   |
| 216,728             | 145,150             | 9,997               | 13,916              | 21,640              | 24,778              |
| -                   | -                   | -                   | -                   | -                   | 136                 |
| 1,327               | 1,555               | 1,385               | 1,393               | 1,307               | 1,671               |
| 1,972               | 2,133               | 1,867               | 1,907               | 1,794               | 1,753               |
| -                   | -                   | -                   | -                   | -                   | 14,825              |
| <u>\$ 3,831,716</u> | <u>\$ 3,919,677</u> | <u>\$ 4,172,183</u> | <u>\$ 3,925,206</u> | <u>\$ 3,663,292</u> | <u>\$ 3,364,534</u> |

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

Fiscal Year Ended June 30

*(In Thousands)*

|   | <u>2017</u>   | <u>2016</u>   | <u>2015</u>   | <u>2014</u>   | <u>2013</u>     |
|---|---------------|---------------|---------------|---------------|-----------------|
| <b><u>Changes in Net Position</u></b>       |               |               |               |               |                 |
| <b>Operating revenues</b>                   |               |               |               |               |                 |
| Management services                         | \$ 1,383      | \$ 1,290      | \$ 1,297      | \$ 1,353      | \$ 955          |
| Advisor services                            | 1,345         | 1,366         | 1,553         | 1,486         | 1,366           |
| Custodian services                          | <u>116</u>    | <u>126</u>    | <u>132</u>    | <u>129</u>    | <u>132</u>      |
| Total operating revenues                    | 2,844         | 2,782         | 2,982         | 2,968         | 2,453           |
| <b>Operating expenses</b>                   |               |               |               |               |                 |
| Advisor fees                                | 1,345         | 1,366         | 1,553         | 1,486         | 1,364           |
| Management fees                             | 637           | 642           | 613           | 591           | 625             |
| Professional service fees                   | 265           | 231           | 229           | 254           | 222             |
| Fiduciary bond                              | 19            | 19            | 18            | 44            | 158             |
| Custodian fees                              | 119           | 126           | 132           | 129           | 133             |
| General and administrative expenses         | 280           | 266           | 258           | 216           | 222             |
| Depreciation                                | <u>2</u>      | <u>1</u>      | <u>2</u>      | <u>3</u>      | <u>3</u>        |
| Total operating expenses                    | <u>2,667</u>  | <u>2,651</u>  | <u>2,805</u>  | <u>2,723</u>  | <u>2,727</u>    |
| <b>Operating income (loss)</b>              | 177           | 131           | 177           | 245           | (274)           |
| <b>Nonoperating income</b>                  | <u>-</u>      | <u>-</u>      | <u>-</u>      | <u>-</u>      | <u>-</u>        |
| Income (loss) before special item           | 177           | 131           | 177           | 245           | (274)           |
| <b>Special item</b>                         | <u>-</u>      | <u>-</u>      | <u>-</u>      | <u>-</u>      | <u>-</u>        |
| Change in net position                      | <u>\$ 177</u> | <u>\$ 131</u> | <u>\$ 177</u> | <u>\$ 245</u> | <u>\$ (274)</u> |
| <b><u>Net Position at Year-End</u></b>      |               |               |               |               |                 |
| Investment in capital assets                | \$ 4          | \$ 4          | \$ 1          | \$ 3          | \$ 5            |
| Unrestricted                                | <u>987</u>    | <u>810</u>    | <u>682</u>    | <u>503</u>    | <u>256</u>      |
| Total net position                          | <u>\$ 991</u> | <u>\$ 814</u> | <u>\$ 683</u> | <u>\$ 506</u> | <u>\$ 261</u>   |
| <b><u>Restatements of Net Position</u></b>  |               |               |               |               |                 |
| Net position at beginning of year           | \$ 814        | \$ 683        | \$ 506        | \$ 261        | \$ 535          |
| Effect of change in accounting principle    | <u>-</u>      | <u>-</u>      | <u>-</u>      | <u>-</u>      | <u>-</u>        |
| Net position at beginning of year, restated | <u>\$ 814</u> | <u>\$ 683</u> | <u>\$ 506</u> | <u>\$ 261</u> | <u>\$ 535</u>   |

| <u>2012</u>     | <u>2011</u>     | <u>2010</u>   | <u>2009</u>    | <u>2008</u>   |
|-----------------|-----------------|---------------|----------------|---------------|
| \$ 1,004        | \$ 1,052        | \$ 1,468      | \$ 1,210       | \$ 1,257      |
| 1,420           | 1,399           | 1,277         | 1,158          | 1,060         |
| <u>141</u>      | <u>134</u>      | <u>107</u>    | <u>85</u>      | <u>109</u>    |
| 2,565           | 2,585           | 2,852         | 2,453          | 2,426         |
| 1,420           | 1,399           | 1,276         | 1,158          | 1,060         |
| 647             | 623             | 637           | 598            | 166           |
| 212             | 222             | 202           | 319            | 196           |
| 155             | 155             | 155           | 155            | 155           |
| 141             | 134             | 107           | 85             | 109           |
| 214             | 217             | 205           | 231            | 566           |
| <u>2</u>        | <u>2</u>        | <u>3</u>      | <u>6</u>       | <u>13</u>     |
| <u>2,791</u>    | <u>2,752</u>    | <u>2,585</u>  | <u>2,552</u>   | <u>2,265</u>  |
| (226)           | (167)           | 267           | (99)           | 161           |
| -               | -               | -             | -              | 14            |
| (226)           | (167)           | 267           | (99)           | 175           |
| -               | -               | -             | -              | 38            |
| <u>\$ (226)</u> | <u>\$ (167)</u> | <u>\$ 267</u> | <u>\$ (99)</u> | <u>\$ 213</u> |
| \$ 7            | \$ 6            | \$ 1          | \$ 4           | \$ 10         |
| 528             | 755             | 927           | 657            | 750           |
| <u>\$ 535</u>   | <u>\$ 761</u>   | <u>\$ 928</u> | <u>\$ 661</u>  | <u>\$ 760</u> |
| \$ 761          | \$ 928          | \$ 661        | \$ 760         | \$ 519        |
| -               | -               | -             | -              | 28            |
| <u>\$ 761</u>   | <u>\$ 928</u>   | <u>\$ 661</u> | <u>\$ 760</u>  | <u>\$ 547</u> |



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

**June 30, 2017**

*(In Thousands except for Investment Unit Data)*

|  | WV Money<br>Market Pool | WV<br>Government<br>Money<br>Market Pool | WV Short<br>Term Bond<br>Pool | WV Bank<br>Pool  | Loan Pool         | Reserve<br>Pool  |
|--|-------------------------|--|-------------------------------|------------------|-------------------|------------------|
| Paid-in capital  | \$ 1,780,967            | \$ 202,070                               | \$ 752,482                    | \$ 79,774        | \$ 125,400        | \$ 18,854        |
| Accumulated undistributed<br>net investment income (loss)    | -                       | -  | -                             | -                | -                 | -                |
| Accumulated undistributed<br>net realized gain (loss)        | -                       | -  | -                             | -                | -                 | -                |
| Unrealized net appreciation<br>(depreciation) of investments | -                       | -  | 1,249                         | -                | -                 | -                |
| Net position at value  | <u>\$ 1,780,967</u>     | <u>\$ 202,070</u>                        | <u>\$ 753,731</u>             | <u>\$ 79,774</u> | <u>\$ 125,400</u> | <u>\$ 18,854</u> |
| Investment unit data:  |                         |  |                               |                  |                   |                  |
| Units outstanding  | 1,780,966,575           | 202,070,459                              | 7,403,353                     | 79,774,174       | 125,358,925       | 18,853,624       |
| Net position, unit price                                     | \$ 1.00                 | \$ 1.00                                  | \$ 101.81                     | \$ 1.00          | \$ 1.00           | \$ 1.00          |

**Table 8: Portfolio Statistics — Consolidated Fund Operating Pools**

**June 30, 2017**

|   | <u>West Virginia<br/>Money Market</u> | <u>West Virginia<br/>Government<br/>Money Market</u> | <u>West Virginia<br/>Short Term<br/>Bond Pool</u> |
|---|---------------------------------------|--|---|
| Weighted Average Days to Maturity   | 36 days                               | 35 days  | N/A   |
| Maximum Weighted Average Investment<br>Maturity Term Per Board Guidelines | 60 days                               | 60 days  | N/A   |
| Effective Duration  | N/A                                   | N/A  | 426 days  |
| Maximum Effective<br>Duration Per Board Guidelines                        | N/A                                   | N/A  | 731 days  |
| Money Market Yield - Monthly  | 1.12%                                 | 0.80%  | N/A   |

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

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

**June 30, 2017**

(In Thousands)

| <b>WV Money Market Pool</b>                  |                     |
|--|---------------------|
| <b>State Agencies:</b>                       |                     |
| <b>WV State Treasurer's Office:</b>          |                     |
| State Participation                          | \$ 123,883          |
| Banking Services                             | 500,460             |
| Safekeeping                                  | 31,159              |
| Safe Road Bonds                              | 33                  |
| Veterans Lottery                             | 1,222               |
| <b>Total WV State Treasurer's Office</b>     | <u>656,757</u>      |
| Higher Education Policy Commission           | 247,198             |
| Department of Environmental Protection       | 37,812              |
| Department of Health and Human Resources     | 26,451              |
| WV Lottery Commission                        | 107,887             |
| Public Employees Insurance Agency            | 124,808             |
| Department of Transportation                 | 93,856              |
| Regional Jail Authority                      | 24,570              |
| Water Development Authority                  | 21,869              |
| Division of Natural Resources                | 63,904              |
| WV Municipal Pension Oversight Board         | 29,082              |
| Board of Risk and Insurance Management       | 37,025              |
| WV Economic Development Authority            | 29,407              |
| Performance and wage bond accounts           | 46,977              |
| WVU  | 29,676              |
| WV Housing                                   | 23,070              |
| Department of Commerce                       | 22,643              |
| Insurance Commission                         | 11,126              |
| Other  | 19,827              |
| <b>Total State Agencies</b>                  | <u>1,653,945</u>    |
| <b>Local Governments:</b>                    |                     |
| Brooke County Board of Education             | 3,773               |
| Mercer County Board of Education             | 21,120              |
| Fayette County Board of Education            | 14,320              |
| Boone County Commission                      | 6,688               |
| Marshall County Board of Education           | 1,611               |
| Fayette County Commission                    | 2,354               |
| Roane County Board of Education              | 2,665               |
| Kanawha County Emergency Ambulance Authority | 2,006               |
| City of Parkersburg                          | 4,218               |
| Wyoming County Board of Education            | 1,042               |
| Braxton County Board of Education            | 3,707               |
| Kanawha EOC                                  | 3,115               |
| Lincoln County Board of Education            | 2,573               |
| Wood County Board of Education               | 41,533              |
| Greenbrier County Board of Education         | 1,001               |
| Tyler County Board of Education              | 4,504               |
| Other  | 10,792              |
| <b>Total net asset value</b>                 | <u>127,022</u>      |
|  | <u>\$ 1,780,967</u> |

| <b>WV Government Money Market Pool</b> |                   |
|--|-------------------|
| <b>State Agencies:</b>                 |                   |
| Municipal Bond Commission              | \$ 183,380        |
| WV Economic Development Authority      | 5,857             |
| Other                                  | 9,290             |
| <b>Total State Agencies</b>            | <u>198,527</u>    |
| <b>Local Governments:</b>              |                   |
| Jefferson County Board of Education    | 1,433             |
| Hancock County Commission              | 1,105             |
| Other                                  | 1,005             |
| <b>Total Local Governments</b>         | <u>3,543</u>      |
| <b>Total net asset value</b>           | <u>\$ 202,070</u> |

| <b>WV Short Term Bond Pool</b>           |                   |
|--|-------------------|
| <b>State Agencies:</b>                   |                   |
| <b>WV State Treasurer's Office:</b>      |                   |
| State Participation                      | \$ 285,901        |
| Banking Services                         | 167,537           |
| Prepaid Tuition Escrow                   | 21,069            |
| <b>Total WV State Treasurer's Office</b> | <u>474,507</u>    |
| Department of Environmental Protection   | 207,798           |
| WV Economic Development Authority        | 17,351            |
| Higher Education Policy Commission       | 5,759             |
| WV Court of Claims                       | 1,333             |
| WV Parkways Authority                    | 3,248             |
| Department of Transportation             | 2,129             |
| Division of Culture and History          | 1,005             |
| WV Lottery Commission                    | 31,008            |
| DHHR - Children's Health Ins             | 5,300             |
| Other                                    | 818               |
| <b>Total State Agencies</b>              | <u>750,256</u>    |
| <b>Local Governments:</b>                |                   |
| City of Charleston                       | 2,826             |
| Other                                    | 649               |
| <b>Total Local Governments</b>           | <u>3,475</u>      |
| <b>Total net asset value</b>             | <u>\$ 753,731</u> |

## Glossary of Financial and Investment Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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