



— | WEST VIRGINIA | —

# BOARD OF TREASURY INVESTMENTS

A Component Unit of the State of West Virginia

**Audited Financial Statements**  
with Supplementary & Other Financial Information

Year Ended June 30, 2018

**Audited Financial Statements  
With Other Financial Information**

**West Virginia Board of Treasury Investments  
Year Ended June 30, 2018**

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West Virginia Board of Treasury Investments  
 Financial Statements with Other Financial Information  
 For the Year Ended June 30, 2018

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the BTI's basic financial statements. The combining and individual fund financial statements, the schedule of investments in securities, and other financial information, 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 other financial information section has 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 it.

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

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

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia  
September 3, 2018

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# West Virginia Board of Treasury Investments

## Management's Discussion and Analysis

June 30, 2018

As management of the West Virginia Board of Treasury Investments (the "BTI"), we offer readers of the financial statements of the BTI this discussion and analysis of the BTI's financial performance for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented in this section in conjunction with the BTI's financial statements, including notes to the financial statements, which follow this section.

The BTI serves as an investment vehicle for the operating cash of West Virginia State agencies and authorities, local governments such as cities and counties, and other political subdivisions throughout the State. The various investment pools and individual investment accounts managed by the BTI are collectively known as the Consolidated Fund. The Consolidated Fund's investment pools and accounts contain short-term fixed income instruments that are managed for the sole benefit of the participants.

### **Financial Highlights**

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

Rates of return for the Consolidated Fund's WV Money Market, WV Government Money Market, and WV Short Term Bond Pools were 1.58%, 1.30%, and 1.18%, respectively, for the year ended June 30, 2018. For fiscal year 2018, the Federal Reserve (the "Fed") continued on its path of interest rate policy normalization. The Fed has not been aggressive in their approach, preferring to pursue a gradual path and emphasizing clear communication of the Fed's future path of monetary policy. Over the course of the fiscal year, the Federal Open Market Committee (the "FOMC") hiked the federal funds target rate range three times, for a total increase in the range of 75 basis points. The rate hikes were telegraphed well in advance, with no real surprises during the fiscal year. In addition to the rate hikes, the Fed also initiated a program of quantitative tightening by beginning to shrink its balance sheet, which had grown to over \$4.5 trillion through its quantitative easing programs in the wake of the 2008 financial crisis. Under the quantitative tightening program, the Fed gradually let securities roll off its balance sheet, starting with \$30 billion in Treasury securities in the fourth quarter of 2017 and gradually increasing the amount to \$90 billion in the second quarter of calendar year 2018. Adding to the increased Treasury supply from quantitative tightening, the U.S. Treasury increased issuance in the first half of calendar year 2018 to fund the increased federal budget deficit resulting from tax cuts passed by the U.S. Congress in February 2018. The front end

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

The WV Money Market Pool is structured as a money market fund with the goal of preservation of principal. The benchmark for the WV Money Market Pool was a blended benchmark composed of fifteen percent of the iMoneyNet Treasury & Repo Institutional Average plus eighty-five percent of the iMoneyNet First Tier Institutional Average. The Pool return over fiscal year 2018 nearly doubled the return for fiscal year 2017, rising from 0.85% for fiscal year 2017 to 1.58% for fiscal year 2018. While the average net position of the pool was over \$380 million higher than the average for fiscal year 2017, the largest factor in the increase in performance was the series of rate hikes by the Fed discussed previously. The pool was managed over the course of the fiscal year with the expectation that the Fed would continue to raise rates. As such, the weighted average maturity ("WAM") was maintained throughout the fiscal year in the mid to high 30 day range to take advantage of rising rates. Allocations to Treasury securities were kept close to the required 15% minimum given the low absolute level of Treasury yields. Similar to fiscal year 2017, the investment managers focused on investing in short-dated fixed-rate paper (commercial paper, certificates of deposit, asset-backed commercial paper) and longer-dated floating rate securities. With the expectation of two more rate hikes over the remainder of calendar year 2018, the managers will continue to maintain a low WAM and pursue their current investment strategy. The outlook for rate hikes in 2019 is not as clear and is dependent upon how the economy evolves over the coming months.

The WV Government Money Market Pool's objective is to preserve capital and maintain sufficient liquidity to meet the daily disbursement requirements of participants, while earning a return above inflation. The benchmark for the WV Government Money Market Pool is a blended benchmark composed of fifteen percent of the iMoneyNet Treasury & Repo Institutional Average plus eighty-five percent of the iMoneyNet Government & Agencies Institutional Average. Returns of 1.30% for fiscal year 2018 nearly tripled the 0.48% return experienced during fiscal year 2017. As with the WV Money Market Pool, the increase in returns in the WV Government Money Market Pool was primarily the result of rate hikes by the Fed during the fiscal year. Similar to the WV Money Market Pool, the WV Government Money Market Pool's WAM was shortened up during the year in response to the Fed rate hikes and outlook. However, the manager has further decreased the WAM of the pool from the mid to upper 30 day range to a range in the low 20's. The flatness of the Treasury bill curve limited attractive opportunities out the curve. Overnight repo yields continued to exceed the yield of many shorter-dated Treasury and Agency securities, resulting in the manager maintaining an allocation of 20% to 25% in repo throughout much of the fiscal year. Exposure to floating-rate securities was increased during the fiscal year, primarily in the form of Federal Home Loan Bank ("FHLB") floating-rate issues, rising from 8% of the pool to more than 24% of the pool by fiscal year end. The manager expects to maintain a similar WAM profile over the near term, with adjustments made as necessary for changes to the Fed outlook.

The WV Short Term Bond Pool is structured as a mutual fund with the objective of asset growth rather than current income. The benchmark for the WV Short Term Bond Pool is the BofA Merrill Lynch U.S. Corporate & Government, 1-3 Years, A Rated and Above Index plus 10 basis points. Fiscal year 2018 returns were again lower than the prior fiscal year, falling from 1.31% for fiscal year 2017 to 1.18% for fiscal year 2018. The drop in performance year-over-year was not unexpected, given current rising rate environment and longer-term nature of the pool. Performance of the pool was under the performance of the WV Money Market and WV Government Money Market Pools, but still well ahead of benchmark returns. The WV Short Term Bond Pool outperformed the benchmark return of 0.30% by just over 88 basis points. Federated Investors has continued to manage the pool with an effective duration at 55% to 60% of

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

### **Overview of the Financial Statements**

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

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

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

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

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

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

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

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

### Financial Analysis of the Operating Fund

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

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

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

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

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

The accounts receivable balance of \$617,000 represents fees that have been accrued but not withdrawn from the investment pools at June 30, 2018 to pay investment advisor, custodian, and administrative costs.

In accordance with *WV State Code §12-6C-19*, the Board may charge fees to the pools for reasonable and necessary expenses incurred for rendering services. The fees charged to the pools are categorized into direct expenses (investment advisor and custodian fees) and indirect expenses (administrative costs). As part of the BTI operations, administrative and custodial fees accrued in the investment pools are periodically transferred from the pools to the BTI's operating fund to pay for all necessary and reasonable expenses. Investment advisor and custodial fees are accrued daily or monthly and transferred to the operating fund to coincide with the receipt of advisor and custodial invoices. The periodic nature of these transfers results in the accounts receivable balance. Accounts receivable increased by \$98,000 over the fiscal year end 2017 balance. At the end of fiscal year 2018, there was six months' custodian fees receivable as compared to the fiscal year 2017 ending balance having three months' custodian fees receivable. This change in the number of months of custodian fees receivable at the end of fiscal year 2018 accounted for \$25,000 of the increase in receivables. The increase in number of months of custodian fees accrued at the end of fiscal year 2018 was the result of a compliance issue with the custodian's West Virginia unemployment insurance which prevents the BTI from paying any invoices until the compliance issue is resolved. Increases in net position in the Consolidated Fund over the last quarter, and more specifically, over the last month of the fiscal year resulted in an increase in both administrative and advisor fees receivable. June 2018 administrative fees receivable were approximately \$9,000 higher than June 2017 while advisor fees receivable increased by \$64,000 over the fiscal year-end 2017 balance.

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

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

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

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

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

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

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

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

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

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

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

### Financial Analysis of the Consolidated Fund

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The Fed's rate hikes during the fiscal year were the major contributors to the BTI's two principal stability pools outperforming fiscal year 2017 results. WV Money Market Pool performance nearly doubled last year's results, increasing by 73 basis points to 1.58%. This was the largest factor in the \$21.2 million increase in net investment income over fiscal year 2017 levels. The other significant factor that contributed to the increase in net investment income was the increase in net position during fiscal year 2018. As

previously discussed, the net position of the pool increased by almost \$1.5 billion during the fiscal year. Although the majority of the increase occurred in the final month of the fiscal year, the average net position over the first eleven months of the fiscal year 2018 was nearly \$400 million higher than fiscal year 2017.

The WV Government Money Market Pool experienced the greatest increase in performance year-over-year, with fiscal year 2018's return of 1.30% nearly tripling fiscal year 2017's 0.48% return. In dollar terms, the net investment income of the pool increased by \$1.9 million from fiscal year 2017 levels. The average of the net position of the pool over the fiscal year was modestly higher, increasing approximately \$10 million from fiscal year 2017 levels. The higher net position did contribute to the increase in net investment income, but, unlike fiscal year 2017, the Fed rate hikes were the largest factor in the increase in performance of the pool year-over-year. The pool's manager brought the pool's WAM in even further over the fiscal year from 2017's mid-30 day range to a range in the low 20's. Because of the flatness of the Treasury bill curve, the manager chose to keep a high allocation to repo during fiscal year 2018, with around a quarter of the pool invested in repo for much of the year. Repo rates were around 2.0% at the end of the fiscal year, which exceeded the 1.8% yield available in short-dated Treasuries. The manager also added some additional exposure to agency floating rate securities, increasing the allocation to around 25% of the pool.

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

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

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

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

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

For the year, the investment pools had a combined net realized loss of \$583,000. This represents a decrease of \$711,000 from fiscal year 2017. The net realized loss was the result of normal trading activity related

to generating liquidity, taking advantage of opportunities or repositioning portfolios to stay within policy limits.

The net change in fair value for fiscal year 2018 was negative, falling by \$3.5 million from fiscal year 2017. The largest factor in the overall decrease in fair value was the decline in fair value experienced by the WV Short Term Bond Pool. Over the course of fiscal year 2018 the fair value of the pool fell \$5.4. The fiscal year 2018 decline in fair value was \$3.7 million greater than the decline experienced in fiscal year 2017. The primary drivers for the decline in fair value for 2018 were the three Fed rate hikes during fiscal year 2018 and a reversal in credit spread tightening that had occurred in prior fiscal years. The rate increases by the Fed had a more significant effect in the three year and under part of the Treasury yield curve, pushing up yields in that tenor range. Credit spreads, which had been trending downward since February 2016, reached their post-financial crisis lows in February 2018 before widening out over the last few months of the fiscal year. The WV Short Term Bond Pool, which holds longer dated/duration corporate securities and has a fair value measured at market value, experienced a decline in fair value as a result of the rise in Treasury yields in the 1 to 3 year portion of the curve and the reversal of credit spread tightening.

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

### **Economic Factors**

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

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

Over the course of fiscal year 2018, economic news has been mostly positive. Reported economic growth in the U.S., as measured by Gross Domestic Product ("GDP"), stayed above 2% for all quarters during the fiscal year. GDP growth for the fourth quarter of the fiscal year is expected to be in excess of 4%, which would be the strongest growth rate the U.S. economy has seen since the third calendar quarter of 2014. Underlying components of GDP have also been mostly solid, pointing to continued economic growth over the next few quarters. Tax reform, in the form of the TCJA, was signed into law on December 22, 2017, cutting personal and corporate tax rates and also providing for a favorable tax rate on the repatriation of foreign earnings of domestic corporations. The net effect on corporate bottom lines was a boost in net income and earnings per share growth. Although there was some expectation that lower tax rates might dampen corporate issuance of debt, there were high overall levels of new issue bonds, with new issues in support of mergers and acquisitions leading the way. Employment has also been a strength in the economy over the fiscal year, with the unemployment rate falling to 4.0% by fiscal year end. In addition to the improving headline rate, there have also been improvements in the participation rate and wage inflation. Overall inflation, which had been persistently below the Fed's target rate of 2%, finally reached that target, posting a 2% increase year-over-year in April 2018 and ended the fiscal year at 2.2%. However, there were some negative economic news the latter half of the fiscal year, mostly in the form of budding trade wars between the U.S. and its trading partners and a flattening of the yield curve. The Trump administration, citing national security concerns, unfair trade practices, and a desire to decrease the U.S. trade deficit, unilaterally enacted a variety of tariffs on imports of steel, aluminum, and other goods imported from the European Union, Canada, Mexico, China and other countries. These countries/trade unions have responded in kind, enacting tariffs on goods imported from the U.S. Further tariff announcements by the U.S. were expected to occur subsequent to year end, as the U.S. seeks to increase the pressure other countries to further open their markets for U.S. goods. Corporate response to the tariffs has been mixed, with the corporate community largely coming out against the tariffs. Certain industries, such as the steel industry, have embraced the tariffs, while others, such as the auto industry, have been critical of the tariffs, citing increased component costs that will result in price increases for automobiles manufactured in the U.S. There may be negative pressure on corporate earnings going forward as companies may be forced to increase prices, and likely suffer a decrease in sales, or absorb the costs imposed by tariffs, thereby decreasing the bottom line. The Treasury yield curve was also proving to be a source of pessimism, as the yield curve continued flattening. The 2-year/10-year Treasury spread had fallen to 33 basis points by year end, and was projected by some to possibly become negative by the end of calendar year 2018. A negative spread, or inversion of the yield curve, could be seen as a possible warning sign of an oncoming recession, which might force the Fed to pause in their normalization campaign. The Fed has indicated that these are concerns going forward, but there is no impediment to the Fed shifting policy should the economy stumble.

For the State of West Virginia, fiscal year 2018 marked a significant improvement over prior fiscal years. General Revenue collections were \$20.2 million above the official fiscal year 2018 estimates and 3.7% above prior year adjusted receipts. Unadjusted General Revenue collections included \$34.6 million in one-time special revenue transfers in 2018, as compared with nearly \$99.8 million in one-time special revenue transfers in the prior year. During the first half of the year, revenue growth was led by a 46 percent gain in Severance Tax collections due to growth in energy prices and a rebound in coal production. Severance Tax collections slowed a bit during the second half of the year as markets stabilized. However, other tax sources picked up the slack as the breadth of economic growth spread beyond the mining sector to the construction, manufacturing and service sectors. Following several years of general stagnation, payroll employment reversed course and began rising in fiscal year 2018. Private sector employment growth began accelerating from 0.3 percent during the first quarter to more than 1.0 percent during the second half of the year with gains in the areas of construction, mining, warehousing, transportation, professional services, health care services and leisure and hospitality. A major contributing factor to the recent employment upswing is the current construction of several large-scale interstate natural gas pipeline projects in the region. These projects along with enhanced public-sector highway expenditures and continued growth in foreign exports were all significant factors in recent economic expansion and tax collection growth. The cumulative fiscal year growth rate in Personal

Income Tax collections accelerated from just 1.8 percent at the end of September to 6.1 percent by the end of June. The cumulative growth rate in wage and salary withholding tax collections accelerated from 4.5 percent at the end of September to 6.0 percent by the end of June. The cumulative growth rate in Consumer Sales Tax collections accelerated from just 1.0 percent at the end of September to 2.7 percent by the end of June. The combination of conservative budgeting practices and continued improvement in economic activity contributed to a net budgetary surplus of more than \$36.1 million at the close of Fiscal year 2018. Out of this budgetary surplus, nearly \$18.1 million was deposited in the Revenue Shortfall Reserve Fund and nearly \$13.8 million was appropriated by the Legislature in the fiscal year 2019 Budget Bill. An unappropriated surplus balance of \$4.3 million is available for future appropriation.

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

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

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

### **Requests for Information**

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

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

June 30, 2018

*(In Thousands)*

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

*See accompanying notes to financial statements*

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

For the Year Ended June 30, 2018

*(In Thousands)*

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

*See accompanying notes to financial statements*

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

For the Year Ended June 30, 2018

*(In Thousands)*

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

*See accompanying notes to financial statements*

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

June 30, 2018

*(In Thousands)*

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

*See accompanying notes to financial statements*

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

For the Year Ended June 30, 2018

*(In Thousands)*

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

*See accompanying notes to financial statements*

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# West Virginia Board of Treasury Investments

## Notes to Financial Statements

June 30, 2018

### 1. Organization and Operations

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

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

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

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

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

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

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

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

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

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

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

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

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

## **2. Significant Accounting Policies**

### **Basis of Accounting**

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

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

### **Budgetary Information**

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

### **Cash Equivalents**

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

### **Capital Assets**

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

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

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

## **Income Taxes**

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

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

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

## **Net Position – Proprietary Fund**

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

## **Use of Estimates**

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

## **Investment Accounting**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The internal service fund's cash on deposit with the State Treasurer's Office was approximately \$1,034,000 at June 30, 2018. The cash is pooled with other deposits from the State's agencies, departments, boards and commissions and is subject to coverage by the Federal Deposit Insurance Corporation ("FDIC") or collateralized by securities held by the State or its agents in the State's name. Cash equivalents are short-term, highly liquid investments having original maturities of 90 days or less. The internal service fund did not hold any cash equivalents at June 30, 2018.

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

#### 4. Investments and Deposits

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

##### Credit Risk

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

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

Security Type	Credit Rating		Carrying Value (in Thousands)	Percent of Pool Assets
	Moody’s	S&P		
U.S. Treasury notes *	Aaa	AA+	\$ 90,330	2.77%
U.S. Treasury bills *	P-1	A-1+	252,084	7.72
Corporate bonds and notes	P-1	A-1	18,078	0.55
Commercial Paper	P-1	A-1+	473,172	14.50
	P-1	A-1	1,351,128	41.39
	P-2	A-1	44,600	1.37
Negotiable certificates of deposit	P-1	A-1+	205,501	6.30
	P-1	A-1	458,300	14.04
Money market funds	Aaa	AAAM	143,067	4.38
Repurchase agreements (underlying securities):				
U.S. agency bonds and notes	Aaa	AA+	227,800	6.98
			<u>\$ 3,264,060</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 (in Thousands)	Percent of Pool Assets
	Moody's	S&P		
U.S. Treasury notes *	Aaa	AA+	\$ 10,973	5.17%
U.S. Treasury bills *	P-1	A-1+	23,950	11.28
U.S. agency bonds and notes	Aaa	AA+	52,300	24.63
U.S. agency discount notes	P-1	A-1+	76,734	36.14
Money market funds	Aaa	AAAm	247	0.12
Repurchase agreements (underlying securities):				
U.S. Treasury notes *	Aaa	AA+	41,614	19.60
U.S. agency bonds and notes	Aaa	AA+	6,486	3.06
			\$ 212,304	100.00%

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

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

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

(Continued on next page)

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

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

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

NR = Not Rated

The WV Bank Pool holds an interest in a money market mutual fund valued at approximately \$60,000. The mutual fund is rated AAAM by Standard & Poor's and Aaa by Moody's. The BTI does not have a policy specifically addressing credit risk in the WV Bank Pool.

The Loan Pool is composed of loans made by the State. The pool holds intergovernmental loans and an investment in a money market mutual fund of approximately \$34,000. The mutual fund is rated AAAM by Standard & Poor's and Aaa by Moody's. The loans are not rated; however, because there is the potential

for defaults on the loans, the pool is subject to credit risk related to the loans. The BTI addresses this credit risk by establishing and regularly evaluating a reserve for uncollectible loans.

The School Fund Account holds only an interest in a money market mutual fund valued at approximately \$1,252,000. The mutual fund is rated AAAM by Standard & Poor's and Aaa by Moody's. The BTI does not have a policy specifically addressing credit risk in the School Fund Account.

**Interest Rate Risk**

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

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

Security Type	Carrying Value (In Thousands)	WAM (Days)
U.S. Treasury notes	\$ 90,330	73
U.S. Treasury bills	252,084	69
Corporate bonds and notes	18,078	21
Commercial paper	1,868,900	36
Negotiable certificates of deposit	663,801	29
Repurchase agreements	227,800	3
Money market funds	143,067	3
	\$ 3,264,060	34

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

Security Type	Carrying Value (In Thousands)	WAM (Days)
U.S. Treasury notes	\$ 10,973	76
U.S. Treasury bills	23,950	43
U.S. agency bonds and notes	52,300	17
U.S. agency discount notes	76,734	20
Repurchase agreements	48,100	3
Money market funds	247	3
	\$ 212,304	21

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

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

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

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

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

The Municipal Bond Commission Account holds three State and Local Government Series securities valued at \$28,257,000 with a weighted average maturity of 236 days. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in the Municipal Bond Commission Account arising from increasing interest rates.

The School Fund Account holds only an interest in a money market mutual fund valued at approximately \$1,252,000 with a weighted average maturity of one day. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in this pool arising from increasing interest rates.

The EDA-AW Account holds only a U.S. Treasury bond valued at approximately \$1,686,000 that matures August 15, 2023. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in this pool arising from increasing interest rates.

### **Other Risks of Investing**

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

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

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

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

### **Deposits**

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

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

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

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

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

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

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

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

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

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

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

#### **U.S. Agency Collateralized Mortgage Obligations**

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

#### **Corporate Fixed-Rate Bonds and Notes**

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

#### **Corporate Floating-Rate Bonds and Notes**

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

**Collateralized Mortgage Obligations**

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

**Commercial Mortgage-Backed Securities**

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

**Asset-Backed Securities**

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

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

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

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

**6. Capital Assets**

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

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

## 7. Related Party Transactions

### Intergovernmental Investments

The BTI is required by law to enter into certain investment transactions with other state entities. At June 30, 2018, the BTI's intergovernmental investments, which are assets of the Loan Pool, included the following:

- a. The "WVEDA Revolving Loan" is an obligation of the West Virginia Economic Development Authority (WVEDA). The terms of the loan program require the BTI to make available on a revolving basis up to \$175,000,000 for the WVEDA to use to fund economic development initiatives. The interest rate is reset on July 1 of each year and is based on the twelve month return of the WV Money Market Pool. The rate for the year ending June 30, 2018, was 0.89%. The rate has a 1% annual adjustment cap. The WVEDA makes monthly principal and interest payments calculated on a 120-month amortization of the outstanding balance. At June 30, 2018, the outstanding balance was \$106,680,600.
- b. The "WVEDA Non-recourse Loan" represents an obligation of the WVEDA. The BTI assumed the loan as of July 8, 2005. The loan was originally entered into with the West Virginia Investment Management Board on April 9, 2002. The terms of the loan allow for the WVEDA to borrow up to \$25,000,000 from the BTI through June 29, 2012. As of March 2010, the WVEDA had borrowed the maximum amount. The funds borrowed by the WVEDA are to be loaned, without recourse, to the West Virginia Enterprise Advancement Corporation (WVEAC), for investment in the West Virginia Enterprise Capital Fund, to fund certain venture capital initiatives. The loan earns interest at 3%, which is fixed for the term of the loan. The WVEDA is required to make annual principal payments of \$10,000 plus accrued interest for the first ten years. However, in the event the WVEDA has not received any returns from the investment with the WVEAC, these payments may be deferred through June 30, 2012. Beginning June 30, 2013, the WVEDA was expected to make principal and interest payments sufficient to repay all outstanding principal and accrued interest in full by June 30, 2022. On June 24, 2013, the BTI was notified by the WVEDA that the WVEDA had not received monetary returns from its venture capital investments and therefore would be unable to make the scheduled payment on June 30, 2013. At June 30, 2018, \$24,335,828 of principal was outstanding.

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

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

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

### **Transactions with State Treasurer's Office**

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

### **8. Risk Management**

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

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

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

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

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

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

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

June 30, 2018

(In Thousands)

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

(Continued)

<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>
\$ 19,093	\$ -	\$ -	\$ -	\$ 3,685,584
-	28,257	1,252	1,686	743,777
33	107	-	34	5,952
-	-	2	-	167
-	-	-	-	4
<u>33</u>	<u>107</u>	<u>2</u>	<u>34</u>	<u>6,123</u>
19,126	28,364	1,254	1,720	4,435,484
-	-	-	-	616
-	-	-	-	1,386
-	-	-	-	4,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,002</u>
19,126	-	-	-	4,398,144
-	28,364	1,254	1,720	31,338
<u>\$ 19,126</u>	<u>\$ 28,364</u>	<u>\$ 1,254</u>	<u>\$ 1,720</u>	<u>\$ 4,429,482</u>

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

For the Year Ended June 30, 2018

(In Thousands)

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

(Continued)

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

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

**WEST VIRGINIA MONEY MARKET POOL**

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

(Continued on Next Page)

F – Floating rate note security.

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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, 2018**  
*(In thousands)*

**WEST VIRGINIA MONEY MARKET POOL (Continued)**

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

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See accompanying notes to financial statements.

**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2018**  
*(In thousands)*

**WEST VIRGINIA MONEY MARKET POOL (Continued)**

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

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**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2018**  
*(In thousands)*

**WEST VIRGINIA MONEY MARKET POOL (Continued)**

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

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**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2018**  
*(In thousands)*

**WEST VIRGINIA MONEY MARKET POOL (Continued)**

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

(Continued on Next Page)

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, 2018**  
*(In thousands)*

**WEST VIRGINIA MONEY MARKET POOL (Continued)**

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

**WEST VIRGINIA GOVERNMENT MONEY MARKET POOL**

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>	
<i>U.S. Treasury Notes</i>								
United States Treasury		0.625 %	F	1.777 %	06/30/2018	2,000	\$ 2,000	\$ 2,000
United States Treasury		0.750	F	1.987	09/30/2018	9,000	8,973	8,973
Total U. S. Treasury Notes	5.2%						10,973	10,973
<i>U.S. Treasury Bills</i>								
United States Treasury		0.000		1.775	07/05/2018	1,000	1,000	1,000
United States Treasury		0.000		1.620	07/19/2018	2,000	1,998	1,998
United States Treasury		0.000		1.625	07/26/2018	4,000	3,996	3,995
United States Treasury		0.000		1.846	08/09/2018	6,000	5,988	5,988
United States Treasury		0.000		1.907	08/16/2018	3,000	2,993	2,993
United States Treasury		0.000		1.898	08/23/2018	4,000	3,989	3,989
United States Treasury		0.000		1.946	09/06/2018	4,000	3,986	3,986
Total U. S. Treasury Bills	11.3%						23,950	23,949

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**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2018**  
*(In thousands)*

**WEST VIRGINIA GOVERNMENT MONEY MARKET POOL (Continued)**

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Government Agency Bonds and Notes</i>							
Federal Home Loan Bank		1.850	F	1.850	07/05/2018	2,000	2,000
Federal Home Loan Mort Corp		2.123	F	2.123	07/17/2018	1,000	1,000
Federal Home Loan Bank		1.961	F	1.961	07/25/2018	1,000	1,000
Federal Home Loan Bank		1.928	F	1.928	08/15/2018	1,000	1,000
Federal Home Loan Bank		1.976	F	1.976	08/24/2018	1,000	1,000
Federal Home Loan Bank		1.921	F	1.921	09/12/2018	1,000	1,000
Federal Home Loan Bank		2.005	F	2.005	09/17/2018	1,500	1,500
Federal Home Loan Bank		1.865	F	1.865	10/05/2018	2,000	2,000
Federal Home Loan Bank		1.916	F	1.916	10/10/2018	2,500	2,500
Federal Home Loan Bank		1.911	F	1.911	10/12/2018	1,000	1,000
Federal Home Loan Bank		1.906	F	1.906	10/12/2018	1,000	1,000
Federal Home Loan Bank		1.945	F	1.945	10/16/2018	1,000	1,000
Federal Home Loan Bank		1.955	F	1.955	10/16/2018	1,000	1,000
Federal Home Loan Bank		2.152	F	2.184	10/26/2018	1,000	1,000
Federal Home Loan Bank		1.982	F	1.990	10/26/2018	1,000	1,000
Federal Home Loan Bank		1.901	F	1.901	11/02/2018	1,000	1,000
Federal Home Loan Bank		1.940	F	1.939	11/08/2018	1,000	1,000
Federal Home Loan Bank		1.935	F	1.935	11/16/2018	1,000	1,000
Federal Home Loan Bank		1.959	F	1.959	11/20/2018	1,000	1,000
Federal Home Loan Bank		1.978	F	1.978	11/27/2018	1,000	1,000
Federal Home Loan Bank		1.943	F	1.949	11/29/2018	1,000	1,000
Federal Home Loan Bank		1.915	F	1.915	12/07/2018	1,250	1,250
Federal Home Loan Bank		1.975	F	1.975	12/17/2018	1,500	1,500
Federal Home Loan Bank		1.985	F	1.985	12/18/2018	1,000	999
Federal Home Loan Bank		1.970	F	1.970	12/18/2018	2,000	2,000
Federal Home Loan Bank		1.993	F	1.993	12/21/2018	1,300	1,300
Federal Home Loan Bank		1.976	F	1.976	12/24/2018	2,000	2,000
Federal Home Loan Bank		2.032	F	2.032	12/28/2018	1,250	1,250
Federal Home Loan Bank		1.967	F	1.967	01/28/2019	1,000	1,000
Federal Home Loan Bank		1.921	F	1.921	02/04/2019	1,000	1,000
Federal Home Loan Bank		1.870	F	1.870	02/05/2019	1,000	1,000
Federal Home Loan Bank		1.900	F	1.900	02/08/2019	2,000	2,000
Federal Home Loan Bank		1.979	F	1.979	02/22/2019	1,000	1,000
Federal Home Loan Bank		2.021	F	1.980	02/25/2019	1,000	1,000
Federal Home Loan Bank		2.079	F	2.085	03/06/2019	1,000	1,000
Federal Home Loan Bank		2.005	F	2.005	03/19/2019	1,000	1,000
Federal Home Loan Bank		1.927	F	1.954	03/22/2019	2,000	2,000
Federal Home Loan Bank		1.923	F	1.931	04/05/2019	2,500	2,500
Federal Home Loan Bank		1.997	F	1.985	04/10/2019	1,500	1,499
Federal Home Loan Bank		1.997	F	2.019	04/24/2019	1,000	1,000
Federal Farm Credit Bank		2.007	F	1.896	05/30/2019	1,000	1,000
Total U. S. Government Agency Bonds and Notes	24.6%					52,300	52,297
<i>U.S. Agency Discount Notes</i>							
Federal Farm Credit Bank		0.000		1.835	07/05/2018	31,000	30,995
Federal Home Loan Bank		0.000		1.779	07/06/2018	3,000	2,999
Federal Home Loan Bank		0.000		1.772	07/09/2018	300	300
Federal Home Loan Bank		0.000		1.767	07/09/2018	1,500	1,499
Federal Home Loan Bank		0.000		1.870	07/10/2018	3,000	2,999
Federal Home Loan Bank		0.000		1.844	07/13/2018	5,500	5,498
Federal Home Loan Bank		0.000		1.894	07/18/2018	12,000	11,990

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**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2018**  
*(In thousands)*

**WEST VIRGINIA GOVERNMENT MONEY MARKET POOL (Continued)**

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

**WEST VIRGINIA SHORT TERM BOND POOL**

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

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**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2018**  
*(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>	
Federal Home Loan Mort Corp		2.473	F	2.486	07/15/2031	65	65	65
Federal Home Loan Mort Corp		2.523	F	2.533	12/15/2031	155	156	156
Federal Home Loan Mort Corp		2.523	F	2.533	12/15/2031	111	111	112
Federal Home Loan Mort Corp		2.623	F	2.634	02/15/2032	152	152	154
Federal Home Loan Mort Corp		2.523	F	2.533	03/15/2032	125	125	125
Federal Home Loan Mort Corp		2.573	F	2.583	03/15/2032	126	126	127
Federal Home Loan Mort Corp		2.573	F	2.583	03/15/2032	362	362	364
Federal Home Loan Mort Corp		2.573	F	2.583	04/15/2032	165	165	166
Federal Home Loan Mort Corp		2.573	F	2.583	07/15/2032	329	329	331
Federal Home Loan Mort Corp		2.473	F	2.482	10/15/2032	254	254	256
Federal Home Loan Mort Corp		2.523	F	2.533	11/15/2032	133	133	133
Federal Home Loan Mort Corp		2.473	F	2.482	01/15/2033	193	193	194
Federal Home Loan Mort Corp		2.473	F	2.482	02/15/2033	470	469	470
Federal Home Loan Mort Corp		2.523	F	2.546	06/15/2034	256	256	258
Federal Home Loan Mort Corp		2.373	F	2.465	09/15/2035	172	171	172
Federal National Mortgage Assn		2.341	F	2.677	03/25/2036	554	554	550
Government National Mort Assn		2.317	F	2.554	12/20/2060	2,497	2,475	2,499
Government National Mort Assn		2.417	F	2.589	12/20/2060	2,106	2,108	2,113
Government National Mort Assn		2.517	F	2.662	02/20/2061	3,449	3,469	3,465
Government National Mort Assn		2.417	F	2.589	06/20/2062	3,378	3,383	3,388
Government National Mort Assn		2.437	F	2.603	08/20/2062	1,517	1,521	1,523
Government National Mort Assn		2.257	F	2.467	12/20/2062	2,045	2,035	2,043
Government National Mort Assn		2.317	F	2.511	03/20/2063	2,705	2,699	2,706
Government National Mort Assn		2.367	F	2.549	04/20/2063	2,568	2,567	2,573
Government National Mort Assn		2.617	F	2.749	08/20/2063	3,541	3,570	3,567
Government National Mort Assn		2.317	F	2.518	04/20/2065	3,511	3,498	3,513
Total U.S. Agency Collateralized Mortgage Obligations	4.6%						32,464	32,546
<b>Corporate Fixed-Rate Bonds and Notes</b>								
Shell International Finance		1.900		1.278	08/10/2018	4,000	4,003	3,998
Principal Life Global Fund		2.250		2.297	10/15/2018	2,750	2,749	2,748
Stanley Black & Decker Inc		1.622		1.618	11/17/2018	1,020	1,020	1,016
Coca-Cola Femsa SAB		2.375		2.403	11/26/2018	750	749	749
Wells Fargo Bank NA		1.800		1.843	11/28/2018	3,000	2,999	2,990
Cisco Systems Inc		1.600		1.601	02/28/2019	1,700	1,700	1,689
Fifth Third Bancorp		2.300		2.330	03/01/2019	625	624	623
Nissan Motor Acceptance		2.350		2.360	03/04/2019	2,000	1,999	1,994
Citizens Bank NA/RI		2.500		2.504	03/14/2019	1,320	1,320	1,317
Newell Rubbermaid Inc		2.600		1.716	03/29/2019	362	364	361
Huntington National Bank		2.200		2.233	04/01/2019	1,480	1,479	1,474
MassMutual Global Funding		2.350		2.373	04/09/2019	4,000	3,999	3,990
Capital One Financial Corp		2.450		2.466	04/24/2019	3,000	3,000	2,990
Ford Motor Credit Company		2.021		2.021	05/03/2019	1,000	1,000	992
Union Bank NA		2.250		2.298	05/06/2019	615	615	612
Comerica Inc		2.125		2.125	05/23/2019	850	850	844
Ryder System Inc		2.550		2.575	06/01/2019	2,100	2,100	2,092
Diamond 1 Fin/Diamond 2		3.480		3.483	06/01/2019	1,950	1,950	1,955
Penske Truck Leasing		2.500		2.503	06/15/2019	2,000	2,000	1,989
Emera US Finance LP		2.150		2.163	06/15/2019	830	830	821
Norfolk Southern Corp		5.900		2.147	06/15/2019	2,000	2,070	2,054
Daimler Finance NA		1.500		1.551	07/05/2019	3,640	3,638	3,587
Molson Coors Brewing Co		1.450		1.467	07/15/2019	770	770	758
American International Group		2.300		2.343	07/16/2019	4,000	3,998	3,976
Citigroup Inc		2.500		2.513	07/29/2019	5,000	4,999	4,978

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**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2018**  
*(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>
CBS Corp		2.300	2.365	08/15/2019	3,000	2,998	2,972
Tyson Foods Inc		2.650	2.664	08/15/2019	1,000	1,000	996
Brit Sky Broadcasting		2.625	2.657	09/16/2019	885	885	879
Gilead Sciences Inc		1.850	1.868	09/20/2019	1,050	1,050	1,037
Discovery Communications		2.200	2.220	09/20/2019	830	830	821
JP Morgan Chase Bank		1.650	1.685	09/23/2019	1,110	1,110	1,093
Shire Acq Inv Ireland DA		1.900	1.928	09/23/2019	2,000	1,999	1,969
Fifth Third Bancorp		1.625	1.682	09/27/2019	2,290	2,288	2,254
ERAC USA Finance LLC		2.350	2.380	10/15/2019	2,000	1,999	1,978
Danone SA		1.691	1.691	10/30/2019	1,770	1,770	1,740
Public Service Enterprise Grp		1.600	1.640	11/15/2019	740	740	724
Transcanada Pipelines		2.125	2.129	11/15/2019	2,000	2,000	1,977
Associated Banc-Corp		2.750	2.779	11/15/2019	1,405	1,404	1,393
Abbott Laboratories		2.350	2.384	11/22/2019	519	519	516
Alimentation Couche-Tard		2.350	2.356	12/13/2019	1,000	1,000	988
Duke Energy Florida LLC		2.100	2.105	12/15/2019	469	469	466
Nissan Motor Acceptance		2.250	2.252	01/13/2020	2,000	2,000	1,972
Broadcom Crp / Caym FI		2.375	2.450	01/15/2020	2,000	1,998	1,974
Exelon Generation Co LLC		2.950	2.621	01/15/2020	1,500	1,507	1,494
National Rural Utilities		2.000	2.044	01/27/2020	1,975	1,974	1,947
SunTrust Bank		2.250	2.263	01/31/2020	3,920	3,919	3,872
Smithfield Foods Inc		2.700	2.715	01/31/2020	820	820	808
Caterpillar Financial Services		2.000	1.716	03/05/2020	4,000	4,019	3,939
AFLAC Inc		2.400	2.406	03/16/2020	2,000	2,000	1,978
Qualcomm Inc		2.100	2.102	05/20/2020	2,250	2,250	2,248
MetLife Global Funding		2.050	2.051	06/12/2020	4,000	4,000	3,919
AIG Global Funding		2.150	2.172	07/02/2020	2,000	1,999	1,960
General Motors Financial Co		3.200	3.206	07/13/2020	2,000	2,000	1,991
Charter Communications		3.579	3.582	07/23/2020	2,230	2,230	2,227
Bat Capital Corporation		2.297	2.297	08/14/2020	2,000	2,000	1,954
CK Hutchinson Intl 17 LTD		2.250	2.345	09/29/2020	2,000	1,996	1,956
Northrop Grumman Corp		2.080	2.085	10/15/2020	1,340	1,340	1,309
American Electric Power Co Inc		2.150	2.196	11/13/2020	2,000	1,998	1,951
Stifel Financial Corp		3.500	3.585	12/01/2020	1,950	1,946	1,953
BAE Systems Holdings Inc		2.850	2.926	12/15/2020	1,790	1,787	1,768
Wells Fargo Bank NA		2.600	2.619	01/15/2021	3,000	2,999	2,952
Anheuser Busch Finance		2.650	2.717	02/01/2021	3,000	2,995	2,959
Regions Financial Corp		3.200	3.223	02/08/2021	1,950	1,949	1,940
Crown Castle INTL Corp		3.400	3.405	02/15/2021	2,000	2,000	1,998
Celgene Corporation		2.875	2.891	02/19/2021	1,720	1,719	1,697
CVS Corp		3.350	3.368	03/09/2021	1,000	1,000	999
Exelon Corp		2.450	2.455	04/15/2021	1,000	1,000	972
JP Morgan Chase Bank		3.086	3.086	04/26/2021	4,000	4,000	3,991
Citizens Bank NA/RI		2.550	2.534	05/13/2021	1,800	1,801	1,755
American Express		3.375	3.381	05/17/2021	2,000	2,000	2,002
Maple Escrow Sub		3.551	3.551	05/25/2021	1,150	1,150	1,151
CVS Corp		2.125	2.184	06/01/2021	1,000	998	961
Citizens Financial Group		2.375	2.386	07/28/2021	2,660	2,659	2,572
Microsoft Corporation		1.550	1.572	08/08/2021	3,000	2,998	2,877
Tyson Foods Inc		2.250	2.299	08/23/2021	1,310	1,308	1,259
Ryder System Inc		2.250	2.296	09/01/2021	1,250	1,248	1,207
Smithfield Foods Inc		2.650	2.732	10/03/2021	1,290	1,287	1,229
Fortis Inc		2.100	2.313	10/04/2021	1,100	1,098	1,050
Roper Technologies INC		2.800	2.834	12/15/2021	2,000	1,998	1,953

(Continued on Next Page)

F – Floating rate note security.

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

See accompanying notes to financial statements.

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

(Continued on Next Page)

F – Floating rate note security.

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See accompanying notes to financial statements.

**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2018**  
*(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>	
Morgan Stanley		3.539	F	3.375	01/20/2022	6,000	6,033	6,078
Royal Bank of Canada		3.088	F	3.088	02/01/2022	4,000	4,000	4,033
Capital One Financial Corp		3.277	F	3.277	03/09/2022	2,060	2,060	2,068
Petroleos Mexicanos		5.977	F	6.021	03/11/2022	2,000	2,000	2,135
Verizon Communications		3.335	F	3.335	03/16/2022	1,670	1,670	1,697
Ford Motor Credit Company		3.606	F	3.622	03/28/2022	2,860	2,860	2,892
Citigroup Inc		3.320	F	3.320	04/25/2022	4,000	4,000	4,036
Goldman Sachs Group Inc		3.472	F	3.404	04/26/2022	4,000	4,010	4,039
Becton Dickinson & Company		3.344	F	3.344	06/06/2022	2,000	2,000	2,007
AstraZeneca Group PLC		2.947	F	2.947	06/10/2022	2,150	2,150	2,161
Reckitt Benckiser TSY		2.895	F	2.895	06/24/2022	4,000	4,000	3,992
American Express		2.968	F	2.968	08/01/2022	2,000	2,000	2,001
Kraft Heinz Foods Co		3.173	F	3.172	08/10/2022	2,000	2,000	2,007
BP Capital Markets PLC		2.976	F	2.976	09/19/2022	1,000	1,000	1,011
Nissan Motor Acceptance		3.026	F	3.026	09/28/2022	3,200	3,200	3,204
Goldman Sachs Group INC		3.139	F	3.139	10/31/2022	4,000	4,000	4,001
American Honda Finance		2.800	F	2.800	11/16/2022	2,000	2,000	2,006
Anheuser-Busch		3.077	F	3.079	01/12/2024	1,885	1,885	1,902
Total Corporate Floating-Rate Bonds and Notes	20.7%						146,843	147,817
<b><i>Collateralized Mortgage Obligations</i></b>								
Holmes Master Issuer PLC		2.708	F	2.717	10/15/2054	2,400	2,400	2,400
Gosforth Funding PLC		3.043	F	3.041	02/15/2058	967	967	969
Permanent Master Issuer PLC		2.747	F	2.358	07/15/2058	2,500	2,500	2,500
Gosforth Funding PLC		2.796	F	2.806	12/19/2059	2,336	2,336	2,339
Lanark Master Issuer PLC		2.749	F	2.758	12/22/2069	3,760	3,760	3,761
Silverstone Master		2.912	F	2.922	01/21/2070	4,200	4,200	4,212
Silverstone Master		2.750	F	2.761	01/21/2070	1,900	1,900	1,900
Total Collateralized Mortgage Obligations	2.5%						18,063	18,081
<b><i>Commercial Mortgage-Backed Securities</i></b>								
Commercial Mortgage Trust		1.381		1.385	10/10/2047	422	422	421
GS Mortgage Securities Trust		1.509		1.514	09/10/2047	460	460	458
JPMBB Commercial Mortgage		2.723	F	2.739	11/15/2045	1,208	1,208	1,209
Wells Fargo RBS		3.023	F	3.042	03/15/2044	922	922	926
Total Commercial Mortgage-Backed Securities	0.4%						3,012	3,014
<b><i>Asset-Backed Securities</i></b>								
Hyundai Auto Lease Trust		1.800		1.811	12/16/2019	2,000	2,000	1,998
BMW Vehicle Lease Trust		1.570		1.578	02/20/2020	1,000	1,000	992
Drive Auto Receivables Trust		1.860		1.870	03/16/2020	128	128	128
Securitized Term Auto Receivables		1.524		1.529	03/25/2020	1,936	1,936	1,927
Drive Auto Receivables Trust		1.850		1.863	04/15/2020	1,500	1,500	1,498
Ford Credit Auto Lease Trust		2.020		2.037	06/15/2020	2,500	2,500	2,482
BMW Vehicle Lease Trust		2.180		2.190	06/22/2020	5,100	5,100	5,061
Americredit Automobile Rec		1.700		1.713	07/08/2020	273	273	273
Kubota Credit Owner Trust		1.500		1.517	07/15/2020	2,384	2,383	2,364
California Republic Auto Rec		1.560		1.571	07/15/2020	747	747	746
Capital Auto Receivables Asset		1.540		1.551	08/20/2020	844	844	841
GM Financial Auto Leasing		2.260		2.277	08/20/2020	1,650	1,650	1,638
Santander Drive Auto Rec		1.770		1.777	09/15/2020	2,250	2,250	2,246

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**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2018**  
*(In thousands)*

*(Continued on Next Page)*

**WEST VIRGINIA SHORT TERM BOND POOL (Continued)**

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

*(Continued on Next Page)*

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**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2018**  
*(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>	
Cards II Trust		2.333	F	2.345	10/17/2022	1,800	1,800	1,800
Dell Equipment Finance Trust		2.190		2.202	10/24/2022	2,000	2,000	1,979
Volvo Financial Equipment		2.573	F	2.586	11/15/2022	3,350	3,350	3,356
Golden Credit Card Trust		2.620		2.635	01/15/2023	1,900	1,899	1,879
Mercedes-Benz Auto Lease		2.010		2.021	01/17/2023	1,750	1,750	1,735
Enterprise Fleet Financing		2.220		2.231	01/20/2023	1,800	1,800	1,765
Great American Leasing Rec		2.360		2.373	01/20/2023	4,750	4,750	4,683
Trillium Credit Card Trust II		2.348	F	2.359	02/27/2023	3,700	3,700	3,700
Cards II Trust		2.423	F	2.435	04/17/2023	3,700	3,700	3,700
Chase Issuance Trust		2.273	F	2.284	04/17/2023	4,000	4,000	3,999
World Omni Auto Lease Security		2.940		2.963	05/15/2023	3,000	3,000	2,992
BMW Floorplan Master Owner Trust		3.150		3.180	05/15/2023	1,600	1,600	1,601
Ally Master Owner Trust		3.290		3.313	05/15/2023	1,000	1,000	1,002
Barclays Dryrock Trust		2.373	F	2.385	05/15/2023	3,575	3,575	3,577
GM Financial Auto Leasing		2.060		2.075	05/16/2023	3,500	3,499	3,428
Mercedes-Benz Auto Lease		2.510		2.477	10/16/2023	1,400	1,402	1,387
First National Master Trust		2.513	F	2.526	10/16/2023	3,200	3,200	3,203
ARI Fleet Lease Trust		2.110		2.124	07/15/2024	3,000	3,000	2,970
Discover Card Master Trust		2.563	F	2.577	07/15/2024	1,250	1,250	1,260
Golden Credit Card Trust		2.593	F	2.590	07/15/2024	5,700	5,703	5,706
Master Credit Card Trust		2.578	F	2.592	07/22/2024	2,000	2,000	1,998
American Express Credit Acct		2.523	F	2.537	09/16/2024	3,300	3,300	3,329
Capital One Multi Asset Trust		2.583	F	2.597	09/16/2024	2,500	2,500	2,519
Motor PLC		2.621	F	2.635	09/25/2024	4,000	4,000	4,005
Daimler Trucks Retail Trust		3.030		3.051	11/15/2024	2,500	2,500	2,495
Citibank Credit Card Issuance		2.414	F	2.425	01/21/2025	4,000	4,000	4,005
Discover Card Master Trust		2.433	F	2.446	04/15/2025	2,000	2,000	2,005
ARI Fleet Lease Trust		2.280		2.296	04/15/2026	5,000	4,999	4,926
Chesapeake Funding II LLC		1.880		1.909	06/15/2028	2,792	2,789	2,773
Chesapeake Funding II LLC		1.990		1.999	05/15/2029	3,594	3,593	3,557
Chesapeake Funding II LLC		1.910		1.921	08/15/2029	1,790	1,790	1,769
SLMA Student Loan Trust		3.173	F	3.194	06/17/2030	2,386	2,386	2,397
Social Professional Loan Program		2.941	F	2.959	07/25/2039	1,126	1,126	1,131
Social Professional Loan Program		1.720		1.727	09/25/2040	2,256	2,255	2,240
Social Professional Loan Program		2.390		2.402	02/25/2042	3,479	3,479	3,458
Total Asset Backed Securities	34.0%						243,097	241,784
<b>Money Market Funds</b>								
BlackRock Liquidity		1.840	**			5,054	5,054	5,054
Total Money Market Funds	0.7%						5,054	5,054
<b>Total Short Term Bond Pool</b>	<b>100.00%</b>						<b>\$ 716,759</b>	<b>\$ 712,582</b>

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, 2018**  
*(In thousands)*

**WEST VIRGINIA BANK POOL**

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

**STATE LOAN POOL**

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Loans and Mortgages</i>							
Intergovernmental Loans							
WVEDA Revolving Loan		0.890 %			106,681	\$ 106,681	\$ 106,681
WVEDA Non-Recourse Loan		3.000			24,336	24,336	24,336
WVEDA Broadband Loan		1.300			1,480	1,480	1,480
Total Intergovernmental Loans						132,497	132,497
Reserve for uncollectable loans					23,464	23,464	23,464
Loans and Mortgages, net of reserve for uncollectable loans	100.0%					109,033	109,033
<i>Money Market Funds</i>							
BlackRock Liquidity		1.840 **			34	34	34
Total Money Market Funds	0.0%					34	34
<b>Total State Loan Pool</b>	<b>100.0%</b>					<b>\$ 109,067</b>	<b>\$ 109,067</b>

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See accompanying notes to financial statements.

**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2018**  
*(In thousands)*

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

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

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

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See accompanying notes to financial statements.

**West Virginia Board of Treasury Investments**  
**Schedule of Investments in Securities (Continued)**  
**June 30, 2018**  
*(In thousands)*

EDA - AW							
<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>UNITS</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
United States Treasury Bond		6.250 %	4.929 %	08/15/2023	1,445	\$ 1,530	\$ 1,686
Total U. S. Treasury Issues	<u>100.0%</u>					<u>1,530</u>	<u>1,686</u>
<b>Total EDA-AW</b>	<u>100.0%</u>					<u>\$ 1,530</u>	<u>\$ 1,686</u>

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See accompanying notes to financial statements.

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## **Other Financial Information**

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**WEST VIRGINIA BOARD OF TREASURY INVESTMENTS**  
**SCHEDULE OF NET ASSET VALUES (UNAUDITED)**

**JUNE 30, 2018**

*(IN THOUSANDS EXCEPT FOR INVESTMENT UNIT DATA)*

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

# WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

## PORTFOLIO STATISTICS (UNAUDITED)

JUNE 30, 2018

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

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

# WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

## PARTICIPANT NET ASSET VALUES (UNAUDITED)

JUNE 30, 2018

(IN THOUSANDS)

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

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

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

## Glossary of Financial and Investment Terms

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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.



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

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

We have audited, 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, the financial statements of the business-type activities and the combined fiduciary funds of the West Virginia Board of Treasury Investments (the “BTI”), a component unit of the State of West Virginia, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the BTI’s basic financial statements, and have issued our report thereon dated September 3, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the BTI’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the BTI’s internal control. Accordingly, we do not express an opinion on the effectiveness of the BTI’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. **Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.**

## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the BTI's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

CERTIFIED PUBLIC ACCOUNTANTS

Lynchburg, Virginia  
September 3, 2018