



WEST VIRGINIA
BOARD OF TREASURY
INVESTMENTS

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

Year Ended June 30, 2007

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

West Virginia Board of Treasury Investments
Year Ended June 30, 2007

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West Virginia Board of Treasury Investments

Financial Statements with Supplementary Information and Other Financial Information for the Year Ended June 30, 2007

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the proprietary and fiduciary funds of the West Virginia Board of Treasury Investments (the BTI), a component unit of the State of West Virginia, which collectively comprise the BTI's basic financial statements, the combining and individual fund financial statements, and the schedule of investments in securities as listed in the table of contents as of and for the year ended June 30, 2007. These financial statements are the responsibility of the BTI's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

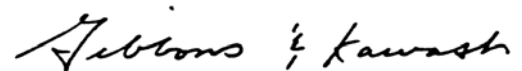
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the proprietary and fiduciary funds of the BTI as of June 30, 2007, and the respective results of their operations and changes in their net assets and cash flows, as applicable, for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the combining and individual fund financial statements and schedule of investments referred to above present fairly, in all material respects, the financial position of each of the individual funds and schedule of investments as of June 30, 2007, and the changes in net assets of such funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2007, on our consideration of the BTI's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 to 11 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally

accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The other financial information included on pages 52-57 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

A handwritten signature in black ink that reads "Gibbons & Kawash". The signature is written in a cursive, flowing style.

August 27, 2007

West Virginia Board of Treasury Investments

Management's Discussion and Analysis

June 30, 2007

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, 2007. 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 West Virginia Legislature, effective July 8, 2005, established the BTI to manage the short-term operating funds of the State. Prior to this date, the West Virginia Investment Management Board (the "WVIMB") was responsible for investment of both the short-term and long-term funds. The Legislature declared this transfer to ensure direct governmental oversight of state general and special revenue funds. The WVIMB continues to manage the retirement funds, the employment security funds, and other assets with longer time horizons.

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

Financial Highlights

Net Assets of the Consolidated Fund increased approximately \$442.6 million for the fiscal year ended June 30, 2007. The increase in net assets was the result of net investment gains for the year. The Federal Reserve held the overnight lending rate during the year at 5.25%. Performance for the BTI's Consolidated Fund has reflected the positive gains of high interest rates on short term funds as well as a favorable securities lending market. In addition, the increase in net assets was due to approximately \$429 million increase in net contributions over redemptions for the year and approximately \$138 million in current year net investment earnings.

The investment portfolios of the Consolidated Fund's Cash Liquidity, Government Money Market, and Enhanced Yield Pools had a 5.45%, 5.28%, and 5.32% return, respectively, for the fiscal year ended June 30, 2007. The Cash Liquidity Pool is structured as a money market fund with the goal of preservation of principal. The portfolio outperformed its investment policy benchmark by 23 basis points for the fiscal year. The Government Money Market's objective is to preserve capital and maintain sufficient liquidity to meet the daily disbursements of participants, while earning a return above inflation. The portfolio outperformed its investment policy benchmark by 22 basis points for the fiscal year.

The Enhanced Yield Pool is structured as a mutual fund with the objective of asset growth rather than current income. The portfolio underperformed its investment policy benchmark by 10 basis points for the fiscal year. The principal cause of this underperformance was the widening of credit spreads versus Treasuries. The credit spread widening had a negative impact during the last quarter of the fiscal year. The Enhanced Yield portfolio was underweighted in Treasury securities in favor of more spread-based sectors such as corporate notes and asset-backed 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 funds. 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 funds are used to account for the activities of the Consolidated Fund, which is made up of eleven legally separate investment pools and accounts. There are three external investment pools, two special-purpose internal investment pools, and six individual investment accounts, all of which are included in the fiduciary fund. The BTI is the trustee, or fiduciary, for participants in the Consolidated Fund. Financial statements for the proprietary fund and the fiduciary funds are reported using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP") for governmental entities.

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

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

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

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

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

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

Financial Analysis of the Operating Fund

Net assets. The following is the condensed Statement of Net Assets of the proprietary fund, which represents the operating activities of the BTI, as of June 30, 2007 and 2006 (in thousands).

	2007	2006
Current assets	\$ 862	\$ 817
Noncurrent assets	9	13
Total assets	871	830
Current liabilities	325	424
Noncurrent liabilities	27	28
Total liabilities	352	452
Net assets:		
Invested in capital assets	9	13
Unrestricted	510	365
Total net assets	\$ 519	\$ 378

Net assets of the operating fund increased \$141,000 from the prior year. This increase was primarily due to a decrease in cash of \$99,000, an increase in accounts receivable of \$144,000, and a decrease in accounts payable of \$98,000.

The majority of the proprietary fund's net assets consist of current assets. Approximately \$507,000 of \$862,000 in current assets consists of cash and cash equivalents that will be used to pay investment advisor, custodian, and administrative costs. The decrease in cash for the current year was due to a reduction in fees charged for investment advisor and administrative services. The BTI successfully negotiated reduced fees for both JP Morgan Asset Management and Standish Mellon. JP Morgan Asset Management reduced their fees to match those charged by its co-manager of the Cash Liquidity Pool, UBS Global Asset Management. In addition, a request for proposal was issued for an advisor for the Enhanced Yield Pool, which resulted in almost a 50% reduction in fees charged by Standish Mellon who successfully retained the account.

The administrative fee charged against the pools is based on a flat basis point. The BTI adopted a policy such that one-half of excess funds remaining in the administrative fee account at the end of fiscal year 2006 be used to reduce expenses for the subsequent year. The BTI conducted its first year of operations with \$328,749 under budget. One-half of this amount was used to reduce administrative fees for fiscal year 2007.

Approximately \$355,000 of current assets consists of accounts receivable at June 30, 2007. The accounts receivable balance represents fees that had not been withdrawn from the investment pools at June 30, 2007 to pay investment advisor, custodian, and administrative costs. In accordance with *WV State Code §12-6C-19*, the Board may charge fees to the pools for reasonable and necessary expenses incurred for rendering services. The fees charged to the pools are categorized into direct expenses (investment advisor and custodian fees) and indirect expenses (administrative costs). As part of the BTI monthly operations, expenses are transferred from the pools to the BTI's operating fund to pay for all necessary and reasonable expenses. These transfers occur one month in arrears, resulting in an accounts receivable balance.

Approximately \$286,000 of current liabilities represents accounts payable at June 30, 2007. The majority of the accounts payable balance represents services received from investment advisors for the final quarter of fiscal year 2007, custodian fees for the month of June 2007, and administrative fees not yet

paid. Due to the reduction in both investment advisor fees and administrative fees, the accounts payable balance at June 30, 2007 was significantly smaller from the prior year.

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

Changes in fund net assets. The following is a condensed Statement of Revenues, Expenses and Changes in Fund Net Assets of the operating fund for the periods ended June 30, 2007 and 2006 (in thousands).

	<u>2007</u>	<u>2006</u>
Revenues		
Operating revenues:		
Management services	\$ 1,179	\$ 1,389
Advisor and custodian services	<u>1,057</u>	<u>1,055</u>
Total revenues	<u>2,236</u>	<u>2,444</u>
Expenses		
Operating expenses:		
General and administrative	1,033	1,005
Advisor and custodian fees	1,057	1,058
Depreciation	<u>5</u>	<u>3</u>
Total expenses	<u>2,095</u>	<u>2,066</u>
Increase in net assets	141	378
Net assets at beginning of year	<u>378</u>	<u>-</u>
Net assets at end of year	<u>\$ 519</u>	<u>\$ 378</u>

Operating revenues at June 30, 2007 consist of investment advisor, custodian, and administrative fees billed to the pools by the operating fund to cover the cost of providing investment management services. The fees charged to the pools are categorized into direct or indirect expenses. All direct fees, investment advisor and custodian, are charged directly to the pools as the fee is incurred. All indirect expenses, i.e. insurance, staff costs, and rent, are charged to the pools based upon a fixed basis point against the net asset value of the pool. The fees collected are deposited in a special account in the State Treasurer's Office created and designated the Board of Treasury Investments Fee Fund in accordance with *West Virginia Code §12-6C-19*.

Operating revenues for fiscal year 2007 decreased by \$208,000. This reduction consisted of \$210,000 in administrative fee revenues and \$10,000 in investment advisor fees charged to the pool. As previously stated, the BTI significantly reduced its administrative fees due to being under budget by \$328,749 for fiscal year 2006. One-half of this amount was used to reduce fees for fiscal year 2007. In addition, investment advisor fees were reduced significantly for the Enhanced Yield Pool.

Total operating expenses for the year increased by approximately \$29,000. The majority of BTI expenses represent investment advisor fees. The current investment advisors consist of JP Morgan Asset Management, Standish Mellon, and UBS Global Asset Management. All investment decisions and trade execution are performed by the investment advisors. Total investment advisor fees for fiscal year 2007 were \$949,000, representing an \$11,000 decrease from the previous year.

In accordance with *WV State Code §12-6C-7*, each Board director shall give a separate fiduciary or surety bond from a surety company qualified to do business within West Virginia in a penalty amount of \$1

million for the faithful performance of his or her duties as director. The fiduciary bond fee for fiscal year 2007 was re-bid by the WV Board of Risk and Insurance Management. The new fee charged to the pools for fiscal year 2007 was \$155,000, an increase of \$36,000 from the prior year.

Professional service fees for fiscal year 2007 represent investment consulting services provided by Summit Strategies as well as external auditing fees. The BTI re-negotiated fees with Summit during December 2006. The professional service fees charged by Summit were reduced from \$160,000 to a revised contract of \$125,000 through March 2008.

General and administrative expenses represent costs associated with operating the BTI but not considered directly applicable to investment management. Activities for the second year of operations show approximately \$468,000 in salary expense. This results in an \$85,000 increase from the prior year. The BTI employs a full-time staff consisting of an Executive Director, Chief Financial Officer, and three investment accountants/analysts. An Internal Auditor is employed on a part-time basis. Another significant expense categorized as general and administrative is investment management systems. Costs associated with the investment accounting system significantly reduced from the prior year by \$89,000. For fiscal year 2007, fees charged to this line item consisted only of continuing maintenance costs. The West Virginia State Treasurer's Office provides certain administrative services at no cost.

Financial Analysis of the Consolidated Fund

Net assets. The following are combined, condensed Statements of Fiduciary Net Assets of the Consolidated Fund fiduciary funds as of June 30, 2007 and 2006 (in thousands).

	2007	2006
Assets		
Investments	\$ 2,927,355	\$ 2,505,839
Securities lending collateral	456,676	239,436
Receivables	7,149	13,631
Total assets	3,391,180	2,758,906
Liabilities		
Accrued expenses	354	211
Dividends and purchases payable	10,978	38,654
Securities lending payable	456,676	239,436
Total liabilities	468,008	278,301
Net Assets		
Held in trust for investment pool participants	2,815,502	2,448,949
Held in trust for individual investment account holders	107,670	31,656
Net assets	\$ 2,923,172	\$ 2,480,605

The Consolidated Fund's total assets as of June 30, 2007 were nearly \$3.4 billion and were composed mainly of investments and invested securities lending collateral. Total assets increased \$632.3 million or 23% from the prior year primarily due to an increase in contributions and the amount of securities available for loan and collateralized at June 30, 2007.

Total liabilities as of June 30, 2007 were \$468.0 million and were composed mainly of securities lending collateral payable. Total liabilities increased \$189.7 million or 68% from the prior year primarily due to the increase in securities lending collateral at year-end.

Net assets are the excess of total assets over total liabilities. The Consolidated Fund had total net assets of more than \$2.9 billion at the close of fiscal year 2007. The net assets consist of both funds held in trust for investment pool participants and individual account holders. Investment pool participants are those shareholders investing in the Cash Liquidity, Government Money Market, Enhanced Yield, Loan, and Loss Amortization Pools. Net assets for investment pool participants increased approximately 15% from the prior year primarily due to an increase in investments for the Cash Liquidity and Government Money Market Pool.

Net assets held in trust for individual account holders represent individual state agency accounts with specific investment needs. Each agency has 100% ownership of the underlying investments in its pool and is solely responsible for the investment decisions in accordance with the legal restrictions applicable to those assets. Net assets for individual account holders increased 240% from the prior year. This increase was due to the addition of the Department of Highways participant directed account. The Department of Highways issued \$75.9 million in Special Obligation Notes and established a participant account with the BTI during October 2006.

Changes in net assets. The following is a combined, condensed Statement of Changes in Fiduciary Net Assets of the Consolidated Fund fiduciary funds for the years ended June 30, 2007 and 2006 (in thousands).

	Year Ended June 30,	
	2007	2006
Additions		
Net investment income	\$ 138,000	\$ 103,548
Net realized loss	(939)	(2,973)
Net increase (decrease) in fair value of investments	4,308	(10,470)
Unit purchases and contributions	9,075,392	8,584,988
Total additions	<u>9,216,761</u>	<u>8,675,093</u>
Deductions		
Distributions	128,503	95,962
Unit redemptions and withdrawals	8,645,691	8,465,187
Total deductions	<u>8,774,194</u>	<u>8,561,149</u>
Increase in net assets	442,567	113,944
Net assets at beginning of year	<u>2,480,605</u>	<u>2,366,661</u>
Net assets at end of year	<u>\$ 2,923,172</u>	<u>\$ 2,480,605</u>

Net investment income for the Consolidated Fund increased by \$34.5 million or 33% over the previous year. This increase was due to short-term interest rates remaining at 5.25% during fiscal year 2007. Performance of the Consolidated Fund has reflected these favorable interest rates for short term funds.

A net realized loss of \$939,000 was incurred, a decrease of \$2 million from the prior year. This net realized loss was primarily due to sales of securities and underperformance in the Enhanced Yield Pool. Given the rise of interest rates, 1-3 year strategies generally underperformed money market returns. The underperformance of the Enhanced Yield Pool to its benchmark was due primarily to a general widening of credit spreads to Treasuries in the market. Since the Enhanced Yield Pool is overweighted in

corporates and asset-backed securities, a widening of these credit spreads had a negative effect on performance.

Unit purchases and contributions to the Consolidated Fund increased by \$490.4 million or nearly 6% over the previous fiscal year, while unit redemptions and withdrawals to participants increased by \$180.5 million or 2%.

Economic Factors

The overall performance of the BTI Consolidated Fund was positive for fiscal year 2007. Short-term interest rates remained steady over the past year. At the end of June 2007, the overnight Fed Funds rate remained at 5.25%, the 2-year Treasury note yielded 4.86% and the 10-year note yielded 5.02%.

The Consolidated Fund is designed to address the short-term liquidity needs of the participants which focus on safety of principal, maximization of yield, and conformance with state law and other pertinent legal restrictions. The Board recognizes that risk, volatility, and the possibility of loss in purchasing power are present to some degree in all types of investments. However, the Investment Policy of the BTI invests assets in a manner that strives for maximum safety with the primary objectives of safety and liquidity. The securities of the Consolidated Fund are restricted to fixed income investments. These investments fluctuate in value as interest rates change, with higher quality shorter-term investments fluctuating far less than lower quality maturities. Based upon economic data gathered by the BTI, the market has largely withdrawn its expectations of the Federal Reserve's easing rates over the next year. The economy appears to be rebounding from a very weak third quarter, with continued solid retail sales and strong employment, capital spending and commercial real estate pricing. The housing sector continues to be weak, but did not have a negative impact on the BTI's portfolio due to the high credit profile of the securities owned.

Requests for Information

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

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

June 30, 2007

(In Thousands)

Assets	
Current assets:	
Cash	\$ 507
Receivables	355
Total current assets	<u>862</u>
Noncurrent assets:	
Capital assets, net of accumulated depreciation	9
Total assets	<u>871</u>
 Liabilities	
Current liabilities:	
Accounts payable	286
Compensated absences	39
Total current liabilities	<u>325</u>
Noncurrent liabilities:	
Compensated absences	27
Total liabilities	<u>352</u>
 Net assets	
Invested in capital assets	9
Unrestricted	510
Total net assets	<u><u>\$ 519</u></u>

See accompanying notes to financial statements.

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

For the Year Ended June 30, 2007

(In Thousands)

Operating revenues	
Management services	\$ 1,179
Advisor services	949
Custodian services	108
Total operating revenues	<u>2,236</u>
Operating expenses	
Advisor fees	949
Professional consultant fees	204
Fiduciary bond	155
Custodian fees	108
General and administrative	674
Depreciation	5
Total operating expenses	<u>2,095</u>
Operating income	<u>141</u>
Change in net assets	141
Net assets at beginning of period	378
Net assets at end of period	<u><u>\$ 519</u></u>

See accompanying notes to financial statements.

Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2007

(In Thousands)

Cash flows from operating activities	
Cash received for services	\$ 2,093
Payments to employees	(468)
Payments to vendors	(1,723)
Net cash used for operating activities	<u>(98)</u>
 Cash flows from capital financing activities	
Purchase of capital equipment	(1)
Total cash used for capital financing activities	<u>(1)</u>
 Net decrease in cash and cash equivalents	 (99)
Cash at beginning of period	606
Cash at end of period	<u><u>\$ 507</u></u>
 Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 141
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	5
Changes in assets and liabilities:	
Receivables	(144)
Accounts payable	(98)
Compensated absences	(2)
Net cash used for operating activities	<u><u>\$ (98)</u></u>

See accompanying notes to financial statements.

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

June 30, 2007

(In Thousands)

Assets	
Investments:	
At amortized cost	\$ 2,483,491
At fair value	443,864
Total investments	<u>2,927,355</u>
Collateral for securities loaned, at fair value (Note 4)	456,676
Receivables:	
Accrued interest	6,945
Dividends	52
Securities lending income	152
Total receivables	<u>7,149</u>
Total assets	<u>3,391,180</u>
 Liabilities	
Accrued expenses	354
Dividends payable	978
Payable for investments purchased	10,000
Payable upon return of securities loaned (Note 4)	456,676
Total liabilities	<u>468,008</u>
 Net Assets	
Held in trust for investment pool participants	2,815,502
Held in trust for individual investment account holders	107,670
Total net assets	<u><u>\$ 2,923,172</u></u>

See accompanying notes to financial statements.

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

For the Year Ended June 30, 2007

(In Thousands)

Additions	
Investment income:	
Interest	\$ 65,625
Dividends	895
Securities lending income	23,974
Net accretion	76,182
Provision for uncollectible loans	(3,103)
Total investment income	<u>163,573</u>
Investment expenses:	
Investment advisor fees	950
Custodian bank fees	107
Administrative fees	1,180
Securities lending agent fees	273
Securities lending borrower rebates	23,063
Total investment expenses	<u>25,573</u>
Net investment income	138,000
Net realized loss from investments	(939)
Net decrease in fair value of investments	4,308
Net increase in net assets from operations	<u>141,369</u>
Participant transactions:	
Purchase of pool units by participants	8,833,687
Reinvestment of pool distributions	128,339
Contributions to individual investment accounts	113,366
Total participant transactions	<u>9,075,392</u>
Total additions	9,216,761
Deductions	
Distributions to pool participants:	
Net investment income	128,452
Net realized loss from investments	51
Total distributions to pool participants	<u>128,503</u>
Participant transactions:	
Redemption of pool units by participants	8,604,738
Withdrawals from individual investment accounts	40,953
Total participant transactions	<u>8,645,691</u>
Total deductions	<u>8,774,194</u>
Change in net assets	442,567
Net assets at beginning of period	2,480,605
Net assets at end of period	<u><u>\$ 2,923,172</u></u>

See accompanying notes to financial statements.

West Virginia Board of Treasury Investments

Notes to Financial Statements

June 30, 2007

1. Organization and Operations

The West Virginia Board of Treasury Investments (the “BTI”) is charged with managing the individual investment pools and accounts of the Consolidated Fund under authority of West Virginia State Code Chapter 12, Article 6C, West Virginia Treasury Investments Act. The 2005 West Virginia Legislature established the BTI, effective July 8, 2005, as a public corporation of the State of West Virginia, to make short-term operating funds of the state more accessible to state government and to allow the West Virginia Investment Management Board (the “IMB”), which had managed the Consolidated Fund, to focus on the state’s long-term trust investments. The BTI operates on a fiscal year that begins July 1 and ends June 30.

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

The BTI employs a full-time staff. The West Virginia State Treasurer’s Office 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:

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

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

Enhanced Yield – This pool consists of the operating funds of the State that are not immediately needed to fund the State’s liquidity requirements. The pool is managed by Standish Mellon Asset Management.

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

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

Participant Directed Accounts – The BTI also maintains pools for individual State agencies with specific investment needs. These pools are collectively referred to as Participant Directed Accounts, and include the following: Municipal Bond Commission, Lottery Defeasance, School Fund, Economic Development Authority Insurance (“EDA Insurance”), EDA – American Woodmark (“EDA – AW”), and Department of Highways. 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 (Cash Liquidity, Government Money Market and Enhanced Yield), two internal investment pools (Loss Amortization, Loans) and six individual investment accounts (Municipal Bond Commission, Lottery Defeasance, School Fund, EDA Insurance, EDA – AW, and Department of Highways).

Budgetary Information

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

Cash Equivalents

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

Capital Assets

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

Compensated Absences, Including Postretirement Benefits

Employees fully vest in all earned but unused annual leave to maximum amounts ranging from 240 to 320 hours, and the BTI accrues for obligations that may arise in connection with compensated absences for vacation at the current rate of employee pay. In accordance with personnel policies of the State, employees vest in any remaining unused sick leave only upon retirement, at which time any unused sick leave time either can be converted into employer-paid premiums for post-retirement health care coverage through the West Virginia Public Employees Insurance Agency ("PEIA"), or can be converted into a greater retirement benefit under the State of West Virginia Public Employees Retirement System ("PERS"). The BTI accrues for obligations that may arise in connection with compensated absences for unused sick leave that may be converted to employer-paid premiums for post-retirement health care coverage.

Income Taxes

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

Revenues and expenses – Proprietary fund

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

Net Assets – Proprietary fund

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

Use of Estimates

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

Investment Accounting

Investment Valuation The BTI is an investment vehicle of the State and its component units, all of which are government entities. The investments of the Cash Liquidity, Government Money Market, Loans, Municipal Bond Commission, and EDA pools are, as permissible under Government Accounting Standards Board (“GASB”) Statement Number 31, carried at amortized cost. The Cash Liquidity and Government Money Market pools are considered “2a7-like” investment pools and, as such, are reported at amortized cost, which approximates fair value. A 2a7-like pool operates in a manner consistent with the Securities and Exchange Commission (the “SEC”) Rule 2a7 of the Investment Company Act of 1940, which allows money market mutual funds to use amortized cost to report net assets. A 2a7-like pool is not necessarily registered with the SEC as an investment company, but it would qualify as a money market fund should it be registered. The specific GASB 31 exceptions to fair value reporting for the other pools are as follows:

Pool	Exception
Loans	Loans receivable arising from real estate lending activities
Municipal Bond Commission	Irrevocable trust meeting the requirements of a legal or in-substance defeasance
EDA Insurance	Internal investment pool holding only money market investments with remaining maturities of one year or less

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

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

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

Securities Lending GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, requires governmental entities to report securities loaned as assets in their statements of net assets. The statement also requires the costs of the securities lending transactions be reported as expenses separately from income received. The BTI Board has authorized the BTI securities lending program. The BTI through its custodial agent, Mellon Bank, loans U.S. securities to various brokers on a temporary basis. Each transaction for U.S. securities is secured by collateral of at least 102% of the market value of the securities loaned. The BTI will accept only the following as collateral: cash; U.S. Treasury obligations or U.S. Government Agency obligations; and irrevocable letters of credit issued by banks rated A1 or P1, independent of borrowers. Cash collateral received is invested in the Mellon GSL DBT II Collateral Fund. Neither the BTI nor Mellon matches maturities of investments made with cash collateral to maturities of securities loaned. Non-cash collateral cannot be pledged or sold unless the borrower defaults. The BTI receives a portion of the income from the investment of the collateral. The BTI also continues to receive interest or dividends on the securities loaned. Gains and losses in the fair value of the securities loaned that may occur during the term of the loans are reflected in the various investment pools. Mellon indemnifies the BTI against loss from borrower failure, which means that the BTI will receive contractual settlement regardless of whether the borrower returns securities loaned. Mellon also indemnifies the BTI against operational errors.

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

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

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

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

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

Amortization Discounts and premiums on securities purchased are amortized over the life of the respective securities using the scientific method of amortization. This method maintains a constant book yield over the life of the security. The amortization of asset-backed securities considers the effect of prepayments on the life of the security. Historical prepayment speeds are obtained from market data vendors and are updated annually. The effect of changing prepayment assumptions is reported in the Combined Statement of Changes in Fiduciary Net Assets in the year of the change.

Allowance for Loan Losses The allowance for loan losses is available to absorb future loan losses. The allowance is increased by provisions charged against operations and reduced by charge-offs (losses), net of recoveries. The provision is based on several factors including: analytical reviews of loan loss experience in relationship to outstanding loans; a continuing review of problem loans and overall portfolio quality, including analysis of the quality of the underlying collateral; and management's judgment on the impact of current and expected economic conditions on the portfolio. At June 30, 2007, the Loan Pool had an allowance for uncollectible loans of \$6,937,779.

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

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

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

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

Expenses Each pool is charged for its direct investment-related cost and for its allocated share of other expenses. The other expenses are allocated to the pools based on asset size. Certain pools cannot be charged expenses or must be charged a reduced expense. The BTI pays all expenses on behalf of the pools.

3. Cash and Cash Equivalents

The internal service fund's cash on deposit with the State Treasurer's Office was \$507,000 at June 30, 2007. 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, 2007.

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 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. Neither the BTI nor any of the 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: Cash Liquidity Pool, Government Money Market Pool, Enhanced Yield Pool, Loan Pool, School Fund Account and Department of Highways Account.

The BTI limits the exposure to credit risk in the Cash Liquidity Pool by requiring all corporate bonds to be rated AA- by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P1 by Moody's. The pool must have at least 15% of its assets in U.S. Treasury issues. The following table provides information on the credit ratings of the Cash Liquidity Pool's investments (in thousands):

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

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
Investments:				
Commercial paper	P1	A-1	\$ 1,015,926	48.89%
Corporate bonds and notes	Aaa	AAA	98,999	4.76
	Aa3	AA	20,001	0.96
	Aa3	A	23,002	1.11
	Aa2	AA	15,000	0.72
	Aa2	A	27,000	1.30
	Aa1	AA	77,023	3.71
Total corporate bonds and notes			261,025	12.56
U.S. agency bonds	Aaa	AAA	46,994	2.26
U.S. Treasury bills	Aaa	AAA	358,725	17.27
Negotiable certificates of deposit	P1	A-1	76,500	3.68
U.S. agency discount notes	P1	A-1	21,655	1.04
Money market funds	Aaa	AAA	185	0.01
Repurchase agreements (underlying securities):				
U.S. agency notes	Aaa	AAA	246,821	11.88
Total investments			2,027,831	97.59
Deposits:				
Nonnegotiable certificates of deposit	NR*	NR*	50,000	2.41
			<u>\$ 2,077,831</u>	<u>100.00%</u>

* NR = Not Rated. See "Deposits" note at the conclusion of this footnote.

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

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
U.S. agency bonds	Aaa	AAA	\$ 67,620	29.46%
U.S. Treasury bills	Aaa	AAA	36,379	15.85
U.S. agency discount notes	P1	A-1	74,143	32.30
Money market funds	Aaa	AAA	9	-
Repurchase agreements (underlying securities):				
U.S. Treasury notes	Aaa	AAA	51,400	22.39
			\$ 229,551	100.00%

The BTI limits the exposure to credit risk in the Enhanced Yield Pool by requiring all corporate bonds to be rated A- by Standard & Poor's (or its equivalent) or higher. Commercial paper must be rated at least A-1 by Standard & Poor's and P1 by Moody's. The following table provides information on the credit ratings of the Enhanced Yield Pool's investments (in thousands):

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
Corporate asset backed securities	P1	A-1	\$ 42,122	18.40%
Corporate bonds and notes	Aaa	AAA	1,667	0.73
	Aa3	AA	7,857	3.43
	Aa3	A	3,905	1.70
	Aa2	AA	950	0.41
	Aa2	A	2,177	0.95
	Aa1	AA	6,431	2.81
	A3	A	6,958	3.04
	A2	AA	747	0.33
	A2	A	8,188	3.58
	A1	AA	3,034	1.32
	A1	A	10,706	4.68
Total corporate bonds and notes			52,620	22.98
U.S. agency bonds	Aaa	AAA	46,075	20.13
U.S. Treasury notes	Aaa	AAA	55,877	24.41
U.S. agency mortgage backed securities	Aaa	AAA	11,741	5.13
Repurchase agreements (underlying securities):				
U.S. agency notes	Aaa	AAA	20,485	8.95
			\$ 228,920	100.00%

The Loan Pool is composed of loans made by the State. The pool holds intergovernmental loans and an interest in a money market mutual fund in the amount of \$9,256,000. The mutual fund is rated AAA by

Standard & Poor's and Aaa by Moody's. The loans are not rated; however, because there is the potential for defaults on the loans, the pool is subject to credit risk related to the loans. The BTI addresses this credit risk by establishing and regularly evaluating a reserve for uncollectible loans.

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

The School Fund Account holds only an interest in a money market mutual fund valued at \$1,753,000. The mutual fund is rated AAA by Standard & Poor's and Aaa by Moody's. The BTI does not have a policy specifically addressing credit risk in the School Fund Account.

The Department of Highways Account provides for the investment of proceeds from the issuance and sale of \$90 million Surface Transportation Improvements Special Obligation Notes. The BTI does not have a policy specifically addressing credit risk in the Department of Highways Account. The following table provides information on the credit ratings of the Department of Highways Account investments (in thousands):

Security Type	Credit Rating		Carrying Value	Percent of Pool Assets
	Moody's	S&P		
Money market funds	Aaa	AAA	\$ 11	0.02%
Repurchase agreements (underlying securities):				
U.S. agency mortgage backed securities	Aaa	AAA	56,994	99.98
			<u>\$ 57,005</u>	<u>100.00%</u>

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 Cash Liquidity Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase. The following table provides information on the weighted average maturities for the various asset types in the Cash Liquidity Pool:

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

Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 246,821	2
U.S. Treasury bills	358,725	30
Commercial paper	1,015,926	52
Certificates of deposit	126,500	76
U.S. agency discount notes	21,655	113
Corporate notes	261,025	58
U.S. agency bonds/notes	46,994	156
Money market funds	185	1
	<u>\$ 2,077,831</u>	48

The overall weighted average maturity of the investments of the Government Money Market Pool cannot exceed 60 days. Maximum maturity of individual securities cannot exceed 397 days from date of purchase. The following table provides information on the weighted average maturities for the various asset types in the Government Money Market Pool:

Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 51,400	2
U.S. Treasury bills	36,379	29
U.S. agency discount notes	74,143	106
U.S. agency bonds/notes	67,620	60
Money market funds	9	1
	<u>\$ 229,551</u>	49

The overall weighted average maturity of the investments of the Enhanced Yield Pool cannot exceed 731 days. Maximum maturity of individual securities cannot exceed 1,827 days (five years) from date of purchase. The following table provides information on the weighted average maturities for the various asset types in the Enhanced Yield Pool:

Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 20,485	2
U.S. Treasury bonds/notes	55,877	1,092
Corporate notes	52,620	557
Corporate asset backed securities	42,122	421
U.S. agency bonds/notes	46,075	927
U.S. agency mortgage backed securities	11,741	814
	<u>\$ 228,920</u>	700

The Loss Amortization Pool holds a U.S. Treasury strip valued at \$154,277,000 that matures on August 15, 2011. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in this pool arising from increasing interest rates. However, it is the intent of the BTI to hold this security to maturity.

The Loan Pool holds an interest in a money market mutual fund in the amount of \$9,256,000 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 BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in the Municipal Bond Commission Account arising from increasing interest rates. The following table provides information on the weighted average maturities for the various asset types in the Municipal Bond Commission Account:

Security Type	Carrying Value (In Thousands)	WAM (Days)
U.S. Treasury bills	\$ 457	74
U.S. Treasury strips	7,600	1,600
U.S. Treasury bonds/notes	5,843	3,648
State and local government securities	31,919	484
	<u>\$ 45,819</u>	1,068

The Lottery Defeasance Account holds only U.S. Treasury securities and U.S. agency bonds and notes with maturities timed to match lottery winner payouts. It is the intent to hold these securities to maturity. The BTI's policy does not specifically address maturity restrictions as a means of managing exposure to fair value losses in the Lottery Defeasance Account arising from increasing interest rates. The following table provides information on the weighted average maturities for the various asset types in the Lottery Defeasance Account:

Security Type	Carrying Value (In Thousands)	WAM (Days)
U.S. Treasury bills	\$ 51	90
U.S. agency bonds/notes	252	224
Money market funds	1	1
	<u>\$ 304</u>	201

The School Fund Account holds only an interest in a money market mutual fund valued at \$1,753,000 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 Insurance Account holds only a U.S. Treasury bill in the amount of \$450,000 that matures December 14, 2006. 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 \$1,605,000 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.

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

Security Type	Carrying Value (In Thousands)	WAM (Days)
Repurchase agreements	\$ 56,994	610
Money market funds	11	1
	\$ 57,005	610

Other Risks of Investing

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

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

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

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

Securities Lending

At June 30, 2007, the fair value of securities on loan and the collateral held by the pools of the BTI are as follows. Of the collateral held, \$456,675,611 was received as cash. The collateral received as cash is invested in the Mellon GSL DBT II Collateral Fund. For securities loaned at June 30, 2007, the BTI has no credit risk exposure to borrowers because the amount the BTI owes the borrowers exceeds the amounts the borrowers owe the BTI. There were no losses during the year resulting from borrower default, and there were no significant violations of legal or contractual provisions.

	Fair Value of Securities on Loan	Collateral Held
Cash Liquidity Pool	\$ 385,860,882	\$ 393,186,250
Government Money Market Pool	54,140,719	55,233,250
Enhanced Yield Pool	84,044,779	85,576,479
	<u>\$ 524,046,380</u>	<u>\$ 533,995,979</u>

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 Cash Liquidity Pool contains nonnegotiable certificates of deposit valued at \$50,000,000, which represents 2.41% of the pool's assets. The BTI does not have a deposit policy for custodial credit risk.

5. Capital Assets

Capital asset activity for the year ended June 30, 2007, was as follows:

	June 30, 2006	Increases	Decreases	June 30, 2007
Equipment	\$ 15,775	\$ 1,767	-	\$ 17,542
Accumulated depreciation	(3,135)	(5,258)	-	(8,393)
Equipment, net of accumulated depreciation	<u>\$ 12,640</u>	<u>\$ (3,491)</u>	-	<u>\$ 9,149</u>

6. Compensated Absences

The accruals for compensated absences in the proprietary fund represent obligations that may arise for earned but unused annual and sick leave as of June 30, 2007. Current liabilities of \$39,000 represent obligations for compensated absences that will become due within a year from June 30, 2007. Noncurrent liabilities of \$27,000 represent obligations for compensated absences that will become due more than a year after June 30, 2007. The accrued compensated absences liability at June 30, 2007, and changes in the fiscal year then ended are as follows (in thousands):

Beginning balance, June 30, 2006	\$ 68
Additions	37
Reductions	<u>(39)</u>
Ending balance, June 30, 2007	<u>\$ 66</u>

7. Employee Benefit Plans

Plan Description

The BTI contributes to the PERS, a cost-sharing multiple-employer defined benefit pension plan administered by the West Virginia Consolidated Public Retirement Board (“CPRB”) pursuant to Chapter 5, Article 10D of the West Virginia Code. The PERS provides retirement, disability and death benefits to plan members and beneficiaries. The CPRB issues a publicly available financial report that includes financial statements and required supplementary information for the PERS. That report can be obtained by writing to CPRB, Capitol Complex, Building 5, Room 1000, Charleston WV 25305.

Funding Policy

Eligible employees are required to contribute 4.5% of their annual covered salary, and the BTI is required to contribute 10.5% of covered employees’ salaries to the PERS. The contribution requirements of eligible employees and the BTI are established and may be amended by the CPRB. The BTI’s contributions to the PERS were \$38,281 and \$31,428 for the years ended June 30, 2007 and 2006, respectively, equal to the required contributions for the periods.

8. Related Party Transactions

Intergovernmental Investments

The BTI is required by law to enter into certain investment transactions with other state entities. At June 30, 2007, the BTI’s intergovernmental investments included the following:

- a. The “Tax Reappraisal Loan” represents an obligation of the West Virginia Property Valuation Training and Procedures Commission. The original loan was \$5,701,896 and was used to fund property reappraisals by various counties. The loan’s interest rate may be renegotiated every three years until paid. The outstanding principal balance and accrued interest at June 30, 2007, was \$25,004. The current note bears an annual rate of interest at 5.16%.
- b. 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 Cash Liquidity Pool. The rate for the year ending June 30, 2007, is 3.48%. The rate has a 1% annual adjustment cap. The WVEDA makes monthly principal and interest payments calculated on a one hundred twenty month amortization of the outstanding balance. At June 30, 2007, the outstanding balance was \$108,520,101.
- c. The “WVEDA Non-recourse Loan” represents an obligation of the WVEDA. The BTI assumed the loan as of July 8, 2005. The loan was originally entered into with the West Virginia Investment Management Board on April 9, 2002. The terms of the loan allow for the WVEDA to borrow through June 29, 2012, up to \$25,000,000 from the BTI. The funds borrowed by the WVEDA are to be loaned, without recourse, to the West Virginia Enterprise Advancement Corporation (WVEAC), for investment in the West Virginia Enterprise Capital Fund, to fund certain venture capital initiatives. The loan earns interest at 3%, which is fixed for the term of the loan. The WVEDA is required to make annual principal payments of \$10,000 plus accrued interest for the first ten years. However, in the event the WVEDA has not received any returns from the investment with the WVEAC, these payments may be deferred through June 30, 2012. Beginning June 30, 2013, the WVEDA is expected to make principal and interest payments

sufficient to repay all outstanding principal and accrued interest in full by June 30, 2022. At June 30, 2007, \$18,950,000 of principal was outstanding.

Because of the uncertain collectibility of this loan, the BTI has elected to use the cash received method income recognition for this loan. Under this method, income is recognized when it is collected. Additionally, a valuation reserve of \$6,937,779 has been accrued at June 30, 2007.

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

Fiscal Year 2005 interest deferred	\$ 425,579
Fiscal Year 2006 interest deferred	464,716
Fiscal Year 2007 interest deferred	<u>563,704</u>
Total interest deferred	<u>\$ 1,453,999</u>

Transactions with State Treasurer's Office

The State Treasurer's Office provides various services at no cost to the BTI and pays certain costs on behalf of the BTI. Such administrative services and costs approximated \$84,000 for the year ended June 30, 2007.

9. Risk Management

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

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

The BTI has obtained health coverage for its employees through PEIA, which provides the following basic employee benefit coverage to all participants: hospital, surgical, group major medical, basic group life, accidental death, and prescription drug coverage for active and retired employees of the State of West Virginia and various related State and non-State agencies. Additionally, the BTI has obtained coverage for job-related injuries through its participation in the private, employer-owned mutual insurance company BrickStreet Insurance. There have been no workers' compensation claims since the inception of the BTI.

10. Effect of New Accounting Pronouncements

The GASB has issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which provides guidance on all aspects of other postemployment benefit reporting by employers. The requirements of this statement will be effective for the BTI in the fiscal year beginning July 1, 2007. BTI management does not believe these new requirements will significantly affect the BTI's financial position or results of operations for the next fiscal year.

The GASB also has issued Statement No. 47, *Accounting for Termination Benefits*, which provides guidance on how employers should account for benefits associated with either voluntary or involuntary terminations. The requirements of this statement will be effective for the BTI in the fiscal year beginning

July 1, 2007. BTI management does not believe these new requirements will significantly affect the BTI's financial position or results of operations for the next fiscal year.

11. Subsequent Events

In July 2007, three pools were renamed to better reflect their purpose and activity. The Cash Liquidity Pool was renamed the West Virginia Money Market Pool, the Government Money Market Pool was renamed the West Virginia Government Money Market Pool, and the Enhanced Yield Pool was renamed the West Virginia Short Term Bond Pool.

Also in July 2007, the Board authorized the establishment of the West Virginia Bank Pool to manage non-negotiable certificates of deposit purchased under the BTI's BidWV CD Program. The program purchases CDs from state banks and depositories to make funds available for consumer and business loans within the state. On August 8, 2007, \$75 million in BidWV CD Program funds were moved from the West Virginia Money Market Pool – previously known as the Cash Liquidity Pool – to the new Bank Pool. At June 30, 2007, the BidWV CD Program had CDs valued at \$50 million in the Cash Liquidity Pool, which represented 2.41% of the Pool's assets.

In August 2007, two of the BTI's pools, the West Virginia Money Market and West Virginia Government Money Market Pools – previously known as the Cash Liquidity and Government Money Market Pools – were 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.

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Supplementary Information

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

June 30, 2007

(In Thousands)

	<u>Cash Liquidity Pool</u>	<u>Government Money Market Pool</u>	<u>Enhanced Yield Pool</u>	<u>Loss Amortization Pool</u>
Assets				
Investments:				
At amortized cost	\$ 2,077,831	\$ 229,551	\$ -	\$ -
At fair value	-	-	228,920	154,277
Collateral for securities loaned, at fair value (Note 4)	357,574	55,233	43,869	-
Receivables:				
Accrued interest	3,711	384	1,814	-
Dividends	1	-	-	-
Securities lending income	130	13	9	-
Total receivables	<u>3,842</u>	<u>397</u>	<u>1,823</u>	<u>-</u>
Total assets	<u>2,439,247</u>	<u>285,181</u>	<u>274,612</u>	<u>154,277</u>
Liabilities				
Accrued expenses	279	31	38	-
Dividends payable	-	-	978	-
Payable for investments purchased	10,000	-	-	-
Payable upon return of securities loaned (Note 4)	<u>357,574</u>	<u>55,233</u>	<u>43,869</u>	<u>-</u>
Total liabilities	<u>367,853</u>	<u>55,264</u>	<u>44,885</u>	<u>-</u>
Net Assets				
Held in trust for investment pool participants	2,071,394	229,917	229,727	154,277
Held in trust for individual investment account holders	-	-	-	-
Total net assets	<u>\$ 2,071,394</u>	<u>\$ 229,917</u>	<u>\$ 229,727</u>	<u>\$ 154,277</u>

See accompanying notes to financial statements.

Loan Pool	Municipal Bond Commission Account	Lottery Defeasance Account	School Fund Account	Economic Development Authority Insurance Account	Economic Development Authority - American Woodmark Account	Department of Highways	Total
\$ 129,840	\$ 45,819	\$ -	\$ -	\$ 450	\$ -	\$ -	\$ 2,483,491
-	-	304	1,753	-	1,605	57,005	443,864
-	-	-	-	-	-	-	456,676
309	447	-	-	-	34	246	6,945
43	-	-	7	1	-	-	52
-	-	-	-	-	-	-	152
<u>352</u>	<u>447</u>	<u>-</u>	<u>7</u>	<u>1</u>	<u>34</u>	<u>246</u>	<u>7,149</u>
130,192	46,266	304	1,760	451	1,639	57,251	3,391,180
5	1	-	-	-	-	-	354
-	-	-	-	-	-	-	978
-	-	-	-	-	-	-	10,000
-	-	-	-	-	-	-	456,676
<u>5</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>468,008</u>
130,187	-	-	-	-	-	-	2,815,502
-	46,265	304	1,760	451	1,639	57,251	107,670
<u>\$ 130,187</u>	<u>\$ 46,265</u>	<u>\$ 304</u>	<u>\$ 1,760</u>	<u>\$ 451</u>	<u>\$ 1,639</u>	<u>\$ 57,251</u>	<u>\$ 2,923,172</u>

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

For the Year Ended June 30, 2007

(In Thousands)

	Cash Liquidity Pool	Government Money Market Pool	Enhanced Yield Pool	Loss Amortization Pool
Additions				
Investment income				
Interest	\$ 41,444	\$ 4,979	\$ 11,662	\$ -
Dividends	79	5	-	-
Securities lending income	15,736	2,112	6,126	-
Net accretion (amortization)	63,524	5,997	447	6,345
Provision for uncollectible loans	-	-	-	-
Total investment income	<u>120,783</u>	<u>13,093</u>	<u>18,235</u>	<u>6,345</u>
Investment expenses				
Investment advisor fees	713	74	163	-
Custodian bank fees	77	14	16	-
Administrative fees	896	95	117	-
Securities lending agent fees	208	24	41	-
Securities lending borrower rebates	15,043	2,031	5,989	-
Total investment expenses	<u>16,937</u>	<u>2,238</u>	<u>6,326</u>	<u>-</u>
Net investment income	103,846	10,855	11,909	6,345
Net realized gain (loss) from investments	46	5	(990)	-
Net increase (decrease) in fair value of investments	<u>-</u>	<u>-</u>	<u>2,312</u>	<u>1,989</u>
Net increase (decrease) in net assets from operations	103,892	10,860	13,231	8,334
Participant transactions				
Purchase of pool units by participants	8,341,652	490,920	1,115	-
Reinvestment of pool distributions	103,762	10,860	11,875	-
Contributions to individual investment accounts	-	-	-	-
Total participant transactions	<u>8,445,414</u>	<u>501,780</u>	<u>12,990</u>	<u>-</u>
Total additions	8,549,306	512,640	26,221	8,334
Deductions				
Distributions to pool participants				
Net investment income	103,846	10,855	11,909	-
Net realized gain (loss) from investments	46	5	-	-
Total distributions to pool participants	<u>103,892</u>	<u>10,860</u>	<u>11,909</u>	<u>-</u>
Participant transactions				
Redemption of pool units by participants	8,093,643	449,170	51,130	-
Withdrawals from individual investment accounts	-	-	-	-
Total participant transactions	<u>8,093,643</u>	<u>449,170</u>	<u>51,130</u>	<u>-</u>
Total deductions	<u>8,197,535</u>	<u>460,030</u>	<u>63,039</u>	<u>-</u>
Change in net assets	351,771	52,610	(36,818)	8,334
Net assets at beginning of period	1,719,623	177,307	266,545	145,943
Net assets at end of period	<u>\$ 2,071,394</u>	<u>\$ 229,917</u>	<u>\$ 229,727</u>	<u>\$ 154,277</u>

See accompanying notes to financial statements.

<u>Loan Pool</u>	<u>Municipal Bond Commission Account</u>	<u>Lottery Defeasance Account</u>	<u>School Fund Account</u>	<u>Economic Development Authority Insurance Account</u>	<u>Economic Development Authority - American Woodmark Account</u>	<u>Department of Highways</u>	<u>Total</u>
\$ 3,899	\$ 1,124	\$ -	\$ -	\$ -	\$ 90	\$ 2,427	\$ 65,625
716	-	1	93	1	-	-	895
-	-	-	-	-	-	-	23,974
-	(177)	33	-	21	(8)	-	76,182
(3,103)	-	-	-	-	-	-	(3,103)
<u>1,512</u>	<u>947</u>	<u>34</u>	<u>93</u>	<u>22</u>	<u>82</u>	<u>2,427</u>	<u>163,573</u>
-	-	-	-	-	-	-	950
-	-	-	-	-	-	-	107
61	9	-	1	-	1	-	1,180
-	-	-	-	-	-	-	273
-	-	-	-	-	-	-	23,063
<u>61</u>	<u>9</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>25,573</u>
1,451	938	34	92	22	81	2,427	138,000
-	-	-	-	-	-	-	(939)
-	-	(12)	-	-	19	-	4,308
<u>1,451</u>	<u>938</u>	<u>22</u>	<u>92</u>	<u>22</u>	<u>100</u>	<u>2,427</u>	<u>141,369</u>
-	-	-	-	-	-	-	8,833,687
1,842	-	-	-	-	-	-	128,339
-	34,399	-	661	-	-	78,306	113,366
<u>1,842</u>	<u>34,399</u>	<u>-</u>	<u>661</u>	<u>-</u>	<u>-</u>	<u>78,306</u>	<u>9,075,392</u>
3,293	35,337	22	753	22	100	80,733	9,216,761
1,842	-	-	-	-	-	-	128,452
-	-	-	-	-	-	-	51
<u>1,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,503</u>
10,795	-	-	-	-	-	-	8,604,738
-	16,095	387	879	21	89	23,482	40,953
<u>10,795</u>	<u>16,095</u>	<u>387</u>	<u>879</u>	<u>21</u>	<u>89</u>	<u>23,482</u>	<u>8,645,691</u>
12,637	16,095	387	879	21	89	23,482	8,774,194
(9,344)	19,242	(365)	(126)	1	11	57,251	442,567
139,531	27,023	669	1,886	450	1,628	-	2,480,605
<u>\$ 130,187</u>	<u>\$ 46,265</u>	<u>\$ 304</u>	<u>\$ 1,760</u>	<u>\$ 451</u>	<u>\$ 1,639</u>	<u>\$ 57,251</u>	<u>\$ 2,923,172</u>

West Virginia Board of Treasury Investments
Schedule of Investments in Securities
June 30, 2007

(Dollars in thousands, except for Share Data)

CASH LIQUIDITY POOL								
<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>	
<i>U. S. Government Agency Bonds</i>								
Federal Home Loan Bank		5.180 %	F	5.204 %	07/06/2007	\$ 7,000	\$ 7,000	\$ 7,000
Federal Home Loan Mort Corp		5.350		5.350	03/26/2008	12,000	12,000	11,993
Federal Home Loan Bank		5.190	F	5.235	04/10/2008	18,000	17,994	18,000
Total U. S. Government Agency Bonds	1.8%						36,994	36,993
<i>Corporate Bonds</i>								
Links Finance LLC		5.300	F	5.353	07/17/2007	10,000	10,000	10,000
CC USA Inc		5.325	F	5.330	07/27/2007	8,000	8,000	8,000
HSBC Finance Corp		5.360	F	5.295	08/10/2007	10,000	10,001	10,002
K2 LLC		5.330	F	5.356	08/28/2007	10,000	10,000	10,000
Toyota Motor Credit Corp		5.300	F	5.300	09/24/2007	10,000	10,000	10,000
Suntrust Bank		5.290	F	5.285	10/29/2007	15,000	15,000	15,001
Bank of America		5.425	F	5.425	11/08/2007	20,000	20,000	20,000
Wells Fargo & Co		5.330	F	5.330	11/15/2007	15,000	15,000	15,002
US Bank NA		5.290	F	4.778	11/30/2007	10,000	10,023	9,998
American Honda Finance		5.360	F	5.325	12/27/2007	8,000	8,001	8,002
Cullinan Finance Corp		5.300	F	5.310	01/10/2008	6,000	5,999	6,000
Beta Finance Inc		5.370	F	5.368	01/15/2008	15,000	15,003	15,000
Bank of Ireland		5.320	F	5.379	01/18/2008	12,000	12,000	12,000
Cullinan Finance Corp		5.350		5.350	01/25/2008	15,000	15,000	14,984
Totta Ireland PLC		5.320	F	5.320	03/07/2008	10,000	10,000	10,000
BNP Paribas		5.326	F	5.326	05/07/2008	10,000	10,000	9,998
CC USA Inc		5.340		5.350	06/05/2008	15,000	14,996	14,986
Bank of New York Co Inc		5.290	F	5.290	06/12/2008	15,000	15,000	15,000
Toyota Motor Credit Corp		5.320	F	5.308	07/07/2008	10,000	10,001	10,002
Federal Home Loan Mort Corp		5.400		5.400	07/21/2008	10,000	10,000	10,000
Westpac Banking Corp		5.300	F	5.300	12/06/2011	12,000	12,000	12,004
Caja Ahorros Barcelona		5.320	F	5.320	07/23/2012	10,000	10,000	10,000
Total Corporate Bonds	12.3%						256,024	255,979
<i>Short Term Issues</i>								
Deutsche Bank Repurchase Agreement		5.300		5.300	07/02/2007	86,400	86,400	86,400
Morgan Stanley Repurchase Agreement		5.350		5.350	07/02/2007	160,421	160,421	160,421
Rabobank USA Financial Corp		0.000		5.396	07/02/2007	40,000	40,000	40,000
Atlantis One Funding		0.000		5.326	07/03/2007	25,000	24,996	24,996
BankAmerica Corp		0.000		5.360	07/05/2007	30,000	29,987	29,987
United States Treasury Bill		0.000		4.692	07/05/2007	30,000	29,988	29,988
Amsterdam Funding Corp		0.000		5.366	07/10/2007	10,000	9,988	9,988
ING Funding LLC		0.000		5.363	07/11/2007	25,000	24,967	24,967
United States Treasury Bill		0.000		4.390	07/12/2007	165,000	164,802	164,802
American Express Centurion		5.300	F	5.300	07/13/2007	10,000	10,000	10,000
Old Line Funding Corp		0.000		5.369	07/13/2007	15,000	14,976	14,976
Chariot Funding LLC		0.000		5.385	07/16/2007	9,786	9,766	9,766
Regency Markets No 1		0.000		5.398	07/16/2007	15,000	14,969	14,969
Thunder Bay Funding Inc		0.000		5.408	07/16/2007	15,000	14,969	14,969
Washington Mutual Bank		5.300		5.300	07/16/2007	25,000	25,000	25,000
Rio Tinto Ltd.		0.000		5.386	07/18/2007	15,000	14,965	14,965
American Express Centurion		5.410		5.288	07/19/2007	15,000	15,001	15,001

(Continued on Next Page)

F – Floating rate note security.

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

See accompanying notes to financial statements.

**West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)**

June 30, 2007

(Dollars in thousands, except for Share Data)

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
Atlantis One Funding	0.000		5.356	07/19/2007	15,000	14,963	14,963
CAFCO LLC	0.000		5.360	07/19/2007	25,000	24,938	24,938
Calyon North America	0.000		5.392	07/19/2007	20,000	19,950	19,950
Goldman Sachs Group LP	0.000		5.359	07/19/2007	25,000	24,938	24,938
Ciesco LLC	0.000		5.357	07/20/2007	27,000	26,929	26,929
Solitaire Funding LLC	0.000		5.374	07/23/2007	15,000	14,954	14,954
General Electric Capital Corp	0.000		5.341	07/24/2007	12,000	11,961	11,961
Ranger Funding Co LLC	0.000		5.372	07/24/2007	15,000	14,952	14,952
United States Treasury Bill	0.000		4.397	07/26/2007	50,000	49,856	49,856
Grampian Funding LLC	0.000		5.412	07/31/2007	10,000	9,957	9,957
Nordea NA Inc	0.000		5.408	07/31/2007	8,000	7,966	7,966
San Paolo IMI US Financial Co	0.000		5.374	07/31/2007	15,000	14,936	14,936
Clipper Receivables Corp	0.000		5.366	08/01/2007	30,000	29,868	29,868
Dexia Delaware LLC	0.000		5.404	08/01/2007	15,000	14,934	14,934
Northern Rock PLC	0.000		5.377	08/02/2007	8,750	8,710	8,710
United States Treasury Bill	0.000		4.525	08/02/2007	50,000	49,809	49,809
CC USA Inc	0.000		5.415	08/03/2007	10,000	9,953	9,953
Merrill Lynch & Company Inc	0.000		5.287	08/03/2007	20,000	19,908	19,908
Solitaire Funding LLC	0.000		5.373	08/06/2007	15,000	14,923	14,923
Windmill Funding Corporation	0.000		5.370	08/06/2007	30,000	29,846	29,846
Kredietbank NA	0.000		5.374	08/07/2007	10,000	9,947	9,947
CRC Funding LLC	0.000		5.372	08/08/2007	30,000	29,838	29,838
San Paolo IMI US Financial Co	0.000		5.392	08/08/2007	10,100	10,045	10,045
Barton Capital Corp	0.000		5.368	08/09/2007	30,000	29,833	29,833
Dorada Finance Inc	0.000		5.383	08/15/2007	15,000	14,903	14,903
Nordea NA Inc	0.000		5.363	08/16/2007	25,000	24,836	24,836
Morgan Stanley Dean Witter	5.310	F	5.435	08/17/2007	10,000	10,000	10,000
Fairway Finance Corp	0.000		5.374	08/21/2007	15,000	14,890	14,890
Aquinas Funding LLC	0.000		5.381	08/22/2007	25,000	24,813	24,813
BB&T - Charleston	5.305		5.305	08/22/2007	5,000	5,000	5,000
Citizens Natl Bk - Berkeley Sp	5.302		5.302	08/22/2007	1,000	1,000	1,000
Citizens Natl Bk - Berkeley Sp	5.300		5.303	08/22/2007	500	500	500
Freedom Bank Inc - Belington	5.310		5.310	08/22/2007	5,000	5,000	5,000
First Community Bk - Bluefield	5.316		5.316	08/22/2007	1,000	1,000	1,000
First Community Bk - Bluefield	5.317		5.317	08/22/2007	1,000	1,000	1,000
First Community Bk - Bluefield	5.318		5.318	08/22/2007	1,000	1,000	1,000
First Community Bk - Bluefield	5.319		5.319	08/22/2007	1,000	1,000	1,000
First Community Bk - Bluefield	5.315		5.315	08/22/2007	1,000	1,000	1,000
First Natl Bk of Williamson	5.310		5.310	08/22/2007	1,000	1,000	1,000
Jefferson Security Bank	5.300		5.300	08/22/2007	1,500	1,500	1,500
Main Street Bank - Wheeling	5.315		5.315	08/22/2007	1,000	1,000	1,000
WesBanco Bank - Wheeling	5.300		5.300	08/22/2007	2,000	2,000	2,000
WesBanco Bank - Wheeling	5.310		5.310	08/22/2007	3,000	3,000	3,000
Amsterdam Funding Corp	0.000		5.372	08/23/2007	30,000	29,772	29,772
Dexia Delaware LLC	0.000		5.363	08/29/2007	27,000	26,772	26,772
Dorada Finance Inc	0.000		5.388	08/29/2007	15,000	14,873	14,873
ING Funding LLC	0.000		5.276	09/07/2007	10,000	9,904	9,904
Sheffield Receivables	0.000		5.384	09/10/2007	19,000	18,806	18,806
Societe Generale NA	0.000		5.373	09/10/2007	25,000	24,745	24,745
Danske Corp	0.000		5.388	09/11/2007	14,800	14,646	14,646
Societe Generale NA	0.000		5.356	09/13/2007	10,000	9,894	9,894
Thunder Bay Funding Inc	0.000		5.393	09/17/2007	10,000	9,888	9,888
Federal Home Loan Mort Corp	0.000		5.204	09/18/2007	12,000	11,868	11,861
Atlantis One Funding	0.000		5.406	09/21/2007	15,000	14,822	14,822
United States Treasury Bill	0.000		4.761	09/27/2007	65,000	64,271	64,240
Bank of Tokyo-Mitsubishi UFJ	5.290		5.290	10/05/2007	10,000	10,000	10,000

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F – Floating rate note security.

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See accompanying notes to financial statements.

**West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)**

June 30, 2007

(Dollars in thousands, except for Share Data)

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
Morgan Stanley Dean Witter	0.000		5.363	10/09/2007	5,000	4,928	4,928
Scaldis Capital	0.000		5.406	10/09/2007	10,438	10,287	10,287
Norinchukin Bank NY	5.295		5.295	10/10/2007	12,000	12,000	12,000
Merrill Lynch & Company Inc	0.000		5.369	10/12/2007	15,000	14,778	14,778
Morgan Stanley Dean Witter	0.000		5.384	10/19/2007	8,000	7,873	7,873
Societe Generale NA	0.000		5.368	10/22/2007	10,000	9,838	9,838
Greenwich Capital Holdings Inc	0.000		5.358	10/26/2007	16,000	15,732	15,732
ING Funding LLC	0.000		5.373	11/02/2007	9,500	9,331	9,331
General Electric Capital Corp	0.000		5.384	11/09/2007	8,000	7,849	7,849
ABN AMRO North America Finance	0.000		5.383	11/16/2007	15,000	14,703	14,703
BB&T - Charleston	5.250		5.248	11/21/2007	5,000	5,000	5,000
Citizens Natl Bk - Berkeley Sp	5.230		5.228	11/21/2007	2,000	2,000	2,000
Freedom Bank Inc - Belington	5.270		5.268	11/21/2007	2,000	2,000	2,000
Freedom Bank Inc - Belington	5.290		5.288	11/21/2007	1,000	1,000	1,000
Freedom Bank Inc - Belington	5.280		5.278	11/21/2007	2,000	2,000	2,000
First Natl Bk of Williamson	5.276		5.274	11/21/2007	1,000	1,000	1,000
Jefferson Security Bank	5.225		5.223	11/21/2007	2,500	2,500	2,500
Main Street Bank - Wheeling	5.250		5.248	11/21/2007	2,000	2,000	2,000
Monongahela Valley Bank	5.217		5.215	11/21/2007	500	500	500
Monongahela Valley Bank	5.517		5.514	11/21/2007	500	500	500
Monongahela Valley Bank	5.257		5.255	11/21/2007	1,500	1,500	1,500
United Bank Inc - Parkersburg	5.220		5.218	11/21/2007	3,000	3,000	3,000
WesBanco Bank - Wheeling	5.220		5.218	11/21/2007	2,000	2,000	2,000
Federal National Mortgage Assn	0.000		5.263	11/30/2007	10,000	9,787	9,787
Greenwich Capital Holdings Inc	0.000		5.373	11/30/2007	20,000	19,565	19,565
General Electric Capital Corp	0.000		5.354	12/03/2007	10,000	9,779	9,779
Calyon NY	5.325		5.325	01/16/2008	10,000	10,000	10,000
Barclay's Bank PLC	5.360		5.360	01/18/2008	9,500	9,500	9,500
Barclays US Funding Corp	0.000		5.341	02/15/2008	15,000	14,513	14,513
UBS Finance (DE) LLC	0.000		5.330	02/15/2008	20,000	19,352	19,352
JP Morgan Capital Prime					1	1	1
Dreyfus Cash Management					185	185	185
Total Short Term Issues	<u>85.9%</u>					<u>1,784,813</u>	<u>1,784,775</u>
Total Cash Liquidity	<u>100.0%</u>					<u>\$ 2,077,831</u>	<u>\$ 2,077,747</u>

GOVERNMENT MONEY MARKET POOL

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Government Agency Bonds</i>							
Federal Home Loan Bank	5.180	% F	5.204	07/06/2007	\$ 2,000	\$ 2,000	\$ 2,000
Federal Farm Credit Bank	5.210	F	5.230	07/10/2007	5,000	5,000	5,000
Federal Farm Credit Bank	5.220	F	5.195	07/11/2007	5,000	5,000	4,997
Federal Home Loan Mort Corp	5.173	F	5.225	09/17/2007	5,000	5,000	4,999
Federal Home Loan Mort Corp	5.170	F	5.195	09/27/2007	5,000	5,000	5,000
Federal Farm Credit Bank	5.210	F	5.195	10/03/2007	5,000	5,000	5,001
Federal Farm Credit Bank	5.190	F	5.205	11/01/2007	5,000	5,000	4,995
Federal National Mortgage Assn	4.875		5.304	01/11/2008	2,500	2,494	2,493
Federal Farm Credit Bank	5.185	F	5.188	01/25/2008	5,000	5,000	5,000

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F - Floating rate note security.

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See accompanying notes to financial statements.

West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)

June 30, 2007

(Dollars in thousands, except for Share Data)

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
Federal Home Loan Bank	3.940		5.255	02/01/2008	2,500	2,481	2,481
Federal Farm Credit Bank	5.180	F	5.190	02/08/2008	5,000	5,000	5,000
Federal Home Loan Bank	5.200	F	5.230	03/20/2008	5,000	4,999	5,000
Federal Home Loan Mort Corp	5.170	F	5.210	03/26/2008	5,000	4,999	5,000
Federal Farm Credit Bank	5.180	F	5.190	03/26/2008	5,000	5,000	5,000
Federal Home Loan Mort Corp	5.360		5.363	03/27/2008	3,150	3,148	3,145
Federal Home Loan Bank	5.400		5.400	04/09/2008	2,500	2,500	2,499
Total U. S. Government Agency Bonds	29.5%					67,621	67,610
Short-term Issues							
Deutsche Bank Repurchase Agreement	4.400		4.400	07/02/2007	51,400	51,400	51,400
Federal Home Loan Mort Corp	0.000		4.869	07/02/2007	2,500	2,500	2,500
Federal National Mortgage Assn	0.000		5.294	07/03/2007	1,749	1,749	1,749
United States Treasury Bill	0.000		4.692	07/05/2007	5,000	4,998	4,998
Federal Home Loan Mort Corp	0.000		5.269	07/09/2007	2,500	2,497	2,497
Federal Home Loan Mort Corp	0.000		5.263	07/16/2007	5,000	4,990	4,990
United States Treasury Bill	0.000		4.405	07/19/2007	10,000	9,980	9,980
Federal Home Loan Mort Corp	0.000		5.251	07/23/2007	5,000	4,985	4,985
Federal Home Loan Bank	0.000		5.275	07/25/2007	5,000	4,983	4,983
Federal National Mortgage Assn	0.000		5.255	07/25/2007	2,500	2,492	2,492
United States Treasury Bill	0.000		4.512	07/26/2007	7,500	7,478	7,478
Federal National Mortgage Assn	0.000		5.224	07/27/2007	2,500	2,491	2,491
United States Treasury Bill	0.000		4.525	08/02/2007	10,000	9,962	9,962
Federal Home Loan Mort Corp	0.000		5.261	08/06/2007	2,500	2,487	2,487
United States Treasury Bill	0.000		4.489	08/09/2007	1,000	995	995
Federal National Mortgage Assn	0.000		5.289	08/13/2007	2,000	1,988	1,988
Federal National Mortgage Assn	0.000		5.308	08/15/2007	2,901	2,883	2,883
Federal Home Loan Mort Corp	0.000		5.291	08/29/2007	2,500	2,479	2,478
Federal Home Loan Mort Corp	0.000		5.275	09/18/2007	8,050	7,960	7,957
United States Treasury Bill	0.000		4.781	09/27/2007	3,000	2,966	2,965
Federal National Mortgage Assn	0.000		5.201	10/26/2007	1,593	1,567	1,566
Federal Home Loan Mort Corp	0.000		5.287	12/06/2007	3,000	2,933	2,931
Federal Home Loan Mort Corp	0.000		5.272	12/21/2007	5,000	4,879	4,876
Federal National Mortgage Assn	0.000		5.273	12/28/2007	2,500	2,437	2,436
Federal Home Loan Mort Corp	0.000		5.264	01/07/2008	1,164	1,133	1,133
Federal Home Loan Mort Corp	0.000		5.256	01/14/2008	3,000	2,918	2,917
Federal National Mortgage Assn	0.000		5.265	01/15/2008	3,250	3,160	3,158
Federal National Mortgage Assn	0.000		5.253	02/01/2008	2,055	1,993	1,993
Federal Home Loan Mort Corp	0.000		5.238	03/20/2008	3,000	2,890	2,891
Federal National Mortgage Assn	0.000		5.248	03/28/2008	3,000	2,887	2,886
Federal Home Loan Mort Corp	0.000		5.308	05/27/2008	3,000	2,861	2,864
Dreyfus Cash Management					9	9	9
Total Short-term Issues	70.5%					161,930	161,918
Total Government Money Market	100.0%					\$ 229,551	\$ 229,528

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F – Floating rate note security.

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See accompanying notes to financial statements.

West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)

June 30, 2007

(Dollars in thousands, except for Share Data)

ENHANCED YIELD POOL							
<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
United States Treasury Note		4.875 %	4.689 %	08/15/2009	\$ 1,900	\$ 1,907	\$ 1,899
United States Treasury Note		4.625	4.588	11/15/2009	10,000	10,008	9,942
United States Treasury Note		3.500	4.716	02/15/2010	32,000	31,050	30,918
United States Treasury Note		4.500	4.698	11/30/2011	13,340	13,236	13,117
Total U. S. Treasury Issues	24.4%					56,201	55,876
<i>U. S. Government Agency Bonds</i>							
Federal National Mortgage Assn		3.875	5.090	02/15/2010	10,700	10,385	10,371
Federal Home Loan Bank		4.375	4.948	03/17/2010	11,000	10,841	10,790
Total U. S. Government Agency Bonds	9.2%					21,226	21,161
<i>U. S. Government Mortgage Backed</i>							
Federal Home Loan Mort Corp		5.000	5.517	08/01/2009	1,219	1,211	1,213
Federal Home Loan Mort Corp		5.000	5.503	09/01/2009	798	793	794
Federal Home Loan Mort Corp		6.000	5.537	03/01/2012	373	377	376
Federal National Mortgage Assn		6.000	5.387	01/01/2013	998	1,012	1,004
Federal National Mortgage Assn		5.500	5.517	12/01/2013	1,598	1,594	1,588
Federal National Mortgage Assn		6.000	5.480	01/01/2014	1,081	1,097	1,089
Federal Home Loan Mort Corp		6.000	5.704	05/01/2016	147	149	148
Federal National Mortgage Assn		6.000	5.655	08/01/2016	325	329	327
Federal National Mortgage Assn		5.500	5.496	02/01/2017	283	282	281
Federal National Mortgage Assn		6.500	6.139	02/01/2021	312	319	319
Total U. S. Government Mortgage Backed	3.1%					7,163	7,139
<i>Corporate Issues</i>							
<i>U. S. Corporate Bonds</i>							
HBOS Treasury Services		3.800	3.810	01/30/2008	1,170	1,170	1,160
Textron Financial Corp		4.125	5.336	03/03/2008	1,605	1,592	1,592
National City Corporation		3.200	4.428	04/01/2008	1,425	1,412	1,401
Lehman Brothers Inc		6.500	4.525	04/15/2008	2,240	2,274	2,258
Peco Energy		3.500	5.480	05/01/2008	650	640	639
Prudential Funding		6.600	5.603	05/15/2008	1,600	1,613	1,613
American Honda Finance		4.200	4.904	07/14/2008	1,055	1,048	1,040
Canadian Imperial Bank		4.375	4.799	07/28/2008	1,135	1,130	1,123
Regions Financial Corp		4.500	4.540	08/08/2008	2,520	2,519	2,489
Wells Fargo & Company		3.120	4.441	08/15/2008	1,270	1,252	1,234
Hartford Finl Services Group		5.550	5.475	08/16/2008	875	876	876
Caterpillar Financial Services		4.500	4.525	09/01/2008	1,850	1,849	1,830
Countrywide Financial Corp		5.510	F 5.548	09/02/2008	650	650	650
Campbell Soup Co		5.875	5.272	10/01/2008	1,875	1,888	1,884
Merrill Lynch & Company Inc		4.831	4.831	10/27/2008	3,565	3,565	3,538
Dayton Hudson/Target Corp		5.875	5.100	11/01/2008	3,000	3,030	3,015
Chemical Bank		6.125	5.410	11/01/2008	590	595	593
Hancock John Financial Svcs		5.625	5.134	12/01/2008	745	750	747
National City Corporation		5.750	5.481	02/01/2009	1,395	1,401	1,404

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West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)

June 30, 2007

(Dollars in thousands, except for Share Data)

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
Pepsi Bottling Group	5.625		5.365	02/17/2009	1,050	1,054	1,054
Bank One Corp	6.000		5.295	02/17/2009	1,350	1,365	1,361
Bear Stearns Companies Inc	3.250		5.254	03/25/2009	1,600	1,548	1,543
CIT Group Holdings	3.375		5.458	04/01/2009	700	676	675
AFLAC Inc	6.500		5.456	04/15/2009	1,250	1,272	1,272
US Bancorp	5.300		5.332	04/28/2009	950	949	950
Household Finance Corporation	4.750		5.096	05/15/2009	2,900	2,882	2,868
Abbott Laboratories	5.375		5.466	05/15/2009	680	679	681
International Lease Finance Co	4.750		5.158	07/01/2009	750	744	740
Canadian National Railways	4.250		5.039	08/01/2009	845	832	826
Countrywide Home Loan	4.125		5.397	09/15/2009	750	730	728
BellSouth Corporation	4.200		5.271	09/15/2009	1,000	978	974
Federal Home Loan Bank	5.000		4.796	09/18/2009	4,000	4,017	3,989
National Westminster	7.375		5.191	10/01/2009	1,290	1,349	1,340
Goldman Sachs Group Inc	5.440	F	5.440	11/16/2009	1,450	1,450	1,451
Amgen Inc	4.000		5.003	11/18/2009	535	523	518
World Savings Bank FSB	4.125		4.955	12/15/2009	1,335	1,310	1,296
Federal Home Loan Mort Corp	4.000		4.876	12/15/2009	21,500	21,070	20,925
MBIA Global Funding	4.375		5.321	03/15/2010	975	952	957
Simon Property Group Inc	4.875		5.462	03/18/2010	1,300	1,281	1,279
Morgan Stanley	4.250		5.213	05/15/2010	800	780	774
General Electric Capital Corp	6.875		5.016	11/15/2010	680	719	710
Glitnir Banki HF	5.830	F	5.829	01/18/2012	725	725	729
MBNA Corp	7.500		5.720	03/15/2012	750	804	808
Total U. S. Corporate Bonds						77,943	77,534
Corporate Asset Backed Issues							
Ford Credit Auto Owner Trust	4.380		4.884	01/15/2010	2,535	2,525	2,511
Daimler Chrysler Auto Trust	3.740		5.243	02/08/2010	2,250	2,228	2,223
Capital One Auto Finance Trust	5.330		5.389	11/15/2010	545	545	545
Honda Auto Rec Owner Trust	4.600		5.298	11/22/2010	1,000	990	987
Harley Davidson Motorcycle	2.760		2.777	05/15/2011	3,063	3,063	3,055
GS Auto Loan Trust	2.650		3.250	05/16/2011	1,783	1,779	1,755
Government National Mort Assoc	4.175		5.871	06/16/2011	1,049	1,014	1,018
Nissan Auto Receivables Owner	4.770		5.394	07/15/2011	900	890	890
WFS Financial Owner Trust	2.810		4.034	08/22/2011	740	738	724
Volkswagen Auto Loan Trust	4.860		5.326	04/20/2012	1,555	1,544	1,541
Advanta Business Card Master	5.300		5.420	05/21/2012	915	914	915
Chase Manhattan Auto Owner Tr	4.880		4.931	06/15/2012	1,250	1,250	1,240
Government National Mortgage	4.512		4.730	10/16/2028	1,294	1,275	1,264
Government National Mort Assoc	3.301		5.971	10/16/2029	907	861	858
Government National Mort Assoc	4.087		5.471	08/16/2030	692	673	671
Government National Mort Assoc	4.253		5.369	10/16/2030	814	793	791
JP Morgan Commercial Mortgage	7.371		3.995	08/15/2032	944	989	978
Equity One ABS Inc	4.145		6.355	04/28/2034	654	643	647
GMAC Mortgage Corp Loan Trust	4.388		4.939	09/25/2034	525	512	506
Renaissance Home Equity Loan	4.723		5.626	11/25/2035	781	776	777
Popular ABS Mortgage Trust	5.097		5.121	11/25/2035	322	322	321
Credit-Based Asset Servicing	5.451		5.915	12/25/2035	448	448	447
Opteum Mortgage Acceptance Co	5.640		6.197	12/25/2035	1,116	1,105	1,102
Countrywide Asset-Backed Cert	4.898		5.004	02/25/2036	738	730	734
American General Mortgage Loan	5.750		5.441	02/25/2036	811	809	810
Citigroup Mortgage Loan Trust	5.735		5.847	05/25/2036	1,500	1,494	1,495
Chaseflex Trust	5.535	F	5.578	06/25/2036	452	452	452
JP Morgan Mortgage Corp	5.600		5.666	07/25/2036	678	678	678

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F – Floating rate note security.

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See accompanying notes to financial statements.

**West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)**

June 30, 2007

(Dollars in thousands, except for Share Data)

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
JP Morgan Alternative Loan Tr		5.630	5.689	07/25/2036	320	320	319
Citicorp Residential Mortgage		5.956	6.030	07/25/2036	636	636	635
Renaissance Home Equity Loan		5.999	5.581	08/25/2036	801	801	799
Citicorp Residential Mort Sec		5.556	5.586	09/25/2036	700	700	697
JP Morgan Alternative Ln Trust		5.550	5.534	10/25/2036	417	417	417
Bank of America Alternative Ln		5.707	5.589	10/25/2036	725	724	720
Morgan Stanley Mort Loan Trust		5.798	5.728	10/25/2036	1,250	1,249	1,245
JP Morgan Alternative Ln Trust		5.400	5.580	11/25/2036	585	585	583
JP Morgan Alternative Ln Trust		5.440	5.497	11/25/2036	1,324	1,324	1,320
Home Equity Mortgage Trust		5.671	5.742	11/25/2036	1,310	1,309	1,310
Renaissance Home Equity Loan		5.917	5.944	11/25/2036	580	580	578
CSAB Mortgage Backed Trust		6.000	5.649	11/25/2036	732	731	731
Credit Based Asset Servicing		5.717	5.201	12/25/2036	278	277	277
Banc of America Funding Corp		5.791	5.504	12/25/2036	1,388	1,388	1,384
CSAB Mortgage Backed Trust		5.868	5.550	12/25/2036	1,135	1,134	1,130
Home Equity Mortgage Trust		5.500	5.569	01/25/2037	372	372	372
Credit Suisse Mort Capital		5.942	5.621	02/25/2037	814	814	811
Countrywide Certificates		5.530	5.561	03/25/2037	1,000	1,000	994
Bear Stearns CMBS		5.546	5.430	09/11/2038	755	756	769
JP Morgan Chase CMBS		6.024	F 5.877	04/15/2045	868	874	880
Cititroup/Deutsche Bank		4.977	4.962	12/11/2049	821	820	819
Total Corporate Asset Backed Issues						46,851	46,725
Total Corporate Issues	54.3%					124,794	124,259
<i>Short-term Issues</i>							
Merrill Lynch Repurchase Agreement		5.310	5.310	07/02/2007	12,485	12,485	12,485
Merrill Lynch Repurchase Agreement		5.380	5.380	07/02/2007	8,000	8,000	8,000
Total Short-term Issues	8.9%					20,485	20,485
Total Enhanced Yield	100.0%					\$ 229,869	\$ 228,920

LOSS AMORTIZATION

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
U. S. Treasury Strip - Prin		0.000 %	4.087 %	08/15/2011	\$ 188,557	\$ 159,613	\$ 154,277
Total U. S. Treasury Issues	100.0%					159,613	154,277
Total Loss Amortization	100.0%					\$ 159,613	\$ 154,277

(Continued on Next Page)

F – Floating rate note security.

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

See accompanying notes to financial statements.

**West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)**

June 30, 2007

(Dollars in thousands, except for Share Data)

LOAN POOL							
<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Loans and Mortgages</i>							
Intergovernmental Loans							
Tax Reappraisal		5.156 %		06/30/2007	\$ 25	\$ 25	\$ 25
WVEDA Revolving Loan		3.480		12/31/2013	108,520	108,520	108,520
WVEDA Non-Recourse Loan		3.000		06/30/2022	18,950	18,950	18,950
Total Intergovernmental Loans					127,495	127,495	127,495
FHA/VA Mortgages							
Charleston NB/Wells Fargo		8.500		03/01/2008	2	2	2
Charleston NB/Wells Fargo		9.500		09/01/2008	5	5	5
Kissell/Litton		8.000		09/01/2007	-	-	-
Kissell/Litton		8.500		01/01/2008	3	3	3
Home (Atlantic)/BB&T		8.000		04/01/2007	-	-	-
Home (Atlantic)/BB&T		8.500		08/01/2014	13	13	13
Home (Atlantic)/BB&T		8.750		05/01/2008	4	4	4
Total FHA/VA Mortgages					27	27	27
Total Loans and Mortgages					127,522	127,522	127,522
Reserve for uncollectable loans					6,938	6,938	6,938
Loans and Mortgages, net of reserve for uncollectable loans	92.9%				120,584	120,584	120,584
<i>Short-term Issues</i>							
Dreyfus Cash Management Money Market					9,256	9,256	9,256
Total Short-term Issues	7.1%				9,256	9,256	9,256
Total Loans	100.0%				\$ 129,840	\$ 129,840	\$ 129,840

MUNICIPAL BOND COMMISSION

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
State & Local Government		6.280 %	6.280 %	07/01/2007	\$ 1,464	\$ 1,464	\$ 1,464
State & Local Government		5.060	5.060	10/01/2007	5,397	5,397	5,397
United States Treasury Strip - Int		0.000	8.826	11/15/2007	8	8	8
State & Local Government		4.400	4.400	12/01/2007	3	3	3
State & Local Government		6.270	6.270	01/01/2008	10	10	10
State & Local Government		4.930	4.930	04/01/2008	13,074	13,074	13,074
United States Treasury Strip - Int		0.000	7.529	05/15/2008	59	55	57
United States Treasury Strip - Int		0.000	0.000	05/15/2008	924	924	886
State & Local Government		4.390	4.390	06/01/2008	44	44	44
State & Local Government		6.230	6.230	07/01/2008	1,571	1,571	1,571

(Continued on Next Page)

F – Floating rate note security.

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

See accompanying notes to financial statements.

**West Virginia Board of Treasury Investments
Schedule of Investments in Securities (Continued)**

June 30, 2007

(Dollars in thousands, except for Share Data)

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
State & Local Government	4.820		4.820	10/01/2008	40	40	40
United States Treasury Strip - Int	0.000		9.018	11/15/2008	6	5	6
State & Local Government	4.360		4.360	12/01/2008	4	4	4
State & Local Government	6.160		6.160	01/01/2009	6	6	6
State & Local Government	4.660		4.660	04/01/2009	41	41	41
United States Treasury Strip - Int	0.000		0.000	05/15/2009	927	927	848
State & Local Government	4.360		4.360	06/01/2009	44	44	44
State & Local Government	6.090		6.090	07/01/2009	1,686	1,686	1,686
State & Local Government	4.550		4.550	10/01/2009	3,294	3,294	3,294
State & Local Government	4.360		4.360	12/01/2009	4	4	4
State & Local Government	4.530		4.530	04/01/2010	3,905	3,905	3,905
United States Treasury Strip - Int	0.000		0.000	05/15/2010	932	932	812
State & Local Government	4.360		4.360	06/01/2010	49	49	49
State & Local Government	4.360		4.360	12/01/2010	4	4	4
United States Treasury Strip - Int	0.000		0.000	05/15/2011	934	934	782
State & Local Government	4.360		4.360	06/01/2011	49	49	49
State & Local Government	4.360		4.360	12/01/2011	4	4	4
United States Treasury Strip - Int	0.000		0.000	05/15/2012	938	938	749
State & Local Government	4.370		4.370	06/01/2012	49	49	49
State & Local Government	4.370		4.370	12/01/2012	4	4	4
United States Treasury Strip - Int	0.000		0.000	05/15/2013	941	941	707
State & Local Government	4.380		4.380	06/01/2013	1,174	1,174	1,174
United States Treasury Strip - Int	0.000		0.000	05/15/2014	963	963	685
United States Treasury Strip - Int	0.000		0.000	05/15/2015	973	973	656
United States Treasury Bond	7.250		0.001	05/15/2016	980	1,610	1,133
United States Treasury Bond	8.750		0.001	05/15/2017	1,055	1,966	1,352
United States Treasury Bond	9.130		0.001	05/15/2018	1,138	2,266	1,515
Total U. S. Treasury Issues	99.0%					45,362	42,116
Short Term Issues							
United States Treasury Bill	0.000		0.000	08/09/2007	136	136	135
United States Treasury Bill	0.000		5.500	09/27/2007	325	321	321
Total Short Term Issues	1.0%					457	456
Total Municipal Bond Commission	100.0%					\$ 45,819	\$ 42,572

(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, 2007

(Dollars in thousands, except for Share Data)

LOTTERY DEFEASANCE

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
Treasury Investment Growth		0.000 %	8.169 %	08/15/2007	\$ 130	\$ 129	\$ 129
United States Treasury Strip - Int		0.000	8.927	08/15/2007	27	27	27
United States Treasury Strip - Int		0.000	9.288	11/15/2007	25	24	24
Coupon Treasury Receipt		0.000	8.160	08/15/2008	130	119	123
Total U. S. Treasury Issues	<u>99.7%</u>					<u>299</u>	<u>303</u>
<i>Short-term Issues</i>							
Dreyfus Cash Management Money Market					1	1	1
Total Short-term Issues	<u>0.3%</u>					<u>1</u>	<u>1</u>
Total Lottery Defeasance	<u>100.0%</u>					<u>\$ 300</u>	<u>\$ 304</u>

SCHOOL FUND

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Short-term Issues</i>							
Dreyfus Cash Management Money Market					\$ 1,753	\$ 1,753	\$ 1,753
Total Short-term Issues	<u>100.0%</u>					<u>1,753</u>	<u>1,753</u>
Total School Fund	<u>100.0%</u>					<u>\$ 1,753</u>	<u>\$ 1,753</u>

EDA INSURANCE

<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Short-term Issues</i>							
United States Treasury Bill		0.000 %	4.764 %	12/20/2007	\$ 460	\$ 450	\$ 449
Total Short-term Issues	<u>100.0%</u>					<u>450</u>	<u>449</u>
Total EDA Insurance	<u>100.0%</u>					<u>\$ 450</u>	<u>\$ 449</u>

(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, 2007

(Dollars in thousands, except for Share Data)

EDA - AW							
<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>U. S. Treasury Issues</i>							
United States Treasury Bond		6.250 %	4.929 %	08/15/2023	\$ 1,445	\$ 1,656	\$ 1,605
Total U. S. Treasury Issues	<u>100.0%</u>					<u>1,656</u>	<u>1,605</u>
Total EDA-AW	<u>100.0%</u>					<u>\$ 1,656</u>	<u>\$ 1,605</u>

DEPARTMENT OF HIGHWAYS							
<u>SECURITY NAME</u>	<u>% of POOL</u>	<u>COUPON</u>	<u>YIELD</u>	<u>MATURITY</u>	<u>PAR VALUE or SHARES</u>	<u>AMORTIZED COST</u>	<u>FAIR VALUE*</u>
<i>Short-term Issues</i>							
Flex Repurchase Agreement - MBIA		4.953 %	5.004 %	03/01/2009	\$ 56,994	\$ 56,994	\$ 56,994
Dreyfus Cash Management Money Market					11	11	11
Total Short-term Issues	<u>100.0%</u>					<u>57,005</u>	<u>57,005</u>
Total Department of Highways	<u>100.0%</u>					<u>\$ 57,005</u>	<u>\$ 57,005</u>

A – Adjustable rate security.

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

See accompanying notes to financial statements.

Other Financial Information

WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

SCHEDULE OF NET ASSETS

JUNE 30, 2007

(IN THOUSANDS EXCEPT FOR INVESTMENT UNIT DATA)

	<u>Cash Liquidity</u>	<u>Government Money Market</u>	<u>Enhanced Yield</u>	<u>Loss Amortization</u>	<u>Loans</u>
Paid-in capital	\$ 2,071,394	\$ 229,917	\$ 237,299	\$ 183,415	\$ 131,794
Accumulated undistributed net investment income (loss)	-	-	-	-	(1,607)
Accumulated undistributed net realized gain (loss)	-	-	(6,622)	(23,802)	-
Unrealized net appreciation (depreciation) of investments	-	-	(950)	(5,336)	-
Net assets at value	<u>\$ 2,071,394</u>	<u>\$ 229,917</u>	<u>\$ 229,727</u>	<u>\$ 154,277</u>	<u>\$ 130,187</u>
Investment unit data:					
Units outstanding	2,071,393,546	229,917,115	2,331,115	183,415,000	131,793,735
Net asset value, unit price	\$ 1.00	\$ 1.00	\$ 98.55	\$ 0.84	\$ 0.99

WEST VIRGINIA BOARD OF TREASURY INVESTMENTS

PORTFOLIO STATISTICS

JUNE 30, 2007

	<u>Cash Liquidity</u>	<u>Government Money Market</u>	<u>Enhanced Yield</u>
Weighted Average Days to Maturity	48	57	700
Maximum Weighted Average Investment Maturity Term Per Board Guidelines	60 days	60 days	731 days
Money Market Yield	5.23%	5.13%	

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.

Glossary of Financial and Investment Terms

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We have audited the financial statements of the West Virginia Board of Treasury Investments (the BTI) as of and for the year ended June 30, 2007, and have issued our report thereon dated August 27, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

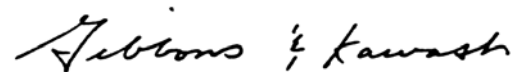
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies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

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the BTI in a separate letter dated August 27, 2007.

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

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

August 27, 2007