

LOCAL GOVERNMENT INVESTMENT POOL

FINANCIAL STATEMENTS

FOR THE YEAR ENDING JUNE 30, 2007



LOCAL GOVERNMENT INVESTMENT POOL
FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2007

Table of Contents

Management's Discussion and Analysis	1
Financial Statements:	
Statement of Fiduciary Net Assets.....	4
Statement of Changes in Fiduciary Net Assets.....	5
Notes to the Financial Statements.....	8
Supplementary Information:	
Schedule of Selected Participant Share and Ratio Information.....	14
Schedule of Investments	15
Independent Auditor's Report.....	17

MANAGEMENT’S DISCUSSION AND ANALYSIS (Unaudited)

This section of the Local Government Investment Pool (the LGIP) annual financial report presents an analysis of the Local Government Investment Pool’s financial performance during the fiscal year that ended on June 30, 2007. This information should be considered in conjunction with the information contained in the financial statements, which follow this section.

LGIP Activities and Highlights

The Local Government Investment Pool was established January 1, 1981 pursuant to the Local Government Investment Pool Act, Section 2.2-4600 of the *Code of Virginia*. The LGIP enables governmental entities to maximize their return on investments by providing for a State administered fund where monies can be commingled for investment purposes in order to realize the economies of large-scale investing and professional funds management. The LGIP is not registered with the Securities Exchange Commission (SEC) as an investment company, but maintains a policy to operate in a manner consistent with the Governmental Accounting Standards Board, Statement No. 31, “Accounting and Financial Reporting for Certain Investments and for External Investment Pools,” definition of “2a7-like pools.” The LGIP is rated ‘AAAm’ by Standard and Poor’s Rating Service.

Overview of the Financial Statements

This discussion and analysis is an introduction to the LGIP’s basic financial statements. This report also contains other supplementary information in addition to the basic financial statements. The LGIP is not required to present government-wide financial statements since all of its activity is reported in a fiduciary fund, which would not change in measurement focus (economic resources) or basis of accounting (accrual) for government-wide statements.

The financial statements of the LGIP offer financial information about its activities. The Statement of Net Assets provides information about the nature and amounts of the LGIP’s cash, investments and receivables (assets) and their administrative fees (liabilities). The Statement of Changes in Fiduciary Net Assets reports the additions to, deductions from, and net increases in net assets.

Financial Analysis

The primary purpose of the LGIP is to provide a fund that would allow governmental entities to increase their return on investments with minimal credit risk. Summary financial information follows.

Local Government Investment Pool (in millions)

	2007	2006
Total assets	\$4,262	\$3,046
Total net assets	\$4,262	\$3,046

LGIP activity increased significantly during fiscal year 2007. Year over year, net assets increased approximately forty percent with the dollar value of both deposits and withdrawals increasing approximately twenty-two percent and six percent respectively. Active accounts numbered 911 at the end of fiscal year 2007.

**Local Government Investment Pool Changes in Net Assets
(in millions)**

	2007	2006
Additions:		
Proceeds from units admitted	\$ 7,836	\$ 6,421
Investment earnings	162	107
Total additions	7,998	6,528
Deductions:		
Disbursements for units withdrawn	6,782	6,418
Total deductions	6,782	6,418
Increase in net assets	1,216	110
Net assets, July 1	3,046	2,936
Net assets, June 30	\$ 4,262	\$ 3,046

Participation in the LGIP is voluntary, so participant activity variances from year to year are normal. Factors that could influence a potential participant would be the availability of funds to invest and the relative attractiveness of the LGIP's return as compared to other options that may be available to the entity.

Investment earnings were higher for fiscal year 2007 due to two factors. Average investment balances increased \$550 million during the period which attributed to approximately half of the increase in earnings. The other half of the increase resulted from the maturity of low yielding investments purchased when market yields were lower. Reinvest of the proceeds were at significantly higher levels due to a higher rate environment.

Financial Statements

Local Government Investment Pool
Statement of Fiduciary Net Assets
As of June 30, 2007

Assets	
Investments in cash equivalents, at value (Notes 1 & 2)	\$ 2,343,957,644
Investments in securities, at value (Notes 1 & 2)	1,902,022,179
Interest receivable	<u>15,546,024</u>
Total assets	<u>4,261,525,847</u>
Liabilities	
Administrative fee payable	<u>4,115</u>
Total liabilities	<u>4,115</u>
Net Assets	
Held in trust for pool participants	<u><u>\$ 4,261,521,732</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

Local Government Investment Pool
Statement of Changes in Fiduciary Net Assets
For the year ended June 30, 2007

Additions	
Contributions:	
Proceeds from units admitted	\$ 7,835,906,240
Total contributions	<u>7,835,906,240</u>
Investment earnings:	
Interest income	148,826,867
Net accrued interest	15,546,024
Net change in unrealized appreciation of investments for the year	(511,831)
Less administrative fee	<u>(1,829,331)</u>
Net investment earnings	<u>162,031,729</u>
Total additions	<u>7,997,937,969</u>
Deductions	
Disbursements for units withdrawn	<u>6,782,562,940</u>
Total deductions	<u>6,782,562,940</u>
Change in net assets	1,215,375,029
Net assets - July 1, 2006	<u>3,046,146,703</u>
Net assets - June 30, 2007	<u><u>\$ 4,261,521,732</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

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## **Notes to the Financial Statements**

LOCAL GOVERNMENT INVESTMENT POOL  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Local Government Investment Pool (the LGIP) was established January 1, 1981 pursuant to the Local Government Investment Pool Act, Section 2.2-4600 of the *Code of Virginia*. The LGIP enables governmental entities to maximize their return on investments by providing for a State administered fund where monies can be commingled for investment purposes in order to realize the economies of large-scale investing and professional funds management. The LGIP is not registered with the Securities Exchange Commission (SEC) as an investment company, but maintains a policy to operate in a manner consistent with the Governmental Accounting Standards Board, Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," definition of "2a7-like pools."

A. Basis of Presentation

The Treasury Board of Virginia administers the LGIP and presents the activity on an accrual basis. Earnings and expenses accrue daily, but are credited or charged to participants' accounts on a monthly basis.

B. Investment Valuation

Investments in the LGIP are stated at market value where available. However, market value does not include market accrued interest (totaling \$3,192,391) which is included as a portion of interest receivable on the Statement of Fiduciary Net Assets. Where market value is unavailable, the investments are reported at cost, which due to their short-term nature approximates market value.

Shares are purchased and redeemed at amortized cost. If the LGIP's current market-based net asset value per share should deviate from its amortized cost price per share by an amount exceeding ½ of 1 percent, the State Treasurer, Chair of the Treasury Board, shall assess the situation and determine what action, if any, is in the best interest of the LGIP and its participants. Market-based net asset value is determined on a weekly basis.

2. INVESTMENTS

Funds in the LGIP are invested in accordance with Treasury Board investment guidelines and include obligations of the United States Government or agencies thereof, repurchase agreements, bankers' acceptances, commercial paper, short-term corporate and bank notes, and certificates of deposit. The maximum average maturity for the portfolio may not exceed 90 days. The maximum percentage of the Fund permitted in each category and the actual allocation at June 30, 2007 are as follows:

|                                                                                                     | <u>Maximum<br/>Permitted</u> | <u>Actual<br/>June 30, 2007</u> |
|-----------------------------------------------------------------------------------------------------|------------------------------|---------------------------------|
| U. S. Treasury/Agency                                                                               | 100%                         | 5%                              |
| Bankers' Acceptances, Negotiable<br>Certificates of Deposit and/or<br>Negotiable Bank Deposit Notes | 40%                          | 34%                             |
| Non-Negotiable Certificate of Deposit                                                               | 5%                           | 0%                              |
| Commercial Paper                                                                                    | 35%                          | 34%                             |
| Corporate Notes and Bank Notes                                                                      | 25%                          | 17%                             |
| Repurchase Agreements                                                                               | 50%                          | 10%                             |
| Taxable Municipal Obligations                                                                       | 10%                          | 0%                              |

*Interest Rate Risk - Investments*

Interest rate risk is the risk that changes in interest rates of debt investment will adversely affect the fair values of an investment. Interest rate risk is measured and monitored through investing in high quality credits and managing the weighted average maturity (WAM) of the portfolio. The portfolio WAM is a key measure of the funds tolerance to rising interest rates. At June 30, the LGIP WAM was 38 days, which should assure minimal asset value fluctuations under most market conditions. The LGIP's investments at June 30, 2007 are presented below.

As of June 30, 2007  
(Dollars in Thousands)

|                                     | <u>Fair Value<br/>Uncategorized</u> | <u>Weighted Average<br/>Days to Maturity</u> |
|-------------------------------------|-------------------------------------|----------------------------------------------|
| U.S. Treasury and Agency Securities | \$ 223,760                          | 196                                          |
| Corporate Notes                     | 723,154                             | 52                                           |
| Commercial Paper                    | 1,463,866                           | 13                                           |
| Negotiable Certificates of Deposit  | 1,429,996                           | 43                                           |
| Repurchase Agreements               | 400,000                             | 2                                            |
| Mutual and Money Market Funds       | 5,204                               | 1                                            |
| Total                               | <u>\$ 4,245,980</u>                 |                                              |
| Portfolio weighted average maturity |                                     | 38                                           |

### *Credit Risk of Debt Securities*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The LGIP is rated AAAM by Standard & Poor's. The AAAM rating definition indicates the fund has an extremely strong capacity to maintain principal stability and limit exposure to principal losses due to credit, market, and/or liquidity risks. In addition to the overall fund rating requirements of Standard & Poor's to maintain the AAAM rating, the LGIP Investment Policy and Guidelines require a minimum rating of both P-1 by Moody's investment Services and A-1 by Standard and Poor's, Inc., on individual securities purchased. At June 30, 2007 ninety percent of the LGIP portfolio was invested in securities with a short-term rating of A-1+ by Standard & Poor's. The LGIP's rated debt investments as of June 30, 2007 are presented below using the Standard and Poor's rating scale.

LGIP's Rated Debt Investments  
As of June 30, 2007  
(Dollars in thousands)

|                                     | Total Fair Value | Credit Quality |            |           |              |
|-------------------------------------|------------------|----------------|------------|-----------|--------------|
|                                     |                  | AAA            | AA         | A         | A-1          |
| U.S. Treasury and Agency Securities | \$ 223,760       | \$ 223,760     | \$ -       | \$ -      | \$ -         |
| Corporate Notes                     | 723,154          | 322,988        | 390,166    | 10,000    | -            |
| Commercial Paper                    | 1,463,866        | -              | -          | -         | 1,463,866    |
| Negotiable Certificates of Deposit  | 1,429,996        | -              | 509,997    | -         | 919,999      |
| Repurchase Agreements               | 400,000          | 400,000        | -          | -         | -            |
| Mutual and Money Market Funds       | 5,204            | 5,204          | -          | -         | -            |
| Total                               | \$ 4,245,980     | \$ 951,952     | \$ 900,163 | \$ 10,000 | \$ 2,383,865 |

### *Concentration of Credit Risk*

The LGIP Investment Policy requires diversification of assets with not more than 5% of the fund assets invested in the securities of any single issuer. This limitation does not apply to securities of the U.S. Government, agency thereof, or government sponsored enterprises (GSEs).

### 3. DISTRIBUTIONS

The LGIP distributes investment income net of expenses to participants on a monthly basis. The dividend distribution is automatically reinvested into additional shares.

4. RISK MANAGEMENT

The LGIP is exposed to various risks of loss related to torts; theft or, damage to, and destruction of assets; errors and omissions; non-performance of duty; injuries to employees; and natural disasters. The Department of Treasury participates in insurance plans maintained by the Commonwealth of Virginia on behalf of the LGIP. The risk management insurance plans are administered by the Department of Treasury, Division of Risk Management. Risk management insurance includes property, general liability, medical malpractice, faithful performance of duty bond, automobile, and air and watercraft plans. The Department of Treasury pays premiums to this Department for its insurance coverage. Information relating to the Commonwealth's insurance plans is available at the statewide level in the Commonwealth of Virginia's Comprehensive Annual Financial Report.

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Supplementary Information

Local Government Investment Pool
 Selected Participant Share and Ratio Information

Selected ratios and data for the average number of shares outstanding throughout the years ended June 30, 2005, 2006 and 2007

	<u>June 30, 2007</u>	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Investment income	\$ 0.05339	\$ 0.04225	\$ 0.02169
Expenses	0.00059	0.00061	0.00061
Investment income - net	<u>0.05280</u>	<u>0.04164</u>	<u>0.02108</u>
Income distributions	<u>0.05280</u>	<u>0.04164</u>	<u>0.02108</u>
Increase in net value	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Asset Value:			
Beginning of period	<u>1.00000</u>	<u>1.00000</u>	<u>1.00000</u>
End of period	<u><u>1.00000</u></u>	<u><u>1.00000</u></u>	<u><u>1.00000</u></u>
Ratio of investment income- Net to average net assets	5.28%	4.16%	2.11%
Ratio of expenses to average net assets	0.06%	0.06%	0.06%

LOCAL GOVERNMENT INVESTMENT POOL
SCHEDULE OF INVESTMENTS
As of June 30, 2007

	Yield @ Purchase	Carrying Value	Fair Value	Percentage of Investments at Fair Value
U.S. Government Agency Notes:				
Federal Home Loan Bank 5.30% due 08/15/07	5.30%	50,000,000.00	50,000,000.00	0.01
Federal Home Loan Bank 5.29% due 11/07/07	5.29%	25,000,000.00	25,000,000.00	0.01
Federal Home Loan Bank 5.13% due 06/13/08	5.23%	8,788,832.80	8,790,009.81	0.00
Federal Home Loan Mortgage Corp. 5.36% due 03/27/08	5.28%	39,997,250.00	39,996,790.99	0.01
Federal Home Loan Mortgage Corp. 5.30% due 12/05/07	5.29%	50,000,000.00	50,000,000.00	0.01
Federal National Mortgage Association 5.15% due 11/21/07	5.27%	49,941,500.00	49,972,750.81	0.01
Total U.S. Government Agency Notes		223,727,582.80	223,759,551.61	0.05
Repurchase Agreements Collateralized by U.S. Government Obligations:				
Goldman Sachs & Company 5.35% due 07/02/07	5.35%	400,000,000.00	400,000,000.00	0.10
Total Repurchase Agreements Collateralized by U.S. Government Obligations		400,000,000.00	400,000,000.00	0.10
Corporate Notes and Bank Notes:				
Bank of America NA BN 5.30% due 08/10/07	5.30%	75,000,000.00	75,000,000.00	0.01
Bank of America NA BN 5.31% due 09/18/07	5.31%	50,000,000.00	50,000,000.00	0.01
Bear Stearns Co. FR MTN 5.40% due 07/05/08	5.40%	10,000,000.00	10,000,000.00	0.00
Citigroup Global Markets MTN 5.43% due 08/16/07	5.31%	47,013,724.00	47,007,014.49	0.01
General Electric Capital Corp. FR MTN 5.45% due 07/09/07	5.45%	37,954,580.10	37,950,474.33	0.01
General Electric Capital Corp. FR MTN 5.45% due 10/17/07	5.45%	15,000,000.00	15,000,000.00	0.00
General Electric Capital Corp. FR MTN 5.37% due 04/11/08	5.37%	50,041,500.00	50,034,434.44	0.01
General Electric Capital Corp. FR MTN 5.38% due 05/19/08	5.38%	62,061,398.00	62,053,796.56	0.01
General Electric Capital Corp. FR MTN 5.28% due 07/24/08	5.28%	8,000,000.00	8,000,000.00	0.00
Merrill Lynch & Co. FR MTN 5.57% due 07/11/07	5.57%	50,000,000.00	50,000,000.00	0.01
Merrill Lynch & Co. FR MTN 5.30% due 07/17/08	5.30%	25,000,000.00	25,000,000.00	0.01
Merrill Lynch & Co. FR MTN 5.30% due 07/24/08	5.30%	25,000,000.00	25,000,000.00	0.01
Toyota Motor Credit Corp. 5.33% due 02/15/08	5.33%	25,000,000.00	25,000,000.00	0.01
Toyota Motor Credit Corp. 5.24% due 05/02/08	5.22%	25,000,000.00	24,950,000.00	0.01
Toyota Motor Credit Corp. 5.40% due 06/12/08	5.39%	25,000,000.00	25,000,000.00	0.01
Wells Fargo Bank NA BN 5.28% due 07/02/07	5.28%	25,000,000.00	25,000,000.00	0.01
Wells Fargo Bank NA BN 5.27% due 07/09/07	5.27%	50,000,000.00	50,000,000.00	0.01
Wells Fargo & Co FR MTN 5.37% due 03/10/08	5.37%	68,181,139.67	68,158,804.54	0.01
Wells Fargo & Co FR MTN 5.31% due 07/03/08	5.31%	25,000,000.00	25,000,000.00	0.01
Wells Fargo & Co FR MTN 5.28% due 08/15/08	5.28%	25,000,000.00	25,000,000.00	0.01
Total Corporate Notes and Bank Notes		723,252,341.77	723,154,524.36	0.17
Negotiable Certificates of Deposit:				
Bank of Montreal-Chicago 5.32% due 08/31/07	5.32%	50,000,000.00	50,000,000.00	0.01
Bank of Montreal-Chicago 5.29% due 05/16/08	5.29%	50,000,000.00	50,000,000.00	0.01
Barclays Bank NY 5.30% due 08/09/07	5.30%	75,000,000.00	75,000,000.00	0.02
Barclays Bank NY 5.28% due 01/03/08	5.28%	49,997,900.00	49,998,706.62	0.01
Barclays Bank NY 5.37% due 04/15/08	5.37%	50,000,000.00	50,000,000.00	0.01
Branch Banking and Trust 5.31% due 07/10/07	5.31%	150,000,000.00	150,000,000.00	0.04
Citibank NA 5.30% due 08/20/07	5.30%	50,000,000.00	50,000,000.00	0.01
Citibank NA 5.31% due 08/22/07	5.31%	25,000,000.00	25,000,000.00	0.01
Citibank NA 5.32% due 09/28/07	5.32%	35,000,000.00	35,000,000.00	0.01
Credit Suisse NY 5.29% due 07/05/07	5.29%	35,000,000.00	35,000,000.00	0.01
Credit Suisse NY 5.30% due 07/09/07	5.30%	25,000,000.00	25,000,000.00	0.01
Credit Suisse NY 5.30% due 07/26/07	5.30%	50,000,000.00	50,000,000.00	0.01
Credit Suisse NY 5.31% due 09/24/07	5.31%	75,009,000.00	75,002,550.00	0.02

LOCAL GOVERNMENT INVESTMENT POOL
SCHEDULE OF INVESTMENTS
As of June 30, 2007

	Yield @ Purchase	Carrying Value	Fair Value	Percentage of Investments at Fair Value
Negotiable Certificates of Deposit (cont):				
Deutsche Bank NY 5.28% due 07/11/07	5.28%	75,000,000.00	75,000,000.00	0.02
Deutsche Bank NY 5.35% due 04/14/08	5.35%	50,000,000.00	50,000,000.00	0.01
Fortis Bank NY 5.29% due 07/09/07	5.29%	50,000,000.00	50,000,000.00	0.01
Fortis Bank NY 5.29% due 07/12/07	5.29%	25,000,000.00	25,000,000.00	0.01
Fortis Bank NY 5.29% due 07/31/07	5.29%	50,000,000.00	50,000,000.00	0.01
Lloyds TSB Bank PLC NY 5.29% due 07/23/07	5.29%	99,999,238.58	99,999,643.60	0.02
Royal Bank of Scotland NY 5.26% due 09/14/07	5.26%	144,975,072.00	144,993,204.98	0.03
Societe Generale NY 5.29% due 07/09/07	5.29%	75,000,000.00	75,000,000.00	0.02
Societe Generale NY 5.27% due 03/28/08	5.27%	39,991,600.00	39,993,304.71	0.01
Suntrust Bank FR 5.31% due 01/28/08	5.31%	100,009,900.00	100,008,991.58	0.02
Total Negotiable Certificates of Deposit		1,429,982,710.58	1,429,996,401.49	0.34
Commercial Paper:				
Alpine Securitization due 07/02/07	5.36%	74,966,500.00	74,966,500.01	0.02
Alpine Securitization due 07/06/07	5.30%	49,875,097.22	49,875,097.22	0.01
Aspen Funding due 07/11/07	5.30%	24,879,229.17	24,879,229.17	0.01
Aspen Funding due 07/13/07	5.30%	18,839,822.71	18,839,822.71	0.01
Atlantis One Funding due 07/26/07	5.31%	49,779,583.33	49,779,583.33	0.01
Barton Capital due 07/02/07	5.29%	49,904,666.67	49,904,666.67	0.01
Barton Capital due 07/09/07	5.34%	134,594,361.10	134,369,266.65	0.03
Bear Stearns FR due 10/05/07	5.30%	50,000,000.00	50,000,000.00	0.01
BNP Paribas Finance due 07/02/07	5.35%	174,921,979.16	174,921,979.15	0.04
CIESCO due 07/25/07	5.30%	65,546,763.33	65,546,763.33	0.02
CIESCO due 07/30/07	5.31%	45,200,268.75	45,200,268.75	0.01
Citigroup Funding due 08/10/07	5.32%	49,136,423.61	49,136,423.61	0.01
Kitty Hawk Funding due 07/16/07	5.30%	25,314,378.27	25,314,378.27	0.01
Kitty Hawk Funding due 07/26/07	5.32%	49,786,527.78	49,786,527.78	0.01
Morgan Stanley FR due 07/18/07	5.34%	50,000,000.00	50,000,000.00	0.01
Morgan Stanley FR due 09/10/07	5.33%	50,000,000.00	50,000,000.00	0.01
New Center Asset Trust A-1+ due 07/02/07	5.36%	49,977,666.67	49,977,666.67	0.01
Newport Funding due 07/12/07	5.29%	49,773,097.22	49,773,097.22	0.01
Newport Funding due 07/20/07	5.32%	11,955,833.33	11,955,833.33	0.01
Old Line Funding due 07/23/07	5.32%	24,904,305.56	24,904,305.56	0.01
Sheffield Receivables due 07/10/07	5.36%	74,866,250.00	74,866,250.00	0.02
Sheffield Receivables due 07/13/07	5.31%	49,867,500.00	49,867,500.00	0.01
UBS Finance Delaware due 07/02/07	5.35%	49,977,708.33	49,977,708.33	0.01
UBS Finance Delaware due 07/05/07	5.29%	99,648,666.66	99,648,666.66	0.03
UBS Finance Delaware due 08/15/07	5.29%	40,682,031.89	40,682,031.89	0.01
Yorktown Capital due 08/03/07	5.31%	49,692,000.00	49,692,000.00	0.01
Total Commercial Paper		1,464,090,660.76	1,463,865,566.31	0.34
Money Market Funds:				
JP Morgan US Govt Money Market Fund due 07/02/07	5.21%	5,203,779.38	5,203,779.38	0.00
Total Money Market Funds		5,203,779.38	5,203,779.38	0.00
Total Investments		\$ 4,246,257,075.29	\$ 4,245,979,823.15	1.00



Commonwealth of Virginia

Walter J. Kucharski, Auditor

**Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218**

December 14, 2007

The Honorable Timothy M. Kaine
Governor of Virginia

The Honorable Thomas K. Norment, Jr.
Chairman, Joint Legislative Audit
And Review Commission

The Virginia Treasury Board and
Pool Participants
Local Government Investment Pool

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying basic financial statements of the **Local Government Investment Pool** as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Department of Treasury'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 financial position of the Local Government Investment Pool as of June 30, 2007 and the changes in its financial position for the year ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages one and two are not a required part of the basic financial statements, but are supplementary information required by the 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 that collectively comprise the Local Government Investment Pool's basic financial statements. The Schedule of Selected Participant Share and Ratio Information and the Schedule of Investments are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated December 14, 2007 on our consideration of the Local Government Investment Pool's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

AUDITOR OF PUBLIC ACCOUNTS

BEM/wdh