

**LOCAL GOVERNMENT INVESTMENT POOL**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING JUNE 30, 2008**



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## 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, 2008. 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)

	2008	2007
Total assets	\$ 4,404	\$ 4,262
Total net assets	\$ 4,404	\$ 4,262

LGIP activity increased significantly during fiscal year 2008. Year over year, net assets increased approximately three percent with the dollar value of deposits and withdrawals increasing approximately nine percent and twenty-six percent respectively. Active accounts numbered 936 at the end of fiscal year 2008.

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

	2008	2007
Additions:		
Proceeds from units admitted	\$ 8,552	\$ 7,836
Investment earnings	160	162
Total additions	8,712	7,998
Deductions:		
Disbursements for units withdrawn	8,570	6,782
Total deductions	8,570	6,782
Increase in net assets	142	1,216
Net assets, July 1	4,262	3,046
Net assets, June 30	\$ 4,404	\$ 4,262

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 lower for fiscal year 2008 as new security purchases for the investment portfolio were purchased at lower yields throughout the year. The fiscal year began with the federal funds rate at 5.25%. The Federal Open Market Committee lowered rates throughout the year ending at 2.00%. Even though investment balances were higher during the period, they did not compensate for the significant decrease in yields on new investment purchases.

# **Financial Statements**

Local Government Investment Pool  
Statement of Fiduciary Net Assets  
As of June 30, 2008

Assets	
Investments in cash equivalents, at value (Notes 1B & 2A)	\$ 2,528,822,420
Investments in securities, at value (Notes 1B & 2A)	1,861,191,799
Interest receivable	<u>13,891,740</u>
Total assets	<u>4,403,905,959</u>
Liabilities	
Administrative fee payable	<u>5,783</u>
Total liabilities	<u>5,783</u>
Net Assets	
Held in trust for pool participants	<u><u>\$ 4,403,900,176</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, 2008

Additions	
Contributions:	
Proceeds from units admitted	\$ 8,551,613,596
Total contributions	8,551,613,596
Investment earnings:	
Interest income	148,094,352
Net accrued interest	13,891,740
Net change in unrealized appreciation of investments for the year	810,825
Less administrative fee	(2,314,668)
Net investment earnings	160,482,249
Total additions	8,712,095,845
Deductions	
Disbursements for units withdrawn	8,569,717,401
Total deductions	8,569,717,401
Change in net assets	142,378,444
Net assets - July 1, 2007	4,261,521,732
Net assets - June 30, 2008	\$ 4,403,900,176

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, 2008

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 \$3,960,200) 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. DETAILED NOTES

### A. 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 LGIP investments permitted in each category and the actual allocation at June 30, 2008 are as follows:

|                                                                                                     | <u>Maximum<br/>Permitted</u> | <u>Actual<br/>June 30, 2008</u> |
|-----------------------------------------------------------------------------------------------------|------------------------------|---------------------------------|
| U. S. Treasury/Agency                                                                               | 100%                         | 30%                             |
| Bankers' Acceptances, Negotiable<br>Certificates of Deposit and/or<br>Negotiable Bank Deposit Notes | 40%                          | 33%                             |
| Non-Negotiable Certificate of Deposit                                                               | 5%                           | 0%                              |
| Commercial Paper                                                                                    | 35%                          | 32%                             |
| Corporate Notes                                                                                     | 25%                          | 5%                              |
| Repurchase Agreements                                                                               | 50%                          | 0%                              |
| Taxable Municipal Obligations                                                                       | 10%                          | 0%                              |

#### *Interest Rate Risk - Investments*

Interest rate risk is the risk that changes in interest rates of debt investments 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's WAM was 34 days, which should assure minimal asset value fluctuations under most market

As of June 30, 2008  
(Dollars in Thousands)

|                                                         | <u>Fair Value<br/>Uncategorized</u> | <u>Weighted Average<br/>Days to Maturity</u> |
|---------------------------------------------------------|-------------------------------------|----------------------------------------------|
| U.S. Treasury and Agency Securities                     | \$ 891,196                          | 64                                           |
| Corporate Notes                                         | 242,495                             | 17                                           |
| Commercial Paper                                        | 1,385,209                           | 32                                           |
| Negotiable Certificates of Deposit<br>and Deposit Notes | 1,467,003                           | 29                                           |
| US Govt Money Market Funds                              | 404,111                             | 1                                            |
| Total                                                   | <u>\$ 4,390,014</u>                 |                                              |
| Portfolio weighted average maturity                     |                                     | 34                                           |

conditions. The LGIP's investments at June 30, 2008 are presented below.

LGIP's Rated Debt Investments  
As of June 30, 2008  
(Dollars in thousands)

|                                                         | Credit Quality      |                   |                   |                  |                     |                  |
|---------------------------------------------------------|---------------------|-------------------|-------------------|------------------|---------------------|------------------|
|                                                         | Total Fair Value    | AAA               | AA                | A                | A-1+                | A-1              |
| Agency Unsecured Bonds<br>and Notes                     | \$ 891,196          | \$ 22,750         | \$ -              | \$ -             | \$ 868,446          | \$ -             |
| Corporate Notes                                         | 242,495             | 104,501           | 77,994            | 60,000           | -                   | -                |
| Commercial Paper                                        | 1,385,209           | -                 | -                 | -                | 1,385,209           | -                |
| Negotiable Certificates<br>of Deposit and Deposit Notes | 1,467,003           | 115,000           | 174,999           | -                | 1,127,004           | 50,000           |
| US Govt Money Market Funds                              | 404,111             | 404,111           | -                 | -                | -                   | -                |
| Total                                                   | <u>\$ 4,390,014</u> | <u>\$ 646,362</u> | <u>\$ 252,993</u> | <u>\$ 60,000</u> | <u>\$ 3,380,659</u> | <u>\$ 50,000</u> |

*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, 2008 ninety-eight 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, 2008 are presented below using the Standard and Poor's rating scale.

*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). As of June 30, 2008, more than 5 percent of LGIP's investments are in the Federal Home Loan Bank (15.13%) and in JP Morgan US Govt Money Market Fund (9.20%).

**B. Distributions**

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

C. 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, 2006, 2007 and 2008

	June 30, 2008	June 30, 2007	June 30, 2006
Investment income	\$ 0.04308	\$ 0.05339	\$ 0.04225
Expenses	0.00062	0.00059	0.00061
Investment income - net	0.04246	0.05280	0.04164
Income distributions	0.04246	0.05280	0.04164
Increase in net value	\$ -	\$ -	\$ -
Net Asset Value:			
Beginning of period	1.00000	1.00000	1.00000
End of period	1.00000	1.00000	1.00000
Ratio of investment income- Net to average net assets	4.25%	5.28%	4.16%
Ratio of expenses to average net assets	0.06%	0.06%	0.06%

LOCAL GOVERNMENT INVESTMENT POOL  
SCHEDULE OF INVESTMENTS  
As of June 30, 2008

	Yield @ Purchase	Carrying Value	Fair Value	Percentage of Investments at Fair Value
<b>Agency Unsecured Bonds and Notes:</b>				
Federal Home Loan Bank 5.27% due 07/02/08	5.27%	49,989,000.00	49,999,969.36	0.01
Federal Home Loan Bank 5.13% due 08/08/08	4.57%	25,109,000.00	25,012,984.33	0.01
Federal Home Loan Bank 4.72% due 08/22/08	4.72%	24,814,250.00	25,046,875.00	0.01
Federal Home Loan Bank 2.57% due 11/20/08	2.57%	25,000,000.00	25,000,000.00	0.01
Federal Home Loan Bank 2.75% due 02/06/09	2.72%	13,055,000.00	13,055,000.00	0.00
Federal Home Loan Bank 2.90% due 03/05/09	2.88%	25,000,000.00	25,000,000.00	0.01
Federal Home Loan Bank 2.85% due 03/17/09	2.83%	50,000,000.00	50,000,000.00	0.01
Federal Home Loan Bank 2.45% due 04/07/09	2.45%	14,997,750.00	14,998,273.97	0.00
Federal Home Loan Bank Discount Note due 07/11/08	2.21%	149,741,777.78	149,741,777.79	0.03
Federal Home Loan Bank Discount Note due 07/18/08	2.20%	63,982,367.41	63,982,367.41	0.01
Federal Home Loan Bank Discount Note due 07/23/08	2.23%	49,928,763.89	49,928,763.89	0.01
Federal Home Loan Bank FRN due 02/17/09	3.80%	50,000,000.00	50,000,000.00	0.01
Federal Home Loan Bank FRN due 03/26/09	5.03%	25,000,000.00	25,000,000.00	0.01
Federal Home Loan Bank FRN due 04/24/09	2.57%	50,000,000.00	50,000,000.00	0.01
Federal Home Loan Bank FRN due 07/10/09	2.63%	22,750,000.00	22,750,000.00	0.01
Federal Home Loan Bank FRN due 08/05/09	3.05%	24,994,250.00	24,995,795.25	0.01
Federal Home Loan Mortgage Corp. 2.90% due 06/12/09	2.88%	25,000,000.00	25,000,000.00	0.01
Federal Home Loan Mortgage Corp. 3.30% due 06/23/09	3.28%	15,000,000.00	15,000,000.00	0.00
Federal Home Loan Mortgage Corp. Discount Note due 07/21/08	2.20%	18,437,918.00	18,437,918.00	0.00
Federal Home Loan Mortgage Corp. Discount Note due 08/04/08	2.20%	29,337,116.67	29,337,116.67	0.01
Federal Home Loan Mortgage Corp. FRN due 10/08/09	2.68%	49,981,725.00	49,984,267.90	0.01
Federal Home Loan Mortgage Corp. FRN due 10/19/09	2.67%	49,994,410.00	49,995,163.48	0.01
Federal National Mortgage Association 3.25% due 08/15/08	4.60%	23,248,534.32	23,551,058.44	0.01
Federal National Mortgage Association Discount Note due 08/29/08	4.53%	15,324,959.88	15,378,723.97	0.00
<b>Total Agency Unsecured Bonds and Notes</b>		<b>890,686,822.95</b>	<b>891,196,055.46</b>	<b>0.21</b>
<b>Corporate Notes:</b>				
Bear Stearns Co. FR MTN due 08/05/08	1.38%	10,000,000.00	10,000,000.00	0.00
General Electric Capital Corp. FRN due 06/24/09	5.00%	9,496,655.00	9,496,813.76	0.00
J P Morgan Chase & Co. FR MTN due 09/05/08	5.69%	24,969,500.00	24,994,248.57	0.00
Merrill Lynch & Co. FR MTN due 08/15/08	5.30%	25,000,000.00	25,000,000.00	0.00
Merrill Lynch & Co. FR MTN due 08/22/08	5.35%	25,000,000.00	25,000,000.00	0.01
Proctor & Gamble International FRN due 02/19/09	3.14%	3,000,000.00	3,000,000.00	0.00
Toyota Motor Credit Corp FR MTN due 01/12/09	2.50%	25,004,575.00	25,004,248.21	0.01
Toyota Motor Credit Corp. 2.43% due 06/26/09	2.43%	20,000,000.00	20,000,000.00	0.00
Toyota Motor Credit Corp. FR MTN due 07/02/09	2.44%	50,000,000.00	50,000,000.00	0.01
Wells Fargo & Co. FR MTN due 09/18/08	5.28%	25,000,000.00	25,000,000.00	0.01
Wells Fargo & Co. FR MTN due 02/03/09	3.14%	25,000,000.00	25,000,000.00	0.01
<b>Total Corporate Notes:</b>		<b>242,470,730.00</b>	<b>242,495,310.54</b>	<b>0.05</b>
<b>Negotiable Certificates of Deposit and Negotiable Bank Deposit Notes:</b>				
Bank of America NA BN 2.79% due 07/28/08	2.79%	100,000,000.00	100,000,000.00	0.02
Bank of Montreal 2.50% due 07/14/08	2.50%	50,000,000.00	50,000,000.00	0.01
Barclays Bank PLC NY 2.73% due 07/02/08	2.73%	50,000,000.00	50,000,000.00	0.01
Barclays Bank PLC NY 2.60% due 08/25/08	2.60%	25,000,000.00	25,000,000.00	0.01
Barclays Bank PLC NY 2.75% due 09/15/08	2.75%	50,000,000.00	50,000,000.00	0.01
Barclays Bank PLC NY FR due 10/27/08	5.14%	25,000,000.00	25,000,000.00	0.01
Barclays Bank PLC NY FR due 02/09/09	3.49%	25,000,000.00	25,000,000.00	0.01
Branch Banking and Trust 2.47% due 07/01/08	2.47%	50,000,000.00	50,000,000.00	0.01
Branch Banking and Trust 2.80% due 07/01/08	2.80%	50,000,000.00	50,000,000.00	0.01
Branch Banking and Trust 2.92% due 07/01/08	2.92%	50,000,000.00	50,000,000.00	0.01
Branch Banking and Trust 2.42% due 07/31/08	2.42%	25,000,000.00	25,000,000.00	0.01
Branch Banking and Trust 2.73% due 09/16/08	2.73%	25,000,000.00	25,000,000.00	0.01
Citibank NA 2.90% due 07/21/08	2.90%	50,000,000.00	50,000,000.00	0.01
Citibank NA 2.42% due 07/28/08	2.42%	35,000,000.00	35,000,000.00	0.01
Citibank NA 2.73% due 08/06/08	2.73%	50,000,000.00	50,000,000.00	0.01
Citibank NA 2.72% due 08/08/08	2.72%	10,000,000.00	10,000,000.00	0.00

LOCAL GOVERNMENT INVESTMENT POOL  
SCHEDULE OF INVESTMENTS  
As of June 30, 2008

	Yield @ Purchase	Carrying Value	Fair Value	Percentage of Investments at Fair Value
Citibank NA 2.69% due 08/15/08	2.69%	32,000,000.00	32,000,000.00	0.01
Credit Suisse NY FR due 10/03/08	5.34%	24,995,000.00	24,998,708.79	0.00
Credit Suisse NY FR due 10/20/08	5.26%	50,000,000.00	50,000,000.00	0.01
Deutsche Bank NY 2.72% due 07/31/08	2.72%	50,000,000.00	50,000,000.00	0.01
Lloyds TSB Bank PLC NY 2.38% due 07/09/08	2.38%	50,000,000.00	50,000,000.00	0.01
Lloyds TSB Bank PLC NY 2.40% due 07/14/08	2.40%	100,000,859.34	100,000,360.36	0.02
Lloyds TSB Bank PLC NY 2.43% due 07/23/08	2.43%	25,000,395.68	25,000,241.80	0.01
Lloyds TSB Bank PLC NY 2.62% due 08/19/08	2.55%	35,006,137.08	35,003,304.58	0.01
Rabobank NY 2.67% due 09/18/08	2.67%	25,000,000.00	25,000,000.00	0.01
Royal Bank of Canada NY 2.50% due 08/18/08	2.50%	50,000,000.00	50,000,000.00	0.01
Royal Bank of Canada NY 2.63% due 08/20/08	2.62%	40,001,015.42	40,000,551.86	0.01
Royal Bank of Canada NY 2.74% due 09/24/08	2.74%	50,000,000.00	50,000,000.00	0.01
Toronto Dominion Bank NY 2.48% due 08/05/08	2.48%	50,000,000.00	50,000,000.00	0.01
Toronto Dominion Bank NY 2.60% due 08/29/08	2.60%	50,000,000.00	50,000,000.00	0.01
UBS - NY 2.81% due 07/16/08	2.81%	50,000,000.00	50,000,000.00	0.01
Wells Fargo Bank NA BN 2.36% due 07/07/08	2.36%	80,000,000.00	80,000,000.00	0.01
Wells Fargo Bank NA BN 2.32% due 07/15/08	2.35%	35,000,000.00	35,000,000.00	0.01
<b>Total Negotiable Certificates of Deposit and Negotiable Bank Deposit Notes</b>		<b>1,467,003,407.52</b>	<b>1,467,003,167.39</b>	<b>0.33</b>
<b>Commercial Paper:</b>				
Bank of America Corp. due 08/01/08	2.58%	24,912,548.61	24,912,548.61	0.01
Bank of America Corp. due 08/05/08	2.60%	14,910,775.00	14,910,775.00	0.01
Bank of America Corp. due 08/11/08	2.53%	13,920,620.00	13,920,620.00	0.00
BNP Paribas Finance due 07/17/08	2.42%	74,849,062.50	74,849,062.50	0.02
BNP Paribas Finance due 08/01/08	2.61%	51,482,137.50	51,482,137.50	0.01
BNP Paribas Finance due 09/09/08	2.64%	74,497,450.00	74,497,450.00	0.02
Deutsche Bank Financial due 07/14/08	2.44%	64,728,747.22	64,728,747.22	0.01
Deutsche Bank Financial due 08/11/08	2.40%	49,770,958.33	49,770,958.33	0.01
General Electric Capital Corp. due 07/15/08	2.31%	14,961,666.67	14,961,666.67	0.01
General Electric Capital Corp. due 07/21/08	2.31%	149,396,250.00	149,396,250.00	0.03
ING (US) Funding due 07/14/08	2.62%	23,557,888.89	23,557,888.89	0.01
ING (US) Funding due 07/15/08	2.52%	29,872,408.33	29,872,408.33	0.01
ING (US) Funding due 08/15/08	2.58%	49,785,833.33	49,785,833.33	0.01
ING (US) Funding due 08/25/08	2.58%	49,785,833.33	49,785,833.33	0.01
J P Morgan Chase & Co. due 07/09/08	2.31%	8,319,058.61	8,319,058.61	0.00
J P Morgan Chase & Co. due 09/04/08	2.50%	49,690,000.00	49,690,000.00	0.01
Prudential Funding due 08/04/08	2.36%	49,807,430.56	49,807,430.56	0.01
Prudential Funding due 08/25/08	2.46%	99,335,777.78	99,335,777.78	0.02
Rabobank USA Finance due 07/07/08	2.49%	39,834,666.67	39,834,666.67	0.01
Rabobank USA Finance due 07/25/08	2.76%	49,653,694.40	49,653,694.42	0.01
Rabobank USA Finance due 08/04/08	2.54%	84,529,133.34	84,529,133.34	0.02
State Street Corp. due 07/10/08	2.31%	49,840,277.78	49,840,277.78	0.01
Toyota Motor Credit Corp. due 07/01/08	2.50%	49,996,527.78	49,996,527.78	0.01
Toyota Motor Credit Corp. due 08/06/08	2.34%	49,754,055.56	49,754,055.56	0.01
UBS Finance Delaware due 07/16/08	2.51%	23,606,187.50	23,606,187.50	0.01
UBS Finance Delaware due 08/05/08	2.55%	49,798,916.67	49,798,916.67	0.01
UBS Finance Delaware due 08/15/08	2.74%	49,772,500.00	49,772,500.00	0.01
Wells Fargo & Co. due 07/14/08	2.36%	44,838,437.50	44,838,437.50	0.01
<b>Total Commercial Paper</b>		<b>1,385,208,843.86</b>	<b>1,385,208,843.88</b>	<b>0.32</b>
<b>Money Market Funds:</b>				
JP Morgan US Govt Money Market Fund due 07/01/08	2.32%	404,110,841.44	404,110,841.43	0.09
<b>Total Money Market Funds</b>		<b>404,110,841.44</b>	<b>404,110,841.43</b>	<b>0.09</b>
<b>Total Investments</b>		<b>\$ 4,389,480,645.77</b>	<b>\$ 4,390,014,218.70</b>	<b>1.00</b>



# Commonwealth of Virginia

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

Walter J. Kucharski, Auditor

January 15, 2009

The Honorable Timothy M. Kaine  
Governor of Virginia

The Honorable M. Kirkland Cox  
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 (LGIP)** as of and for the year ended June 30, 2008, 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.

As discussed in Note 1, the basic financial statements of the LGIP are intended to present the financial position and the changes in financial position of only that portion of the Investment Trust Fund of the Commonwealth of Virginia that is attributable to the transactions of the LGIP. They do not purport to, and do not, present fairly the Commonwealth of Virginia's overall financial position as of June 30, 2008, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the LGIP as of June 30, 2008, 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 is 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 basic financial statements of the LGIP. 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 statement taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated January 15, 2009 on our consideration of the LGIP'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/alh