

**LOCAL GOVERNMENT INVESTMENT POOL**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING JUNE 30, 2013**



LOCAL GOVERNMENT INVESTMENT POOL  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2013

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**LOCAL GOVERNMENT INVESTMENT POOL  
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, 2013. 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 conformity with the SEC’s Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. The LGIP is rated ‘AAAm’ by Standard & 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 Position 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 Position reports the additions to, deductions from, and net increases in net position.

**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)**

	2013	2012
Total assets	\$ 3,194	\$ 3,115
Total net position	\$ 3,194	\$ 3,115

Assets at year-end increased by 2.5% over the previous year. The dollar value of deposits increased 13.4% and withdrawals increased 11.7%. Active accounts numbered 841 at the end of fiscal year 2013.

**LOCAL GOVERNMENT INVESTMENT POOL  
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

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

	2013	2012
Additions:		
Proceeds from units admitted	\$ 6,745	\$ 5,949
Investment earnings	5	4
Total additions	6,750	5,953
Deductions:		
Disbursements for units withdrawn	6,671	5,972
Total deductions	6,671	5,972
Increase/decrease in net position	79	(19)
Net position, July 1	3,115	3,134
Net position, June 30	\$ 3,194	\$ 3,115

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.

The extraordinary low interest rate environment continued in fiscal year 2013, marking the sixth consecutive year of declining yields. The Federal Reserve reinforced highly accommodative monetary policy of a zero to 25 basis point federal funds target that has been in place since December 2008 with additional quantitative easing to lower long-term interest rates. The lower yield environment contributed to reduced investment earnings during the period.

## LOCAL GOVERNMENT INVESTMENT POOL

### Statement of Fiduciary Net Position

As of June 30, 2013

Assets	
Investments in cash equivalents, at value	\$ 1,499,347,284
Investments in securities, at value	1,693,884,711
Interest receivable	<u>825,470</u>
Total assets	<u>3,194,057,465</u>
Liabilities	
Administrative fee payable	<u>137</u>
Total liabilities	<u>137</u>
Net Position	
Held in trust for pool participants	<u>\$ 3,194,057,328</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 Position

For the year ended June 30, 2013

Additions	
Contributions:	
Proceeds from units admitted	\$ 6,745,247,669
Total contributions	<u>6,745,247,669</u>
Investment earnings:	
Interest income	4,735,284
Net accrued interest	825,470
Net change in unrealized appreciation of investments for the year	515,080
Less administrative fee	<u>(1,106,094)</u>
Net investment earnings	<u>4,969,740</u>
Total additions	<u>6,750,217,409</u>
Deductions	
Disbursements for units withdrawn	<u>6,671,621,354</u>
Total deductions	<u>6,671,621,354</u>
Change in net position	78,596,005
Net position - July 1, 2012	<u>3,115,461,273</u>
Net position - June 30, 2013	<u><u>\$ 3,194,057,328</u></u>

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

**LOCAL GOVERNMENT INVESTMENT POOL  
NOTES TO THE FINANCIAL STATEMENTS**

AS OF JUNE 30, 2013

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 conformity with the SEC's Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended.

A. Basis of Presentation

The Treasury Board of Virginia administers the LGIP. The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting under which revenues are recognized when they are earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Earnings and expenses accrue daily, but are credited or charged to participants' accounts on a monthly basis.

B. Change in Accounting Principles

The LGIP implemented Governmental Accounting Standards Board (GASB) Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in the fiscal year ending June 30, 2013. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, or Net Position. The LGIP had no deferred outflows or inflows of resources at June 30, 2013.

C. Investment Valuation

Investments in the LGIP are stated at market value where available. However, market value does not include market accrued interest (totaling \$154,831) which is included as a portion of interest receivable on the Statement of Fiduciary Net Position. 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 (carrying value, as shown on the supplementary Schedule of Investment on pages 10 and 11). 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

**LOCAL GOVERNMENT INVESTMENT POOL  
NOTES TO THE FINANCIAL STATEMENTS**

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.

The LGIP has not provided or obtained any legally binding guarantees during the fiscal year to support the value of shares.

**D. Income**

Interest income is recorded as interest that has been earned on securities during the fiscal year. The net change in unrealized appreciation reflects the change in portfolio investment values, including the reversal of previously recorded unrealized appreciation or depreciation, when gains or losses are realized.

**2. DETAILED NOTES**

**A. Investments**

Funds in the LGIP are invested in accordance with Treasury Board investment guidelines and Standard & Poor's AAAM rating criteria. This includes obligations of the United States Government or agencies thereof, repurchase agreements, bankers' acceptances, commercial paper, short-term corporate notes, bank deposit notes and certificates of deposit. The maximum average maturity for the portfolio may not exceed 60 days. The maximum percentage of the LGIP investments permitted in each category and the actual allocation at June 30, 2013 are as follows:

	<u>Maximum Permitted</u>	<u>Actual June 30, 2013</u>
U. S. Treasury/Agency	100%	25%
Bankers' Acceptances, Negotiable Certificates of Deposit and/or Negotiable Bank Deposit Notes	40%	30%
Commercial Paper	35%	20%
Corporate Notes	25%	0%
Repurchase Agreements	50%	25%
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 50 days, which should assure minimal asset value fluctuations under most market conditions. The LGIP's investments at June 30, 2013 are presented on the following page.

**LOCAL GOVERNMENT INVESTMENT POOL**  
**NOTES TO THE FINANCIAL STATEMENTS**

LGIP Investments  
As of June 30, 2013  
(Dollars in Thousands)

	Fair Value Uncategorized	Weighted Average Days to Maturity
U.S. Treasury and Agency Securities	799,388	74
Commercial Paper	641,068	58
Negotiable Certificates of Deposit, Deposit Notes and Bankers' Acceptances	961,683	64
Repurchase Agreements	790,000	4
US Govt Money Market Funds	1,093	1
Total	\$ 3,193,232	
Portfolio weighted average maturity		50

*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 not exposed to credit risk because LGIP investments are held by the LGIP's custodian in the LGIP's name. 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 & Poor's on individual securities purchased. As of June 30, 2013, 85 percent of the LGIP portfolio was invested in securities within the highest long-term and/or short-term (AAA, AA+ and/or A-1+) rating categories by the Standard & Poor's rating scale. The LGIP's rated debt investments as of June 30, 2013 are presented below using the Standard & Poor's rating scale.

	Total Fair Value	Credit Quality			
		AAA	AA+	A-1+	A-1
U.S Treasury and Agency Securities	\$ 200,020	\$ -	\$ 125,039	\$ 74,981	\$ -
Agency Unsecured Bonds and Notes	599,368	110,392	488,976	-	-
Corporate Notes	-	-	-	-	-
Commercial Paper	641,068	-	-	548,167	92,901
Negotiable Certificates of Deposit, Deposit Notes and Bankers' Acceptances	961,683	-	-	581,613	380,070
Repurchase Agreements	790,000	-	790,000	-	-
USGovt Money Market Funds	1,093	1,093	-	-	-
Total	\$ 3,193,232	\$ 111,485	\$ 1,404,015	\$ 1,204,761	\$ 472,971

**LOCAL GOVERNMENT INVESTMENT POOL**  
**NOTES TO THE FINANCIAL STATEMENTS**

*Concentration of Credit Risk*

The LGIP Investment Policy requires diversification of assets with not more than 4% 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, 2013, more than 4 percent of LGIP's investments are in Goldman Sachs U.S. Government Tri-Party Repurchase Agreements (17%), in Bank of Nova Scotia U.S. Government Tri-Party Repurchase Agreements (8%), in the Federal Home Loan Bank (8%), in United States Treasury Notes (6%), and in the Federal National Mortgage Association (5%).

**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.

**LOCAL GOVERNMENT INVESTMENT POOL  
SUPPLEMENTARY INFORMATION**

Selected Participant Share and Ratio Information

Selected ratios and data for the average number of shares outstanding throughout the years ended June 30, 2011, 2012 and 2013

	June 30, 2013	June 30, 2012	June 30, 2011
Investment income	\$ 0.00204	\$ 0.00193	\$ 0.00269
Expenses	0.00041	0.00043	0.00061
Investment income - net	0.00163	0.00150	0.00208
Income distributions	0.00163	0.00150	0.00208
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	0.16%	0.15%	0.21%
Ratio of expenses to average net assets	0.04%	0.04%	0.06%

# LOCAL GOVERNMENT INVESTMENT POOL SUPPLEMENTARY INFORMATION

## SCHEDULE OF INVESTMENTS As of June 30, 2013

	Yield to Maturity	Carrying Value	Fair Value	Percentage of Investments at Fair Value
United States Treasuries:				
United States Treasury Bills 0.0425% due 7/18/13	0.04%	\$ 24,999,173.50	\$ 24,999,451.43	0.01
United States Treasury Bills 0.08% due 11/29/13	0.08%	49,979,666.67	49,981,640.53	0.01
United States Treasury Notes 0.375% due 7/31/13	0.14%	25,036,132.81	25,005,750.00	0.01
United States Treasury Notes 0.75% due 8/15/13	0.06%	25,023,501.50	25,020,500.00	0.01
United States Treasury Notes 0.25% due 10/31/13	0.19%	25,012,695.31	25,012,750.00	0.01
United States Treasury Notes 0.125% due 12/31/13	0.10%	50,006,332.19	50,000,000.00	0.01
<b>Total United States Treasuries</b>		<b>200,057,501.98</b>	<b>200,020,091.96</b>	<b>0.06</b>
Agency Unsecured Bonds and Notes:				
Federal Farm Credit Bank Floater 3 Month T-Bills 0.171% due 11/1/13	0.17%	24,996,325.00	25,003,250.00	0.01
Federal Home Loan Bank 0.18% due 12/20/13	0.18%	24,988,600.00	25,013,500.00	0.01
Federal Home Loan Bank 0.2731% due 1/23/14	0.10%	42,486,150.00	42,493,200.00	0.01
Federal Home Loan Bank 0.125% due 1/28/14	0.17%	24,989,750.00	24,989,250.00	0.01
Federal Home Loan Bank 0.16% due 3/28/14	0.19%	24,993,250.00	24,990,750.00	0.01
Federal Home Loan Bank Discount Note 0.115% due 7/19/13	0.12%	19,988,691.67	19,989,641.67	0.01
Federal Home Loan Bank Discount Note 0.075% due 8/1/13	0.08%	19,498,456.25	19,499,130.62	0.01
Federal Home Loan Bank Discount Note 0.075% due 8/7/13	0.08%	24,762,729.88	24,763,895.89	0.01
Federal Home Loan Bank Discount Note 0.06% due 8/30/13	0.06%	13,198,130.00	13,198,790.00	0.00
Federal Home Loan Bank Discount Note 0.14% due 12/4/13	0.14%	21,026,744.80	21,031,303.47	0.01
Federal Home Loan Bank Floater 0.17% due 11/15/13	0.17%	47,967,343.00	48,019,200.00	0.02
Federal Home Loan Mortgage Corporation 0.19398% due 12/5/14	0.19%	25,000,000.00	25,015,250.00	0.01
Federal Home Loan Mortgage Corporation Discount Note 0.16% due 11/12/13	0.16%	24,970,000.00	24,978,388.89	0.00
Federal National Mortgage Association Discount Note 0.125% due 8/7/13	0.13%	24,984,635.42	24,987,097.22	0.00
Federal National Mortgage Association Discount Note 0.13% due 8/14/13	0.13%	24,983,569.50	24,986,541.71	0.01
Federal National Mortgage Association Discount Note 0.14% due 12/26/13	0.14%	49,964,416.66	49,976,527.78	0.02
Federal National Mortgage Association Floater 0.271% due 3/4/14	0.27%	50,050,275.00	50,040,000.00	0.02
World Bank Discount Note 0.055% due 7/1/13	0.07%	75,394,048.75	75,394,048.75	0.01
World Bank Discount Note 0.08% due 7/24/13	0.08%	9,999,377.78	9,999,788.89	0.00
World Bank Discount Note 0.07% due 8/1/2013	0.07%	24,997,569.44	24,998,339.04	0.01
<b>Total Agency Unsecured Bonds and Notes</b>		<b>599,240,063.15</b>	<b>599,367,893.93</b>	<b>0.19</b>
Repurchase Agreements Collateralized by U.S. Government Obligations:				
Bank of Nova Scotia 0.11% due 7/1/13	0.11%	75,000,000.00	75,000,000.00	0.02
Bank of Nova Scotia 0.14% due 7/1/13	0.14%	100,000,000.00	100,000,000.00	0.03
Bank of Nova Scotia 0.09% due 7/9/13	0.09%	75,000,000.00	75,000,000.00	0.02
Goldman Sachs & Company 0.12% due 7/1/13	0.12%	215,000,000.00	215,000,000.00	0.07
Goldman Sachs & Company 0.05% due 7/1/13	0.05%	55,000,000.00	55,000,000.00	0.02
Goldman Sachs & Company 0.05% due 7/1/13	0.05%	60,000,000.00	60,000,000.00	0.03
Goldman Sachs & Company 0.05% due 7/2/13	0.05%	40,000,000.00	40,000,000.00	0.01
Goldman Sachs & Company 0.05% due 7/2/13	0.05%	75,000,000.00	75,000,000.00	0.02
Goldman Sachs & Company 0.04% due 7/3/13	0.04%	95,000,000.00	95,000,000.00	0.03
<b>Total Repurchase Agreements Collateralized by U.S. Government Obligation</b>		<b>790,000,000.00</b>	<b>790,000,000.00</b>	<b>0.25</b>
Negotiable Certificates of Deposit:				
Australia New Zealand- NY YCD 0.2% due 8/5/13	0.18%	14,250,986.54	14,251,708.99	0.00
Australia New Zealand- NY YCD 0.21% due 9/3/13	0.21%	24,500,000.00	24,505,747.47	0.01
Australia New Zealand- NY YCD 0.2% due 9/11/13	0.20%	25,000,000.00	25,006,079.87	0.01
Bank of Montreal-Chicago YCD 0.23% due 10/22/13	0.23%	38,000,000.00	38,009,614.14	0.01
Bank of Nova Scotia- Houston YCD 0.21% due 9/12/13	0.21%	75,000,000.00	75,020,030.46	0.02
Bank of Tokyo Mitsubishi NY YCD 0.19% due 8/15/13	0.19%	18,000,000.00	18,002,529.29	0.01
Branch Banking & Trust CD 0.21% due 7/1/13	0.21%	30,000,000.00	30,000,108.31	0.01
Branch Banking & Trust CD 0.19% due 9/30/13	0.19%	19,000,000.00	19,001,941.40	0.01
Canadian Imperial Bank of Commerce 0.2% due 7/15/13	0.20%	15,000,000.00	15,000,749.51	0.00
Canadian Imperial Bank of Commerce YCD 0.21% due 10/2/13	0.21%	65,000,000.00	65,010,152.77	0.02
Chase Bank USA CD 0.21% due 10/1/13	0.21%	20,000,000.00	20,003,096.36	0.01

**LOCAL GOVERNMENT INVESTMENT POOL  
SUPPLEMENTARY INFORMATION**

SCHEDULE OF INVESTMENTS  
As of June 30, 2013

	Yield to Maturity	Carrying Value	Fair Value	Percentage of Investments at Fair Value
Credit Sussie NY YCD 0.27% due 9/6/13	0.27%	25,000,000.00	25,008,968.54	0.01
National Australia Bank NY YCD 0.16% due 8/19/13	0.16%	19,000,000.00	19,002,110.50	0.01
National Australia Bank NY YCD 0.2% due 10/3/13	0.20%	25,000,000.00	25,003,292.52	0.01
National Australia Bank NY YCD 0.2% due 10/16/13	0.20%	23,000,000.00	23,003,444.14	0.01
Nordea Bank Finland NY YCD 0.23% due 10/24/13	0.20%	79,259,216.88	79,270,404.09	0.02
Rabobank Nederland NY YCD 0.24% due 7/19/13	0.24%	19,000,000.00	19,001,603.68	0.01
Rabobank Nederland NY YCD 0.26% due 11/8/13	0.19%	50,013,872.96	50,019,986.62	0.02
Skandinaviska Enskilda Bank NY YCD 0.2% due 8/16/13	0.20%	15,000,000.00	15,002,349.37	0.00
Standard Chartered Bank NY YCD 0.26% due 7/5/13	0.21%	20,002,301.78	20,000,499.80	0.01
Standard Chartered Bank - NY YCD 0.25% due 8/30/13	0.22%	20,001,576.72	20,005,758.69	0.01
Sumitomo Mitsui Banking Corporation 0.17% due 7/1/13	0.17%	20,000,000.00	20,000,049.99	0.01
Svenska Handelsbanken NY YCD 0.27% due 8/15/13	0.27%	40,001,009.76	40,009,705.95	0.00
Svenska Handelsbanken NY YCD 0.235% due 8/16/13	0.21%	25,002,183.38	25,005,056.80	0.01
Svenska Handelsbanken NY YCD 0.21% due 9/23/13	0.18%	15,001,198.25	15,004,863.65	0.00
Toronto Dominion Bank NY YCD 0.12% due 7/1/13	0.12%	9,999,999.96	10,000,011.11	0.00
Toronto Dominion Bank NY YCD 0.16% due 7/15/13	0.16%	45,000,000.00	45,001,499.63	0.01
Toronto Dominion Bank NY YCD 0.23 % due 11/1/13	0.23%	18,000,000.00	18,004,953.40	0.01
Toronto Dominion Bank NY YCD 0.23% due 11/6/13	0.23%	10,000,000.00	10,000,863.24	0.00
Toronto Dominion bank NY YCD 0.22% due 11/22/13	0.22%	7,500,000.00	7,502,112.20	0.00
United Bank of Switzerland AG-Stamford CT YCD 0.22% due 11/12/13	0.22%	40,000,000.00	40,010,491.35	0.01
Wells Fargo Bank CD 0.15% due 8/16/13	0.15%	42,000,000.00	42,003,837.11	0.01
Wells Fargo Bank CD 0.21% due 9/9/13	0.21%	20,000,000.00	20,005,124.93	0.01
Westpac Banking Corporation YCD 0.19% due 9/30/13	0.17%	30,002,113.13	30,003,061.91	0.01
<b>Total Negotiable Certificates of Deposit</b>		<b>961,534,459.36</b>	<b>961,683,546.79</b>	<b>0.30</b>
<b>Commercial Paper:</b>				
Chevron Corp. 0.07% due 7/1/13	0.07%	24,997,423.61	24,997,423.61	0.01
Export Development Canada 0.15% due 11/29/13	0.15%	24,979,583.33	24,974,895.83	0.01
Exxon Mobil Corp. 0.06% due 7/1/13	0.06%	24,999,125.00	24,999,125.00	0.01
Exxon Mobil Corp. 0.055% due 7/3/13	0.06%	19,999,786.11	19,999,658.33	0.01
Exxon Mobil Corp. 0.075% due 8/1/13	0.08%	74,991,729.17	74,985,916.67	0.02
General Electric Capital Corp. 0.23% due 7/10/13	0.23%	14,982,750.00	14,982,975.00	0.00
General Electric Capital Corp. 0.23% due 7/31/13	0.23%	10,987,350.00	10,987,900.00	0.00
General Electric Capital Corp. 0.23% due 9/30/13	0.23%	15,981,497.78	15,980,688.89	0.01
General Electric Capital Corp. 0.22% due 11/18/13	0.22%	9,988,938.89	9,986,605.55	0.00
General Electric Capital Corp. 0.21% due 12/2/13	0.21%	14,984,162.50	14,979,670.83	0.01
General Electric Capital Corp. 0.22% due 12/11/13	0.22%	9,989,000.00	9,986,283.33	0.00
HSBC USA, Inc 0.21% due 10/7/13	0.21%	24,983,083.33	24,980,361.11	0.01
J P Morgan Chase & Co. 0.23% due 9/3/13	0.23%	12,987,292.50	12,987,754.73	0.00
J P Morgan Chase & Co. 0.24% due 12/2/13	0.24%	24,969,666.67	24,969,388.89	0.01
Netjets, Inc 0.05% due 7/3/13	0.05%	44,999,562.50	44,999,262.50	0.01
State Street Corp. 0.19% due 11/1/13	0.19%	29,976,408.33	29,967,183.33	0.01
Toyota Motor Credit Corp. 0.23% due 11/18/13	0.23%	27,962,433.33	27,956,988.89	0.01
Toyota Motor Credit Corp. 0.2382% due 2/11/14	0.24%	30,000,000.00	30,000,000.00	0.01
Toyota Motor Credit Corp. 0.25% due 2/14/14	0.25%	11,977,750.00	11,974,500.00	0.00
Toyota Motor Credit Corp. 0.26% due 3/13/14	0.26%	9,980,644.44	9,979,705.55	0.00
US Bank NA CP 0.15% due 7/15/13	0.15%	73,000,000.00	72,999,391.28	0.02
Wal-Mart Corp. 0.05% due 7/1/13	0.06%	53,398,317.94	53,398,317.94	0.02
Wal-Mart Corp. 0.06% due 7/8/13	0.06%	49,998,916.67	49,997,847.22	0.02
<b>Total Commercial Paper</b>		<b>641,115,422.10</b>	<b>641,067,844.48</b>	<b>0.20</b>
<b>Money Market Funds:</b>				
J P Morgan US Govt Money Market Fund Capital Share 0.01% due 7/1/2013	0.01%	1,092,617.50	1,092,617.50	0.00
<b>Total Money Market Funds</b>		<b>1,092,617.50</b>	<b>1,092,617.50</b>	<b>0.00</b>
<b>Total Investments</b>		<b>\$ 3,193,040,064.09</b>	<b>\$ 3,193,231,994.66</b>	<b>1.00</b>



# Commonwealth of Virginia

## Auditor of Public Accounts

Martha S. Mavredes, CPA  
Auditor of Public Accounts

P.O. Box 1295  
Richmond, Virginia 23218

December 13, 2013

The Honorable Robert F. McDonnell  
Governor of Virginia

The Honorable John M. O'Bannon, III  
Chairman, Joint Legislative Audit  
And Review Commission

The Virginia Treasury Board and Local  
Government Investment Pool Participants

### INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Local Government Investment Pool as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Local Government Investment Pool's basic financial statements as listed in the table of contents.

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

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

#### ***Auditor's Responsibility***

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Local Government Investment Pool as of June 30, 2013, and the changes in fiduciary net position for the year ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

The basic financial statements of the Local Government Investment Pool are intended to present the financial position and the changes in financial position of only that portion of the aggregate remaining fund information of the Commonwealth of Virginia that is attributable to the transactions of the Local Government Investment Pool. They do not purport to, and do not, present fairly the Commonwealth of Virginia's overall financial position as of June 30, 2013, 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. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 1 and 2 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

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 Schedule of Selected Participant Share and Ratio Information and the Schedule of Investments are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our

opinion, the Schedule of Selected Participant Share and Ratio Information and the Schedule of Investments are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 13, 2013, 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 in considering the Local Government Investment Pool's internal control over financial reporting and compliance.



AUDITOR OF PUBLIC ACCOUNTS

SAH/alh