

**LOCAL GOVERNMENT INVESTMENT POOL**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDING JUNE 30, 2016**



LOCAL GOVERNMENT INVESTMENT POOL  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDING JUNE 30, 2016

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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, 2016. 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 managed in accordance with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 79. The LGIP is in compliance with all of the standards of GASB Statement No. 79 and elects to report its investments for financial reporting at amortized cost. Participants in the LGIP should also report their investments in the LGIP at amortized cost. 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 changes 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)**

	2016	2015
Total assets	\$ 4,489	\$ 3,567
Total net position	\$ 4,489	\$ 3,567

Assets at year-end increased by 25.8% over the previous year. The dollar value of deposits increased by 17.4% and withdrawals increased 4.4%. Active accounts numbered 785 at the end of fiscal year 2016.

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

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

	2016	2015
Additions:		
Proceeds from units admitted	\$ 8,937	\$ 7,610
Investment earnings	10	3
Total additions	<u>8,947</u>	<u>7,613</u>
Deductions:		
Disbursements for units withdrawn	<u>8,025</u>	<u>7,686</u>
Total deductions	<u>8,025</u>	<u>7,686</u>
Increase/decrease in net position	922	(73)
Net position, July 1	<u>3,567</u>	<u>3,640</u>
Net position, June 30	<u>\$ 4,489</u>	<u>\$ 3,567</u>

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.

LGIP participant balances increased approximately nine hundred million dollars during fiscal year 2016. The average yield increased twenty-one basis points during the year, driven by the December 2015 twenty-five basis point increase in the targeted federal funds rate. This was the first such rate increase since December 2008. LGIP investment portfolio yields continued to increase throughout the fiscal year, ending the year at 0.48% compared to beginning the year at 0.13%.

## LOCAL GOVERNMENT INVESTMENT POOL

### Statement of Fiduciary Net Position As of June 30, 2016

Assets	
Investments in cash equivalents, at amortized cost	\$ 2,637,644,014
Investments in securities, at amortized cost	1,849,897,626
Interest receivable	<u>1,461,205</u>
Total assets	<u>4,489,002,845</u>
Liabilities	
Administrative fee payable	<u>844</u>
Total liabilities	<u>844</u>
Net Position	
Held in trust for pool participants	<u>\$ 4,489,002,001</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, 2016

Additions	
Contributions:	
Proceeds from units admitted	\$ 8,936,957,816
Total contributions	<u>8,936,957,816</u>
Investment earnings:	
Interest income	9,857,034
Net accrued interest	1,461,205
Less LGIP reserve fund	(405,000)
Less administrative fee	(814,013)
Net investment earnings	<u>10,099,226</u>
Total additions	<u>8,947,057,042</u>
Deductions	
Disbursements for units withdrawn	<u>8,025,212,186</u>
Total deductions	<u>8,025,212,186</u>
Change in net position	921,844,856
Net position - July 1, 2015, as restated	<u>3,567,157,145</u>
Net position - June 30, 2016	<u>\$ 4,489,002,001</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, 2016

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. The LGIP is managed in accordance with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 79. The LGIP is in compliance with all of the standards of GASB Statement No. 79 and elects to report its investments for financial reporting at amortized cost. Participants in the LGIP should also report their investments in the LGIP at amortized cost.

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. Investment Valuation

Investments in the LGIP are stated at amortized cost. Shares are purchased and redeemed at amortized cost (as shown on the supplementary Schedule of Investments on pages 10 through 12).

Market-based net asset value is determined on a weekly basis. 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.

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

C. Income

Interest income is recorded as interest that has been earned on securities during the fiscal year.

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

D. Change in Accounting Principles

The LGIP implemented Governmental Accounting Standards Board Statement No. 79, “Certain External Investment Pools and Pool Participants,” in the fiscal year ending June 30, 2016. In accordance with GASB Statement No. 79, the LGIP has elected to measure all of its investments at amortized cost for financial reporting purposes. Previously, the LGIP had measured its investments at fair value. Prior year comparative data in these financial statements has been revised to reflect the current year presentation.

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, certificates of deposit, and AAA foreign sovereign governments. The portfolio weighted average maturity to reset (WAM(R)) may not exceed 60 days and the weighted average maturity to final (WAM(F)) may not exceed 90-120 days depending on the structure of the portfolio. The maximum percentage of the LGIP investments permitted in each category and the actual allocation at June 30, 2016 are as follows:

	Maximum <u>Permitted</u>	Actual <u>June 30, 2016</u>
U. S. Treasury/Agency	100%	27%
Repurchase Agreements	50%	9%
Bankers' Acceptances, Negotiable Certificates of Deposit and/or Negotiable Bank Deposit Notes	40%	32%
Commercial Paper	35%	30%
Corporate Notes	25%	0%
Taxable Municipal Obligations	10%	0%
Foreign Sovereign Governments	10%	2%
IRBD (World Bank)	5%	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(R) was 37 days and the WAM(F) was 82 days, which should assure minimal asset value fluctuations under most market conditions. The yields on investments held as of June 30, 2016 ranged from 0.24% to 1.25%. The LGIP’s investments at June 30, 2016 are presented on the following page.



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

LGIP Investments  
As of June 30, 2016  
(Dollars in Thousands)

	Carrying Value	Amortized Cost Uncategorized	Weighted Average Days to Maturity
U.S. Treasury and Agency Securities	1,092,176	1,092,285	25
Commercial Paper	1,338,733	1,339,224	39
Negotiable Certificates of Deposit, Deposit Notes and Bankers' Acceptances	1,450,641	1,450,636	57
Repurchase Agreements	390,000	390,000	1
Foreign Sovereign Governments	74,943	74,952	61
US Govt Money Market Funds	140,445	140,445	1
Total	\$ 4,486,938	\$ 4,487,542	
Portfolio weighted average maturity			37

*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 custodial 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, 2016, 79 percent of the LGIP portfolio was invested in securities within the highest long-term and/or short-term (AAA, AA+, A-1+, and/or AAAM) rating categories by the Standard & Poor's rating scale. The LGIP's rated debt investments as of June 30, 2016 are presented below using the Standard & Poor's rating scale.

(Dollars in thousands)

	Total Amortized Cost	Credit Quality				
		AAA	AA+	A-1+	A-1	AAAM
U.S. Treasury and Agency Securities	\$ 124,960	\$ -	\$ 124,960	\$ -	\$ -	\$ -
Agency Unsecured Bonds and Notes	967,325	-	967,325	-	-	-
Corporate Notes	-	-	-	-	-	-
Commercial Paper	1,339,224	-	-	1,039,480	299,744	-
Negotiable Certificates of Deposit, Deposit Notes and Bankers' Acceptances	1,450,636	-	-	823,636	627,000	-
Repurchase Agreements	390,000	-	390,000	-	-	-
Foreign Sovereign Governments	74,952	74,952	-	-	-	-
US Govt Money Market Funds	140,445	-	-	-	-	140,445
Total	\$ 4,487,542	\$ 74,952	\$ 1,482,285	\$ 1,863,116	\$ 926,744	\$ 140,445

**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, government sponsored enterprises (GSEs), or AAA foreign sovereign governments. As of June 30, 2016, more than 4 percent of LGIP's investments are in Bank of Nova Scotia U.S. Government Tri-Party Repurchase Agreements (9%) and in the Federal Home Loan Bank (19%).

**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. Restatement of Beginning Net Position**

Beginning net position has been restated by \$45,417 to reflect the change in accounting principles in the prior year due to the implementation of GASB Statement No. 79 in the current year.

**D. 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, 2014, 2015 and 2016

	June 30, 2016	June 30, 2015	June 30, 2014
Investment income	\$ 0.00366	\$ 0.00152	\$ 0.00142
Expenses	0.00039	0.00040	0.00040
Investment income - net	0.00327	0.00112	0.00102
Income distributions	0.00327	0.00112	0.00102
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	0.33%	0.11%	0.10%
Ratio of expenses to average net assets	0.04%	0.04%	0.04%

# LOCAL GOVERNMENT INVESTMENT POOL SUPPLEMENTARY INFORMATION

## SCHEDULE OF INVESTMENTS

As of June 30, 2016

	Yield to Maturity	Carrying Value	Current Amortized Cost	Percentage of Investments at Amortized Cost
United States Treasuries:				
United States Treasury FRN USBMMY3M+16.8 due 10/31/2017	0.43%	49,945,699.15	49,961,645.70	0.01
United States Treasury FRN USBMMY3M+19 due 4/30/2018	0.45%	74,996,935.28	74,997,211.04	0.02
<b>Total United States Treasuries</b>		<b>124,942,634.43</b>	<b>124,958,856.74</b>	<b>0.03</b>
Agency Unsecured Bonds and Notes:				
Federal Farm Credit Bank Floater PRIME-300 due 7/29/2016	0.50%	25,016,360.00	25,001,359.29	0.01
Federal Farm Credit Bank Floater 1-ML+1 due 10/19/2016	0.46%	24,998,900.00	24,999,638.80	0.01
Federal Home Loan Bank Discount Note due 7/1/2016	0.28%	49,978,611.11	50,000,000.00	0.01
Federal Home Loan Bank Discount Note due 7/6/2016	0.31%	20,541,506.00	20,549,115.21	0.00
Federal Home Loan Bank Discount Note due 7/8/2016	0.33%	24,989,458.33	24,998,395.83	0.00
Federal Home Loan Bank Discount Note due 7/25/2016	0.33%	9,992,391.67	9,997,800.00	0.00
Federal Home Loan Bank Discount Note due 7/29/2016	0.30%	74,977,500.00	74,982,500.00	0.02
Federal Home Loan Bank Discount Note due 8/1/2016	0.31%	99,963,791.67	99,973,520.84	0.02
Federal Home Loan Bank Discount Note due 8/3/2016	0.30%	91,923,947.81	91,934,403.29	0.02
Federal Home Loan Bank Discount Note due 8/5/2016	0.31%	149,931,469.44	149,954,451.38	0.03
Federal Home Loan Bank Discount Note due 8/12/2016	0.34%	19,990,744.44	19,992,066.66	0.00
Federal Home Loan Bank Discount Note due 8/22/2016	0.33%	49,974,791.67	49,976,166.67	0.01
Federal Home Loan Bank Discount Note due 8/24/2016	0.33%	49,974,644.44	49,975,550.00	0.01
Federal Home Loan Bank Floater 1-ML-5.5 due 8/18/2016	0.39%	24,996,047.00	24,999,481.58	0.01
Federal Home Loan Bank Floater 1-ML-4.5 due 8/24/2016	0.41%	25,000,000.00	25,000,000.00	0.01
Federal Home Loan Bank Floater 1-ML+6 due 11/10/2016	0.51%	50,000,000.00	50,000,000.00	0.01
Federal Home Loan Bank Floater 1-ML-1 due 1/27/2017	0.44%	50,000,000.00	50,000,000.00	0.01
Federal Home Loan Bank Floater 1-ML Flat due 3/17/2017	0.45%	24,998,475.00	24,999,269.92	0.01
Federal Home Loan Bank Floater 1-ML+10.5 due 10/12/2017	0.55%	50,000,000.00	50,000,000.00	0.01
Federal Home Loan Mortgage Corporation Floater 1-ML+4 due 4/27/2017	0.49%	49,984,716.00	49,991,632.85	0.01
<b>Total Agency Unsecured Bonds and Notes</b>		<b>967,233,354.58</b>	<b>967,325,352.32</b>	<b>0.21</b>
Repurchase Agreements Collateralized by U.S. Government Obligations:				
Bank of Nova Scotia 0.42% due 7/1/2016	0.42%	390,000,000.00	390,000,000.00	0.09
<b>Total Repurchase Agreements Collateralized by U.S. Government Obligation</b>		<b>390,000,000.00</b>	<b>390,000,000.00</b>	<b>0.09</b>
Negotiable Certificates of Deposit:				
Australia and New Zealand Bank 0.58% due 10/11/2016	0.55%	69,605,856.34	69,605,635.13	0.01
Bank of America NA 0.6% due 9/1/2016	0.60%	50,000,000.00	50,000,000.00	0.01
Bank of America NA 0.93% due 12/1/2016	0.93%	17,000,000.00	17,000,000.00	0.00
Bank of Tokyo-Mitsubishi UFJ 0.38% due 7/1/2016	0.38%	20,000,000.00	20,000,000.00	0.00
Bank of Tokyo-Mitsubishi UFJ 0.61% due 8/10/2016	0.61%	20,000,000.00	20,000,000.00	0.00
BMO Harris 0.42% due 8/16/2016	0.42%	25,000,000.00	25,000,000.00	0.01
BMO Harris Floater 1-ML+35 due 12/19/2016	0.80%	50,000,000.00	50,000,000.00	0.01
Canadian Imperial Bank of Commerce 0.34% due 7/1/2016	0.34%	27,000,000.00	27,000,000.00	0.01
Canadian Imperial Bank of Commerce NY Floater 1-ML+35 due 11/10/2016	0.80%	65,000,000.00	65,000,000.00	0.01
Canadian Imperial Bank of Commerce NY Floater 1-ML+34 due 12/8/2016	0.81%	29,000,000.00	29,000,000.00	0.01
Citibank 0.63% due 9/1/2016	0.63%	50,000,000.00	50,000,000.00	0.01
DNB Bank NY 0.37% due 7/18/2016	0.37%	70,000,000.00	70,000,000.00	0.02
Mizuho Bank 0.61% due 9/14/2016	0.61%	30,000,000.00	30,000,000.00	0.01
National Australia Bank Floater 1-ML+33 due 8/8/2016	0.78%	50,000,000.00	50,000,000.00	0.01
Nordea Bank Finland NY 0.5% due 7/1/2016	0.50%	35,000,000.00	35,000,000.00	0.01
Nordea Bank Finland NY Floater 1-ML+27 due 9/12/2016	0.72%	25,000,000.00	25,000,000.00	0.01
Skandinaviska Enskilda Banken NY 0.8% due 7/19/2016	0.80%	50,000,000.00	50,000,000.00	0.01
Skandinaviska Enskilda Banken NY 0.55% due 9/21/2016	0.55%	25,000,000.00	25,000,000.00	0.01
State Street Bank & Trust 0.8% due 8/1/2016	0.80%	25,000,000.00	25,000,000.00	0.01
State Street Bank & Trust 0.68% due 11/1/2016	0.68%	18,000,000.00	18,000,000.00	0.00
State Street Bank & Trust Floater 1-ML+35 due 11/10/2016	0.80%	40,000,000.00	40,000,000.00	0.01
State Street Bank & Trust Floater 3-ML+28 due 3/8/2017	0.94%	29,000,000.00	29,000,000.00	0.01
Sumitomo Mitsui Bank NY 0.65% due 9/1/2016	0.65%	26,000,000.00	26,000,000.00	0.01
Svenska Handelsbanken NY due 7/25/2016	0.54%	25,000,000.00	25,000,000.00	0.01
Svenska Handelsbanken NY due 8/1/2016	0.49%	25,000,000.00	25,000,000.00	0.01
Svenska Handelsbanken NY 0.56% due 9/15/2016	0.56%	50,000,000.00	50,000,000.00	0.01

# LOCAL GOVERNMENT INVESTMENT POOL SUPPLEMENTARY INFORMATION

## SCHEDULE OF INVESTMENTS

As of June 30, 2016

	Yield to Maturity	Carrying Value	Current Amortized Cost	Percentage of Investments at Amortized Cost
Swedbank AB NY due 8/15/2016	0.48%	19,004,715.61	19,003,075.40	0.00
Swedbank AB NY 0.52% due 9/8/2016	0.52%	50,000,000.00	50,000,000.00	0.01
Swedbank AB NY due 10/3/2016	0.60%	25,015,792.42	25,014,273.92	0.01
Toronto Dominion Bank NY due 9/20/2016	0.95%	34,000,000.00	34,000,000.00	0.01
Toronto Dominion Bank NY due 10/24/2016	0.72%	11,000,000.00	11,000,000.00	0.00
Toronto Dominion Bank NY 0.73% due 11/16/2016	0.73%	25,000,000.00	25,000,000.00	0.01
Toronto Dominion Bank NY due 12/20/2016	0.94%	38,000,000.00	38,000,000.00	0.01
Toronto Dominion Bank NY due 6/5/2017	1.25%	20,000,000.00	20,000,000.00	0.00
Union Bank Switzerland due 8/3/2016	0.85%	23,000,000.00	23,000,000.00	0.00
Union Bank Switzerland AG Stamford 0.59% due 9/21/2016	0.59%	50,000,000.00	50,000,000.00	0.01
Wells Fargo Bank due 7/15/2016	0.82%	13,000,000.00	13,000,000.00	0.00
Wells Fargo Bank 0.86% due 9/13/2016	0.86%	20,000,000.00	20,000,000.00	0.00
Wells Fargo Bank due 12/5/2016	0.90%	16,000,000.00	16,000,000.00	0.00
Wells Fargo Bank Floater 1-ML+45 due 3/13/2017	0.90%	50,000,000.00	50,000,000.00	0.01
Westpac Banking Corporation NY Floater 1-ML+32 due 8/22/2016	0.77%	50,000,000.00	50,000,000.00	0.01
Westpac Banking Corporation NY 0.6% due 9/30/2016	0.60%	21,000,000.00	21,000,000.00	0.00
Westpac Banking Corporation NY Floater 3-ML+37 due 3/1/2017	1.04%	40,014,945.57	40,013,428.22	0.01
<b>Total Negotiable Certificates of Deposit</b>		<b>1,450,641,309.94</b>	<b>1,450,636,412.67</b>	<b>0.32</b>
<b>Commercial Paper:</b>				
American Honda Corporation due 8/19/2016	0.49%	29,978,358.33	29,979,991.66	0.01
American Honda Corporation due 8/22/2016	0.47%	15,256,241.90	15,258,434.70	0.00
American Honda Corporation due 8/23/2016	0.51%	24,974,145.83	24,981,583.33	0.01
Apple, Inc. due 7/1/2016	0.42%	49,953,916.67	50,000,000.00	0.01
BMW US Capital LLC due 7/1/2016	0.38%	17,995,820.00	18,000,000.00	0.00
BMW US Capital LLC due 8/15/2016	0.45%	11,991,000.00	11,993,250.00	0.00
BNP Paribas NY due 7/1/2016	0.39%	49,996,208.33	50,000,000.00	0.01
Chevron Corporation due 7/1/2016	0.38%	19,987,755.56	20,000,000.00	0.01
Coca Cola Corporation due 8/2/2016	0.55%	24,957,986.11	24,987,777.78	0.01
Exxon Mobil Corporation due 7/5/2016	0.37%	49,982,527.78	49,997,944.44	0.01
Exxon Mobil Corporation due 7/6/2016	0.39%	19,995,233.33	19,998,916.67	0.00
Exxon Mobil Corporation due 7/28/2016	0.39%	49,976,166.67	49,985,375.00	0.01
GE Capital Treasury Services due 7/8/2016	0.35%	16,995,206.94	16,998,843.05	0.00
JP Morgan Securities LLC due 7/22/2016	0.88%	49,777,555.56	49,813,000.00	0.01
JP Morgan Securities LLC due 12/1/2016	0.82%	49,790,444.44	49,793,861.11	0.01
JP Morgan Securities LLC due 12/29/2016	0.60%	9,955,166.67	9,996,500.00	0.00
Metropolitan Life Short Term Funding AB due 7/5/2016	0.40%	19,992,444.44	19,999,111.11	0.01
Metropolitan Life Short Term Funding due 7/28/2016	0.39%	17,992,785.00	17,994,735.00	0.00
Metropolitan Life Short Term Funding AB due 8/1/2016	0.48%	49,150,800.00	49,179,664.00	0.01
Microsoft Corporation due 7/20/2016	0.39%	42,980,469.44	42,991,207.22	0.01
Microsoft Corporation due 7/6/2016	0.40%	7,678,183.63	7,680,573.28	0.00
Microsoft Corporation due 8/10/2016	0.46%	49,955,277.78	49,974,444.45	0.01
National Securities Clearing Corporation due 7/12/2016	0.48%	49,960,000.00	49,992,666.67	0.01
Nestle Capital Corporation due 9/6/2016	0.56%	29,954,733.33	29,968,733.33	0.01
Nestle Capital Corporation due 9/7/2016	0.52%	39,948,000.00	39,960,711.12	0.01
Nestle Capital Corporation due 10/4/2016	0.58%	22,955,533.33	22,964,797.22	0.01
Netjets Corporation due 7/5/2016	0.37%	49,996,402.78	49,997,944.45	0.01
Old Line Funding LLC due 9/19/2016	0.70%	24,940,208.33	24,948,958.33	0.01
Old Line Funding LLC due 10/13/2016	0.64%	34,944,000.00	34,950,222.22	0.01
Old Line Funding LLC due 10/14/2016	0.86%	24,890,708.33	24,937,888.89	0.01
Roche Holdings due 7/1/2016	0.40%	19,988,888.80	20,000,000.00	0.01
Roche Holdings due 7/22/2016	0.38%	9,995,988.89	9,997,783.33	0.00
Thunder Bay due 9/28/2016	0.73%	39,902,666.66	39,927,811.11	0.01
Toyota Motor Credit Corporation due 8/8/2016	0.45%	17,986,500.00	17,991,450.00	0.00
Toyota Motor Credit Corporation Floater 1-ML+32 due 11/16/2016	0.77%	48,000,000.00	48,000,000.00	0.01
US Bank NA Interest Bearing 0.35% due 7/28/2016	0.35%	100,000,000.00	100,000,000.00	0.02
Walmart Stores Inc. due 7/5/2016	0.37%	65,987,839.45	65,997,308.89	0.01
Walmart Stores Inc. due 7/11/2016	0.38%	29,989,550.00	29,996,833.33	0.01
Walmart Stores Inc. due 7/28/2016	0.38%	49,977,833.33	49,985,750.00	0.01
<b>Total Commercial Paper</b>		<b>1,338,732,547.64</b>	<b>1,339,224,071.69</b>	<b>0.30</b>

**LOCAL GOVERNMENT INVESTMENT POOL  
SUPPLEMENTARY INFORMATION**

SCHEDULE OF INVESTMENTS  
As of June 30, 2016

	Yield to Maturity	Carrying Value	Current Amortized Cost	Percentage of Investments at Amortized Cost
AAA Sovereign Debt				
Canadian Treasury Bill due 8/15/2016	0.36%	49,968,500.00	49,977,500.00	0.01
Canadian Treasury Bill due 9/30/2016	0.40%	24,974,444.44	24,974,722.22	0.01
Total AAA Sovereign Debt		74,942,944.44	74,952,222.22	0.02
Money Market Funds:				
Blackrock Federal Money Market Fund 0.2902% due 7/1/2016	0.29%	128,003,065.52	128,003,065.52	0.03
Invesco Treasury Portfolio 0.2449% due 7/1/2016	0.24%	12,441,659.28	12,441,659.28	0.00
Total Money Market Funds		140,444,724.80	140,444,724.80	0.03
Total Investments		\$ 4,486,937,515.83	\$ 4,487,541,640.44	1.00



# Commonwealth of Virginia

*Auditor of Public Accounts*

Martha S. Mavredes, CPA  
Auditor of Public Accounts

P.O. Box 1295  
Richmond, Virginia 23218

December 15, 2016

The Honorable Terence R. McAuliffe  
Governor of Virginia

The Honorable Robert D. Orrock, Sr.  
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, 2016, 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*

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 respective financial position of the Local Government Investment Pool as of June 30, 2016, and the respective changes in fiduciary net position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

#### *Emphasis of Matter*

##### Relationship to the Commonwealth of Virginia

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, 2016, and the changes in its financial position, where applicable, 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.

##### Change in Accounting Principles

As discussed in Note 1 to the financial statements, the Local Government Investment Pool implemented Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants*, for the fiscal year ended June 30, 2016. 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 and Other 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 accompanying supplementary information, such as the Schedule of Selected Participant Share and Ratio Information and Schedule of Investments, is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The 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 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 15, 2016, 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/clj