Virginia Investment Pool Trust Fund

Annual Financial Report
For the Year Ended June 30, 2019

Virginia Investment Pool
A Service of VML/VACo Finance

Virginia Investment Pool Trust Fund

Annual Financial Report
For the Year Ended June 30, 2019

Prepared by:

VML/VACO Finance

VIRGINIA INVESTMENT POOL TRUST FUND
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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of Trustees
Virginia Investment Pool Trust Fund
Richmond, Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the Virginia Investment Pool Trust Fund (the "Trust"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Trust'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 from 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 presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a 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 Virginia Investment Pool Trust Fund, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, 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 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 7, 2020, on our consideration of the Trust'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 solely 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 effectiveness of the Trust's 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 Trust's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Richmond, Virginia
February 7, 2020

This discussion and analysis provides an overview of the financial position and the results of activities of the Virginia Investment Pool Trust Fund ("Trust") as of and for the fiscal year ended June 30, 2019. Management offers the following discussion and analysis as a narrative introduction to the basic financial statements, which includes comparative information as of and for the fiscal year ended June 30, 2018, where applicable. This narrative is intended as a supplement and should be read in conjunction with the basic financial statements and accompanying notes.

The Trust was established in 2013 under the Joint Exercise of Powers statute of the Commonwealth of Virginia ("Commonwealth") by founding participants, the City of Chesapeake, Virginia and the City of Roanoke, Virginia. The Trust operates under the Virginia Investment Pool Trust Fund Agreement ("Trust Agreement"), which was adopted by the Board of Trustees on September 13, 2013. The Trust is an Internal Revenue Code Section 115 (IRC § 115) governmental trust. The Trust was created to provide political subdivisions of the Commonwealth of Virginia with an investment vehicle to pool their funds and to invest such funds in one or more investment portfolios under the direction and daily supervision of a professional fund manager. Income of the Trust is tax-exempt under IRC § 115.

The Trust is jointly sponsored by the Virginia Association of Counties ("VACo") and the Virginia Municipal League ("VML") and operates as the VACo/VML Virginia Investment Pool Trust Fund. Primary benefits of participation in the Trust include professional investment management of trust assets, competitive rates of return, two highly-rated portfolios, and convenient, secure online access. The Trust offers two investment portfolios: the Virginia Investment Pool 1-3 Year High Quality Bond Fund ("VIP 1-3 Year Bond Fund") and the Virginia Investment Pool Stable Net Asset Value Liquidity Pool ("VIP Liquidity Pool"). The VIP 1-3 Year Bond Fund is designed for surplus funds that can be invested in longer duration securities and the VIP Liquidity Pool is designed for daily cash liquidity. Participants hold individual trust accounts wherein they can monitor the performance of their investments.

The Virginia Local Government Finance Corporation ("VLGFC"), while operating as VML/VACo Finance, ("Administrator") provides day-to-day administration of the Trust pursuant to a Memorandum of Agreement.

Financial Highlights

- The combined total net position held in trust for pool participants was $1,528.5 million at June 30, 2019, representing an increase of $135.8 million, or 9.75%, from the net position as of June 30, 2018. The increase was due to higher participant contributions and investment income; however, the increases were partially offset by increased participant withdrawals.
- Contributions from participants during fiscal year ended 2019 totaled $1,847.8 million, a 6.73% increase over contributions from participants of $1,731.2 million during fiscal year 2018.
- Interest income grew 143.63% during fiscal year 2019 compared with fiscal year 2018, coming in at $33.3 million during fiscal year 2019 versus $13.7 million for fiscal year ended 2018. The higher interest income was primarily due to better investment returns and an increase in the average aggregate investment balance of participants.
- The Trust experienced a net appreciation in fair value of investments of $6.6 million. This is attributable to the VIP 1-3 Year Bond Fund, which experienced a net appreciation in the fair value of investments for fiscal year ended 2019 of $6.5 million, representing an overall increase of $11.0 million compared to the fiscal year ended June 30, 2018. As discussed below, the return for the fund was 4.04% compared to 0.33% for fiscal year 2018, primarily a result of the interest rate environment.

- Participant withdrawals during the fiscal year ended 2019 totaled $1,750.6 million compared with participant withdrawals of $1,314.0 million during fiscal 2018 for an increase of $436.6 million, or 33.23%. The higher withdrawal activity is a result of an increase in activity of the participants utilizing the daily liquidity option offered through the VIP Liquidity Pool.

Overview of the Financial Statements

The components of the financial statements and the required supplementary information are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Government Accounting Standards Board (GASB).

This overview serves as an introduction to the Trust's basic financial statements. The Trust's basic financial statements include the following:

- The *Statement of Fiduciary Net Position* presents the Trust's assets and liabilities. The difference between the assets and liabilities is reported as the net position restricted for pool participants. Over time, changes in net position may serve as a useful indicator of whether the financial position of the Trust is improving or deteriorating.

- The *Statement of Changes in Fiduciary Net Position* presents information showing how the Trust's net position changed during the period. This statement includes additions and deductions that occurred during the fiscal year. Additions include participant contributions and investment earnings. Deductions include participant withdrawals and administrative expenses.

- The *Notes to Financial Statements* provide additional information that is essential for understanding the financial data provided in the financial statements and are an integral part of the financial statements.

The summarized financial information for fiscal year ended June 30, 2019 is as below:

Total Assets	$ 1,528,623,308
Total Liabilities	86,124
Net Position, June 30	1,528,537,184
Total Additions	1,886,970,533
Total Deductions	1,751,129,392
Increase in Net Position	135,841,141
Net Position, July 1	1,392,696,043
Increase in Net Position	135,841,141
Net Position, June 30	$ 1,528,537,184

Financial Analysis

The Trust's objectives are structured individually by investment pool. The VIP 1-3 Year Bond Fund's objective is to provide political subdivisions with a high-quality investment vehicle for participants who require less liquidity and can assume additional price volatility for the potential of greater returns over a longer-term horizon. The objective of the VIP Liquidity Pool is to provide political subdivisions with an AAAm-rated (Standard & Poor's) investment vehicle offering daily liquidity at a stable net asset value (NAV).

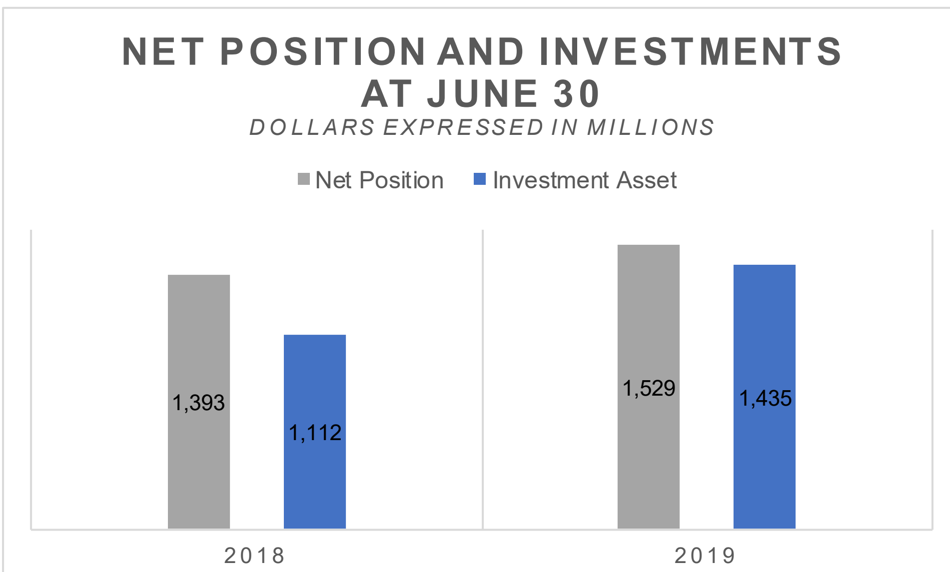
During fiscal year 2019, certain reclassifications were made to the presentation of the financial statements, and the fiscal year 2018 information was adjusted for comparative purposes. The changes included reporting interest receivable separately from the investment balance, and other changes to enhance readability. The comparative financial information for fiscal year 2019 to fiscal year 2018 is as follows:

	2019	2018	$ Change	% Change
ASSETS				
Cash and Cash Equivalents	$ 87,841,132	$ 226,747,852	$ (138,906,720)	(61.26%)
Contributions Receivable	-	50,000,000	(50,000,000)	(100.0%)
Investments at Fair Value	1,435,185,425	1,111,926,894	323,258,531	29.07%
Interest Receivable	5,596,751	4,151,542	1,445,209	34.81%
TOTAL ASSETS	1,528,623,308	1,392,826,288	135,797,020	9.75%
LIABILITIES				
Accounts Payable	86,124	130,245	(44,121)	(33.88%)
TOTAL LIABILITIES	86,124	130,245	(44,121)	(33.88%)
NET POSITION HELD IN TRUST FOR POOL PARTICIPANTS	$ 1,528,537,184	$ 1,392,696,043	$ 135,841,141	
ADDITIONS				
Participant Contributions	$ 1,847,775,865	$ 1,731,199,391	$ 116,576,474	6.73%
Interest Income	33,326,275	13,679,008	19,647,267	143.63%
Net Appreciation/ (Depreciation) in Fair Value of Investments	6,582,544	(4,396,413)	10,978,957	249.73%
Investment Expenses	(714,151)	(573,207)	(140,944)	24.59%
Total Additions	1,886,970,533	1,739,908,779	147,061,754	8.45%
DEDUCTIONS				
Participant Withdrawals	1,750,614,340	1,313,979,015	436,635,325	33.23%
Administrative and Program Expenses	515,052	437,858	77,194	17.63%
Total Deductions	1,751,129,392	1,314,416,873	436,712,519	33.22%
Net Increase	135,841,141	425,491,906	(289,650,765)	(68.07%)
Net Position Beginning of Year	1,392,696,043	967,204,137	425,491,906	
NET POSITION HELD IN TRUST FOR POOL PARTICIPANTS	$ 1,528,537,184	$ 1,392,696,043	$ 135,841,141	9.75%

Net Position

The Trust's net position is comprised primarily of the investments reported at fair value. The investment balance saw an increase of 29.07% from fiscal year ended 2018 to fiscal year ended 2019. During the fiscal year, twenty-seven new participants joined the Trust, bringing the total number of participants to 115. Twenty-five participants made initial contributions totaling $56.6 million during fiscal year ended 2019. Increased participation in the Trust, by new and existing participants, resulted in increases in investment balances and overall net position. The growth in participants and the increase in participant contributions was offset by a higher level of participant withdrawals, which led to a decrease in the change in net position from the prior year, with the current year change at $135.8 million compared to prior year of $425.5 million.

A comparison of the net position restricted for pool participants and the investment balance as of June 30 are as below:



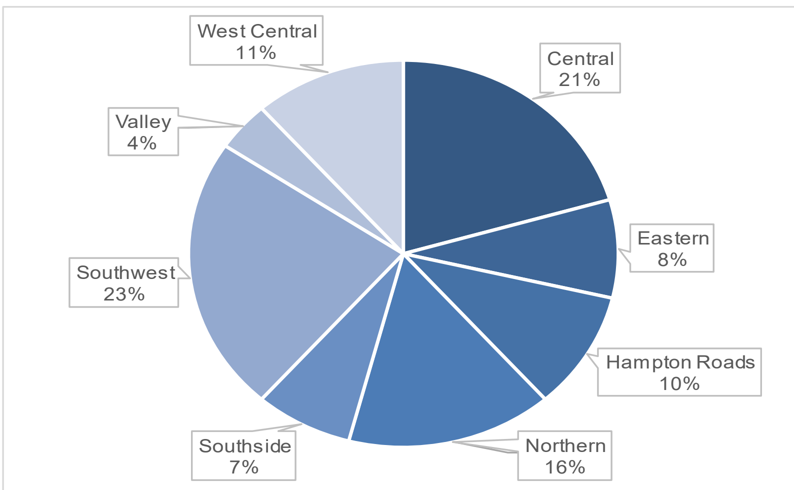
Cash, Cash Equivalents, and Contributions Receivable

Cash and cash equivalents totaled $87.8 million at fiscal year-end 2019 compared with $226.7 million at fiscal year-end 2018. The decrease in cash and cash equivalents of $138.9 million is primarily the result of funds received from participants late in the day on the last day of fiscal year 2018.

Contributions receivable, which represents participant contributions received after the investment cutoff time at fiscal year-end, declined from fiscal year 2018 to fiscal year 2019 because there were no contributions received after the investment cutoff and pended transfer into the investment portfolio at fiscal year-end 2019.

Participation

Participation in the Trust's pools is voluntary and the Administrator strives to direct marketing efforts throughout the Commonwealth. The Trust provides all political subdivisions, including urban, rural, and underserved localities access to professionally managed investment pools. As of June 30, 2019, the Trust had participants representing each of the eight economic regions in the Commonwealth. The economic regions of Virginia each have distinct profiles and were defined by the University of Virginia, Weldon Cooper Center for Public Service. The regions are divided based on several factors including proximity and economic conditions. The participation by economic region is shown below:



Participant activity increased during the fiscal year and participant contributions increased by 6.73%, while withdrawals increased by 33.23%. The VIP Liquidity Pool is in its third fiscal year of operations and participants are utilizing the daily liquidity option.

Aggregate participant investments measured at the NAV had a higher average balance during fiscal year 2019 compared to fiscal year 2018. The higher average balance directly effects the level of interest income of the Trust.

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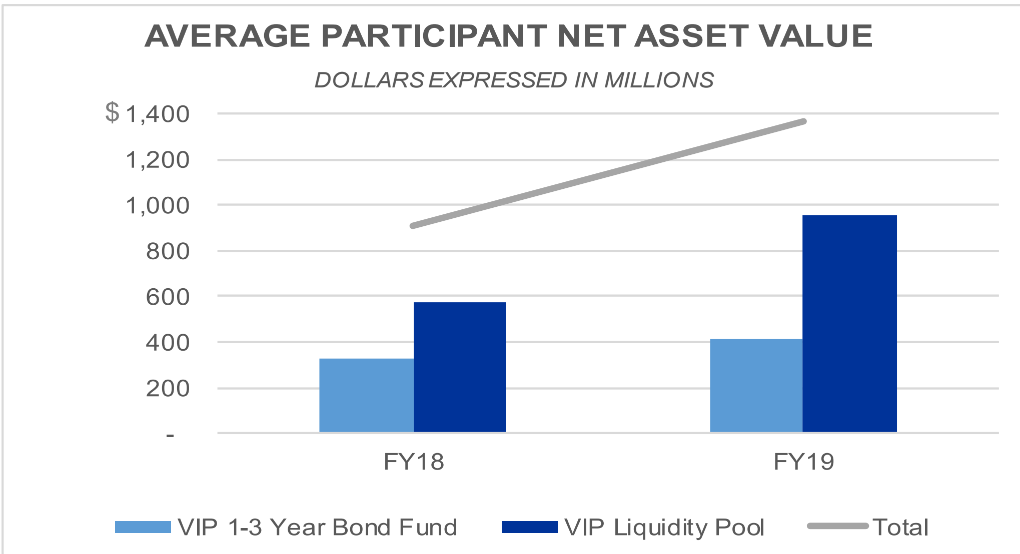
The chart below presents a comparison of the average total investment balance of participants by pool and by total Trust over the fiscal years 2019 and 2018:



Investment Performance

Interest rate levels have a significant impact on the performance of fixed income securities. The Federal Reserve's Federal Open Market Committee ("FOMC") establishes the federal funds rate, a key interest rate in the fixed income markets. The federal funds rate is the overnight interest rate at which depository institutions lend reserve balances to other depository institutions. During the first half of the fiscal year ended June 30, 2019, the FOMC raised the target federal funds rate two times each by 0.25%, then maintained a stable rate through the second half of the fiscal year. This interest rate environment had a significant effect on the Trust's investment results for the fiscal year ended June 30, 2019.

Federal Funds Rate

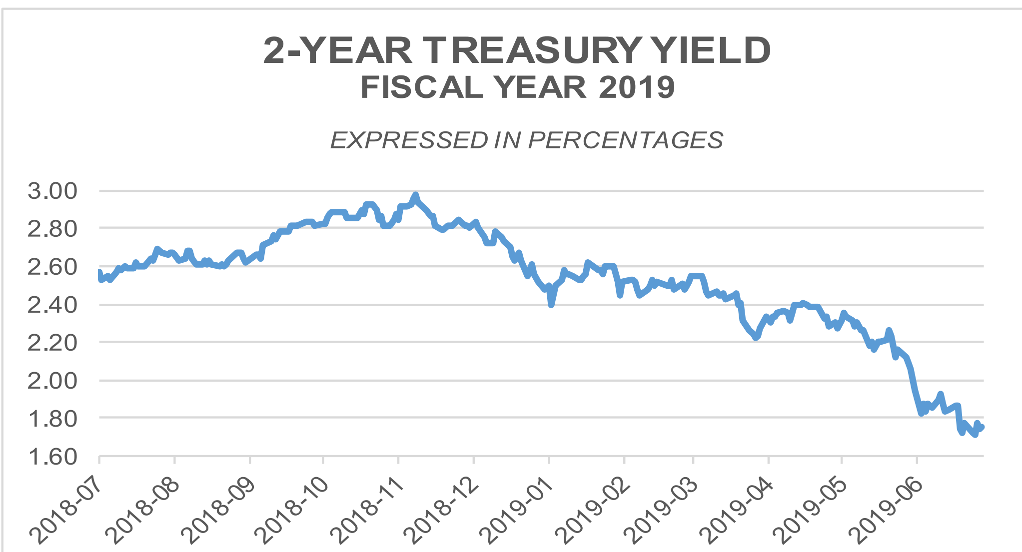
FOMC Meeting Date	Change (+/-)	Target Range as Level Percent
September 2018	+0.25%	2.00-2.25%
December 2018	+0.25%	2.25-2.50%
January 2019	0.00%	2.25-2.50%
March 2019	0.00%	2.25-2.50%
May 2019	0.00%	2.25-2.50%

VIP 1-3 Year Bond Fund

The VIP 1-3 Year Bond Fund measures its returns against the ICE Bank of America Merrill Lynch (ICE BofAML) 1-3 Year AAA/AA Corporate & Government Index. The VIP 1-3 Year Bond Fund aims to exceed the return of the benchmark over three-year periods while preserving participant capital. The total return (before fees) of the VIP 1-3 Year Bond Fund for the year ended June 30, 2019 was 4.04% compared to 4.04% for the ICE BAML Index.

The VIP 1-3 Year Bond Fund provides an investment vehicle to pool and invest funds for political subdivisions with surplus funds and an investment horizon of one year or longer. The VIP 1-3 Year Bond Fund is rated AA+f/S1 by Standard & Poor's. The duration of the VIP 1-3 Year Fund as of June 30, 2019, was 1.86 years compared with the duration of its benchmark of 1.80 years. Duration is a measurement of a fund's sensitivity to interest rate changes. As of fiscal year-end 2018, the VIP 1-3 Year Bond Fund's duration was 1.67 years.

The Federal Reserve's rate tightening during the first half of the fiscal year had an impact on the VIP 1-3 Year Bond Fund's fiscal year-to-date performance through December 31, 2018, which came in at 1.49% (before fees). Performance finished the fiscal year much stronger, with a total return of 4.04% (before fees), as the Federal Reserve was on hold and the 2-Year Treasury yield declined 75 basis points (0.75%) during the second half of the fiscal year.



With the Federal Reserve actively raising its target rate through the first half of the fiscal year, the portfolio benefited from maintaining a duration roughly 10% short of the benchmark. Although the portfolio's duration was extended during the second half of the fiscal year, the Federal Reserve's accommodative pivot in 2019 led interest rates lower providing a slight drag on the fund's performance.

Concurrently, credit conditions generally improved over the course of the fiscal year. This was a benefit to the portfolio as it was overweight to the corporate sector. The Federal Reserve pursued a restrictive monetary policy during the first half of the fiscal year, then stopped raising the federal funds rate at the beginning of calendar year 2019. This policy shift added support to the macroeconomic outlook while investors were searching for yield. This combination generally drove credit spreads tighter and aided the fund's performance.

As of fiscal year-end 2019, the annualized return since inception of the VIP 1-3 Year Bond Fund was 1.34%, compared to the benchmark's annualized return of 1.23%. As of fiscal year-end 2018, the annualized return since inception was 0.74% compared to the benchmark's annual return of 0.61%.

The portfolio allocation of the VIP 1-3 Year Bond Fund, based on fair value as of June 30, 2019, was as follows:

Security Distribution	Portfolio Amount	Portfolio Allocation
Cash	$ 8,141,744	1.93%
U.S. Treasury Securities	265,306,605	62.90%
U.S. Government and Agency	53,579,036	12.70%
Negotiable Certificates of Deposit	2,460,266	0.58%
Agency Mortgage Backed Securities	34,939,073	8.28%
Corporate Bonds and Notes	46,077,011	10.92%
Municipal Securities	7,077,808	1.68%
Supranational Bonds and Notes	4,270,255	1.01%
Total	$421,851,798	100.00%

VIP Liquidity Pool

The VIP Liquidity Pool was established in October 2016. The objective of the VIP Liquidity Pool is to provide political subdivisions with an AAAm-rated (Standard & Poor's) investment vehicle offering daily liquidity at a stable NAV. The 30-day average net yield of the VIP Liquidity Pool as of June 30, 2019 was 2.46% compared to 2.02% as of June 30, 2018. The average annual daily yield for fiscal year ended June 30, 2019 was 2.41% compared to 1.50% for fiscal year ended June 30, 2018.

As the Federal Reserve raised the federal funds rate during the first half of the fiscal year, the net yield of the VIP Liquidity Pool increased from 2.10% at the beginning of the fiscal year to 2.54% at the end of December 2018. Net yields of the VIP Liquidity Pool were relatively stable during the second half of the fiscal year, ranging between 2.43% to 2.63% and averaging 2.56% from January 1, 2019 to June 30, 2019.

As of June 30, 2019, the weighted average maturity to reset ("WAMR") was 53.34 days and the weighted average maturity to final ("WAMF") was 65.80 days. Standard & Poor's guidelines permit a maximum WAMR of 60 days and a maximum WAMF of 90-120 days.

The portfolio allocation of the VIP Liquidity Pool, based on fair value as of June 30, 2019, was as follows:

Security Distribution	Portfolio Amount	Portfolio Allocation
Cash	$ 33,235,360	3.02%
U.S. Treasury Securities	119,568,518	10.86%
Commercial Paper	283,588,890	25.75%
Negotiable Certificates of Deposit	618,317,963	56.16%
Repurchase Agreements	46,378,541	4.21%
Total	$ 1,101,089,272	100.00%

Economic Factors and Review

The Trust's operations are dependent on the financial markets and overall economic conditions. Participant activity is influenced by local economic factors and participant cash flows.

Quarterly U.S. real economic growth during the fiscal year 2019, as measured by Gross Domestic Product ("GDP"), ranged from 2.2% - 4.2% on an annualized basis. The average quarterly GDP growth rate (real) for the fiscal year ended June 2019 was 2.78% compared to 3.18% for fiscal year 2018. The unemployment rate during fiscal year 2019 ranged from 3.6% - 4.0% and ended the fiscal year at 3.7% compared to 4.0% at the end of fiscal year 2018. Virginia's unemployment rate during fiscal year 2019 ranged from 2.8% - 3.0%. Domestic year-on-year inflation ("CPI") as of June 2019 was 1.6%, down from 2.9% in June 2018.

At the end of the fiscal year, fears of a domestic economic slowdown fueled rising expectations for Federal Reserve rate cuts and helped to propel Treasury yields lower as investors sought the safety of government-backed debt amidst rising uncertainty.

Labor market conditions remained generally positive. Wage growth was not reflected in broader consumer prices, which reinforced concerns that the Federal Reserve's 2% inflation target remained elusive and may require further accommodation (i.e., lower interest rates) to achieve.

Rising global and domestic growth concerns pressured intermediate and longer-term interest rates dramatically lower while short-term rates remain anchored by Federal Reserve Policy. Resolution on the trade dispute between the U.S. and China could help restore confidence and improve clarity for the Federal Reserve and the markets.

Requests for Information

This financial report is designed to provide a general overview of the Trust's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Managing Director
VML/VACo Finance
8 E. Canal Street, Suite 100
Richmond, VA 23219
(804) 648-0635

VIRGINIA INVESTMENT POOL TRUST FUND

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2019

		VIP Trust
ASSETS		
Cash and Cash Equivalents	$	87,841,132
Investments at Fair Value		1,435,185,425
Interest Receivable		5,596,751
Total Assets		1,528,623,308
LIABILITIES		
Accounts Payable		86,124
Total Liabilities		86,124
NET POSITION HELD IN TRUST FOR POOL PARTICIPANTS	$	1,528,537,184

The accompanying notes are an integral part of these financial statements.

VIRGINIA INVESTMENT POOL TRUST FUND

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED JUNE 30, 2019

		VIP Trust
ADDITIONS		
Participant Contributions	$	1,847,775,865
Investment Income		
Interest Income		33,326,275
Net Appreciation in Fair Value of Investments		6,582,544
Investment Expenses		(714,151)
Net Investment Income		39,194,668
Total Additions		1,886,970,533
DEDUCTIONS		
Participant Withdrawals		1,750,614,340
Administrative and Program Expenses		515,052
Total Deductions		1,751,129,392
Net Increase		135,841,141
Net Position Beginning of Year		1,392,696,043
NET POSITION HELD IN TRUST FOR POOL PARTICIPANTS	$	1,528,537,184

The accompanying notes are an integral part of these financial statements.

Note 1—Summary of significant accounting policies

Basis of Presentation – The accompanying financial statements have been prepared in conformance with the accounting principles generally accepted in the United States of America ("GAAP") as prescribed by the Governmental Accounting Standards Board ("GASB").

The Reporting Entity – For financial reporting purposes, the Virginia Investment Pool Trust Fund ("Trust") is an independent reporting entity and is not a component unit of another governmental entity. The Trust reports all of its activities as a single fiduciary fund type. These financial statements have been prepared utilizing the accounting principles for governmental external investment pools.

The Trust was established September 13, 2013, to provide a pooled investment alternative for political subdivisions of the Commonwealth of Virginia ("Commonwealth"). The Trust is a qualified investment pool as defined in the *Code of Virginia* ("Code"), § 2.2-4513.1. *Investment of funds in qualified investment pools.*

The Trust was created to provide an investment vehicle to pool participant funds and to invest such funds into one or more investment portfolios under the direction and daily supervision of a professional fund manager. Participants hold individual trust accounts within the investment pools.

The Trust is comprised of two pools and operates under the Virginia Investment Pool Trust Fund Agreement ("Trust Agreement"). The Virginia Investment Pool 1-3 Year High Quality Bond Fund ("VIP 1-3 Year Bond Fund") is designed for political subdivisions that have excess funds and an investment horizon longer than that of money market instruments, typically one year or longer. In October 2016, the Trust established a second portfolio, the Virginia Investment Pool Stable Net Asset Value Liquidity Pool ("VIP Liquidity Pool"). The VIP Liquidity Pool provides daily liquidity and a stable net asset value ("NAV") for daily operating funds.

The VIP 1-3 Year Bond Fund is designed to provide political subdivisions with a high-quality investment vehicle for participants who require less liquidity and can assume additional price volatility for the potential of greater returns over a longer-term horizon. Participant ownership is proportionate and based on market value. Participants can expect the value of their investment in the fund to fluctuate from month-to-month and should consider this portfolio for a longer-term strategy. The NAV is floating and fluctuates in accordance with market conditions including interest rate risks. Shares are purchased and redeemed at the floating NAV. The Trust has elected to report its investments in the VIP 1-3 Year Bond Fund at fair value, and as such participants should also report their investments in the Trust at fair value approximating NAV. Fair value is determined two times per month. The VIP 1-3 Year Bond Fund is rated AA+f/S1 by Standard & Poor's.

The objective of the VIP Liquidity Pool is to provide political subdivisions with an AAAm-rated (Standard & Poor's) investment vehicle offering daily liquidity at a stable NAV. Participant shares are purchased and redeemed at the stable NAV. The Trust has elected to report its investments in the VIP Liquidity Pool at fair value, and as such participants should also report their investments in the Trust at fair value approximating NAV. Fair value is determined daily. The VIP Liquidity Pool is rated AAAm by Standard & Poor's.

The Trust's Board of Trustees has fiduciary responsibility for the investment of monies and administration of the Trust pursuant to the Trust Agreement. The Board of Trustees is currently comprised of twelve voting members and two ex-officio members. Trustees are treasurers or chief investment officers of participating political subdivisions and are elected for staggered three-year terms by the participants in the Trust. Notwithstanding this practice, pursuant to the Trust Agreement the two local governments that initially founded the Trust through the Joint Exercise of Powers statute of the Commonwealth, the Cities of Chesapeake and Roanoke, Virginia are each entitled to representation on the Board of Trustees until the annual meeting in fiscal year 2021. The Trust is not subject to regulatory oversight and is not registered with the Securities and Exchange Commission ("SEC") as an investment company.

Note 1—Summary of significant accounting policies (continued)

Measurement Focus and Basis of Accounting – The financial statements of the Trust are presented as a fiduciary fund type utilizing the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis revenues are recognized when earned, and expenses are recognized when incurred regardless of timing of the cash flows. Security transactions and the related gains and losses are reported on a trade date basis. As of June 30, 2019, there were no pending trades. Interest income is accrued as earned, but is allocated to participants' accounts on a daily basis for the VIP Liquidity Pool and twice per month for the VIP 1-3 Year Bond Fund.

GASB Statements – There were no new pronouncements issued by the GASB that effected the Trust for fiscal year ended June 30, 2019.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, effective for reporting periods beginning after December 2018, with early adoption permitted. The Trust Administrator elected to adopt the standard for fiscal year ended June 30, 2020. The standard establishes criteria for identifying and reporting fiduciary activities. The Trust is currently evaluating the potential impact of the standard on financial reporting at the time of adoption.

Cash and Cash Equivalents – The Trust considers all funds in banks and short-term highly liquid investments with same day maturity to be cash and cash equivalents. Cash equivalents, which are comprised of repurchase agreements, are recorded at cost, which approximates fair value.

Cash received from participants for investing in the Trust is recognized upon receipt by the custodian bank if received by the cutoff time. Funds received after the cutoff time will not be in the investment account until the next business day. There are no separate participant accounts to hold participant funds during this interim period.

Investment Objectives – The investment objectives of the Trust are structured in accordance with the strategy of each respective pool. The standard of prudence to be used by investment officials of the Trust shall be the "prudent person" and shall be applied in the context of managing the portfolios. The Trust may only invest in authorized investments as established by the Board of Trustees and in accordance with the Code, Chapter 45. *Investment of Public Funds Act.*

The VIP 1-3 Year Bond Fund is a fixed income investment portfolio designed to provide a pooled investment alternative with an investment horizon greater than that of money market instruments, typically one year or longer. The investment objectives are to exceed the return of the ICE Bank of America Merrill Lynch 1-3-Year AAA/AA U.S. Corporate & Government Index over three-year periods, and to preserve capital. The VIP 1-3 Year Bond Fund seeks to obtain the highest possible yield on available financial assets; consistent with constraints imposed by safety objectives and cash flow considerations.

The VIP Liquidity Pool is a fixed income investment portfolio designed to provide a pooled investment alternative with a stable NAV. The investment objectives are safety, liquidity, transparency, and offering a competitive yield, in accordance with the Code.

Note 1—Summary of significant accounting policies (continued)

Investment Restrictions – The investment policy seeks to restrict investments only to those high-quality, fixed income securities as authorized in the Code. No investment may have a rating that is not at or above the minimum required in the Code.

Investments of funds for the VIP 1-3 Year Bond Fund may not exceed a period of 60 months, unless the investment has a put option.

To provide for the safety and liquidity of funds, the VIP Liquidity Pool is required to maintain a dollar-weighted average maturity to reset of 60 days or less and a dollar-weighted average maturity to final of 120 days or less.

Valuation – Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Security transactions are recorded on a trade-date basis. Realized gains and losses on sales of investments are calculated on an identified cost basis. Interest income, including any amortization of premium or accretion of discount, is recorded on the accrual basis. See Note 2 and Note 3 for discussion of investment risk and fair value measurements. Net investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest income earned. Realized gains and losses on the sale of investments are recognized on the specific identification basis to match with the cost basis of the investments sold.

The following tables reflect the investments at fair value and par value, including interest rate ranges and the maturity date ranges, as of June 30, 2019:

VIP 1-3 Year Bond Fund

Investment Type	Fair Value	Par Value	Maturity Dates Ranges	Interest Rate Ranges
U.S. Treasury Securities	$ 265,306,605	$ 263,215,000	06/2020 - 08/2022	1.13 - 2.88%
U.S. Government and Agency	53,579,036	53,200,000	06/2020 - 01/2022	1.38 - 2.75%
Negotiable Certificates of Deposit	2,460,266	2,475,000	11/2020	2.27%
Agency Mortgage Backed Securities	34,939,073	34,489,858	08/2019 - 11/2022	1.67 - 3.97%
Corporate Bonds and Notes	46,077,011	45,855,000	10/2019 - 03/2022	1.75 - 3.25%
Municipal Securities	7,077,808	7,060,000	07-2019 - 04/2021	1.12 - 4.94%
Supranational Bonds and Notes	4,270,255	4,260,000	09/2019 - 03/2021	1.13 - 2.63%
Total VIP 1-3 Year Bond Fund	$ 413,710,054	$ 410,554,858		

Note 1—Summary of significant accounting policies (continued)

VIP Liquidity Pool

Investment Type	Fair Value	Par Value	Maturity Dates Ranges	Interest Rate Ranges
U.S. Treasury Securities	$ 119,568,518	$ 120,000,000	07/2019 - 11/2019	0.00 *(1)*
Commercial Paper	283,588,890	285,100,000	07/2019 - 11/2019	0.00 - 2.52 *(1)(2)*
Negotiable Certificates of Deposit	618,317,963	618,250,000	07/2019 - 12/2019	2.35 - 2.97 *(2)*
Repurchase Agreements *(3)*	46,378,541	46,378,541	07/2019	2.38 - 2.45
Total VIP Liquidity Pool	$ 1,067,853,912	$ 1,069,728,541		

(1) Includes securities issued at a discount.

(2) Includes securities that have variable rates with the rates ranging from 2.49 - 2.57 percent as of fiscal year end.

(3) The repurchase agreements meet the definition of a cash equivalent per policy and are reported on the Statement of Net Position as cash equivalents.

Administrative and Investment Fees – The Administrator oversees the operations of the Trust and contracts with a third-party service provider for the portfolio management and record keeping services. The costs for the services of the Administrator and third-party service provider are accrued and charged as administrative expenses and investment expenses, respectively. The Board of Trustees approve administrative and investment fees. Fees are payable in arrears on the first day of the month.

Administrative fees for the VIP 1-3 Year Bond Fund are assessed on a monthly basis in arrears for the costs of administering the Trust. The fee is inclusive of all costs of program administration other than direct investment-related expenses, including client education, audit and reporting, legal services, accounting, credit rating, Board expenses, and insurance. The program administration fee is applied on a sliding scale based upon each participant's average asset value during the preceding month. Direct investment-related expenses, including fees for investment management and custodial services, are deducted from investment assets directly rather than from participant accounts. For fiscal year ended June 30, 2019, the investment-related expenses were approximately 0.06% (6 basis points). Total administrative and investment fees ranged between 0.08% and 0.17%.

Participant fees for the VIP Liquidity Pool are assessed daily. The annual fee to each participant may not exceed 0.15% (15 basis points) of the participant's account balance. The fee charged to participants is inclusive of all costs including program administration, investment management, custodial services, and fund accounting and reporting.

Income Distribution – In order to account for each participant's activity, separate accounts are maintained by the Trust. Earnings less expenses accrued in the Trust are allocated to each participant on a semi-monthly basis for the VIP 1-3 Year Bond Fund, and on daily basis for the VIP Liquidity Pool. The allocation is based on the participant's pro rata share of the total investments in the pool. The allocated net investment income is automatically reinvested the same business day.

Participant Transactions – For both pools, the value of each participant's investment is determined by the pro rata share of NAV of the fund based on the fair value determination on the strike days. Each participant's proportionate share is adjusted so the sum of the participant shares equals the total investment portfolio value.

Note 1—Summary of significant accounting policies (continued)

The VIP 1-3 Year Bond Fund is managed as a variable NAV pool. Fair value and NAV are determined on the 15^{th} and last business day of each month. If the 15^{th} is not a business day, fair value and the NAV will be determined as of the preceding business day. The pool transacts with participants based on a floating NAV per share that is determined by the market, the same as reporting. Participants may contribute at any time and the contributions initially are included in the VIP Liquidity Pool, which serves as a sweep account for the VIP 1-3 Year Bond Fund. Designated deposits are transferred from the VIP Liquidity Pool into the VIP 1-3 Year Bond Fund following the next semi-monthly portfolio valuation. Redemptions must be at least ten thousand dollars and may be made twice per month on the first business day following the portfolio valuation.

The VIP Liquidity Pool is managed as a stable NAV. Fair value is determined daily for the VIP Liquidity Pool and the pool transacts with participants at a stable NAV per share of $1.00 based on the fair value, the same method for reporting. Participants may contribute and withdraw funds on a daily basis. Contributions received by the cutoff time are credited to the participant account that day and invested with other funds in the portfolio. Contributions received after the cutoff time are credited on the next business day. Requests for redemptions are honored on a same day basis, if received prior to the cutoff time. Participants may contribute to, and withdraw funds from, the VIP Liquidity Pool at any time.

Custodian – The Trust has contracted with a custodian that is a qualified public depository to maintain custody of the funds and securities. The custodian is responsible for holding all funds and securities in a separate account in the name of the Trust, collecting all income and principal due to the Trust from securities held, accepting contributions and distributing redemptions, and properly accepting for delivery and/or delivering securities in accordance with the contract between the Trust and the custodian.

Risk Management – The Trust is exposed to various risks of loss such as loss due to torts, theft, injuries, and natural disasters. The Administrator, at the direction of the Board of Trustees, maintains commercial insurance coverage to limit exposure to identified risks. The Administrator conducts an analysis at least annually to determine the type and extent of coverage needed. The coverage is deemed sufficient to preclude any significant uninsured loss for the covered risks. There were no significant reductions in insurance coverage from the prior year. The costs of settled claims, if any, have not exceeded the coverage in any of the past three years. Claim losses in excess of insurance coverage are unlikely, and, if incurred, would be insignificant to the Trust's financial position. As of June 30, 2019, there is no evidence of an asset impairment or other information that would require the recognition or disclosure of a loss.

Taxes – The Trust is exempt from taxation under Section 115 of the Internal Revenue Code. Accordingly, the accompanying financial statements do not include a provision for Federal or state income taxes.

Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates and assumptions.

Termination – The Trust Agreement specifically allows for the termination of the Trust once "all participation interests of all participating political subdivisions have been terminated in their entirety." Partial termination would occur when a participating political subdivision's interest in the Trust is terminated or when a Trust Joinder Agreement has been terminated. In case of termination, either in whole or in part, affected assets of the Trust would be distributed or transferred in accordance with the Trust Agreement.

Note 2—Deposits and Investment Risk

Deposits and Investment Risk – The following information regarding disclosures of risks are designed to inform financial statement users about the Trust's various risks.

Custodial Credit Risk – Custodial credit risk is the risk, in the event of the failure of a depository financial institution or financial counterparty, the Trust will not be able to recover the value of its deposits, investments, or recover collateral securities that are in the possession of an outside party. The Trust's deposit policy states that collateral for savings and time deposits shall be pledged according to the provisions of the Virginia Security for Public Deposits Act, Section 2.2- 4400 et seq. of the Code ("Deposit Act") and the requirements of the State Treasury Board ("Treasury Board") regulations.

Funds held as deposits in financial institutions are secured in accordance with the provisions of the Deposit Act, which requires any public depository that receives or holds public deposits to pledge collateral to the Treasury Board to cover public deposits in excess of Federal deposit insurance. Deposits are insured by the Federal Deposit Insurance Corporation ("FDIC") up to federally insured limits. Deposits with the financial institution in excess of the FDIC limit are collateralized at a rate of 105 percent under the pooled method of collateralization as elected by the financial institution. The Trust utilizes repurchase agreements with the custodian on the deposit account. For the deposit account the funds are invested overnight in the repurchase agreement and cash is swept into the deposit account daily. The overnight repurchase agreements are collateralized at 102 percent. As of June 30, 2019, the bank balance of deposits was $26.1 million, and the carrying amount of deposits was $41.4 million. The difference between the bank and carrying amount represents funds in transit.

Cash equivalents comprise repurchase agreements that mature daily. Securities utilized in repurchase agreements are subject to additional restrictions designed to limit the Trust's exposure to risk and ensure the safety of the investment. The Trust invests excess operating cash in repurchase agreements which are collateralized by U.S. Government backed securities with the Trust's bank. The fair value, plus accrued income, of securities utilized as collateral in repurchase agreements must be at least 102 percent of the value of the repurchase agreement, plus accrued income. At June 30, 2019, the Trust had $46.4 million of repurchase agreements in cash equivalents, which represent approximately 3.0% of the Trust's total assets and net position.

As of June 30, 2019, investment securities for the Trust were registered and held by the custodian in the name of the Trust for the benefit of the investment pools and were not exposed to custodial credit risk.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. The Trust manages the risk for the VIP 1-3 Year Bond Fund using the effective duration methodology. The VIP Liquidity Fund is reported on the following page based on the segmented time distribution as the investments held are not as exposed to interest rate risk as those of longer durations.

Note 2— Deposits and Investment Risk (continued)

The following schedules reflect the interest rate risk for each pool as of June 30, 2019:

VIP 1-3 Year Bond Fund

Investment Type	Fair Value	Weighted Average Effective Duration (in years)
U.S. Treasury Securities	$ 265,306,605	2.02
U.S. Government and Agency	53,579,036	1.57
Negotiable Certificates of Deposit	2,460,266	1.37
Agency Mortgage Backed Securities	34,939,073	2.17
Corporate Bonds and Notes	46,077,011	1.39
Municipal Securities	7,077,808	0.51
Supranational Bonds and Notes	4,270,255	1.17
Total VIP 1-3 Year Bond Fund	$ 413,710,054	1.86

VIP Liquidity Pool

		Investment Maturities (in days)							
Investment Type	**Fair Value**	**0-29**	**30-59**	**60-89**	**90-119**	**120-149**	**150-179**	**180-209**	**210-239**
U.S. Treasury Securities	$ 119,568,518	$ 44,971,003	$ 24,955,940	$ -	$ 24,860,650	$ -	$ 24,780,925	$ -	$ -
Commercial Paper	283,588,890	18,670,019	99,728,189	69,096,290	24,834,235	56,456,157	-	-	14,804,000
Negotiable Certificates of Deposit	618,317,963	200,750,704	120,005,846	120,000,134	77,541,138	50,022,641	49,997,500	-	-
Repurchase Agreements*	46,378,541	46,378,541	-	-	-	-	-	-	-
Total VIP Liquidity Pool	$ 1,067,853,912	$ 310,770,267	$ 244,689,975	$ 189,096,424	$ 127,236,023	$ 106,478,798	$ 74,778,425	$ -	$ 14,804,000

** The repurchase agreements meet the definition of a cash equivalent per policy and are reported on the Statement of Net Position as cash equivalents.*

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Trust. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and disclosure is not required. The Investment Policy states that no investment shall be purchased if its ratings from nationally recognized ratings firms are not at or above the minimum as established by the Board of Trustees and in the Code. Certain major classes of investments presented below have minimum ratings for securities as defined in the Trust Investment Policy. Those major classes of investments without minimum ratings for securities are subject to a standard of prudence to be used by investment officials in the context of managing the portfolios.

Note 2— Deposits and Investment Risk (continued)

- Bankers' acceptances from "prime quality" institutions. Prime quality shall be as determined by one or more nationally recognized rating agencies.
- Commercial paper rated by at least two of the following: Moody's Investors Service Inc., within its NCO/Moody's rating of P1; by Standard & Poor's, Inc., within its rating of A-1; by Fitch Investor's Services, Inc., within its rating of F-1; by Duff and Phelps, Inc., within its rating of D-1; or by their corporate successors.
- Corporate notes with a rating of at least AA by Standard and Poor's and at least Aa by Moody's.
- Negotiable certificates of deposit and negotiable bank deposit notes of domestic banks and domestic offices of foreign banks with a rating of at least A-1 by Standard & Poor's, P-1 by Moody's Investor Service, Inc., for maturities of one year or less, and a rating of at least AA by Standard & Poor's and Aa by Moody's Investor Service, Inc., for maturities over one year.

The following tables reflect the credit quality of the investments held by the Trust as of June 30, 2019:

VIP 1-3 Year Bond Fund

	Fair Value by Credit Rating - S&P / Moody's				
	AAA / Aaa	**AA+ / Aa1**	**AA / Aa2**	**AA- / Aa3**	**Total**
U.S. Government Agencies	$ -	$ 53,579,036	$ -	$ -	$ 53,579,036
Negotiable Certificates of Deposit	-	-	-	2,460,266	2,460,266
Agency Mortgage Backed Securities	-	34,939,073	-	-	34,939,073
Corporate Bonds and Notes	8,270,665	10,259,154	15,265,302	12,281,890	46,077,011
Municipal Securities	1,413,557	2,493,175	1,696,957	1,474,119	7,077,808
Supranational Bonds and Notes	4,270,255	-	-	-	4,270,255
Total VIP 1-3 Year Bond Fund	$ 13,954,477	$ 101,270,438	$ 16,962,259	$ 16,216,275	$ 148,403,449

Excludes investments of $265.3 million that are obligations of the U.S. Government, which are not subject to credit risk disclosure.

VIP Liquidity Pool

	Fair Value by Credit Rating - S&P / Moody's		
	A-1+ / P-1	**A-1 / P-1**	**Total**
Repurchase Agreement	$ 18,959,270	$ 27,419,271	$ 46,378,541
Commercial Paper	183,076,723	100,512,167	283,588,890
Negotiable Certificates of Deposit	202,540,092	415,777,871	618,317,963
Total VIP Liquidity Pool	$ 404,576,085	$ 543,709,309	$ 948,285,394

Excludes investments of $119.6 million that are obligations of the U.S. Government, which are not subject to credit risk disclosure.

Note 2— Deposits and Investment Risk (continued)

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer or security type. The Trust's investment policy states that no more than 35% of each portfolio's assets shall be invested in commercial paper, no more than 5% of each portfolio shall be invested in the commercial paper of a single issuing corporation, and that the investment manager shall endeavor to maintain appropriate diversification across instruments and institutions in order to reduce overall portfolio risk. There are no limits on the use of U.S. government, agency, or U.S. guaranteed issues. The Trust invests solely in fixed income securities. At June 30, 2019, the commercial paper investments did not exceed 35% of the portfolio's assets and there were no commercial paper investments in any one issuer that represents 5% or more of the total investments.

Note 3—Fair value measurement

Fair value, as defined under GAAP, is an exit price representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

Level 1: Observable inputs such as quoted prices in active markets.

Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, and others. Debt securities are valued in accordance with the evaluated bid price supplied by the pricing service and are generally categorized as Level 2 in the hierarchy. Securities that are categorized as Level 2 in the hierarchy include, but are not limited to, repurchase agreements, U.S. Treasury securities, U.S. government agency securities, corporate securities, and commercial paper.

Level 3: Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

There have been no changes in the methodologies used as of June 30, 2019. There were no transfers between levels in the fair value hierarchy during the period. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

Note 3—Fair value measurement (continued)

The following is a description of the valuation methodologies used for assets measured at fair value by pool as of June 30, 2019:

VIP 1-3 Year Bond Fund

	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Signficant Other Observable Inputs Level 2	Signifcant Unobservable Inputs Level 3
U.S. Treasury Securities	$ 265,306,605	$ -	$ 265,306,605	$ -
U.S. Government and Agency	53,579,036	-	53,579,036	-
Negotiable Certificates of Deposit	2,460,266	-	2,460,266	-
Agency Mortgage Backed Securities	34,939,073	-	34,939,073	-
Corporate Bonds and Notes	46,077,011	-	46,077,011	-
Municipal Securities	7,077,808	-	7,077,808	-
Supranational Bonds and Notes	4,270,255	-	4,270,255	-
Total VIP 1-3 Year Bond Fund	$ 413,710,054	$ -	$ 413,710,054	$ -

VIP Liquidity Pool

	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Signficant Other Observable Inputs Level 2	Signifcant Unobservable Inputs Level 3
U.S. Treasury Securities	$ 119,568,518	$ -	$ 119,568,518	$ -
Commercial Paper	283,588,890	-	283,588,890	-
Negotiable Certificates of Deposit	618,317,963	-	618,317,963	-
Repurchase Agreements	46,378,541	-	46,378,541	-
Total VIP Liquidity Pool	$ 1,067,853,912	$ -	$ 1,067,853,912	$ -

Note 4—Related party transactions

The Trust has an agreement with Virginia Local Government Finance Corporation ("VLGFC") whereby VLGFC serves as administrator for the Trust. The Trust compensates VLGFC to provide administrative services through a monthly program fee charged as a percentage of invested assets. The administrative fee during fiscal year 2019 amounted to $ 0.41 million.

Note 5—Subsequent events

The Trust has performed an evaluation of subsequent events through February 7, 2020, the date the basic financial statements were available to be issued. No material subsequent events were identified.

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Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
Virginia Investment Pool Trust Fund
Richmond, Virginia

We have audited, in accordance with the 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, the financial statements of the Virginia Investment Pool Trust Fund (the "Trust"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements, and have issued our report thereon dated February 7, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Trust's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Richmond, Virginia
February 7, 2020