

**LOCAL GOVERNMENT INVESTMENT POOL**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDING JUNE 30, 2010**



LOCAL GOVERNMENT INVESTMENT POOL  
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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, 2010. This information should be considered in conjunction with the information contained in the financial statements, which follow this section.

### **LGIP Activities and Highlights**

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

### **Overview of the Financial Statements**

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

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

### **Financial Analysis**

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

#### **Local Government Investment Pool (in millions)**

	2010	2009
Total assets	\$ 3,711	\$ 4,309
Total net assets	\$ 3,711	\$ 4,309

Year over year net assets decreased approximately fourteen percent. In addition, the dollar value of deposits and withdrawals decreased approximately twenty-seven percent and twenty-two percent respectively. Active accounts numbered 945 at the end of fiscal year 2010.

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

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

	2010	2009
Additions:		
Proceeds from units admitted	\$ 6,584	\$ 9,078
Investment earnings	10	59
Total additions	<u>6,594</u>	<u>9,137</u>
Deductions:		
Disbursements for units withdrawn	7,192	9,232
Total deductions	<u>7,192</u>	<u>9,232</u>
Increase/decrease in net assets	(598)	(95)
Net assets, July 1	<u>4,309</u>	<u>4,404</u>
Net assets, June 30	<u><u>\$ 3,711</u></u>	<u><u>\$ 4,309</u></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.

Investment earnings were lower for fiscal year 2010 primarily as a result of the historic low level of short-term interest rates. Throughout the year the Federal Open Market Committee maintained the Federal Funds Target within a zero to 0.25% range. The Federal Funds Target is the benchmark for short-term rates. The LGIP is managed as a short-term fund; therefore, the portfolio yield reflects the current market level of short-term rates. As portfolio securities matured during the year, funds were reinvested at lower yields resulting in lower income from investment earnings. In addition to lower interest rates, LGIP net assets declined throughout the year reflecting lower revenue collections at the local level.

## LOCAL GOVERNMENT INVESTMENT POOL

### Statement of Fiduciary Net Assets As of June 30, 2010

#### Assets

Investments in cash equivalents, at value (Notes 1B & 2A)	\$ 1,623,204,997
Investments in securities, at value (Notes 1B & 2A)	2,085,811,439
Interest receivable	<u>1,644,364</u>
Total assets	<u>3,710,660,800</u>

#### Liabilities

Administrative fee payable	<u>15,163</u>
Total liabilities	<u>15,163</u>

#### Net Assets

Held in trust for pool participants	<u><u>\$ 3,710,645,637</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

## LOCAL GOVERNMENT INVESTMENT POOL

### Statement of Changes in Fiduciary Net Assets For the year ended June 30, 2010

#### Additions

##### Contributions:

Proceeds from units admitted	\$ 6,584,108,703
Total contributions	<u>6,584,108,703</u>

##### Investment earnings:

Interest income	10,492,792
Net accrued interest	1,644,364
Net change in unrealized appreciation of investments for the year	(45,066)
Less administrative fee	<u>(2,033,164)</u>
Net investment earnings	<u>10,058,926</u>
Total additions	<u>6,594,167,629</u>

#### Deductions

Disbursements for units withdrawn	<u>7,192,737,310</u>
Total deductions	<u>7,192,737,310</u>
Change in net assets	(598,569,681)
Net assets - July 1, 2009	<u>4,309,215,318</u>
Net assets - June 30, 2010	<u><u>\$ 3,710,645,637</u></u>

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

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

AS OF JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

B. Investment Valuation

Investments in the LGIP are stated at market value where available. However, market value does not include market accrued interest (totaling \$221,955) which is included as a portion of interest receivable on the Statement of Fiduciary Net Assets. Where market value is unavailable, the investments are reported at cost, which due to their short-term nature approximates market value.

Shares are purchased and redeemed at amortized cost. If the LGIP's current market-based net asset value per share should deviate from its amortized cost price per share by an amount exceeding  $\frac{1}{2}$  of 1 percent, the State Treasurer, Chair of the Treasury Board, shall assess the situation and determine what action, if any, is in the best interest of the LGIP and its participants. Market-based net asset value is determined on a weekly basis.

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

**2. DETAILED NOTES**

**A. Investments**

Funds in the LGIP are invested in accordance with Treasury Board investment guidelines and Standard & Poor's AAAM rating criteria. This includes obligations of the United States Government or agencies thereof, repurchase agreements, bankers' acceptances, commercial paper, short-term corporate notes, bank deposit notes and certificates of deposit. The maximum average maturity for the portfolio may not exceed 90 days. The maximum percentage of the LGIP investments permitted in each category and the actual allocation at June 30, 2010 are as follows:

	<u>Maximum Permitted</u>	<u>Actual June 30, 2010</u>
U. S. Treasury/Agency	100%	46%
Bankers' Acceptances, Negotiable Certificates of Deposit and/or Negotiable Bank Deposit Notes	40%	23%
Non-Negotiable Certificate of Deposit	5%	0%
Commercial Paper	35%	5%
Corporate Notes	25%	5%
Repurchase Agreements	50%	21%
Taxable Municipal Obligations	10%	0%

*Interest Rate Risk - Investments*

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair values of an investment. Interest rate risk is measured and monitored through investing in high quality credits and managing the weighted average maturity (WAM) of the portfolio. The portfolio WAM is a key measure of the funds tolerance to rising interest rates. At June 30, the LGIP's WAM was 46 days, which should assure minimal asset value fluctuations under most market conditions. The LGIP's investments at June 30, 2010 are presented below.

LGIP Investments As of June 30, 2010 (Dollars in Thousands)		
	Fair Value <u>Uncategorized</u>	Weighted Average Days to <u>Maturity</u>
U.S. Treasury and Agency Securities	\$ 1,589,885	73
Corporate Notes (Guaranteed by FDIC)	167,166	76
Commercial Paper	195,829	37
Negotiable Certificates of Deposit, Deposit Notes and Bankers' Acceptances	853,084	33
Repurchase Agreements	780,000	6
US Govt Money Market Funds	123,052	1
Total	<u>\$ 3,709,016</u>	
Portfolio weighted average maturity		46



# LOCAL GOVERNMENT INVESTMENT POOL

## NOTES TO THE FINANCIAL STATEMENTS

### *Credit Risk of Debt Securities*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The LGIP is rated AAAM by Standard & Poor's. The AAAM rating definition indicates the fund has an extremely strong capacity to maintain principal stability and limit exposure to principal losses due to credit, market, and/or liquidity risks. In addition to the overall fund rating requirements of Standard & Poor's to maintain the AAAM rating, the LGIP Investment Policy and Guidelines require a minimum rating of both P-1 by Moody's Investment Services and A-1 by Standard & Poor's on individual securities purchased. At June 30, 2010, ninety-five percent of the LGIP portfolio was invested in securities with a short-term rating of A-1+ by Standard & Poor's. The LGIP's rated debt investments as of June 30, 2010 are presented below using the Standard & Poor's rating scale.

	Total Fair Value	Credit Quality		
		AAA	A-1+	A-1
U.S. Treasury and Agency Securities	\$ 150,896	\$ 150,896	\$ -	\$ -
Agency Unsecured Bonds and Notes	1,438,989	1,438,989	-	-
Corporate Notes	167,166	167,166	-	-
Commercial Paper	195,829	-	140,880	54,949
Negotiable Certificates of Deposit, Deposit Notes and Bankers' Acceptances	853,084	-	707,035	146,049
Repurchase Agreements	780,000	780,000	-	-
US Govt Money Market Funds	123,052	123,052	-	-
Total	\$ 3,709,016	\$ 2,660,103	\$ 847,915	\$ 200,998

### *Concentration of Credit Risk*

The LGIP Investment Policy requires diversification of assets with not more than 5% of the fund assets invested in the securities of any single issuer. This limitation does not apply to securities of the U.S. Government, agency thereof, or government sponsored enterprises (GSEs). As of June 30, 2010, more than 5 percent of LGIP's investments are in the Federal Home Loan Bank (11%), in the Federal Home Loan Mortgage Corporation (15%), in the Federal National Mortgage Association (10%) and in Goldman Sachs Tri-Party Repurchase Agreements (21%).

### 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.

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

C. Risk Management

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

# LOCAL GOVERNMENT INVESTMENT POOL

## SUPPLEMENTARY INFORMATION

### Selected Participant Share and Ratio Information

Selected ratios and data for the average number of shares outstanding throughout the years ended June 30, 2008, 2009 and 2010

	June 30, 2010	June 30, 2009	June 30, 2008
Investment income	\$ 0.00364	\$ 0.01747	\$ 0.04308
Expenses	0.00061	0.00060	0.00062
Investment income - net	0.00303	0.01687	0.04246
Income distributions	0.00303	0.01687	0.04246
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	0.30%	1.69%	4.25%
Ratio of expenses to average net assets	0.06%	0.06%	0.06%

# LOCAL GOVERNMENT INVESTMENT POOL

## SUPPLEMENTARY INFORMATION

### SCHEDULE OF INVESTMENTS

As of June 30, 2010

	Yield @ Purchase	Carrying Value	Fair Value	Percentage of Investments at Fair Value
United States Treasuries:				
United States Treasury Bill due 11/26/10	0.15%	49,966,458.33	49,950,415.67	0.01
United States Treasury Notes 0.88 due 12/31/10	0.22%	50,166,015.63	50,156,248.00	0.01
United States Treasury Notes 4.50 due 02/28/11	0.35%	25,769,950.00	25,695,312.00	0.01
United States Treasury Notes 0.88 due 02/28/11	0.27%	25,100,585.00	25,093,750.00	0.01
Total United States Treasuries		151,003,008.96	150,895,725.67	0.04
Agency Unsecured Bonds and Notes:				
Federal Farm Credit Bank 3.75% due 12/06/10	0.33%	7,307,378.75	7,282,625.00	0.00
Federal Farm Credit Bank FRN due 01/28/11	0.36%	25,000,000.00	25,015,625.00	0.01
Federal Farm Credit Bank FRN due 12/16/11	0.16%	74,984,925.00	74,835,937.50	0.02
Federal Home Loan Bank 0.57% due 04/13/11	0.59%	24,993,750.00	25,015,625.00	0.01
Federal Home Loan Bank Discount Note due 08/25/10	0.13%	49,988,625.00	49,998,555.56	0.01
Federal Home Loan Bank Discount Note due 08/27/10	0.14%	49,988,333.34	49,999,416.67	0.01
Federal Home Loan Bank Discount Note due 11/12/10	0.30%	20,972,294.58	20,982,228.75	0.01
Federal Home Loan Bank FRN due 09/17/10	0.95%	50,000,000.00	50,062,500.00	0.01
Federal Home Loan Bank FRN due 11/08/10	0.68%	49,991,272.04	50,062,500.00	0.01
Federal Home Loan Bank FRN due 11/19/10	0.65%	49,985,000.00	49,984,375.00	0.01
Federal Home Loan Bank FRN due 05/26/11	0.16%	50,000,000.00	49,953,125.00	0.01
Federal Home Loan Bank FRN due 08/01/11	0.16%	74,966,040.00	74,953,125.00	0.02
Federal Home Loan Mortgage Corp. 2.88% due 11/23/10	0.30%	10,130,300.00	10,109,375.00	0.00
Federal Home Loan Mortgage Corp. Discount Note due 08/26/10	0.17%	32,141,346.29	32,149,848.18	0.01
Federal Home Loan Mortgage Corp. Discount Note due 09/01/10	0.23%	24,967,416.67	24,969,506.95	0.01
Federal Home Loan Mortgage Corp. Discount Note due 10/18/10	0.26%	44,954,418.75	44,961,037.50	0.01
Federal Home Loan Mortgage Corp. Discount Note due 10/19/10	0.25%	13,786,775.00	13,788,691.67	0.00
Federal Home Loan Mortgage Corp. Discount Note due 10/26/10	0.26%	16,600,876.06	16,604,532.24	0.01
Federal Home Loan Mortgage Corp. Discount Note due 10/27/10	0.24%	7,965,558.53	7,966,847.51	0.00
Federal Home Loan Mortgage Corp. Discount Note due 11/15/10	0.23%	19,980,450.00	19,979,205.56	0.01
Federal Home Loan Mortgage Corp. Discount Note due 11/22/10	0.26%	17,253,290.39	17,255,060.98	0.01
Federal Home Loan Mortgage Corp. Discount Note due 12/07/10	0.24%	24,971,333.33	24,974,395.83	0.01
Federal Home Loan Mortgage Corp. FRN due 07/12/10	1.25%	50,000,000.00	50,000,000.00	0.01
Federal Home Loan Mortgage Corp. FRN due 12/30/10	1.18%	74,957,250.00	75,000,000.00	0.02
Federal Home Loan Mortgage Corp. FRN due 02/01/11	0.37%	74,975,000.00	74,976,562.50	0.02
Federal Home Loan Mortgage Corp. FRN due 03/09/11	1.34%	99,993,500.00	100,093,750.00	0.03
Federal Home Loan Mortgage Corp. FRN due 09/19/11	0.26%	24,980,967.50	24,992,187.50	0.01
Federal National Mortgage Association Discount Note due 07/19/10	0.19%	24,980,736.11	24,983,111.11	0.01
Federal National Mortgage Association Discount Note due 09/20/10	0.25%	49,954,166.66	49,966,666.66	0.01
Federal National Mortgage Association Discount Note due 09/27/10	0.17%	14,192,959.17	14,194,422.56	0.00
Federal National Mortgage Association Discount Note due 10/01/10	0.25%	19,882,172.92	19,888,668.06	0.01
Federal National Mortgage Association Discount Note due 10/12/10	0.17%	16,990,687.78	16,993,643.89	0.01
Federal National Mortgage Association Discount Note due 11/08/10	0.22%	22,050,308.66	22,054,048.29	0.01
Federal National Mortgage Association Discount Note due 11/17/10	0.29%	24,963,347.22	24,967,902.78	0.01
Federal National Mortgage Association Discount Note due 11/24/10	0.29%	49,930,319.44	49,942,250.00	0.01
Federal National Mortgage Association FRN due 08/05/10	1.23%	49,992,800.00	50,000,000.00	0.01
Federal National Mortgage Association FRN due 10/22/10	0.67%	50,007,550.00	50,062,500.00	0.01
Federal National Mortgage Association FRN due 08/11/11	0.19%	49,963,162.50	49,968,750.00	0.01
Total Agency Unsecured Bonds and Notes		1,438,744,311.69	1,438,988,603.25	0.39
Repurchase Agreements Collateralized by U.S. Government Obligations:				
Goldman Sachs & Company 0.03% due 07/01/10	0.03%	580,000,000.00	580,000,000.00	0.16
Goldman Sachs & Company 0.20% due 07/19/10	0.20%	200,000,000.00	200,000,000.00	0.05
Total Repurchase Agreements Collateralized by U.S. Government Obligations		780,000,000.00	780,000,000.00	0.21
Deposit Notes:				
Chase Bank USA NA BN 0.25% due 07/12/10	0.25%	20,000,000.00	20,000,000.00	0.01
Chase Bank USA NA BN 0.25% due 07/12/10	0.25%	40,000,000.00	40,000,000.00	0.01
Total Deposit Notes		60,000,000.00	60,000,000.00	0.02

# LOCAL GOVERNMENT INVESTMENT POOL

## SUPPLEMENTARY INFORMATION

### SCHEDULE OF INVESTMENTS

As of June 30, 2010

	Yield @ Purchase	Carrying Value	Fair Value	Percentage of Investments at Fair Value
<b>Bankers' Acceptances:</b>				
Bank of America NA BA 0.38% due 07/02/10	0.38%	24,993,402.78	24,999,736.11	0.01
Bank of America NA BA 0.41% due 07/28/10	0.41%	11,045,321.24	11,049,601.21	0.00
Bank of America NA BA 0.51 % due 08/23/10	0.51%	4,994,545.83	4,996,245.83	0.00
<b>Total Bankers' Acceptances</b>		<b>41,033,269.85</b>	<b>41,045,583.15</b>	<b>0.01</b>
<b>FDIC Guaranteed Corporate Notes:</b>				
General Electric Capital Corp. FDIC Guaranteed FRN due 12/09/10	2.79%	15,001,350.00	15,058,593.75	0.01
General Electric Capital Corp. FDIC Guaranteed FRN due 07/08/10	1.46%	35,000,000.00	35,000,000.00	0.01
Goldman Sachs Group, Inc. FDIC Guaranteed FRN due 03/15/11	0.20%	50,089,550.00	50,085,937.50	0.01
J P Morgan & Co. FDIC Guaranteed 1.65% due 02/23/11	0.40%	16,901,438.70	16,888,999.89	0.01
J P Morgan & Co. FDIC Guaranteed FRN due 12/02/10	2.72%	50,000,000.00	50,132,812.50	0.01
<b>Total FDIC Guaranteed Corporate Notes</b>		<b>166,992,338.70</b>	<b>167,166,343.64</b>	<b>0.05</b>
<b>Negotiable Certificates of Deposit:</b>				
Abbey National Treasury Services NY YCD 0.40% due 09/24/10	0.39%	45,002,553.18	45,010,707.57	0.01
Bank of Montreal Chicago YCD 0.26% due 07/14/10	0.26%	35,000,000.00	34,999,455.15	0.01
Bank of Montreal Chicago YCD 0.36% due 08/06/10	0.36%	15,000,000.00	15,000,922.17	0.00
Bank of Nova Scotia Houston YCD 0.26% due 07/09/10	0.26%	45,000,000.00	44,999,548.04	0.01
Bank of Tokyo-Mitsubishi NY YCD 0.40% due 07/22/10	0.40%	55,000,000.00	55,003,359.60	0.01
Commonwealth Bank of Australia NY YCD 0.32% due 09/22/10	0.36%	26,494,823.57	26,501,219.32	0.01
National Australia Bank NY YCD 0.24% due 07/01/10	0.24%	45,000,000.00	44,999,924.79	0.01
National Australia Bank NY YCD 0.46% due 09/02/10	0.44%	21,500,951.40	21,506,108.20	0.00
Nordea Bank of Finland NY YCD 0.32% due 07/09/10	0.32%	30,000,000.00	30,000,149.57	0.01
Nordea Bank of Finland NY YCD 0.40% due 08/02/10	0.40%	50,000,000.00	50,004,577.80	0.01
Rabobank Nederland NV NY YCD 0.30% due 08/13/10	0.30%	40,000,000.00	39,999,990.47	0.01
Rabobank Nederland NV NY YCD 0.36% due 09/07/10	0.31%	31,506,940.96	31,503,583.31	0.01
Rabobank Nederland NV NY YCD FR due 10/15/10	0.28%	24,997,500.00	24,991,809.75	0.01
Royal Bank of Canada NY YCD 0.36% due 08/12/10	0.38%	74,997,279.64	75,005,359.91	0.02
State Street Bank & Trust CD 0.28% due 08/05/10	0.28%	25,000,000.00	24,999,493.50	0.01
State Street Bank & Trust CD 0.28% due 08/06/10	0.28%	25,000,000.00	24,999,479.50	0.01
Svenska Handelsbanken NY YCD 0.27% due 07/01/10	0.27%	22,499,749.06	22,499,978.00	0.01
Svenska Handelsbanken NY YCD 0.41% due 08/17/10	0.40%	25,000,638.24	25,003,660.19	0.01
Svenska Handelsbanken NY YCD 0.52% due 08/30/10	0.48%	25,002,242.51	25,009,308.65	0.01
Toronto Dominion Bank NY YCD 0.25% due 07/15/10	0.25%	15,000,000.00	14,999,687.34	0.00
Toronto Dominion Bank NY YCD 0.26% due 07/16/10	0.26%	15,000,000.00	14,999,732.96	0.00
Toronto Dominion Bank NY YCD 0.24% due 07/21/10	0.24%	35,000,000.00	34,998,768.72	0.01
Toronto Dominion Bank NY YCD 0.33% due 09/20/10	0.33%	25,000,000.00	25,001,691.05	0.01
<b>Total Negotiable Certificates of Deposit</b>		<b>752,002,678.56</b>	<b>752,038,515.56</b>	<b>0.20</b>
<b>Commercial Paper:</b>				
General Electric Capital Corp. due 07/12/10	0.27%	12,996,880.00	12,996,641.67	0.00
General Electric Capital Corp. due 07/22/10	0.27%	24,977,500.00	24,976,625.00	0.01
General Electric Capital Corp. due 07/29/10	0.27%	47,956,800.00	47,954,560.00	0.01
State Street Corp. due 08/06/10	0.38%	29,981,000.00	29,982,500.00	0.01
Toyota Motor Credit Corp. due 08/09/10	0.50%	34,967,916.67	34,974,362.50	0.01
J P Morgan & Co. due 08/10/10	0.25%	24,968,750.00	24,966,527.77	0.01
Toyota Motor Credit Corp. due 09/23/10	0.50%	19,975,000.00	19,978,266.66	0.00
<b>Total Commercial Paper</b>		<b>195,823,846.67</b>	<b>195,829,483.60</b>	<b>0.05</b>
<b>Money Market Funds:</b>				
JP Morgan US Govt Money Market Fund due 07/01/10	0.67%	123,052,180.72	123,052,180.72	0.03
<b>Total Money Market Funds</b>		<b>123,052,180.72</b>	<b>123,052,180.72</b>	<b>0.03</b>
<b>Total Investments</b>		<b>\$ 3,708,651,635.15</b>	<b>\$ 3,709,016,435.59</b>	<b>1.00</b>



**Walter J. Kucharski, Auditor**

# Commonwealth of Virginia

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

December 1, 2010

The Honorable Robert F. McDonnell  
Governor of Virginia

The Virginia Treasury Board and Local  
Government Investment Pool Participants

The Honorable Charles J. Colgan  
Chairman, Joint Legislative Audit  
And Review Commission

Board of Directors of:  
Virginia College Building Authority  
Virginia Public Building Authority  
Virginia Public School Authority

## INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying basic financial statements of the **Local Government Investment Pool (LGIP)** as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the Department of Treasury's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the basic financial statements of LGIP are intended to present the financial position and the changes in financial position of only that portion of the Investment Trust Fund of the Commonwealth of Virginia that is attributable to the transactions of LGIP. They do not purport to, and do not, present fairly the Commonwealth of Virginia's overall financial position as of June 30, 2010, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the LGIP as of June 30, 2010, and the changes in its financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages one and two is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial of the LGIP. The Schedule of Selected Participant Share and Ratio Information and the Schedule of Investments are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated December 1, 2010 on our consideration of the LGIP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. We anticipate releasing that report on or after December 15, 2010. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

  
AUDITOR OF PUBLIC ACCOUNTS

LDJ/clj