

**LOCAL GOVERNMENT INVESTMENT POOL
RICHMOND, VIRGINIA**

**REPORT ON AUDIT
FOR THE YEAR ENDED
JUNE 30, 2000**



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December 13, 2000

The Virginia Treasury Board
and Pool Participants
Local Government Investment Pool

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

We have audited the accompanying statement of assets and liabilities of the **Local Government Investment Pool** as of June 30, 2000, including the related statement of operations and the statement of changes in net assets for the period then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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. Our procedures included confirmation of securities owned as of June 30, 2000, by correspondence with the custodian. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Local Government Investment Pool as of June 30, 2000, the results of its operations and the changes in net assets for the period then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of selected participant share and ratio information and schedule of investments listed in the Table of Contents is presented for the purpose of additional analysis and is not a required part of the financial statements of the Local Government Investment Pool. The information in the schedules has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, such information is fairly presented in all material respects to the financial statements taken as a whole.

AUDITOR OF PUBLIC ACCOUNTS

MSM:kva
kva:376

FINANCIAL STATEMENTS

LOCAL GOVERNMENT INVESTMENT POOL
STATEMENT OF ASSETS AND LIABILITIES
As of June 30, 2000

ASSETS

Investments in securities (Notes 1 and 2)	\$ 1,705,464,143
Interest receivable	<u>13,674,500</u>
Total assets	<u><u>\$ 1,719,138,643</u></u>

LIABILITIES AND NET ASSETS

Liabilities:	
Administrative fee	\$ 1,222,955
Net assets	<u>1,717,915,688</u>
Total liabilities and net assets	<u><u>\$ 1,719,138,643</u></u>

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

LOCAL GOVERNMENT INVESTMENT POOL
STATEMENT OF OPERATIONS
For the year ended June 30, 2000

Investment income:	
Interest income	\$ 72,744,574
Net accrued interest	13,674,500
Change in unrealized appreciation of investments for the year	<u>1,161,385</u>
Total investment income	<u>87,580,459</u>
Expenses:	
Administrative fee	<u>1,222,955</u>
Increase in net assets resulting from operations	<u><u>\$ 86,357,504</u></u>

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

LOCAL GOVERNMENT INVESTMENT POOL
STATEMENT OF CHANGES IN NET ASSETS
For the year ended June 30, 2000

Net increase in net assets from operations	<u>\$ 86,357,504</u>
Increase from participant transactions:	
Proceeds from units admitted	3,727,134,492
Disbursements for units withdrawn	<u>(3,787,483,301)</u>
Net decrease in net assets resulting from participant principal transactions	<u>(60,348,809)</u>
Total increase in net assets	26,008,695
Net assets:	
July 1, 1999	<u>1,691,906,993</u>
June 30, 2000	<u><u>\$ 1,717,915,688</u></u>

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

NOTES TO FINANCIAL STATEMENTS

LOCAL GOVERNMENT INVESTMENT POOL

NOTES TO FINANCIAL STATEMENTS

AS OF JUNE 30, 2000

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Local Government Investment Pool (LGIP) was established January 1, 1981, pursuant to the Investment of Public Funds and Local Government Investment Pool Act, Section 2.1-234.1 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 SEC as an investment company, but maintains a policy to operate in a manner consistent with the SEC's Rule 2a7.

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 \$1,400,569), which is included as a portion of interest receivable on the balance sheet. 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 half of one 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 monthly basis.

2. INVESTMENTS

Funds in the LGIP are invested in accordance with Treasury Board investment guidelines and include obligations of the United States Government or agencies thereof, repurchase agreements, bankers' acceptances, commercial paper, short-term corporate and bank notes, and certificates of deposit. The maximum average maturity for the portfolio may not exceed 90 days. The maximum percentage of the Fund permitted in each eligible security and the percentage in each category at June 30, 2000, are as follows:

	<u>Maximum Permitted</u>	<u>June 30, 2000</u>
U.S. Treasury/Agency	100%	22%
Negotiable Certificates of Deposit	40%	22%
Non-Negotiable Certificates of Deposit	25%	1%
Commercial Paper	35%	30%
Corporate Notes and Bank Notes	25%	21%
Repurchase Agreements	50%	4%

The LGIP's investments are categorized below to give an indication of the level of credit risk assumed by the LGIP at June 30, 2000. Credit risk is the risk that the LGIP may not be able to obtain possession of its investment instrument or collateral at maturity. Risk Category 1 includes investments which are insured or registered or for which the securities are held by LGIP or its safekeeping agent in the LGIP's name. Risk Category 2 includes uninsured or unregistered investments for which the securities are held by the broker's or dealer's trust department or safekeeping agent in the LGIP's name. Risk Category 3 includes uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or safekeeping agent, but not in the LGIP's name. There are no investments in Category 2 or 3 at June 30, 2000.

	<u>Carrying Value</u>	<u>Market Value</u>
Investments:		
U.S. Treasury/Agency	\$ 372,747,931	\$ 372,831,624
Negotiable Certificates of Deposit	374,957,058	375,030,918
Non-Negotiable Certificates of Deposit	10,000,000	10,000,000
Commercial Paper	514,591,495	514,571,065
Corporate Notes and Bank Notes	353,954,091	353,642,687
Repurchase Agreements	<u>75,000,000</u>	<u>75,000,000</u>
Sub-Total	1,701,250,575	1,701,076,294
Short-Term Investment Fund	<u>4,387,849</u>	<u>4,387,849</u>
Total Investments	<u>\$ 1,705,638,424</u>	<u>\$ 1,705,464,143</u>

3. DISTRIBUTIONS

Net investment income is allocated to participants according to their daily invested balances. On the first business day of each month, the total net earnings from the prior month are credited to each LGIP participant's account.

4. SURETY BOND

The Commonwealth of Virginia, through its Department of General Services, Division of Risk Management, provides employee dishonesty coverage to its agencies and institutions with coverage in the amount of \$500,000 for each loss. All employees of the Commonwealth, as well as parties acting on behalf of the Commonwealth, are covered under the policy.

SCHEDULES

LOCAL GOVERNMENT INVESTMENT POOL
SCHEDULE OF SELECTED PARTICIPANT SHARE AND RATIO INFORMATION

Selected ratios and data for the average number of shares outstanding
throughout the years ended June 30, 2000, 1999, and 1998

	June 30, 2000	June 30, 1999	June 30, 1998
Investment income	\$ 0.05891	\$ 0.05262	\$ 0.05686
Expenses	0.00082	0.00084	0.00102
Investment income - net	0.05809	0.05178	0.05584
Income distributions	0.05809	0.05178	0.05584
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	5.81%	5.18%	5.58%
Ratio of expenses to average net assets	0.08%	0.08%	0.10%

LOCAL GOVERNMENT INVESTMENT POOL
SCHEDULE OF INVESTMENTS
As of June 30, 2000

	Yield @ Purchase	Carrying Value	Fair Value	Percentage of Investments at Fair Value
U.S. Government Agency Notes:				
Farmer Mac Discount Note due 7/18/2000	5.67%	\$ 9,928,828.52	\$ 9,925,927.95	0.01
Federal Home Loan Bank 5.48% due 07/13/2000	5.64%	10,232,754.16	10,249,408.71	0.01
Federal Home Loan Bank 5.71% due 8/9/2000	5.78%	24,980,300.00	24,979,300.00	0.01
Federal Home Loan Bank 5.71% due 10/6/2000	5.95%	14,864,389.00	14,881,375.00	0.01
Federal Home Loan Bank 5.97% due 12/1/2000	6.26%	24,927,097.50	24,914,062.50	0.01
Federal Home Loan Bank 5.38% due 3/2/2001	6.64%	69,130,950.00	69,343,750.00	0.04
Federal Home Loan Bank 6.76% due 3/13/2001	6.85%	10,976,900.00	10,982,812.50	0.01
Federal Home Loan Mortgage Corp. 6.34% due 12/29/2000	6.39%	3,463,375.78	3,453,089.06	0.00
Federal Home Loan Mortgage Corp. Discount Note due 2/16/2001	6.51%	10,883,328.75	10,704,585.93	0.01
Federal National Mortgage Association FRN 6.62% due 8/9/2000	6.62%	9,995,000.00	10,000,000.00	0.01
Federal National Mortgage Association 5.10% due 9/25/2000	6.12%	4,170,096.00	4,185,562.50	0.00
Federal National Mortgage Association 5.14% due 11/16/2000	6.34%	17,824,410.00	17,898,750.00	0.01
Federal National Mortgage Association 5.27% due 1/12/2001	6.46%	2,767,940.00	2,778,125.00	0.00
Federal National Mortgage Association 6.47% due 2/16/2001	6.51%	24,990,450.00	24,945,312.50	0.01
Federal National Mortgage Association 6.57% due 2/22/2001	6.60%	34,988,980.00	34,940,500.00	0.02
Federal National Mortgage Association 6.52% due 3/16/2001	6.60%	34,977,010.00	34,923,437.50	0.02
Federal National Mortgage Association 5.42% due 3/16/2001	6.64%	18,766,870.00	18,810,000.00	0.01
Federal National Mortgage Association 6.57% due 4/26/2001	6.94%	34,884,251.00	34,912,500.00	0.02
Student Loan Mortgage Association FRN 6.494% due 8/3/2000	6.49%	9,995,000.00	10,003,125.00	0.01
Total U.S. Government Agency Notes		372,747,930.71	372,831,624.15	0.22
Repurchase Agreements Collateralized by U.S. Government Obligations:				
Lehman 6.65% due 7/3/2000	6.65%	75,000,000.00	75,000,000.00	0.04
Total Repurchase Agreements Collateralized by U.S. Government Obligations		75,000,000.00	75,000,000.00	0.04
Corporate Notes and Bank Notes:				
Bank of America 6.76% due 4/16/2001	6.76%	15,000,000.00	14,922,656.25	0.01
Bank of America 6.79% due 4/16/2001	6.79%	10,000,000.00	9,950,000.00	0.01
Bank of America 7.20% due 6/11/2001	7.20%	15,000,000.00	14,967,187.50	0.01
Bank One NA IL 6.14% due 10/10/2000	6.19%	14,992,789.58	14,948,437.50	0.01
Bear Stearns Co., Inc. FRN 6.7013% due 2/26/2001	6.70%	15,000,000.00	15,004,687.50	0.01
Bear Stearns Co., Inc. FRN 6.72% due 5/11/2001	6.72%	15,000,000.00	14,992,968.75	0.01
Bear Stearns Co., Inc. MTN 7.15% due 5/3/2001	7.15%	15,000,000.00	14,962,500.00	0.01
Bear Stearns Co., Inc. FRN 6.74% due 6/5/2001	6.74%	15,000,000.00	14,995,312.50	0.01
Chase Manhattan Corp. MTN 5.15% due 12/15/2000	6.32%	1,977,300.00	1,983,125.00	0.00
Fifth Third Bank of Western Ohio 6.60% due 7/24/2000	6.58%	25,000,551.52	24,992,187.50	0.01
Fifth Third Bank of Western Ohio 6.65% due 7/24/2000	6.64%	25,000,214.05	24,996,093.75	0.01
First Union National Bank FRN 6.90% due 5/10/2001	6.90%	25,000,000.00	25,000,000.00	0.01
First Union National Bank FRN 6.92% due 5/14/2001	6.92%	25,000,000.00	25,000,000.00	0.01
Goldman Sachs Group, Inc. 6.15% due 9/5/2000	6.15%	10,000,000.00	9,983,000.00	0.01
Harris Trust and Savings Bank 6.60% due 8/11/2000	6.60%	49,999,735.36	49,960,937.50	0.04
J. P. Morgan & Co. 6.2813% due 7/3/2000	6.28%	25,000,000.00	25,000,000.00	0.01
J. P. Morgan & Co. MTN 6.125% due 10/2/2000	6.45%	6,983,501.00	6,983,593.75	0.00
Merrill Lynch & Co. FRN 6.6313% due 4/27/2001	6.63%	20,000,000.00	20,000,000.00	0.01
Morgan Stanley Dean Witter FRN MTN 6.94% due 3/16/2001	6.94%	25,000,000.00	25,000,000.00	0.02
Total Corporate Notes and Bank Notes		353,954,091.51	353,642,687.50	0.21

LOCAL GOVERNMENT INVESTMENT POOL
SCHEDULE OF INVESTMENTS
As of June 30, 2000

	Yield @ Purchase	Carrying Value	Fair Value	Percentage of Investments at Fair Value
Negotiable Certificates of Deposit:				
Bank of Montreal-Chic 6.57% due 7/17/2000	6.57%	15,000,000.00	14,999,669.09	0.01
Bank of Montreal-Chic 6.60% due 7/31/2000	6.60%	50,000,000.00	50,002,140.70	0.03
Barclays Bank-NY 6.56% due 7/7/2000	6.55%	20,000,053.53	19,999,741.88	0.01
Bayerische Landesbank-NY FRN 6.5763% due 12/15/2000	6.58%	24,974,250.00	24,979,880.48	0.01
Canadian Imperial Bank-NY 6.63% due 8/8/2000	6.69%	24,995,987.67	25,000,432.07	0.01
Canadian Imperial Bank-NY 6.58% due 7/12/2000	6.58%	15,000,000.00	14,999,791.89	0.01
Canadian Imperial Bank-NY 6.63% due 7/24/2000	6.63%	20,000,000.00	20,000,285.30	0.01
Canadian Imperial Bank-NY 7.06% due 12/27/2000	7.05%	20,001,151.30	20,025,377.99	0.01
Citibank NA 7.08% due 12/27/2000	7.08%	25,000,000.00	25,035,408.71	0.02
Commerzbank AG-NY 7.43% due 5/21/2001	7.43%	15,000,000.00	15,044,462.68	0.01
Deutsche Bank-NY 6.57% due 7/13/2000	6.57%	10,000,000.00	9,999,818.16	0.01
Deutsche Bank-NY 6.71% due 2/12/2001	6.75%	24,990,437.58	24,943,903.40	0.01
Deutsche Bank-NY 6.75% due 7/6/2000	6.75%	25,000,000.00	25,000,619.16	0.02
First Tennessee Bank 6.56% due 7/6/2000	6.56%	25,000,000.00	24,999,713.38	0.01
First Tennessee Bank 6.57% due 7/20/2000	6.57%	25,000,000.00	24,999,418.18	0.01
First Union National Bank 7.02% due 11/13/2000	7.02%	25,000,000.00	25,024,180.94	0.02
Regions Bank 6.09% due 10/10/2000	6.14%	9,995,178.44	9,976,073.83	0.01
Total Negotiable Certificates of Deposit		374,957,058.52	375,030,917.84	0.22
Non-Negotiable Certificates of Deposit:				
Capital One Bank 5.70% due 7/7/2000	5.70%	10,000,000.00	10,000,000.00	0.01
Total Non-Negotiable Certificates of Deposit		10,000,000.00	10,000,000.00	0.01
Commercial Paper:				
ABB Treasury USA due 7/5/2000	6.93%	49,951,944.44	49,953,666.67	0.03
Albertsons Inc. FR due 7/14/2000	6.63%	14,982,000.00	14,953,042.14	0.01
Centric Capital Corp. due 7/13/2000	6.59%	9,945,416.67	9,945,216.67	0.01
CitiCorp due 7/21/2000	6.59%	24,858,993.06	24,858,159.72	0.01
Edison Asset Securitization due 7/17/2000	6.62%	31,115,690.39	31,115,273.15	0.02
Edison Asset Securitization due 7/20/2000	6.62%	24,862,916.67	24,862,520.83	0.01
FCAR Owner Trust due 7/3/2000	6.57%	6,982,169.44	6,982,146.10	0.00
General Electric Credit Corp. due 7/5/2000	6.91%	24,976,041.67	24,976,847.22	0.01
General Electric International due 7/7/2000	6.85%	49,914,500.00	49,916,416.67	0.03
Goldman Sachs Group, Inc. due 7/5/2000	6.61%	49,698,875.00	49,698,652.78	0.03
New Center Asset Trust A-1+/P-1 due 7/3/2000	7.10%	74,955,625.00	74,957,666.66	0.04
Peoples Gas Light & Coke Co. due 7/7/2000	6.96%	4,993,243.06	4,993,526.39	0.00
Pharmacia Corp. due 7/11/2000	6.82%	9,079,373.33	9,079,853.61	0.01
Prudential Funding Corp. due 7/6/2000	6.82%	49,924,333.33	49,925,722.22	0.03
Schering Corp. due 8/22/2000	6.64%	3,466,094.72	3,465,943.06	0.00
Teachers Insurance & Annuity due 7/28/2000	6.64%	9,946,833.33	9,946,758.33	0.01
UBS Finance Delaware due 7/3/2000	6.96%	24,985,500.00	24,985,986.11	0.02
UBS Finance Delaware due 7/5/2000	6.93%	49,951,944.44	49,953,666.67	0.03
Total Commercial Paper		514,591,494.55	514,571,065.00	0.30
Money Market Funds:				
Short Term Investment Fund 6.3972% due 7/3/2000	6.40%	4,387,848.53	4,387,848.53	0.00
Total Investments		\$1,705,638,423.82	\$ 1,705,464,143.02	1.00

LOCAL GOVERNMENT INVESTMENT POOL
Richmond, Virginia

MEMBERS OF THE TREASURY BOARD

As of June 30, 2000

Mary G. Morris, Chair, Treasurer of Virginia

Whitney Adams	William E. Landside
Diana F. Cantor	Danny M. Payne
Spencer H. Elmore	Charles D. Whyte