

STATE OF WASHINGTON  
OFFICE OF THE STATE TREASURER

LOCAL GOVERNMENT INVESTMENT POOL  
AN INVESTMENT POOL OF THE STATE OF WASHINGTON

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2009





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**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Report prepared by:

**Office of the State Treasurer**

James L. McIntire, State Treasurer  
Shad Pruitt, Deputy Treasurer  
Mary Pheasant, Publication Editor

***Accounting and Fiscal Services Division***

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Cindy Shave, Investment Accountant  
Megan Dietz, Investment Accountant

***Investment Division***

Doug Extine, Deputy Treasurer  
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*James L. McIntire*  
*Washington State Treasurer*



JAMES L. McINTIRE  
State Treasurer

State of Washington  
Office of the Treasurer

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The Local Government Investment Pool (LGIP) is an optional investment tool available to political subdivisions, community and technical colleges, four-year public institutions of higher education, the State Board for Community and Technical Colleges, and the State Finance Committee in the State of Washington. The LGIP, operated by the Office of the State Treasurer, was created by the Legislature in 1986 to enable local governments to earn a competitive rate of return while maintaining the safety and liquidity of their excess funds.

During Fiscal Year 2009:

- The average balance in the LGIP portfolio was \$7.067 billion maintained by 457 participants.
- The LGIP had a net administrative charge of 0.878 basis points. This is the third year in a row that the LGIP has charged less than a basis point.

The LGIP has grown significantly, both in participation and portfolio size, since its inception in 1986. The Treasury Management System (TM\$) continues to be a valuable resource for participants. TM\$ and the automation it provides, helps keep LGIP administrative costs at a minimum. Approximately 76 percent of daily LGIP transactions are currently initiated by participants via TM\$.

I am proud to report the LGIP net rate of return during Fiscal Year 2009 outperformed its benchmark by 94 basis points. The benchmark is the iMoneyNet Inc. Government Only/Institutional Only Money Market Funds, which is comprised of privately managed money market funds similar to the LGIP. During Fiscal Year 2009, LGIP participants have earned approximately \$67 million over what the average comparable money market fund would have generated.

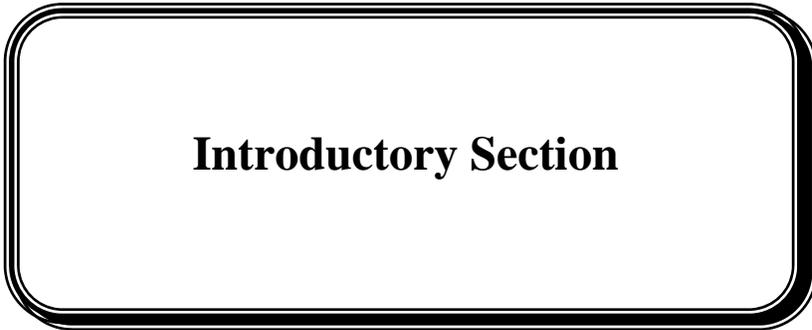
On behalf of the staff at the Office of the State Treasurer, I want to thank you for your continued confidence in the LGIP. If you have questions or suggestions on how to improve our services, please call me at (360) 902-9001.

Sincerely,

A handwritten signature in black ink, appearing to read "James L. McIntire".

James L. McIntire  
State Treasurer





**Introductory Section**





JAMES L. McINTIRE  
State Treasurer

State of Washington  
Office of the Treasurer

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October 29, 2009

The Honorable Christine O. Gregoire, Governor  
The Honorable Brian Sonntag, State Auditor  
Members of the State Finance Committee  
Members of the Joint Legislative Audit and Review Committee  
Participants in the Local Government Investment Pool

I am pleased to submit this Comprehensive Annual Financial Report (CAFR) of the State of Washington Local Government Investment Pool (LGIP) for the fiscal year ended June 30, 2009. This report has been prepared by the Office of the State Treasurer (OST) as required by Revised Code of Washington (RCW) 43.250.080. It includes only activity of the LGIP and does not include data or information related to other state agencies or funds.

Responsibility for the accuracy of the data, as well as the completeness and fairness of the presentation, including all disclosures, rests with management of the Office of the State Treasurer. To the best of our knowledge, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the LGIP.

Peterson Sullivan, LLP has issued an unqualified ("clean") opinion on the financial statements for the fiscal year ended June 30, 2009. The independent auditor's report is included in the financial section of this report.

Management's Discussion and Analysis (MD&A), immediately following the independent auditor's report, provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

### **Profile of the LGIP**

The LGIP, created by the Washington State Legislature in 1986, is managed and operated solely by OST. The State Finance Committee administers the statute that created the pool and adopts appropriate rules. The State Treasurer established the LGIP Advisory Committee to provide advice on the pool's operation. The advisory committee includes 12 members selected from active pool participants. Eight members are appointed by participant associations, and four are appointed by the State Treasurer.

The LGIP is operated as a business enterprise within the framework of state laws and regulations. The LGIP's primary purpose is to provide an investment tool for local governments. No general government functions are managed within the pool. Political subdivisions (local governments), public colleges and universities, the State Board for Community and Technical Colleges and the State Finance Committee may, at their option, invest temporary cash surpluses to take advantage of the volume and expertise of the state's investment program to earn a competitive rate of return while maintaining security and liquidity. The objectives of the State Treasurer's investment program, in priority order, are safety, liquidity and return on investment.

**Investment Risk Profile**

The LGIP is considered extremely low risk. It is operated in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940. Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The portfolio is made up of high-quality, highly liquid securities, and its relatively short average maturity reduces the pool's price sensitivity to market interest rate fluctuations. The LGIP also has a strong degree of asset diversification to minimize risk and maintain adequate rates of return.

The investment activity is guided by an investment policy, approved by the State Treasurer and operates under the standard of the prudent investor. OST operates the LGIP for investing cash in excess of daily requirements. Among the investments authorized by statute are: U.S. Treasury and agency securities, banker's acceptances, repurchase agreements, reverse repurchase agreements, commercial paper, and deposits with qualified public depositories.

The LGIP is managed diligently by professional treasury personnel to protect against losses from market and credit changes. However, the pool is not insured or guaranteed by any government. Therefore, the maintenance of principal is not fully assured.

**Economic Condition and Outlook**

The economic condition of the LGIP is based primarily upon investment earnings. With \$8.5 billion in net assets as of June 30, 2009, the LGIP produced an average monthly portfolio yield of 1.59 percent. The LGIP exceeded its benchmark by 94 basis points, resulting in \$67 million in additional interest income for participants.

Fiscal year 2009 was marked by continued easing of monetary policy by the Federal Open Market Committee (FOMC). The FOMC lowered its target for the federal funds rate three times from October 2008 through December 2008 in light of evidence pointing to a weakening of economic activity and a reduction in inflationary pressures. The targeted federal funds rate began the fiscal year at two percent and ended the period at 0 to 1/4 percent.

The FOMC carefully monitored economic and financial developments and acted to promote sustainable economic growth and price stability. During the period, the FOMC noted that the pace of economic activity slowed markedly. Industrial production, housing starts, business investment and consumer spending declined as labor market conditions deteriorated. Moreover, the intensification of financial market turmoil exerted additional restraint on spending by further reducing the ability of households and businesses to obtain credit. U.S. exports also slumped as major trading partners fell into recession.

The FOMC expects inflation to remain subdued for some time. Although the prices of energy and other commodities have risen of late, the FOMC sees some risk that inflation could persist for a time below rates that best foster economic growth and price stability in the longer term. Although economic activity is likely to remain weak for a time, the FOMC anticipates that policy actions to stabilize financial markets and institutions, fiscal and monetary stimulus, and market forces will contribute to a gradual resumption of sustainable economic growth in a context of price stability.

During the first quarter of fiscal year 2010, the FOMC has maintained its target range for the federal funds rate at 0 to 1/4 percent anticipating that economic conditions are likely to warrant exceptionally low levels of the federal funds rate for an extended period. Due to the short-term nature of the LGIP portfolio, and the types of investments utilized, the LGIP yields will closely follow the targeted federal funds rate.

**Internal Controls**

Management is responsible for establishing and maintaining internal controls designed to ensure that the assets are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformance with generally accepted accounting principles. Internal accounting controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of controls should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. Management continues to assess the adequacy of its internal controls and make improvements when needed.

The State Treasurer maintains internal controls to protect against the loss of funds. Staff responsible for oversight of the pool receive daily reports monitoring investment operations to ensure compliance with the terms of the investment policy. In addition, a risk assessment and internal control evaluation is performed annually.

**Additional Information**

A section of the State Treasurer's website is dedicated to the LGIP. This CAFR, plus additional information for participants and interested parties, may be accessed through the OST website (<http://www.tre.wa.gov/>).

**Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the LGIP for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. This was the twelfth consecutive year the LGIP achieved this prestigious award. To be awarded a Certificate of Achievement, OST had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. OST believes this CAFR continues to meet the Certificate of Achievement Program's requirements and will submit it to the GFOA to determine its eligibility for another certificate.

**Acknowledgments**

The preparation of this report was accomplished with the professionalism and dedicated services of personnel in OST's Accounting and Fiscal Services Division and its Investment Division. This CAFR reflects the State Treasurer's commitment to pool participants and citizens of the state of Washington to operate the LGIP in a responsible manner and to maintain financial statements in conformance with the highest standards of financial accountability.

Sincerely,

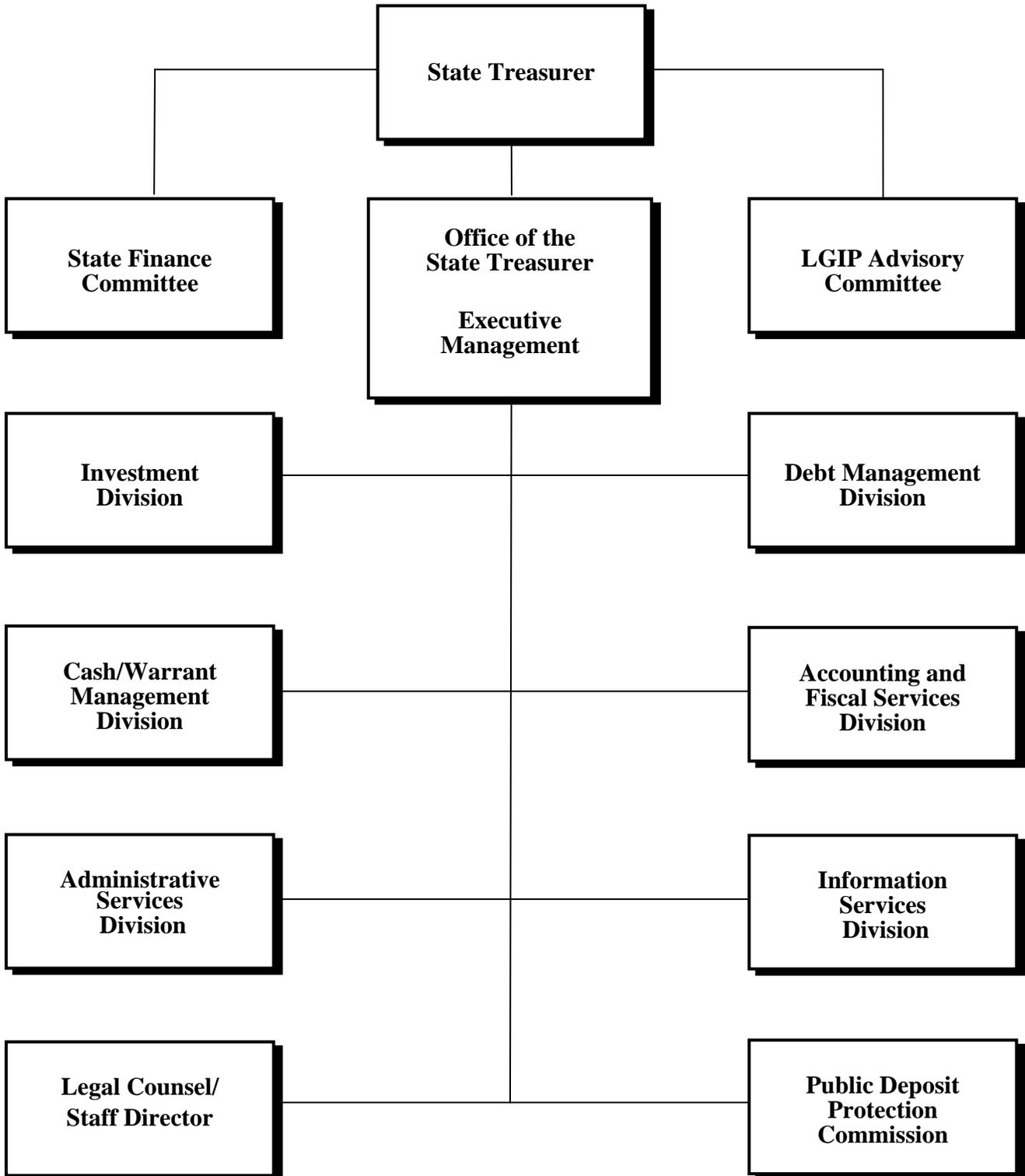


SHAD PRUITT  
DEPUTY STATE TREASURER



# ORGANIZATIONAL CHART

Office of the State Treasurer



## ADVISORY COMMITTEE

### Members

**Dani Burton**  
County Treasurer  
Klickitat County

**Mary Nelson**  
Director of Finance  
Port of Grays Harbor

**Jim Justin**  
Executive Director  
Association of Washington Cities

**Shelley Pearson**  
Investment Officer  
Kitsap County

**Toni Habegger**  
Chief Financial Officer  
Eastern Washington University

**Linda Riffe**  
County Treasurer  
Island County

**Morgan Jacobson**  
Treasurer  
City of Tacoma

**Barbara Stephenson**  
County Treasurer  
Kitsap County

**Carrie Lewellen**  
Treasurer  
City of Vancouver

**Doug Streeter**  
Treasurer  
Grays Harbor County PUD

**Judi Morris**  
County Treasurer  
Jefferson County

**Dan Underwood**  
Finance Manager  
City of Richland

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Treasurer  
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**Wolfgang Opitz**  
Assistant Treasurer  
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**Shad Pruitt**  
Deputy Treasurer  
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**Doug Extine**  
Deputy Treasurer  
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**Darrel Jensen**  
Accounting Services Director  
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**Jill Gravatt**  
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**Cindy Shave**  
Investment Accountant  
(360) 902-8953

**Ferdinand Pascual**  
Investment Officer  
(360) 902-9010

**Megan Dietz**  
Investment Accountant  
(360) 902-8959

**Robbi Stedman**  
LGIP Administrator  
(360) 902-9013 or  
1-800-331-3284 (within WA Only)

**Kari Sample**  
CD Administrator  
(360) 902-9015

**Joshua Freese**  
Portfolio Administrator  
(360) 902-9014

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Facsimile: (360) 902-9037  
<http://www.tre.wa.gov/>

## **STATE FINANCE COMMITTEE**

### Members

**James L. McIntire**

State Treasurer and Chairman

**Christine O. Gregoire**

Governor

**Brad Owen**

Lieutenant Governor

### General Information

Legislative Building, Room 230

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**Financial Section**





**CERTIFIED PUBLIC ACCOUNTANTS**

601 UNION STREET, SUITE 2300

SEATTLE, WASHINGTON 98101

**INDEPENDENT AUDITORS' REPORT**

To the Office of the State Treasurer and Pool Participants  
State of Washington Local Government Investment Pool  
Olympia, Washington

We have audited the accompanying statement of net assets of the State of Washington Local Government Investment Pool ("the LGIP") as of June 30, 2009, and the related statement of changes in net assets for the year then ended. These financial statements are the responsibility of the State of Washington Office of the State Treasurer. 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. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the LGIP as of June 30, 2009, and the changes in its net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management discussion and analysis on pages 12 through 14 is not a required part of the basic financial statements, but is supplementary information required by the Government Accounting Standards Board. 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 statements taken as a whole. The schedule of investments and deposits as of June 30, 2009, contained in the investment section, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory, investment, and statistical sections as listed in the table of contents (unless discussed above) have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Peterson Sullivan LLP*  
October 29, 2009

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Washington State Treasurer's Office provides the Management's Discussion and Analysis of the Local Government Investment Pool's (LGIP) Comprehensive Annual Financial Report (CAFR) for readers of the financial statements. This overview and analysis of the LGIP's financial activity is for the fiscal year ended June 30, 2009. Please read this analysis in conjunction with the letter of transmittal and the financial statements that follow.

### Financial Highlights

- The LGIP reported net assets as of June 30, 2009, in the amount of \$8.5 billion.
- The LGIP distributed \$112 million to pool participants as a result of investment activity during the year. This was a decrease of \$162 million from the previous year.

### Overview of the Financial Statements

The LGIP is operated in a manner consistent with Rule 2a-7 money market funds, as recognized by the Securities and Exchange Commission. Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities in order to minimize both market and credit risk. Investments are reported on a trade date basis in accordance with generally accepted accounting principles (GAAP). This is based on the assumption that governments face custodial risk in connection with sold investments up to the date of settlement and face no custodial risk in association with purchases recorded on the balance sheet prior to the settlement date. This report consists of the Statement of Net Assets, Statement of Changes in Net Assets, Notes to the Financial Statements, and the Schedule of Investments and Deposits. In addition, this CAFR also contains supplementary and statistical information to aid the reader in further understanding the financial position of the LGIP and the results of its operation for the fiscal year ended June 30, 2009. The following is a description of the basic financial statements:

***Statement of Net Assets*** - The Statement of Net Assets presents all of the LGIP's assets and liabilities, with the difference between the two reported as net assets. It also provides information on the types of investments held by the LGIP.

***Statement of Changes in Net Assets*** – The Statement of Changes in Net Assets presents information on how the net assets changed during the fiscal year. Additions consist of the contributions from participants and investment income. Deductions consist of distributions to participants and administrative expenses.

***Notes to the Financial Statements*** - The Notes to the Financial Statements serve to describe the LGIP as a reporting entity and to further clarify its financial activity as reported in the financial statements.

### Financial Analysis

To gain an understanding of the financial position of the LGIP, the reader should examine the financial statements as a whole, rather than in isolation from one another. This will provide a more comprehensive picture of the activity.

A summary of the LGIP's net assets is presented below:

**Table 1**  
**Net Assets**  
**(expressed in millions)**

	<b>2009</b>	<b>2008</b>	<b>Dollar Change</b>	<b>Percent Change</b>
Pooled cash and investments	\$ 8,686.2	\$ 6,867.7	\$ 1,818.5	26.5 %
Receivables	5.4	18.7	(13.3)	(71.1)
Securities lending investments	0.0	113.6	(113.6)	(100.0)
Total Assets	8,691.6	7,000.0	1,691.6	24.2
Liabilities	199.7	113.9	85.8	75.3
Net Assets	\$ 8,491.9	\$ 6,886.1	\$ 1,605.8	23.3 %

As the table shows, the LGIP experienced an increase in net assets of \$1,605.8 million in 2009. Total assets and liabilities were higher compared to last year. Accordingly, the LGIP's Net Asset total is a function of several parameters, some of which are independent of the performance of the LGIP. The resulting change in net assets can best be explained simply by changes in deposits and withdrawals of the participants in the fund. Since the LGIP is a 100% voluntary investment option for local governments, participants may use the LGIP at their discretion. The percentage of total funds that individual participants have available for investment in the LGIP changes over time and can vary from near zero to 100%.

**Table 2**  
**Changes in Net Assets**  
**(expressed in millions)**

	<b>2009</b>	<b>2008</b>	<b>Dollar Change</b>	<b>Percent Change</b>
Contributions from Participants	\$ 18,143.4	\$ 15,913.8	\$ 2,229.6	14.0 %
Distributions to Participants	16,649.4	15,413.5	1,235.9	8.0
Net Investment Income	111.8	273.6	(161.8)	(59.1)
Change in Net Assets	\$ 1,605.8	\$ 773.9	\$ 831.9	107.5 %

Total Investment Income less administrative expenses ("Net Investment Income") was down 59.1 percent over the previous year. This decrease was due to the decrease in portfolio yield, as presented in Table 3. Contributions and distributions increased over the prior year. Due to the discretionary nature of the LGIP as an investment option, it is difficult to ascertain the reasons behind the changes in net assets, as discussed in the previous paragraph.

**Table 3**  
**Average Monthly Portfolio Yield (360-Day Basis)**

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
LGIP Portfolio Yield	2.13%	4.14%	5.21%	4.04%	1.59%
iMoneyNet Inc.	1.71%	3.68%	4.76%	3.25%	0.65%
Targeted Fed Funds	2.19%	4.18%	5.25%	3.74%	0.90%

The Monthly Portfolio yield represents the percent return of LGIP investments based on the average invested balance for the month. Table 3 shows an average of the monthly portfolio yields for each of the last five fiscal years. The average monthly portfolio yields have shown a significant variation over the last five years. Those changes can be explained by the significant variation in the average level of the targeted Fed Funds rate during that time period. The targeted Fed Funds rate, which is the interest rate that banks charge each other for the use of funds, is set by the Federal Open Market Committee in an attempt to balance the competing forces of inflation and economic growth. Due to the short-term nature of the LGIP portfolio, and the types of investment that are utilized, the LGIP yields will closely follow the targeted Fed Funds rate.

The best measure of the LGIP's performance is not the change in the yield of the portfolio over time, but rather a comparison of the LGIP yield to the yield of its benchmark, iMoneyNet Inc., Government Only/Institutional Only Money Market Funds (formerly IBC Donoghue). This benchmark is comprised of privately managed money market funds similar in composition and guidelines to the LGIP. The LGIP net yield during Fiscal Year 2009 was 94 basis points higher than that of the benchmark. The LGIP continues to be a sound investment option for local governments, obtaining a competitive yield while preserving principal and liquidity.

**STATEMENT OF NET ASSETS**

June 30, 2009

**ASSETS**

Investments, at amortized cost:

US Agency Securities	\$ 4,123,550,365
US Treasury Securities	<u>2,922,171,022</u>

Total Investments (Settlement and Trade Date Basis)	7,045,721,387
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Other Assets:

Interest Bearing Bank Deposits	302,774,035
Certificates of Deposit	229,000,000
Negotiable Order of Withdrawal (NOW) Accounts	1,105,436,238
Cash	3,250,441
Interest Receivable	<u>5,429,940</u>

Total Other Assets	<u>1,645,890,654</u>
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Total Assets	<u>8,691,612,041</u>
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**LIABILITIES**

Accrued Expenses	58,201
Securities Sold Under Agreements to Repurchase	<u>199,675,000</u>
Total Liabilities	<u>199,733,201</u>

**NET ASSETS**

Held in Trust for Pool Participants	<u>\$ 8,491,878,840</u>
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The notes to the financial statements are an integral part of this statement.

**STATEMENT OF CHANGES IN NET ASSETS**  
For the Fiscal Year Ended June 30, 2009

**ADDITIONS**

Contributions from Participants	\$ 18,143,386,412
Investment Income:	
Investment Earnings	112,859,335
Less: Expenses	<u>(444,914)</u>
Total Investment Income	112,414,421
Miscellaneous	<u>3,193</u>
Total Additions	<u>18,255,804,026</u>

**DEDUCTIONS**

Distributions to Participants	16,649,428,097
Administrative Expenses	<u>621,070</u>
Total Deductions	<u>16,650,049,167</u>

**CHANGE IN NET ASSETS**

1,605,754,859

Net Assets – Beginning of Year	<u>6,886,123,981</u>
Net Assets – End of Year	<u>\$ 8,491,878,840</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2009

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Local Government Investment Pool (LGIP) have been prepared in conformity with generally accepted accounting principles (GAAP). The Office of Financial Management (OFM) is the primary authority for the state's accounting and reporting requirements. OFM has adopted the pronouncements of the Governmental Accounting Standards Board (GASB) which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles nationally. The more significant of the LGIP's accounting policies are as follows:

**Reporting Entity** – The LGIP was created by Chapter 294, Laws of 1986 and began operations in July 1986. The LGIP is a short-term investment pool of the state of Washington, available to Washington State counties, cities, towns, municipal corporations, special-purpose taxing districts, community and technical colleges, four-year public institutions of higher education, the State Board for Community and Technical Colleges, and the State Finance Committee. Participation in the LGIP is voluntary.

The LGIP is managed and operated by the Office of the State Treasurer (OST). The State Finance Committee is the administrator of the statute that created the pool and adopts appropriate rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews it annually. Any proposed changes are reviewed by the LGIP Advisory Committee. The terms of the policy are designed to ensure the safety and liquidity of the funds deposited in the LGIP.

The assets and liabilities of the LGIP are included in the Comprehensive Annual Financial Report of the state of Washington. However, the accompanying financial statements present only the LGIP and are not intended to present fairly the financial position of the state of Washington and the results of its operations in conformity with GAAP.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation** – The accompanying financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Earnings on investments are recognized as revenue when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

**Investment and Deposit Activity** – The OST adopted a formal investment policy for the LGIP in 1994. The policy is to invest in high-quality, short-term instruments. All money market securities are required to be rated A-1 by Standard and Poor's Corporation and P-1 by Moody's Investors Services, Inc. Investments are restricted to fixed rate securities that mature in 397 days or less, floating and variable rate securities that mature in 762 days or less, and the portfolio maintains a weighted average maturity of 90 days or less. The State Treasurer has the sole responsibility to set investment strategy for the LGIP.

Investments, other than bank deposits are valued at amortized cost. The bank deposits are valued at historical cost. Both valuation methods approximate fair value. Security transactions are reported on a trade date basis in accordance with GAAP. There were no pending transactions as of June 30, 2009.

**Deductions and Penalties** – An administrative deduction is assessed for the administration of the LGIP in accordance with WAC 210-01-120. The deduction is set so as to cover costs associated with the LGIP. The deduction is calculated at 0.035 percent of each participant's average daily balance of the funds in the LGIP and is reflected on the participant's monthly statement. The deduction is subtracted from the pool participant's earnings prior to the earnings posting to the account. The amount assessed for administration of the LGIP totaled \$2,510,341 for Fiscal Year 2009.

On a monthly basis, the LGIP determines the total dollar amount necessary to reimburse the state treasurer's office for actual expenses as provided in RCW 43.250.060. Administrative deductions collected in excess of these expenses are rebated to pool participants at the end of each fiscal year. The proportionate share of the rebate is based on the participant's average daily balance for the fiscal year. The rebate to participants of fees in excess of expenses totaled \$1,889,271 for Fiscal Year 2009.

The net administrative deduction for Fiscal Year 2009 was 0.009 percent of each participant's average daily balance of the funds in the LGIP.

Overdraft penalties due to failure to wire funds by a pool participant (after notification to the state treasurer of an intended transfer) are assessed to the pool participant responsible for the overdraft. Overdraft penalties collected (miscellaneous income) are allocated and distributed to participants on an annual basis, based on the participant's average daily balance for the fiscal year. Overdraft penalties totaled \$3,193 for Fiscal Year 2009. Combined with fees in excess of expenses, the total rebated to participants for Fiscal Year 2009 was \$1,892,464.

**Participant Transactions** – Participants can invest and withdraw their investments on a daily basis with a limit of one transaction per business day. The minimum transaction amount is five thousand dollars. There is no maximum transaction amount. For an investment or withdrawal of ten million dollars or more, a one-day notification prior to the transfer date is requested, but not required. The cut-off for same day deposits and withdrawals is 10 a.m. For all transactions greater than one million dollars, notification must be made by 9 a.m. However, participants may be able to complete transactions greater than one million dollars when notification is made between 9 a.m. and 10 a.m., at the discretion of the Office of the State Treasurer. Factors to be considered in that case are the timing of notification, the dollar amount, or any other factor that may affect the Office of the State Treasurer's ability to accommodate the transaction. All participants are required to file with the state treasurer a certified copy of an ordinance or resolution containing the names and titles of the officials authorized to invest or withdraw funds in the LGIP.

Distributions to local governments for state, federal, and local revenues electronically transferred utilizing the Treasury Management System can be directly invested in the LGIP. These investments are in addition to the one transaction per business day limit.

**Income Distribution to Participants** – Net investment income is allocated monthly to participants and is based on their average proportionate share of net assets in relation to the total net investment income of the LGIP for that month. Allocations are reinvested in the LGIP.

**Service Providers** – The state treasurer oversees the operations of the LGIP and provides portfolio management and record keeping services. The costs for these services, together with professional fees, custodian fees, and other operating costs, are accrued and charged to the LGIP as an expense on a monthly basis.

Union Bank (formerly Union Bank of California) provides securities lending services for the LGIP and serves as securities custodian, maintaining custody of all LGIP-owned investments other than deposits with qualified public depositaries.

**Risk Management** – The state of Washington continues to operate a risk management liability program pursuant to RCW 4.92.130. The state manages its tort claims as an insurance business activity rather than a general governmental activity. The state’s policy is generally not to purchase commercial insurance for the risk of losses to which it is exposed. Instead, the state management believes it is more economical to manage its risks internally and set aside assets for claims settlement in an Internal Service Fund. A limited amount of commercial insurance is purchased for employee bonds and to limit the exposure to catastrophic losses. Otherwise, the risk management liability program services all claims against the state for injuries and property damage to third parties. The OST participates in the risk management liability program.

**Securities Lending** – The LGIP reports securities lent (the underlying securities) as assets in the statement of net assets. Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. Securities received as collateral are reported as assets if the LGIP has the ability to pledge or sell them without a borrower default. Liabilities resulting from these transactions are reported in the statement of the net assets. Securities lending transactions collateralized by securities that the LGIP does not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities.

**2a-7 Like Pool** – The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities Exchange Commission. Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. As such, investments are reported at amortized cost (which approximates fair value).

## NOTE 2 – INVESTMENTS AND DEPOSITS

**Interest Rate Risk** – Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. The portfolio is managed in a manner consistent with the Securities and Exchange Commission’s Rule 2a-7 of the Investment Company Act of 1940, i.e., money market funds. Much of the Rule 2a-7 investment guidelines are directed towards limiting interest rate risk, in order to maintain a stable net asset value. For example, the LGIP’s policy places a 90 day maximum on the weighted average maturity. Further, the maximum maturity of any security will not exceed 397 days, except for securities utilized in repurchase agreements and US Agency floating or variable rate notes may have a maximum maturity of 762 days, provided that they have reset dates within one year and which on any reset date can reasonably be expected to have a market value that approximates its amortized cost. As of June 30, 2009, the LGIP had a weighted average maturity of 56 days.

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The LGIP investment policy limits the types of securities available for investment to obligations of the U.S. government or its agencies, obligations of government-sponsored corporations, banker’s acceptances, commercial paper, deposits with qualified public depositories, or obligations of the state of Washington or its political subdivisions. Banker’s acceptances and commercial paper must be rated with the highest short-term credit rating of any two Nationally Recognized Statistical Rating Organizations (NRSROs) at the time of purchase. The LGIP currently does not have any banker’s acceptances, commercial paper, or municipal bonds in its portfolio. The credit ratings and book values of the investments are as follows:

Investment Type	S & P Rating	Book Value
U.S. Treasury Securities		
U.S. Treasury Bills	AAA	\$2,897,020,265
U.S. Treasury Notes	AAA	25,150,757
U.S. Agency Securities		
Federal Home Loan Banks	AAA	1,410,096,477
Federal Farm Credit Banks	AAA	1,324,560,395
Federal National Mortgage Assoc.	AAA	894,317,280
Federal Home Loan Mortgage Corp.	AAA	494,576,213
Certificates of Deposit		229,000,000
Interest Bearing Bank Deposits		302,774,035
Negotiable Order of Withdrawal (NOW) Accounts		<u>1,105,436,238</u>
<b>Total</b>		<b>\$8,682,931,660</b>

**Custodial Credit Risk** – Custodial credit risk is the risk that, in the event of a failure of the counter party, the State will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The OST investment policy requires that securities purchased by the office are to be held by the master custodian, acting as an independent third party, in its safekeeping or trust department. Securities utilized in repurchase agreements are subject to additional restrictions. These restrictions are designed to limit the OST’s exposure to risk and insure the safety of the investment. All securities utilized in repurchase agreements were rated AAA. The market value of securities utilized in repurchase agreements must be at least 102% of the value of the repurchase agreement.

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The OST mitigates concentration of credit risk by limiting the percentage of the portfolio invested with any one issuer. With the exception of US Treasury and US Agency securities, the OST mitigates concentration of credit risk by limiting the purchase of securities of any one issuer to no more than five percent of the portfolio. As of June 30, 2009, US Treasury securities comprised 33.7% of the total portfolio. US Agency securities comprised 47.5% of the total portfolio, including Federal Home Loan Mortgage Corporation (5.7%), Federal Home Loan Bank (16.2%), Federal National Mortgage Association (10.3%), and Federal Farm Credit Bank (15.3%).

As of June 30, 2009, the LGIP had the following investments and maturities:

Investment Type	Book Value	Fair Value	Maturity	
			Less than 1 year	1-5 years
U.S. Agency Securities	\$4,123,550,365	\$4,123,550,365	\$3,083,347,017	\$1,040,203,348
U.S. Treasury Securities	2,722,521,465	2,722,521,465	2,722,521,465	
U.S. Treasury Securities – on Reverse	199,649,557	199,649,557	199,649,557	
Interest Bearing Bank Deposits	302,774,035	302,774,035	302,774,035	
Certificates of Deposit	229,000,000	229,000,000	229,000,000	
NOW Accounts	1,105,436,238	1,105,436,238	1,105,436,238	
<b>Total</b>	<b>\$8,682,931,660</b>	<b>\$8,682,931,660</b>	<b>\$7,642,728,312</b>	<b>\$1,040,203,348</b>

**Securities Lending** – State statutes permit the LGIP to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The LGIP, which has contracted with a lending agent to lend securities in the LGIP, earns a fee for this activity. The lending agent lends securities and receives collateral, which can be in the form of cash or other securities. The collateral, which must be valued at 102 percent of the fair value of the loaned securities, is priced daily and, if necessary, action is taken to maintain the collateralization level at 102 percent. The cash is invested by the lending agent in repurchase agreements or money market instruments, in accordance with investment guidelines approved by the LGIP. The securities held as collateral and the securities underlying the cash collateral are held by the LGIP's custodian. There were no securities on loan as of June 30, 2009.

The LGIP investment policy requires that any securities on loan be made available by the lending agent for next day liquidity at the option of the LGIP. During Fiscal Year 2009, the LGIP had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts the borrowers owed the LGIP. Furthermore, the contract with the lending agent requires them to indemnify the LGIP if the borrowers fail to return the securities (and if collateral is inadequate to replace the securities lent) or if the borrower fails to pay the LGIP for income distribution by the securities' issuers while the securities are on loan. The LGIP cannot pledge or sell collateral securities received unless the borrower defaults. The LGIP investment policy limits the amount of reverse repurchase agreements and securities lending to 30% of the total portfolio. There were no violations of legal or contractual provisions nor any losses resulting from a default of a borrower or lending agent during the year.

**Repurchase Agreements** – The market value, plus accrued income, of mortgage-backed securities utilized in repurchase agreements with more than seven days remaining until maturity will be 105 percent of the value of the repurchase agreement. The market value, plus accrued income, of securities utilized in all other repurchase agreements will be 102 percent of the value of the repurchase agreement. The securities utilized in repurchase agreements are priced daily and held by the LGIP's custodian in the state's name. Collateralized Mortgage Obligations (CMO) utilized in repurchase agreements must pass the Federal Financial Institutions Examination Council (FFIEC) test, or not exceed a volatility rating of V-5 by Fitch Investor Services, or a similar rating of a nationally recognized rating agency. There were no repurchase agreements as of June 30, 2009.

**Reverse Repurchase Agreements** – State law also permits the LGIP to enter into reverse repurchase agreements, which are, by contract, sales of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities pledged as collateral by the LGIP underlying the reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in the fair value of the securities. If the dealers default on their obligations to resell these securities to the LGIP or to provide equal value in securities or cash, the LGIP would suffer an economic loss equal to the difference between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. On June 30, 2009, reverse repurchase agreement obligations total \$199,675,000. There was no credit risk for the LGIP due to the fair value plus accrued interest of the underlying securities being less than the fair value plus accrued interest of the reinvested cash.

**Deposits** – All LGIP's deposits are either insured or collateralized. The LGIP's insured deposits are covered by the Federal Deposit Insurance Corporation (FDIC). Collateral protection is provided by the Washington Public Deposit Protection Commission (PDPC). The PDPC, created by the Legislature per Chapter 39.58 of the Revised Code of Washington, constitutes a multiple financial institution collateral pool. Pledged securities under the PDPC collateral pool are held by the PDPC's agent in the name of the collateral pool.

**Derivatives** – A derivative is a futures, forward, swap, or option contract, or other financial instrument with similar characteristics. The LGIP did not own, buy, or sell derivatives during the fiscal year.

### NOTE 3 – SUMMARY OF ACTIVITY

A summary of LGIP activity, including reporting required by RCW 43.250.080, is as follows:

	<u>FY 2009</u>
Total Investment Purchases	\$ 56,053,557,119
Total Sales	\$ 16,548,847,666
Total Maturities	\$ 37,931,524,164
Total Net Investment Income	\$ 111,796,544
Administrative Expenses	\$ 621,070
Portfolio Yield (360-Day Basis)	1.57 percent
Average Weighted Maturity	56 days
Pool Participant Contributions	\$ 18,143,386,412
Pool Participant Distributions	\$ 16,649,428,097

### NOTE 4 – RELATED PARTY TRANSACTIONS

Pursuant to Chapter 43.250 RCW, certain funds of the State of Washington's public colleges, universities and agencies may be invested in the LGIP. Activity and balances for these funds in Fiscal Year 2009 were as follows:

#### Change in Net Assets

Income Distributed and Deposited to Participant Accounts, Net of Administrative Deductions of \$103,574	\$ 4,188,585
Contributions from Participants	1,295,525,519
Distributions to Participants	<u>(1,101,810,475)</u>
<b>Total Change in Net Assets</b>	197,903,629
Net Assets – Beginning of Year	<u>267,793,459</u>
Net Assets – End of Year	<u>\$ 465,697,088</u>



**Investment Section**



## OVERVIEW

### Administration

The pool was created by the Washington State Legislature in 1986 to provide a mechanism whereby political subdivisions, public colleges and universities, the State Board for Community and Technical Colleges, and the State Finance Committee may, at their option, invest temporary cash surpluses and take advantage of the volume and expertise of the state's investment program to earn a competitive rate of return while maintaining the security and liquidity of the funds they manage.

The pool is managed and operated solely by the Office of the State Treasurer. In 1995, the Local Government Investment Pool Advisory Committee was created by the state treasurer to advise the treasurer on the operation of the pool.

Eligible investments for the LGIP portfolio are defined by state statute. Further, investment activity for the LGIP is guided by an investment policy which is approved by the state treasurer and follows the standard of the prudent investor. The portfolio is managed in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940, i.e., money market funds.

Participants are offered 100% liquidity on a daily basis, provided notification is made within specified times. The expenses of operating the pool are covered through an administrative fee of 3.5 basis points charged to participants based on their average daily balance in the pool. Fees in excess of the expenses incurred for pool operation are rebated to participants. As of June 30, 2009 there were 457 LGIP participants, with total deposits of \$8.490 billion.

### LGIP Performance

Because the LGIP is managed like a 2a-7 money market fund, and the administrative fees charged are low, i.e., 3.5 basis points, the net return of the LGIP closely follows the targeted federal funds rate. Accordingly, the net return on the LGIP during Fiscal Year 2009 ranged from 0.74 – 2.47 percent, reflecting a targeted federal funds rate that ranged from 0.25 – 2.00 percent during the fiscal year. The general management strategy in effect for much of the fiscal year was to maintain a slightly longer than neutral weighted average maturity in an attempt to lag the decline in fed funds as long as possible, while still ensuring adequate liquidity to LGIP participants.

Monthly statements are produced and distributed to participants, along with an enclosure containing various statistical information, e.g., historical yields and portfolio holdings by security type. For internal monitoring purposes, monthly reports are prepared which summarize the pool's activity and performance during the previous month.

The performance benchmark for the LGIP is the average net return of Government Only/Institutional Only Funds as reported in the Money Market Insight, iMoneyNet, Inc., Westborough MA. This group of Rule 2a-7 money market funds, which have similar investment parameters as the LGIP, provides an excellent benchmark for monitoring the pool's performance. Both the net and gross returns of the benchmark are monitored and compared to the net and gross returns of the pool. The net return provides an appropriate measure for what pool participants would receive if their funds were invested in the average benchmark fund. The gross return is also used internally by the state treasurer to monitor the performance of the portfolio manager.

**Investment Risk Profile**

The Local Government Investment Pool is considered extremely low risk. As the pool is operated in a manner consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940, the portfolio holdings are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk. The pool's portfolio is made up of high-quality, highly liquid securities, and its relatively short average maturity reduces the pool's price sensitivity to market interest rate fluctuations. The pool also has a strong degree of asset diversification to minimize risk and maintain adequate rates of return.

The investment activity of the pool is guided by an investment policy, which sets forth the parameters within which the portfolio manager may operate. The policy, which was approved by the state treasurer and certified by the Association of Public Treasurers, is reviewed annually and updated as necessary. Compliance with the policy is monitored by the investment accounting division of the Office of the State Treasurer, which is separate and distinct from the investment division.

While the pool is managed diligently by professional and dedicated personnel to protect against losses from market and credit changes, the pool is not insured or guaranteed by any government. Therefore, the maintenance of principal is not fully assured.

**SCHEDULE OF INVESTMENTS & DEPOSITS**

June 30, 2009

(expressed in thousands)

**CERTIFICATES OF DEPOSIT**

(2.6% of Total Portfolio)

<b>Face Amount</b>	<b>Issuer</b>	<b>Date of Maturity</b>	<b>Yield Percentage</b>	<b>Historical Cost</b>
\$ 2,000	Shoreline Bank	7/30/2009	1.0000	\$ 2,000
1,500	UniBank	7/30/2009	1.0000	1,500
1,500	ShoreBank, Pacific	7/30/2009	1.0000	1,500
4,000	Charter Bank	7/30/2009	1.0000	4,000
10,000	Bank of Whitman	7/30/2009	1.0000	10,000
50,000	Bank of America, N.A.	8/24/2009	0.7500	50,000
50,000	U.S. Bank National Association	11/20/2009	0.9500	50,000
10,000	Umpqua Bank	12/18/2009	1.3000	10,000
50,000	Bank of America, N.A.	12/21/2009	1.3500	50,000
50,000	U.S. Bank National Association	12/21/2009	0.9800	50,000
<u>\$ 229,000</u>	<b>Total Certificates of Deposit</b>			<u>\$ 229,000</u>

(Continued)

**INTEREST BEARING BANK DEPOSITS**

(3.5% of Total Portfolio)

<b>Face Amount</b>	<b>Issuer</b>	<b>Yield Percentage</b>	<b>Historical Cost</b>
\$ 9,249	Umpqua Bank	1.1500	\$ 9,249
293,525	Wells Fargo Bank, N.A.	0.4000	293,525
<u>\$ 302,774</u>	<b>Total Interest Bearing Bank Deposits</b>		<u>\$ 302,774</u>

(Continued)

**SCHEDULE OF INVESTMENTS & DEPOSITS**

June 30, 2009

(expressed in thousands)

**NEGOTIABLE ORDER OF WITHDRAWAL (NOW) ACCOUNTS**

(12.7% of Total Portfolio)

<b>Face Amount</b>	<b>Issuer</b>	<b>Yield Percentage</b>	<b>Historical Cost</b>
\$ 171	U.S. Bank National Association	0.3500	\$ 171
496,111	KeyBank National Association	0.4000	496,111
15,033	Heritage Bank	0.5000	15,033
45,305	City Bank	0.5000	45,305
50,060	Frontier Bank	0.4500	50,060
3,004	EvergreenBank	0.5000	3,004
1,635	Venture Bank	0.5000	1,635
441,122	Bank of America, N.A.	0.3500	441,122
27,013	The Cowlitz Bank	0.5000	27,013
949	Sterling Savings Bank	0.5000	949
25,033	Cascade Bank	0.5000	25,033
<b>\$ 1,105,436</b>	<b>Total NOW Accounts</b>		<b>\$ 1,105,436</b>

(Continued)

**SCHEDULE OF INVESTMENTS & DEPOSITS**

June 30, 2009

(expressed in thousands)

**U.S. AGENCY SECURITIES**

(47.5% of Total Portfolio)

<b>Principal</b>	<b>Description</b>	<b>Date of Maturity</b>	<b>Yield Percentage</b>	<b>Amortized Cost</b>
<b>U.S. Agency Bullets</b>				
\$ 24,355	Federal National Mortgage Assoc.	7/13/2009	3.1012	\$ 24,371
50,000	Federal Home Loan Bank	9/10/2009	2.8170	50,000
25,000	Federal National Mortgage Assoc.	9/15/2009	3.2284	25,172
25,000	Federal National Mortgage Assoc.	9/15/2009	0.8926	25,296
10,000	Federal Home Loan Mortgage Corp.	9/22/2009	2.2689	10,039
25,000	Federal Home Loan Mortgage Corp.	11/30/2009	1.2644	25,295
25,000	Federal Home Loan Bank	12/11/2009	2.3531	25,290
20,000	Federal National Mortgage Assoc.	12/15/2009	2.2646	20,212
<u>\$ 204,355</u>	<b>Total U.S. Agency Bullets</b>			<u>\$ 205,675</u>
(Continued)				

**SCHEDULE OF INVESTMENTS & DEPOSITS**

June 30, 2009

(expressed in thousands)

**U.S. AGENCY SECURITIES (Continued)**

<b>Principal</b>	<b>Description</b>	<b>Date of Maturity</b>	<b>Yield Percentage</b>	<b>Amortized Cost</b>
<b>U. S. Agency Variable Rate Notes</b>				
\$ 50,000	Federal Home Loan Bank	8/21/2009	0.2450	\$ 50,000
50,000	Federal Home Loan Bank	10/5/2009	1.1260	50,000
50,000	Federal National Mortgage Assoc.	10/27/2009	1.1919	50,000
50,000	Federal Home Loan Bank	12/23/2009	0.3488	49,971
35,000	Federal Home Loan Bank	1/11/2010	1.0743	34,982
10,000	Federal Home Loan Bank	2/10/2010	0.8958	9,999
50,000	Federal Home Loan Bank	2/19/2010	0.8265	49,989
50,000	Federal Farm Credit Bank	3/4/2010	0.3200	50,000
25,000	Federal Home Loan Mortgage Corp.	7/12/2010	1.0388	25,000
50,000	Federal Farm Credit Bank	8/4/2010	0.3097	49,995
50,000	Federal Home Loan Mortgage Corp.	8/24/2010	0.6505	49,995
50,000	Federal Farm Credit Bank	8/25/2010	0.3081	50,000
50,000	Federal Home Loan Mortgage Corp.	9/24/2010	0.3557	50,140
50,000	Federal Home Loan Mortgage Corp.	1/14/2011	1.1478	49,964
50,000	Federal Home Loan Mortgage Corp.	2/1/2011	0.8453	50,034
50,000	Federal Home Loan Mortgage Corp.	3/9/2011	0.6850	50,015
50,000	Federal Home Loan Mortgage Corp.	4/1/2011	1.2675	50,000
40,000	Federal Home Loan Mortgage Corp.	4/1/2011	1.2637	40,003
<u>\$ 810,000</u>	<b>Total U.S. Agency Variable Rate Notes</b>			<u>\$ 810,087</u>
(Continued)				

**SCHEDULE OF INVESTMENTS & DEPOSITS**

June 30, 2009

(expressed in thousands)

**U.S. AGENCY SECURITIES (Continued)**

<b>Principal</b>	<b>Description</b>	<b>Date of Maturity</b>	<b>Yield Percentage</b>	<b>Amortized Cost</b>
<b>U. S. Agency Floating Rate Notes</b>				
\$ 100,000	Federal Home Loan Bank	8/5/2009	0.3297	\$ 99,999
100,000	Federal Home Loan Bank	8/7/2009	0.4198	99,998
50,000	Federal Farm Credit Bank	9/2/2009	1.2000	50,000
50,000	Federal National Mortgage Assoc.	9/3/2009	0.4800	50,000
50,000	Federal National Mortgage Assoc.	9/3/2009	0.7462	49,976
100,000	Federal Farm Credit Bank	9/15/2009	0.2997	99,999
100,000	Federal Home Loan Bank	10/16/2009	0.3800	100,000
50,000	Federal Farm Credit Bank	10/30/2009	0.2899	49,998
50,000	Federal Farm Credit Bank	11/6/2009	1.7000	50,000
50,000	Federal Farm Credit Bank	12/2/2009	1.2500	50,000
50,000	Federal Farm Credit Bank	12/21/2009	1.2786	49,779
50,000	Federal National Mortgage Assoc.	12/29/2009	0.5800	50,000
50,000	Federal Farm Credit Bank	3/3/2010	0.3400	50,000
50,000	Federal Farm Credit Bank	3/3/2010	0.9300	50,000
50,000	Federal Farm Credit Bank	3/4/2010	0.3500	50,000
50,000	Federal Farm Credit Bank	3/4/2010	0.3500	50,000
50,000	Federal Farm Credit Bank	3/5/2010	0.4800	50,000
50,000	Federal Home Loan Bank	3/5/2010	0.8900	50,000
50,000	Federal Farm Credit Bank	3/8/2010	0.4700	50,000
50,000	Federal Farm Credit Bank	3/12/2010	0.3600	50,000
50,000	Federal Farm Credit Bank	3/12/2010	0.3600	50,000
100,000	Federal Farm Credit Bank	3/12/2010	0.3750	99,989
50,000	Federal Farm Credit Bank	6/15/2010	0.7000	50,000
50,000	Federal Farm Credit Bank	6/17/2010	0.8975	49,792
50,000	Federal Farm Credit Bank	7/7/2010	0.9500	50,000
50,000	Federal Farm Credit Bank	9/17/2010	0.8400	50,000
50,000	Federal National Mortgage Assoc.	10/22/2010	0.7500	50,000
50,000	Federal National Mortgage Assoc.	10/22/2010	0.7500	50,000
50,000	Federal National Mortgage Assoc.	10/22/2010	0.6406	50,073
50,000	Federal Home Loan Bank	11/1/2010	0.6400	50,000
100,000	Federal Home Loan Bank	11/8/2010	0.7514	99,984

**SCHEDULE OF INVESTMENTS & DEPOSITS**

June 30, 2009

(expressed in thousands)

**U.S. AGENCY SECURITIES (Continued)**

<b>Principal</b>	<b>Description</b>	<b>Date of Maturity</b>	<b>Yield Percentage</b>	<b>Amortized Cost</b>
<b>U. S. Agency Floating Rate Notes (Continued)</b>				
\$ 50,000	Federal Home Loan Bank	11/15/2010	0.4500	\$ 49,993
25,000	Federal Farm Credit Bank	2/17/2011	0.8102	25,008
50,000	Federal Farm Credit Bank	3/16/2011	1.0100	50,000
50,000	Federal Farm Credit Bank	3/16/2011	1.0100	50,000
<u>\$ 2,025,000</u>	<b>Total U.S. Agency Floating Rate Notes</b>			<u>\$ 2,024,588</u>
(Continued)				

<b>Principal</b>	<b>Description</b>	<b>Date of Maturity</b>	<b>Yield Percentage</b>	<b>Amortized Cost</b>
<b>U. S. Agency Discount Notes</b>				
\$ 25,000	Federal National Mortgage Assoc.	7/1/2009	3.0423	\$ 25,000
50,000	Federal National Mortgage Assoc.	7/2/2009	1.8948	49,997
50,000	Federal National Mortgage Assoc.	7/20/2009	1.7918	49,954
50,000	Federal National Mortgage Assoc.	7/20/2009	1.7918	49,954
50,000	Federal National Mortgage Assoc.	8/3/2009	2.0000	49,911
25,000	Federal Home Loan Bank	8/10/2009	3.0261	24,919
50,000	Federal National Mortgage Assoc.	8/10/2009	2.0004	49,892
50,000	Federal National Mortgage Assoc.	8/10/2009	2.0003	49,892
25,000	Federal Home Loan Mortgage Corp.	8/17/2009	3.0382	24,904
50,000	Federal National Mortgage Assoc.	8/17/2009	2.0008	49,873
25,000	Federal Home Loan Bank	8/21/2009	3.0278	24,897
50,000	Federal National Mortgage Assoc.	9/2/2009	0.5897	49,949
50,000	Federal Home Loan Bank	9/4/2009	0.5898	49,948
100,000	Federal Home Loan Bank	9/4/2009	0.5693	99,899
44,340	Federal Home Loan Mortgage Corp.	9/8/2009	0.5694	44,292
26,700	Federal Home Loan Bank	9/9/2009	0.5694	26,671
44,545	Federal Home Loan Bank	9/11/2009	0.5694	44,495

**SCHEDULE OF INVESTMENTS & DEPOSITS**

June 30, 2009

(expressed in thousands)

**U.S. AGENCY SECURITIES (Continued)**

<b>Principal</b>	<b>Description</b>	<b>Date of Maturity</b>	<b>Yield Percentage</b>	<b>Amortized Cost</b>
<b>U. S. Agency Discount Notes (Continued)</b>				
\$ 25,000	Federal National Mortgage Assoc.	10/1/2009	3.3222	\$ 24,796
100,000	Federal Home Loan Bank	10/20/2009	0.6717	99,796
25,000	Federal Home Loan Bank	11/20/2009	1.7458	24,832
25,000	Federal Home Loan Bank	12/1/2009	0.9186	24,904
25,000	Federal Home Loan Bank	12/1/2009	0.9699	24,899
25,000	Federal Home Loan Bank	12/4/2009	1.2277	24,870
25,000	Federal Home Loan Mortgage Corp.	12/7/2009	0.9701	24,895
20,000	Federal Home Loan Bank	12/7/2009	0.8865	19,923
25,000	Federal Home Loan Bank	12/15/2009	0.7135	24,919
25,000	Federal Home Loan Bank	12/15/2009	0.7135	24,919
<u>\$ 1,085,585</u>	<b>Total U.S. Agency Discount Notes</b>			<u>\$ 1,083,200</u>
(Continued)				
<u>\$ 4,124,940</u>	<b>Total U.S. Agency Securities</b>			<u>\$ 4,123,550</u>
(Continued)				

**SCHEDULE OF INVESTMENTS & DEPOSITS**

June 30, 2009

(expressed in thousands)

**U.S. TREASURY SECURITIES**

(33.7% of Total Portfolio)

<b>Principal</b>	<b>Description</b>	<b>Date of Maturity</b>	<b>Yield Percentage</b>	<b>Amortized Cost</b>
<b>U.S. Treasury Bills</b>				
\$ 150,000	U.S. Treasury Bills	7/30/2009	0.1470	\$ 149,983
50,000	U.S. Treasury Bills	9/3/2009	0.3550	49,969
50,000	U.S. Treasury Bills	9/3/2009	0.1670	49,985
50,000	U.S. Treasury Bills	9/10/2009	0.4620	49,955
50,000	U.S. Treasury Bills	9/10/2009	0.3500	49,966
50,000	U.S. Treasury Bills	9/10/2009	0.3310	49,968
50,000	U.S. Treasury Bills	9/10/2009	0.3350	49,968
50,000	U.S. Treasury Bills	9/10/2009	0.2170	49,979
50,000	U.S. Treasury Bills	9/10/2009	0.2030	49,980
50,000	U.S. Treasury Bills	9/10/2009	0.2130	49,979
50,000	U.S. Treasury Bills	9/17/2009	0.4280	49,954
50,000	U.S. Treasury Bills	9/17/2009	0.4280	49,954
50,000	U.S. Treasury Bills	9/17/2009	0.4450	49,953
100,000	U.S. Treasury Bills	9/17/2009	0.1775	99,962
100,000	U.S. Treasury Bills	9/17/2009	0.1890	99,960
100,000	U.S. Treasury Bills	9/17/2009	0.1940	99,959
100,000	U.S. Treasury Bills	9/17/2009	0.1880	99,960
100,000	U.S. Treasury Bills	9/17/2009	0.1770	99,962
50,000	U.S. Treasury Bills	9/24/2009	0.4135	49,952
50,000	U.S. Treasury Bills	9/24/2009	0.4135	49,952
50,000	U.S. Treasury Bills	9/24/2009	0.4166	49,952
50,000	U.S. Treasury Bills	9/24/2009	0.1960	49,977
50,000	U.S. Treasury Bills	10/15/2009	0.3682	49,947
50,000	U.S. Treasury Bills	10/15/2009	0.3881	49,944
50,000	U.S. Treasury Bills	10/15/2009	0.2410	49,965
50,000	U.S. Treasury Bills	10/22/2009	0.4520	49,930
50,000	U.S. Treasury Bills	10/29/2009	0.3100	49,949
50,000	U.S. Treasury Bills	10/29/2009	0.2960	49,951
50,000	U.S. Treasury Bills	10/29/2009	0.2800	49,954
50,000	U.S. Treasury Bills	11/12/2009	0.2520	49,954
50,000	U.S. Treasury Bills	11/19/2009	0.2894	49,944
50,000	U.S. Treasury Bills	11/19/2009	0.2750	49,947
50,000	U.S. Treasury Bills	11/19/2009	0.3000	49,942
100,000	U.S. Treasury Bills	11/19/2009	0.2894	99,888

**SCHEDULE OF INVESTMENTS & DEPOSITS**

June 30, 2009

(expressed in thousands)

**U.S. TREASURY SECURITIES (Continued)**

<b>Principal</b>	<b>Description</b>	<b>Date of Maturity</b>	<b>Yield Percentage</b>	<b>Amortized Cost</b>
<b>U.S. Treasury Bills (Continued)</b>				
\$ 50,000	U.S. Treasury Bills	11/27/2009	0.3080	\$ 49,937
50,000	U.S. Treasury Bills	12/3/2009	0.2590	49,945
100,000	U.S. Treasury Bills	12/3/2009	0.3100	99,869
50,000	U.S. Treasury Bills	12/10/2009	0.3110	49,931
50,000	U.S. Treasury Bills	12/10/2009	0.3250	49,928
50,000	U.S. Treasury Bills	12/10/2009	0.3280	49,927
50,000	U.S. Treasury Bills	12/17/2009	0.3150	49,927
50,000	U.S. Treasury Bills	12/17/2009	0.3130	49,928
50,000	U.S. Treasury Bills	12/17/2009	0.3200	49,926
50,000	U.S. Treasury Bills	12/24/2009	0.2940	49,929
50,000	U.S. Treasury Bills	12/24/2009	0.2940	49,929
50,000	U.S. Treasury Bills	4/1/2010	0.5150	49,808
50,000	U.S. Treasury Bills	4/1/2010	0.4240	49,841
50,000	U.S. Treasury Bills	4/1/2010	0.3820	49,857
50,000	U.S. Treasury Bills	6/3/2010	0.4480	49,794

\$ 2,900,000

(Continued)

**Total U.S. Treasury Bills**\$ 2,897,020

<b>Principal</b>	<b>Description</b>	<b>Date of Maturity</b>	<b>Yield Percentage</b>	<b>Amortized Cost</b>
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**U. S. Treasury Notes**

\$ 25,000	U.S. Treasury Notes	9/30/2009	1.5528	\$ 25,151
\$ 25,000	<b>Total U.S. Treasury Notes</b>			<u>\$ 25,151</u>

(Continued)

\$ 2,925,000

(Continued)

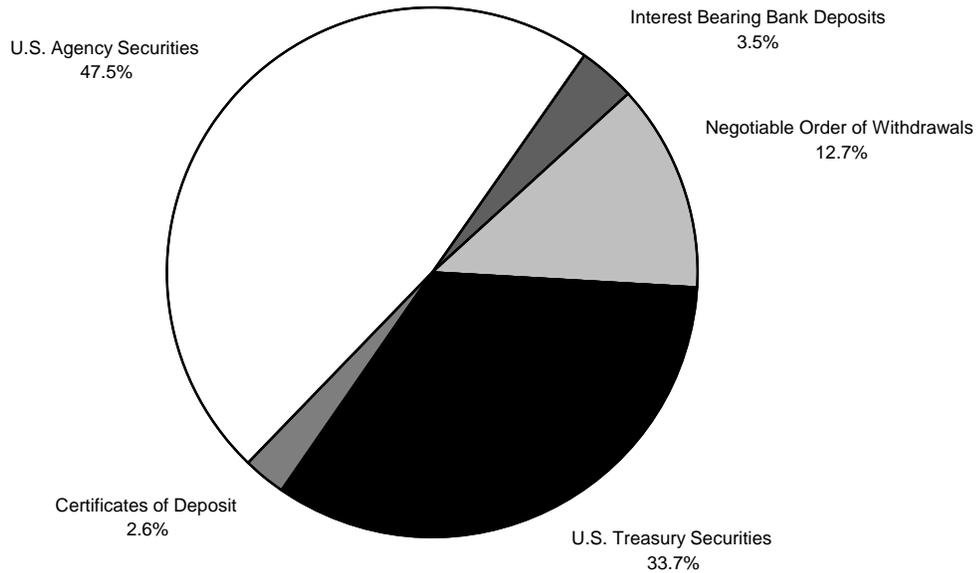
**Total U.S. Treasury Securities**\$ 2,922,171

<u>\$ 8,687,150</u>	<b>Total Investments &amp; Deposits</b>			<u><u>\$ 8,682,931</u></u>
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(Concluded)

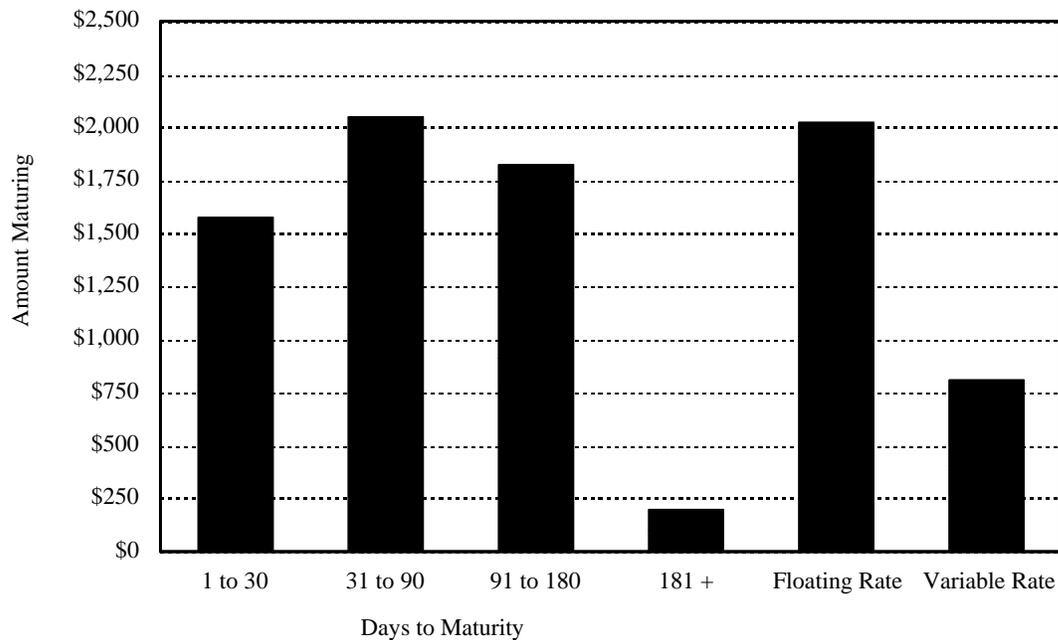
### DISTRIBUTION BY SECURITY TYPE

June 30, 2009  
(Trade Date Basis)



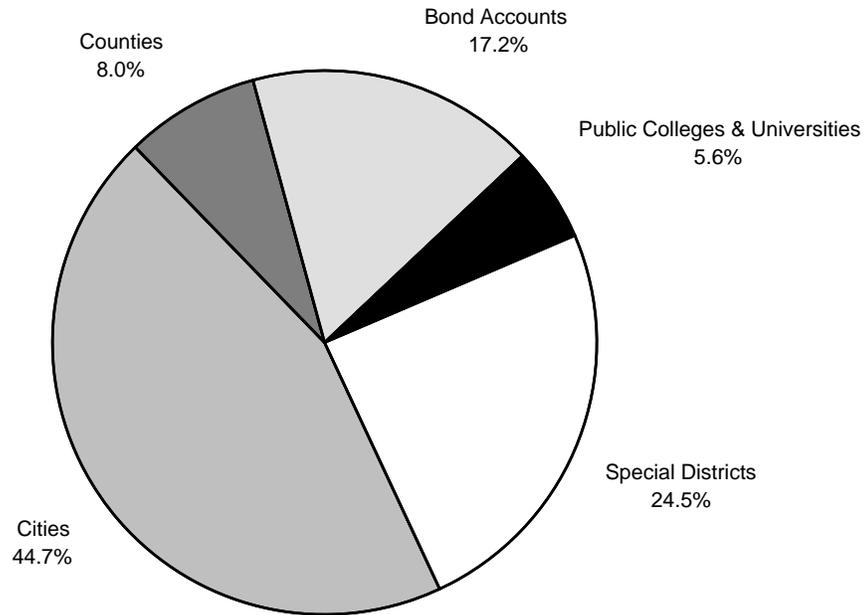
### MATURITY ANALYSIS

June 30, 2009  
(\$ in Millions)



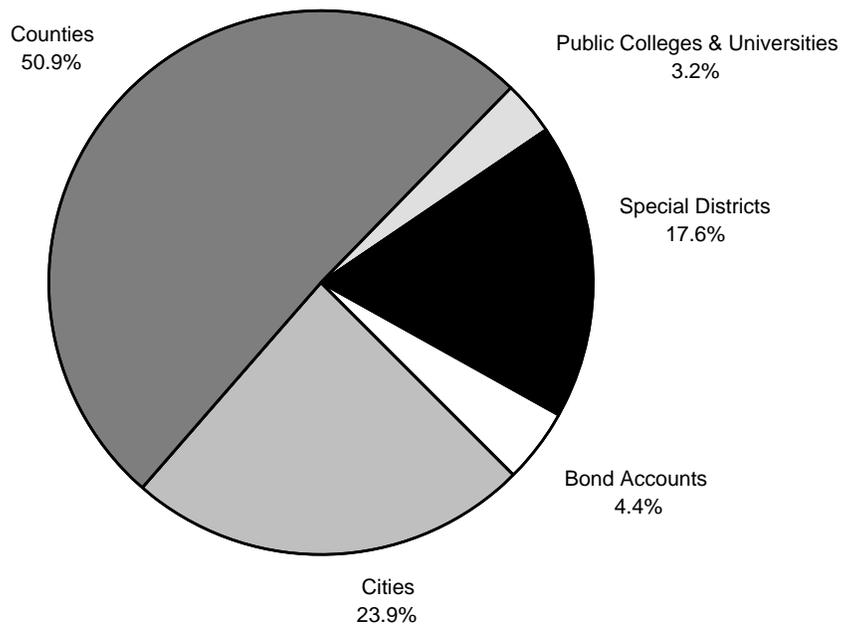
### OWNERSHIP ANALYSIS AS A PERCENT OF TOTAL ACCOUNTS

June 30, 2009



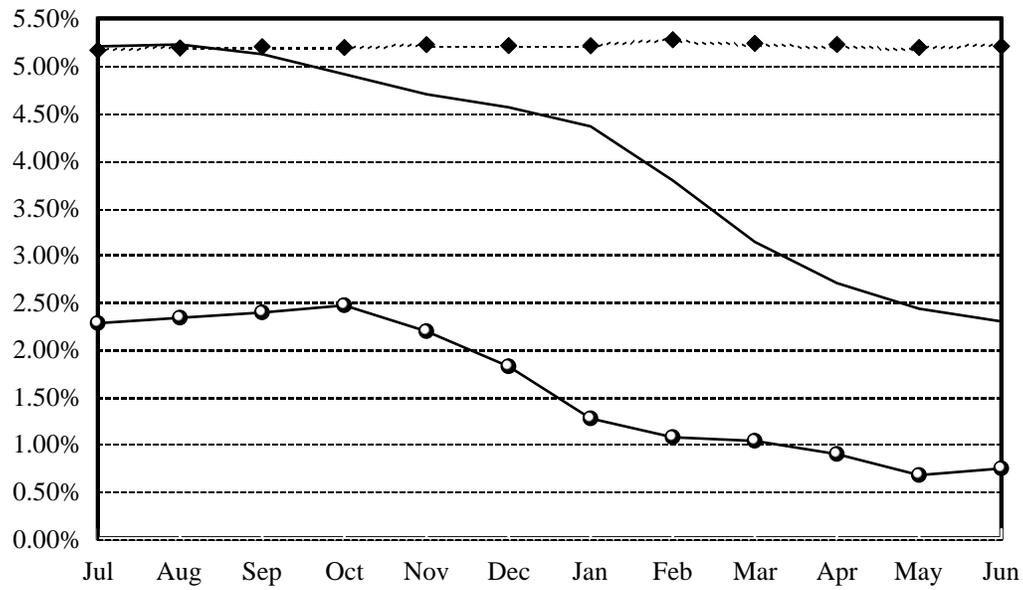
### OWNERSHIP ANALYSIS AS A PERCENT OF TOTAL BALANCES

June 30, 2009

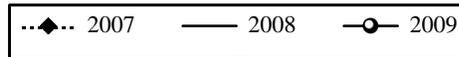


### NET RATE OF RETURN \*

Fiscal Years 2007 – 2009

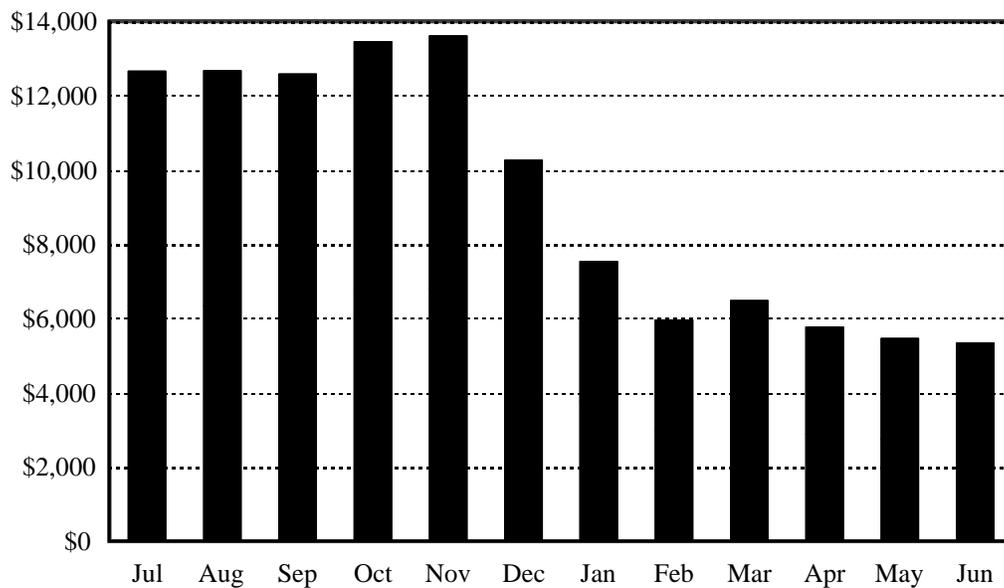


\* Rates are calculated on a 360-day basis.

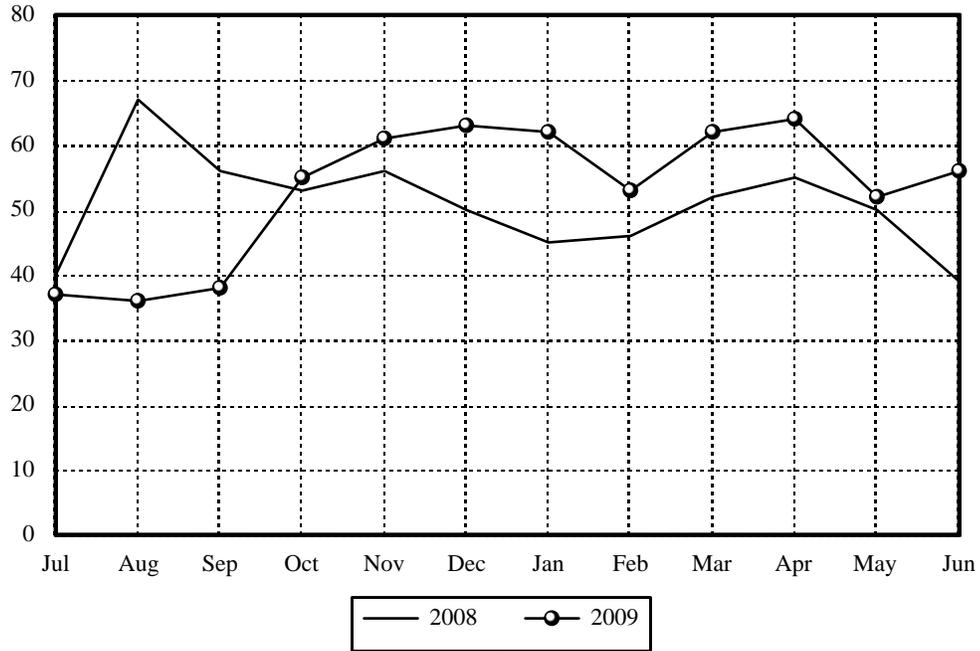


### NET INVESTMENT INCOME

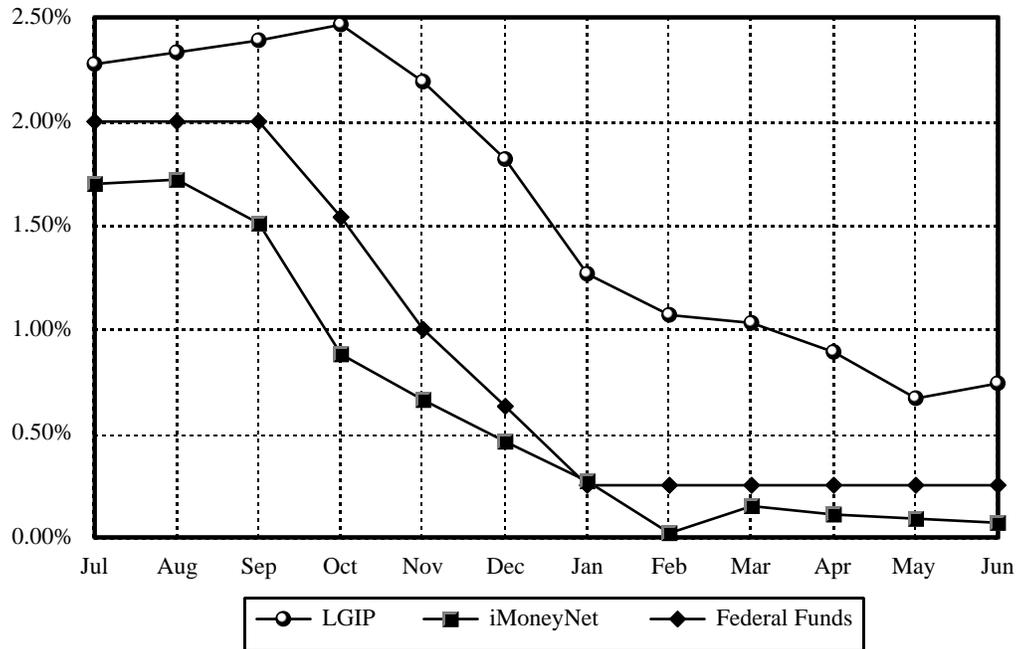
Fiscal Year 2009  
(expressed in thousands)



### AVERAGE DAYS TO MATURITY Fiscal Years 2008 and 2009



### LGIP NET EARNINGS RATE Versus FEDERAL FUNDS and iMoneyNet, Inc. Fiscal Year 2009 (Calculated on a 360-Day Basis)



**POSITION AND COMPLIANCE REPORT**  
(Settlement Date Basis)

June 30, 2009  
(expressed in thousands)

**Investments & Deposits by Security Type**

<b>Portfolio Holdings</b>	<b>Cost</b>	<b>Percentage of Portfolio</b>
Agency Bullets	\$ 205,675	2.42%
U.S. Agency Discount Notes	1,083,200	12.77%
U.S. Agency Floating Rate Notes	2,024,589	23.86%
U.S. Agency Variable Rate Notes	810,086	9.55%
Certificates of Deposit	229,000	2.70%
Interest Bearing Bank Deposits	302,774	3.57%
Negotiable Order of Withdrawal Accounts	1,105,436	13.03%
Reverse Repo	(199,675)	-2.35%
U.S. Treasury Bills	2,897,020	34.15%
U.S. Treasury Coupons	25,151	0.30%
<b>Total</b>	<b>\$ 8,483,256</b>	<b>100%</b>
 <b>Total Investments &amp; Deposits</b>	 <b>\$ 8,483,256</b>	

**POSITION AND COMPLIANCE REPORT**

(Settlement Date Basis)

June 30, 2009

(expressed in thousands)

**Policy Limitations**

<b>Limitations</b>	<b>Holdings</b>	<b>Percentage of Portfolio</b>	<b>Policy Limitations Percentage</b>
Floating Rate and Variable Rate Notes	\$ 2,834,675	33.41%	50%
Other Structured Notes	.....	0.00%	10%
Term Repo > 30 days	.....	0.00%	30%
Certificates of Deposit	\$ 229,000	2.70%	10%
Bankers' Acceptances	.....	0.00%	20%
Commercial Paper	.....	0.00%	25%
Reverse Repo	\$ (199,675)	-2.35%	30%
Security Lending + Reverse Repo	.....	0.00%	30%
Term Repurchase Agreements	.....	0.00%	30%
TLGP Variables	.....	0.00%	30%

<b>Maturity Limitations</b>	<b>Currently</b>	<b>Policy Limitations</b>
Weighted Average Maturity	59 days	90 days
Maximum Maturity		
Bullet Maturities	366 days	397 days
Floating Rate and Variable Rate Notes	640 days	762 days
Repos	0 days	180 days
Reverse Repos	2 days	90 days

<b>Repo Limits Per Dealer</b>	<b>June 30, 2009</b>	<b>Total Repo Percentage (20% limit)</b>	<b>Average D-T-M (30 day limit)</b>
Mizuho Securities	\$ 199,675	2%	2
Total	\$ 199,675		

**SCHEDULE OF POOL PARTICIPANTS**

June 30, 2009

<b>Pool Participants</b>	<b>Balance</b>
<b>Adams County</b>	
Adams County	\$ 43,441,132.39
Town of Lind	21,527.14
City of Othello	1,135,016.53
City of Ritzville	2,581,958.96
East Columbia Basin Irrigation District	1,951,471.07
<b>Total Adams County</b>	<b>\$ 49,131,106.09</b>
<b>Asotin County</b>	
Asotin County	\$ 15,706,099.49
City of Asotin	258,390.94
City of Clarkston	3,250,104.89
Asotin County PUD No. 1	976,426.08
<b>Total Asotin County</b>	<b>\$ 20,191,021.40</b>
<b>Benton County</b>	
Benton County	\$ 138,223,352.45
City of Benton City	888,315.12
City of Kennewick	15,416,667.06
City of Prosser	9,259,693.54
City of Richland	14,998,545.88
City of Richland - Bond No. 1	253,034.78
City of Richland - Bond No. 2	4,109,935.90
City of Richland - Bond No. 3	4,223,419.58
City of Richland - Bond No. 5	3,277,801.33
City of Richland - Bond No. 7	1,339,862.79
City of Richland - Bond No. 8	300,062.76
City of Richland - Bond No. 9	284,993.58
City of Richland - Bond No. 10	2,603,987.00
City of Richland - Bond No. 12	128,482.61
City of Richland - Bond No. 13	37,109.86
City of West Richland	521,965.24
Ben Franklin Transit	34,127.43
Benton Conservation District	221,379.31
Benton County PUD No. 1	31,794,574.34
Kennewick Public Hospital District	5,306,227.74
Kennewick Public Hospital District - Bond No. 1	962,158.66
Kennewick Public Hospital District - Bond No. 2	309.87
Prosser Memorial Hospital	3,874,568.00
Prosser Memorial Hospital - Pro Share	1,620,858.90
Richland Housing Authority	31.25
Kennewick Irrigation District	3,501,016.98
<b>Total Benton County</b>	<b>\$ 243,182,481.96</b>

<b>Pool Participants</b>	<b>Balance</b>
<b>Chelan County</b>	
Chelan County	\$ 97,553,982.51
City of Cashmere	5,981,694.60
City of Chelan	832,066.90
City of Entiat	1,073,440.94
City of Leavenworth	2,880,771.85
City of Wenatchee	21,939,065.96
Chelan County PUD No. 1	54,140,168.83
Lake Chelan Airport	7,618.56
Lake Chelan Reclamation Dist	2,106,199.38
Lake Chelan Reclamation District - Willow Lid	42,718.96
Wenatchee PFD	1,212,648.91
Wenatchee Valley College	2,184,863.80
<b>Total Chelan County</b>	<b>\$ 189,955,241.20</b>
<b>Clallam County</b>	
Clallam County	\$ 67,529,138.66
City of Forks	1,000,616.36
City of Port Angeles	5,682,974.81
City of Sequim	3,725,194.05
Clallam County Hospital District No. 2	2,928,600.67
Clallam County PUD No. 1	3,018,875.92
Clallam Transit System	422,844.62
Peninsula College	1,890,700.69
Port of Port Angeles	3,032,648.35
<b>Total Clallam County</b>	<b>\$ 89,231,594.13</b>
<b>Clark County</b>	
Clark County	\$ 308,672,238.85
City of Battle Ground	3,107,720.38
City of Camas	6,722,838.11
City of Camas - Bond No. 1	380,255.46
City of La Center	2,197,707.27
City of La Center - 2008 Sewer Plant	1,897,836.67
City of Ridgefield	655,923.76
City of Vancouver	82,685,788.04
City of Washougal	11,505,445.57
Clark College	14,873,242.06
Clark County PTBA	44,368,337.72
Clark Public Utilities	72,809,521.34
Clark Regional Wastewater District	32,314,201.71
CPU - Operation Warm Heart Fund	723,071.15
Port of Vancouver	36,469,558.70
<b>Total Clark County</b>	<b>\$ 619,383,686.79</b>

<b>Pool Participants</b>	<b>Balance</b>
<b>Columbia County</b>	
Columbia County	\$ 4,386,137.29
<b>Total Columbia County</b>	<b>\$ 4,386,137.29</b>
<b>Cowlitz County</b>	
Cowlitz County	\$ 148,583,540.95
City of Kalama	2,183,421.97
City of Kelso	11,195,922.65
City of Longview	28,843,254.91
City of Woodland	11,190.82
Kelso Housing Authority	558,176.24
Longview Housing Authority	135.35
<b>Total Cowlitz County</b>	<b>\$ 191,375,642.89</b>
<b>Douglas County</b>	
Douglas County	\$ 47,138,973.87
City of Bridgeport	458,145.68
City of East Wenatchee	999,070.60
Town of Mansfield	422,003.55
Douglas County PUD	32,908,472.58
Foster Creek Conservation District	9,098.03
<b>Total Douglas County</b>	<b>\$ 81,935,764.31</b>
<b>Ferry County</b>	
Ferry County	\$ 10,316,356.96
City of Republic	503,266.93
Ferry County PUD	1,319,436.21
<b>Total Ferry County</b>	<b>\$ 12,139,060.10</b>
<b>Franklin County</b>	
Franklin County	\$ 93,538,750.08
Franklin County - Bond No. 1	26,634,042.47
City of Connell	5,285,838.84
City of Mesa	244,213.05
City of Pasco	8,356,794.33
Franklin Conservation District	506,807.38
Franklin County PUD	32,111,754.00
Housing Authority c/o Pasco and Franklin County	1,227,542.72
South Columbia Basin Irrigation District	2,610,123.05
<b>Total Franklin County</b>	<b>\$ 170,515,865.92</b>
<b>Garfield County</b>	
Garfield County	\$ 8,074,281.14
<b>Total Garfield County</b>	<b>\$ 8,074,281.14</b>

<b>Pool Participants</b>	<b>Balance</b>
<b>Grant County</b>	
Grant County	\$ 42,332,182.58
Town of Coulee City	829,923.13
City of Ephrata	1,771,228.16
City of George	1,292,354.47
City of Grand Coulee	2,305,006.12
Town of Mattawa	3,024,141.00
City of Moses Lake	7,943,869.63
City of Quincy	12,074,654.58
City of Royal City	103,959.94
City of Soap Lake	791,533.35
City of Warden	4,777,452.66
Big Bend Community College	4,673,886.72
Cities Insurance Association of Washington	30,580.37
Eastern Washington School District Insurance Group	36,563.21
Grant County Public Hospital District	17,684,938.01
Quincy Columbia Basin Irrigation District	1,015,160.16
<b>Total Grant County</b>	<b>\$ 100,687,434.09</b>
<b>Grays Harbor County</b>	
Grays Harbor County	\$ 52,447,249.13
City of Aberdeen	5,227,378.97
City of Cosmopolis	678,803.81
City of Elma	3,886,816.04
City of Hoquiam	5,717,536.00
City of McCleary	1,701,511.11
City of Montesano	816,109.75
City of Oakville	66,298.94
City of Ocean Shores	21,080,012.26
City of Westport	1,457,468.00
Grays Harbor County PUD	7,828,013.06
Grays Harbor County PUD - NoaNet Liability	3,157,718.45
Grays Harbor County Pub Hospital District 1	1,521,548.48
Grays Harbor Public Development Authority	2,728,678.61
Port of Grays Harbor	10,345,888.41
<b>Total Grays Harbor County</b>	<b>\$ 118,661,031.02</b>
<b>Island County</b>	
Island County	\$ 70,136,291.69
Town of Coupeville	3,223,417.48
City of Langley	961,715.13
City of Oak Harbor	23,908,612.86
<b>Total Island County</b>	<b>\$ 98,230,037.16</b>

<b>Pool Participants</b>	<b>Balance</b>
<b>Jefferson County</b>	
Jefferson County	\$ 45,172,028.09
City of Port Townsend	8,997,630.86
<b>Total Jefferson County</b>	<b>\$ 54,169,658.95</b>
<b>King County</b>	
King County	\$ 490,543,709.36
City of Algona	7,187,365.68
City of Auburn	81,725,320.41
Town of Beaux Arts Village	418,456.41
City of Bellevue	67,066,417.13
City of Black Diamond	4,878,355.00
City of Bothell	23,320,262.80
City of Burien	10,535,477.46
City of Carnation	2,553,768.65
City of Clyde Hill	2,486,895.21
City of Covington	3,726,721.37
City of Covington - 2007 Bond Proceeds	1,194.16
City of Covington - Bond No. 1	22.82
City of Des Moines	13,214,177.54
City of Duvall	3,518,387.52
City of Enumclaw	4,971,448.56
City of Federal Way	61,456,248.54
Town of Hunts Point	1,584,633.37
City of Issaquah	40,090,143.52
City of Kenmore	19,986,073.96
City of Kent	44,527,690.54
City of Kirkland	28,729,776.19
City of Lake Forest Park	6,444,620.96
City of Maple Valley	9,899,238.71
City of Medina	6,574,693.88
City of Mercer Island	31,662,412.15
City of Newcastle	6,028,178.58
City of Normandy Park	2,510,222.75
City of North Bend	7,640,999.09
City of Pacific	3,707,279.36
City of Redmond	30,132,854.02
City of Renton	27,764,804.33
City of Sammamish	46,414,319.55
City of SeaTac	11,702,732.33
City of Shoreline	38,114,031.55
City of Snoqualmie	8,378,083.78
City of Tukwila	34,483,833.41

<b>Pool Participants</b>	<b>Balance</b>
<b>King County (continued)</b>	
City of Woodinville	34,349,299.83
Town of Yarrow Point	1,961,399.29
Bellevue Community College	7,259,800.42
Bellevue Convention Center Authority	4,674,414.92
Black Diamond/Soos Creek Water and Sewer District	473,939.63
Capitol Hill Housing - Building Reserves	2,528,483.31
Capitol Hill Housing - Unrestricted	194.79
Cascadia Community College	4,670,689.27
Cultural Development Authority of King County	7,130,074.73
Eastside Public Safety	4,046,129.99
Everett Community College	16,009,861.78
GHFB LLP	28,885.64
King Conservation District	9,491,521.97
King County Housing Authority	78,507,568.79
Lake Washington Technical College	4,806,235.31
NORCOM	1,340,755.89
Pike Place Market PDA	10,138,854.12
Pacific Hospital Preservation & Develop Authority	708,162.39
Renton Housing Authority	3,750,790.28
Renton Technical College	397,835.64
Seattle Community College District No. 6	39,833,299.90
Seattle Housing Authority	37,115,870.03
Seattle Housing Authority - High Rise Rehab Phase 3 Bridge Financing	2,633,647.70
Sound Transit	138,409,015.69
Sound Transit - Bond No. 1	1,114,568.30
Sound Transit - Capital Replacement Fund	74,283.14
Sound Transit - Operating and Contingency Fund	35,681,085.69
Valley Communications Center	8,353,038.56
Valley Communications Center Development Authority	21.10
Valley Medical Center	23,599.92
Valley Regional Fire Authority	1,976,453.84
Valley Regional Fire Authority - Bond No. 1	17,022,387.80
Valley Regional Fire Authority - DS Bond	316,091.28
Washington Cities Insurance Authority	19,995,957.31
Water and Sewer Risk Management Pool	1,756,669.41
<b>Total King County</b>	<b>\$ 1,680,561,738.31</b>
<b>Kitsap County</b>	
Kitsap County	\$ 107,058,892.75
City of Bainbridge Island	405,122.15
City of Bremerton	12,685,955.85
City of Port Orchard	6,806,626.48

<b>Pool Participants</b>	<b>Balance</b>
<b>Kitsap County (continued)</b>	
City of Poulsbo	5,184,616.56
City of Poulsbo - 10th Ave Bond	2,781,488.50
City of Poulsbo - 2009 City Hall Bond	6,068,987.25
Bremerton Housing Authority	1,441,144.05
Kitsap County Housing Authority	1,143,894.17
Olympic College	10,238,223.85
Port of Bremerton	6,832,142.86
<b>Total Kitsap County</b>	<b>\$ 160,647,094.47</b>
<b>Kittitas County</b>	
Kittitas County	\$ 36,492,146.39
City of Ellensburg	10,863,817.40
Central Washington University	101,262.08
Central Washington university - Bond Construction	12,571,000.62
Kittitas Reclamation District	46.12
Kittitas Valley Community Hospital	61,468.54
<b>Total Kittitas County</b>	<b>\$ 60,089,741.15</b>
<b>Klickitat County</b>	
Klickitat County	\$ 108,742,214.89
City of Bingen	89,254.26
City of Goldendale	2,054,936.88
City of White Salmon	2,558,063.22
Central Klickitat Conservation District	4.23
East Klickitat Conservation District	2.68
Underwood Conservation District	85,795.23
<b>Total Klickitat County</b>	<b>\$ 113,530,271.39</b>
<b>Lewis County</b>	
Lewis County	\$ 77,537,880.86
City of Centralia	21,539,977.60
City of Chehalis	5,723,431.93
City of Morton	926,265.43
City of Mossyrock	192,489.22
City of Napavine	759,117.75
Town of Pe Ell	3,649.27
City of Toledo	435,428.56
City of Vader	14,507.25
City of Winlock	705,003.29
Centralia College	814,056.84
Noanet	10,561,577.85
Noanet - Bond Reserves	1,550,276.46
Noanet - Pension Plan	1,862,902.86
Noanet - Revenue Account	1,425,600.91
<b>Total Lewis County</b>	<b>\$ 124,052,166.08</b>

<b>Pool Participants</b>	<b>Balance</b>
<b>Lincoln County</b>	
Lincoln County	\$ 22,805,514.97
Town of Almira	124,896.59
Town of Creston	253,179.98
City of Davenport	1,610,690.56
Town of Lamont	81,821.67
Town of Odessa	237,596.96
Town of Reardan	51,115.84
City of Sprague	418,937.86
Town of Wilbur	582,867.47
<b>Total Lincoln County</b>	<b>\$ 26,166,621.90</b>
<b>Mason County</b>	
Mason County	\$ 93,670,247.09
Mason County PUD No. 3	4,094,190.28
<b>Total Mason County</b>	<b>\$ 97,764,437.37</b>
<b>Okanogan County</b>	
Okanogan County	\$ 1,699,741.36
City of Brewster	29,311.02
Town of Coulee Dam	2,806,339.24
Town of Nespelem	28,513.79
City of Okanogan	3,446,146.70
City of Omak	3,952,932.21
City of Pateros	1,025,493.46
Okanogan Conservation District	589.44
Okanogan County PUD	4,889,596.01
Okanogan County PUD - Bond No. 1	300,949.59
Okanogan County PUD - Bond No. 2	247,134.05
Oroville-Tonasket Irrigation District	1,065,430.81
<b>Total Okanogan County</b>	<b>\$ 19,492,177.68</b>
<b>Pacific County</b>	
Pacific County	\$ 42,157,004.48
City of Ilwaco	215,308.25
City of Long Beach	332.41
City of South Bend	1,428,849.44
Pacific County PUD No. 2	1,460,956.42
Pacific County PUD No. 2 - Bond No. 3	1,022,390.83
Pacific County PUD No. 2 - Bond No. 4	420,726.84
Pacific County PUD No. 2 - Bond No. 5	8,475,626.10
Pacific County PUD No. 2 - Bond No. 7	424,752.65
<b>Total Pacific County</b>	<b>\$ 55,605,947.42</b>

<b>Pool Participants</b>	<b>Balance</b>
<b>Pend Oreille County</b>	
Pend Oreille County	\$ 19,316,925.09
City of Newport	2,388,139.56
Pend Oreille County Public Hospital District No. 1	1,702.64
Pend Oreille County Public Hospital District No. 1 - Pro Share	1,743,488.74
Pend Oreille County PUD No. 1	14,508,474.81
<b>Total Pend Oreille County</b>	<b>\$ 37,958,730.84</b>
<b>Pierce County</b>	
Pierce County	\$ 584,619,302.60
City of Bonney Lake	27,502,910.46
City of Bonney Lake - 2007 LTGO Justice Center	10,293,545.23
City of Buckley	4,656,276.36
City of Dupont	8,796,892.09
Town of Eatonville	716,184.20
City of Edgewood	3,519,694.37
City of Fife	20,261,493.55
City of Fircrest	7,927,227.12
City of Gig Harbor	11,070,351.68
City of Lakewood	0.48
City of Milton	7,875,566.09
City of Orting	12,455,172.95
City of Puyallup	17,299,591.92
City of Roy	1,333.67
Town of Ruston	6,305,010.03
Town of Steilacoom	10,466,466.38
City of Sumner	18,164,631.39
City of Tacoma	64,538,727.64
City of University Place	3,832,702.12
Clover Park Technical College	10,607,574.51
Lakewood Water District	180,638.21
Pierce College	7,566,444.00
Pierce Transit	83,328,779.96
Pierce Transit - Bond No. 2	657,942.26
Port of Tacoma	72,039,765.41
Tacoma Community College	4,005,742.89
Tacoma Housing Authority	812,865.89
<b>Total Pierce County</b>	<b>\$ 999,502,833.46</b>
<b>San Juan County</b>	
San Juan County	\$ 29,007,619.17
Town of Friday Harbor	12,364,888.71
<b>Total San Juan County</b>	<b>\$ 41,372,507.88</b>

<b>Pool Participants</b>	<b>Balance</b>
<b>Skagit County</b>	
Skagit County	\$ 170,041,667.64
City of Anacortes	21,424,805.63
City of Anacortes - Bond No. 1	509,964.60
City of Anacortes - Bond No. 2	420,979.71
City of Burlington	12,598,980.14
Town of La Conner	518,828.11
City of Mount Vernon	13,447,288.31
City of Sedro Woolley	10,133,256.36
Skagit County PUD No. 1	9,558,729.86
Skagit Valley College	2,217,643.42
<b>Total Skagit County</b>	<b>\$ 240,872,143.78</b>
<b>Skamania County</b>	
Skamania County	\$ 3,307,615.33
City of North Bonneville	1,175,632.87
City of Stevenson	2,610,174.15
<b>Total Skamania County</b>	<b>\$ 7,093,422.35</b>
<b>Snohomish County</b>	
Snohomish County	\$ 749,655,339.76
Snohomish County - SCIP	123.84
City of Arlington	18,357,952.67
City of Arlington - 2004 LTGO	515,642.61
City of Arlington - 2007 LTGO	537,853.88
City of Brier	5,504,502.93
City of Edmonds	21,484,556.45
City of Everett	12,834,632.29
City of Gold Bar	148,402.54
City of Granite Falls	2,870,182.68
Town of Index	86,823.29
City of Lake Stevens	7,606,664.89
City of Lynnwood	9,828,087.87
City of Lynnwood - Utility System Improv Bonds 2008	3,878,520.90
City of Marysville	8,985,578.87
City of Marysville - Bond No. 1	15,359,498.22
City of Mill Creek	4,506,722.79
City of Monroe	14,101,130.02
City of Mountlake Terrace	2,493,777.56
City of Mukilteo	19,154,727.98
Town of Skykomish	489,783.06
Town of Skykomish - BNSF Settlement Fund	350,218.16
Town of Skykomish - Natural Resource Damages	502,874.83
Town of Skykomish - NRD - Consent Decree	1,566,564.35
Town of Skykomish - WSDOT Timber Sale & State Refund	200,561.80

<b>Pool Participants</b>	<b>Balance</b>
<b>Snohomish County</b> (continued)	
City of Snohomish	9,199,068.18
City of Stanwood	13,443,614.50
City of Sultan	1,602,394.25
City of Woodway	1,050,783.82
Alderwood Water District	98,377,055.40
Clearview Water Supply Agency	851,950.63
Community Transit	89,479,411.51
Community Transit - Bond Account	1,426,218.63
Cross Valley Water District	581,654.13
Edmonds Public Facilities District	62,072.07
Everett Housing Authority	8,291,112.37
Everett Public Facilities District	2,107,875.77
Everett Public Facilities District - Everett Events Center Event Account	881,063.42
Everett Public Facilities District - Tax & Rev Bonds 2007 Series A	1,831,200.02
Everett Public Facilities District - Tax & Rev Bonds 2007 Series B	499,568.57
Lake Whatcom Water and Sewer District	4,105,667.86
Lynnwood PFD	3,274,531.35
Port of Edmonds	532,075.75
Port of Everett	13,228,885.66
Port of Everett - Bond No. 2	40,250.38
SNOCOM	625,574.40
Snohomish Conservation District	30,259.49
Snohomish County Housing Authority	11,982,148.89
Snohomish County Public Hospital	9,342,056.20
Snohomish County PUD No.1	195,547,919.93
Valley General Hospital	6,690,441.66
<b>Total Snohomish County</b>	<b>\$ 1,376,105,579.08</b>
<b>Spokane County</b>	
Spokane County	\$ 273,531,728.22
City of Airway Heights	9,084,299.70
City of Airway Heights - Construction Bond	325.09
City of Airway Heights - Reserve Bond	138,914.31
City of Cheney	10,758,691.48
City of Deer Park	5,499,125.45
City of Liberty Lake	3,427,208.39
City of Medical Lake	4,021,540.75
Town of Spangle	36,919.91
City of Spokane	12,872,362.54
City of Spokane Valley	45,342,759.18
Town of Waverly	4.34
Community Colleges of Spokane	14,568,209.21

<b>Pool Participants</b>	<b>Balance</b>
<b>Spokane County (continued)</b>	
Eastern Washington University	30,369,127.27
Spokane County Water District No. 3	2,260,645.78
Spokane Housing Authority	136,481.06
Vera Irrigation District	3,765,677.89
Whitworth Water District No. 2	4,585,438.11
<b>Total Spokane County</b>	<b>\$ 420,399,458.68</b>
<b>Stevens County</b>	
Stevens County	\$ 28,770,727.28
City of Chewelah	1,525,341.63
City of Colville	10,197,083.64
City of Kettle Falls	30,075.05
Town of Marcus	205,281.85
Town of Northport	150,131.43
Stevens County Conservation District	54,540.48
Stevens County PUD No. 1	1,777,139.21
<b>Total Stevens County</b>	<b>\$ 42,710,320.57</b>
<b>Thurston County</b>	
Thurston County	\$ 96,573,423.68
Town of Bucoda	438,909.69
City of Lacey	33,720,771.38
City of Olympia	61,246,952.26
Town of Rainier	582,541.97
City of Tenino	912,354.89
City of Tumwater	19,263,667.30
City of Yelm	7,138,883.11
Association of Washington Cities Risk Management Service Agency	9,857,362.75
South Puget Sound Community College	8,406,742.36
State Board For Community & Technical Colleges	9,449,569.46
State Finance Committee - State -SFC - Account No. 4	5,577,487.20
State Finance Committee - State -SFC - Account No. 9	5,143.76
State Finance Committee - State -SFC - Account No. 10	30,549,877.21
State Finance Committee - State -SFC - Account No. 13	0.01
State Finance Committee - State -SFC - Account No. 14	6,478,085.25
State Finance Committee - State -SFC - Account No. 19	16,974,934.44
State Finance Committee - State -SFC - Account No. 20	583,370.67
State Finance Committee - State -SFC - Account No. 22	12,863,730.33
State Finance Committee - State -SFC - Account No. 24	126,685.24
State Finance Committee - State -SFC - Account No. 26	587,959.76
State Finance Committee - State -SFC - Account No. 30	57,712,834.07

<b>Pool Participants</b>	<b>Balance</b>
<b>Thurston County (continued)</b>	
State Finance Committee - State - SFC - Local Account No. 1	2,039,958.03
State Finance Committee - State - SFC - Local Account No. 2	1,032,086.00
State Finance Committee - State - SFC - Local Account No. 3	7,039,135.54
State Finance Committee - State - SFC - Local Account No. 6	804,048.63
State Finance Committee - State - SFC - Local Account No. 7	18,625.13
State Finance Committee - State - SFC - Local Account No. 8	3,856.52
State Finance Committee - State - SFC - Local Account No. 11	79,870.09
State Finance Committee - State - SFC - Local Account No. 15	713,861.02
The Evergreen State College	18,152,433.49
The Evergreen State College - TESC Deferred Liability	133,282.01
Thurston County Conservation District	567.29
Washington Community & Technical College Payroll Account	1,502,033.48
Washington Counties Insurance Fund	1,758,534.51
Wa Counties Insurance Pool	8,469,148.41
Washington Counties Risk Pool	15,366,271.77
Washington Fire Commissioners Association	8,521,662.66
Washington State Transit Insurance Pool	598,022.73
Washington State Water Resources Association	373,685.88
<b>Total Thurston County</b>	<b>\$ 445,658,369.98</b>
<b>Wahkiakum County</b>	
Wahkiakum County	\$ 12,135,530.95
Town of Cathlamet	1,481,990.47
<b>Total Wahkiakum County</b>	<b>\$ 13,617,521.42</b>
<b>Walla Walla County</b>	
Walla Walla County	\$ 14,009,781.32
Walla Walla County - Bond Account	1,400,891.51
City of College Place	6,281,650.98
City of Prescott	169,981.06
City of Walla Walla	24,058,923.05
Port of Walla Walla	3,417,305.49
Walla Walla Community College	1,098,420.24
Walla Walla Housing Authority	253,223.98
<b>Total Walla Walla County</b>	<b>\$ 50,690,177.63</b>
<b>Whatcom County</b>	
Whatcom County	\$ 19,771,609.89
City of Bellingham	26,133,141.52
City of Blaine	7,697,503.09
City of Ferndale	5,647,083.56
City of Lynden	12,938,192.03
Birch Bay Water & Sewer District	3,139,133.26
Port of Bellingham	7,475,159.85

<b>Pool Participants</b>	<b>Balance</b>
<b>Whatcom County (continued)</b>	
Western Washington University	36,413,320.98
Western Washington University - Bond No. 1	14,200,291.73
Whatcom Community College	17,389,265.21
<b>Total Whatcom County</b>	<b>\$ 150,804,701.12</b>
<b>Whitman County</b>	
Whitman County	\$ 41,539,609.59
Town of Albion	371,134.95
City of Colfax	1,333,302.19
Town of Colton	46,119.32
City of Palouse	820,266.69
City of Pullman	11,001,586.47
City of Pullman - Pullman-Moscow Airport	9.87
Town of Rosalia	288,836.95
City of Tekoa	238,328.70
Town of Uniontown	242,562.90
Washington State University - Martin Stadium Reserve	1,712,802.28
Washington State University - SBC Reserve	6,467,650.70
Washington State University - WSU Operating Fund	16,169,126.74
<b>Total Whitman County</b>	<b>\$ 80,231,337.35</b>
<b>Yakima County</b>	
Yakima County	\$ 105,075,417.19
City of Grandview	4,567,492.40
Town of Granger	950,048.43
City of Mabton	883,289.47
Town of Naches	1,064,933.10
City of Selah	4,858,155.36
City of Sunnyside	7,488,644.00
Town of Tieton	286,982.47
City of Toppenish	7,050,431.00
City of Union Gap	2,873,431.27
City of Wapato	3,035,369.43
City of Yakima	27,539,479.79
City of Yakima - 2005 Parks LTGO's	0.36
City of Yakima - 2008 Water and Sewer Revenue Acct	5,600,940.28
City of Yakima - 2007 LTGO's	1,610,975.83
City of Yakima - 2008 LTGO Bonds	2,983,355.67
City of Yakima - Irrigation Bond	0.51
City of Zillah	2,912,248.51
Port of Sunnyside	2,820,067.26
Roza Irrigation District	4,072,705.66

<b>Pool Participants</b>	<b>Balance</b>
<b>Yakima County</b> (continued)	
Sunnyside Valley Irrigation District	4,311,409.55
Washington State Tree Fruit Research Commission	160.64
Yakima International Airport - McAllister Field	529,299.27
Yakima Valley Community College	1,750,900.53
Yakima-Tieton Irrigation District	1,561,000.58
<b>Total Yakima County</b>	<u>\$ 193,826,738.56</u>
<b>Pool Total</b>	<u>\$ 8,490,004,082.91</u>
<b>Participants' Average Investment Balance for the Year</b>	<u>\$ 7,074,451,804.65</u>
<b>Administrative Expense Ratio*</b>	0.009%

\* Denotes administrative expenses as a percentage of the participants' average daily investments.

## INVESTMENT POLICY

### I. Delegation of Authority

The State Treasurer is an executive officer of the state, as established by the Constitution of the State of Washington (Article III, Section 1), and “will perform such duties as will be prescribed by law” (Article III, Section 19).

As prescribed by the Revised Code of Washington (RCW), “The legislature finds and declares that the public interest is found in providing maximum prudent investment of surplus funds, thereby reducing the need for additional taxation. The legislature also recognizes that not all political subdivisions are able to maximize the return on their temporary surplus funds. The legislature therefore provides in this chapter a mechanism whereby political subdivisions may, at their option, utilize the resources of the Office of the State Treasurer (OST) to maximize the potential surplus funds while ensuring the safety of public funds” (RCW 43.250.010).

To “ensure effective cash management of public funds,” (RCW 43.08.015) the State Treasurer may designate investment officers who will have the authority to perform the duties of the state treasurer, and will maintain a current list (available upon request) of those individuals so authorized.

### II. Identification of Funds

This policy applies to all public funds on deposit with the Local Government Investment Pool (LGIP) as defined by RCW 43.250.020.

### III. Objectives

The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission (17CFR.270.2a-7). Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities, the effect of which is to minimize both market and credit risk.

The objectives of the State Treasurer’s investment practices for the LGIP, in priority order, will be: safety, liquidity, and return on investment. To provide for the safety and liquidity of funds deposited in the LGIP, the state treasurer and designated investment officers shall:

- adhere to all restrictions on the investment of funds established by law and by this policy;
- limit the purchase of investments in securities so that the weighted average maturity of the portfolio, as defined in Section VI of this policy, does not exceed 90 days;
- limit the purchase of investments to securities that have a maximum final maturity of 397 days, with the exceptions listed in Section VI of this policy;
- limit the purchase of investments in securities other than those issued by the U.S. government or its agencies; and,
- prepare regular reports of portfolio activity.

The primary objective of safety will be measured in cash, as opposed to accounting terms, where different, and in terms of the portfolio as a whole, as opposed to the terms of any individual transaction. This means, for example, that a single transaction that generated an accounting loss but actually increased the amount of cash received in the portfolio would be considered to have increased capital, and not decreased it.

Within the restrictions necessary to ensure the safety and liquidity of funds, the investment portfolio of the LGIP will be structured to attain a market rate of return throughout an economic cycle.

## **IV. Standards of Care**

### **A. Prudence.**

The State Treasurer and authorized investment officers will perform their duties in a manner consistent with the standard of a “prudent person,” as defined by RCW 43.250.040:

“In investing and reinvesting moneys in the public funds investment account and in acquiring, retaining, managing, and disposing of investments of the investment pool, there shall be exercised the judgment and care under the circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of the funds considering the probable income as well as the probable safety of the capital.”

Authorized investment officers acting in accordance with this policy and exercising due diligence shall be relieved of personal responsibility for credit and market risks encountered in the performance of their investment duties. Due diligence requires timely reporting of material deviation from expectations and such other actions to control adverse developments as may be possible in consideration of the particular circumstances and within other provisions of this policy.

### **B. Ethics and Conflicts of Interest.**

The State Treasurer, assistant treasurer, and authorized investment officers will adhere to standards of conduct as stipulated by the following:

- Public Disclosure Act, RCW 42.16;
- Ethics in Public Service Act, RCW 42.52 and section 292-110-010 Washington Administrative Code; and,
- Standards of Conduct for Executive Branch Employees, Executive Order 93-02.

All authorized investment officers will file personal financial disclosure forms with the Public Disclosure Commission consistent with the provisions of RCW 42.17.

### **C. Authorized Financial Dealers and Institutions.**

The State Treasurer will maintain a list of broker/dealers and financial institutions authorized to provide investment services to the state. Authorized broker/dealers and financial institutions will be limited to those that meet one or more of the following:

- financial institutions approved by the Washington Public Deposit Protection Commission (RCW 39.58); or,
- primary dealers recognized by the Federal Reserve Bank; or,
- non-primary dealers qualified under U.S. Securities and Exchange Commission Rule 15C3-1, the Uniform Net Capital Rule, and a certified member of the National Association of Securities Dealers.

Each authorized dealer or institution will regularly submit annual reports, including audited financial statements, and other information as determined by the State Treasurer.

## **V. Eligible Investments**

Eligible investments are only those securities and deposits authorized by statute. (RCW 39.58, 39.59, and 43.84.080) Eligible investments include:

- obligations of the U.S. government;
- obligations of U.S. government agencies, or of corporations wholly owned by the U.S. government;
- obligations of government-sponsored corporations which are, or may become, eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve;
- banker's acceptances purchased on the secondary market rated with the highest short-term credit rating of any two Nationally Recognized Statistical Rating Organizations (NRSROs), at the time of purchase. If the bankers acceptance is rated by more than two NRSROs, it must have the highest rating from all of the organizations;
- commercial paper, provided that the OST adheres with policies and procedures of the State Investment Board regarding commercial paper (RCW 43.84.080(7));
- certificates of deposit with financial institutions qualified by the Washington Public Deposit Protection Commission; and,
- obligations of the state of Washington or its political subdivisions.

## **VI. Investment Restrictions**

To provide for the safety and liquidity of LGIP funds, the investment portfolio will be subject to the restrictions listed below. These represent minimum investment restrictions under this formal investment policy and there may be separate guidelines containing additional, more restrictive limitations for certain investment instruments. All restrictions are based on a settlement date basis. The investments of cash collateral and securities accepted as collateral by a securities lending agent are subject to the restrictions and limits of sections V and VI of this policy.

### **A. Weighted Average Maturity (WAM)**

The weighted average maturity (WAM) of the portfolio will not exceed 90 days. For the purposes of calculating the WAM:

- A variable rate security will be deemed to have a maturity equal to the period remaining to the next reset date, provided that on any reset date such security can be reasonably expected to have a market value that approximates its amortized cost; and
- A floating rate security will be deemed to have a remaining maturity of one day, provided that at any time prior to maturity such security can reasonably be expected to have a market value that approximates its amortized cost.

### **B. Maximum Final Maturity**

The maximum final maturity of any security will not exceed 397 days, with the following exceptions:

- Securities utilized in repurchase agreements;

- A variable rate security which on any reset date can reasonably be expected to have a market value that approximates its amortized cost; and,
- A floating rate security which at all times can reasonably be expected to have a market value that approximates its amortized cost.

The maximum maturity of the variable rate and floating rate securities meeting the requirements listed above will not exceed 762 days.

### C. Percentage Limitations

Cash raised as a result of securities lending or reverse repurchase agreement transactions will not increase the dollar amount of the following limitations.

#### Government Securities

Investments in government securities will not exceed the following percentages of the total daily portfolio balance at amortized cost:

Floating and Variable Rate Notes (aggregate total)	50%
Other Structured Notes	10%

For the purposes of this policy the following definitions shall apply:

Floating Rate Note: securities which at all times can reasonably be expected to have a market value that approximates their amortized cost. This would include those who reset based on indices such as Fed Funds or the prime lending rate. Floating Rate Notes that reset based on any other index must be approved by either the state treasurer or the assistant state treasurer prior to purchase.

Variable Rate Notes: securities which on any reset date can reasonably be expected to have a market value that approximates their amortized cost. This would include those who reset based on indices such as LIBOR or US Treasury Bills. Variable Rate Notes that reset based on any other index must be approved by either the state treasurer or the assistant state treasurer prior to purchase.

Other Structured Notes: all other debt securities whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend on one or more indices and which may have embedded forwards or options.

- Structured notes whose cash flows can no longer fluctuate will not count against the 10% limitation.

#### Non-government Securities

Investments in non-government securities will not exceed the following percentages of the total daily portfolio balance at amortized cost:

Bankers Acceptances	20%
Commercial Paper	25%
Certificates of Deposit	10%

The aggregate amount for Commercial Paper and Bankers Acceptances will not exceed 35% of the portfolio. Additionally, individual issuers of commercial paper or bankers acceptances will be limited to no more than 5% of the portfolio.

#### **D. Repurchase and Reverse Repurchase Agreements**

Repurchase and reverse repurchase agreements will be subject to the following additional restrictions:

- transactions will be conducted only with primary dealers, the state's bank of record, or master custodial bank, and under the terms of a written master repurchase agreement approved by the Public Securities Association;
- repurchase agreements with any single primary dealer or financial institution will not exceed 20% of the portfolio;
- the weighted average maturity of repurchase agreements with any single primary dealer or financial institution will not exceed 30 days;
- the maximum term of repurchase agreements will be 180 days;
- the share of the portfolio allocated to repurchase agreements with maturities beyond 30 days will not exceed 30% of the total portfolio;
- the maximum term of reverse repurchase agreements will be 90 days and must be matched to anticipated cash flows adequate to liquidate the transaction; and,
- the maximum portion of the portfolio allocated to reverse repurchase agreements or engaged in a securities lending program will not exceed 30% of the total portfolio.

Securities utilized in repurchase agreements will be subject to the following additional restrictions:

- securities utilized in a repurchase agreement with a maturity date longer than seven days will be priced at least weekly;
- all substitutions will be approved by the OST before the existing purchased security is released to the broker/dealer;
- the market value, plus accrued income, of treasury, agency and money market securities utilized in repurchase agreements will be 102% of the value of the repurchase agreement;
- the market value, plus accrued income, of mortgage-backed securities utilized in repurchase agreements with more than seven days remaining until maturity will be 105% of the value of the repurchase agreement;
- collateralized mortgage obligation (CMO) securities utilized in repurchase agreements must pass the Federal Financial Institutions Examination Council (FFIEC) test, or will not exceed a volatility rating of V-5 by Fitch Investor Services, or a similar rating of a nationally recognized rating agency; and,
- only securities authorized in statute for the investment of public funds will be utilized in repurchase agreements.

Additional operating guidelines will provide details relating to the frequency of collateral pricing, collateral substitutions, and margin calls.

## **VII. Professional Services**

The State Treasurer may contract for professional services as necessary for the efficient management of investments.

### **A. Appointment of Master Custodian**

The State Treasurer may select one or more firms to provide the state with master custodial services. Master custodial services will include, but not be limited to:

- executing transactions involving all securities held in custody, including on-line security clearing, settlement of securities on a delivery-versus-payment basis (DVP), and settlement of physically-held securities;
- providing regular reports on the activity and value of the securities in custody; and,
- providing for the safekeeping of all documents and financial instruments physically held in custody.

### **B. Appointment of Securities Lending Agent**

The State Treasurer may select one or more firms to provide securities lending management services. Securities lending services will include, but not be limited to:

- ensuring all loans of coupon-bearing securities are supported by collateral valued at not less than 102% of market value of the securities, including accrued income;
- ensuring all loans of non coupon-bearing securities supported by cash collateral, shall not be valued at less than 102% of market value, but not to exceed par;
- ensuring all loans of non coupon-bearing securities supported by non-cash collateral, shall not be valued at less than 102% of market value;
- ensuring the average maturity of securities on loan and of the securities purchased are for 14 days or less;
- ensuring that the investment of cash collateral be only in securities authorized in this policy, and that the restrictions on investments found in sections V and VI of this policy also apply to investments made by a securities lending agent;
- providing next day liquidity for all securities on loan; and,
- providing monthly accounting, performance, compliance, and management reports.

The services of a master custodian and securities lending agent will be obtained through an evaluation of competitive proposals submitted in response to a regularly issued request for proposals.

Securities purchased by the office are to be held by the master custodian, acting as an independent third party, in its safekeeping or trust department.

Collateral is to be similarly held or held by an independent third party with whom the office has a current master repurchase agreement.

All securities transactions are to be conducted on a DVP basis only, and a trade confirm/safekeeping receipt is to be provided to the Treasurer's Office.

## **VIII. Advisory Committee**

The State Treasurer created the LGIP Advisory Committee to provide advice on the operation of the pool. Of the twelve committee members, all of whom are active LGIP participants, eight members are appointed by participant associations, and four members are appointed by the State Treasurer. The LGIP Advisory Committee will meet quarterly or at the discretion of the State Treasurer.

## **IX. Internal Controls**

The State Treasurer will maintain internal controls to protect against the loss of public funds arising from negligence, theft or misuse. These controls will include, but not be limited to:

- the use of third party custody and safekeeping;
- the execution of all securities transactions on a DVP basis;
- the clear delegation of investment authority;
- the separation of transaction authority from record keeping;
- the use of objective criteria in selecting financial institutions and dealers authorized to provide investment services to the state; and,
- the use of objective criteria in awarding investment purchases and sales to authorized financial institutions and dealers.

Daily reports monitoring investment operations to ensure compliance with the terms of this policy will be produced and provided to staff responsible for oversight of the LGIP.

## **X. External Controls**

As prescribed by RCW 43.09.050, the state auditor will “audit the accounts” and “inspect the books” of the State Treasurer to determine the compliance of investment activities with state statutes and this policy. In addition, the LGIP will contract, through the state auditor’s office, for an outside independent audit of LGIP financial statements.

The market value of the portfolio will be calculated monthly by the master custodian or by an independent pricing service under contract with the State Treasurer’s Office.

This policy will be reviewed/revised at least annually. The State Treasurer will formally approve any changes to this policy after consultation with the LGIP Advisory Committee.

## **XI. Reporting**

In accordance with Washington Administrative Code 210-01-110, each pool participant will be provided a monthly statement of account. In accordance with RCW 43.250.080, the State Treasurer will submit an annual summary of LGIP activity to the governor, the state auditor, and the Joint Legislative Audit and Review Committee.

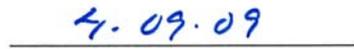
The State Treasurer will prepare semi-annual reports summarizing investment activity and performance of the portfolio. Reports will be distributed to state officials and agencies as appropriate and will be readily available upon request. The reports will include:

- purchases and sales of investments;
- investment income received;
- realized securities gains and losses;
- weighted average maturity of the portfolio;
- portfolio balances, stated at both amortized cost and market value;
- portfolio yields; and,
- portfolio performance compared to the iMoneyNet, Inc. Government Only/Institutional Only Index to be used as a benchmark.

Results comparing LGIP performance to the benchmark will be provided to LGIP participants at least quarterly.



Approved by James L. McIntire, State Treasurer



Date

Effective Date: April 17, 2009

## CHAPTER 43.250 RCW

### INVESTMENT OF LOCAL GOVERNMENT FUNDS

**Sections**

43.250.010	Purpose.
43.250.020	Definitions.
43.250.030	Public funds investment account.
43.250.040	Authority of local government official to place funds in the public funds investment account--Investment of funds by state treasurer--Degree of judgment and care required
43.250.050	Employment of personnel.
43.250.060	Investment pool--Generally.
43.250.070	Investment pool--Separate accounts for participants--Monthly status report.
43.250.080	Annual summary of activity.
43.250.090	Administration of chapter--Rules.

**Notes:**

*Investment accounting: RCW 43.33A.180.*

**RCW 43.250.010 Purpose.**

The purpose of this chapter is to enable political subdivisions, community and technical college districts, the state board for community and technical colleges as established in chapter 28B.50 RCW, and public four-year institutions of higher education to participate with the state in providing maximum opportunities for the investment of surplus public funds consistent with the safety and protection of such funds. The legislature finds and declares that the public interest is found in providing maximum prudent investment of surplus funds, thereby reducing the need for additional taxation. The legislature also recognizes that not all political subdivisions are able to maximize the return on their temporary surplus funds. The legislature therefore provides in this chapter a mechanism whereby political subdivisions, community and technical colleges, the state board for community and technical colleges, and public four-year institutions of higher education may, at their option, utilize the resources of the state treasurer's office to maximize the potential of surplus funds while ensuring the safety of public funds.

[2001 c 31 § 1; 1996 c 268 § 1; 1986 c 294 § 1.]

**RCW 43.250.020 Definitions.**

Unless the context clearly requires otherwise, the definitions in this section shall apply throughout this chapter.

(1) "Public funds investment account" or "investment pool" means the aggregate of all funds as defined in subsection (5) of this section that are placed in the custody of the state treasurer for investment and reinvestment.

(2) "Political subdivision" means any county, city, town, municipal corporation, political subdivision, or special purpose taxing district in the state.

(3) "Local government official" means any officer or employee of a political subdivision who has been designated by statute or by local charter, ordinance, or resolution as the officer having the authority to invest the funds of the political subdivision. However, the county treasurer shall be deemed the only local government official for all political subdivisions for which the county treasurer has exclusive statutory authority to invest the funds thereof.

(4) "Financial officer" means the board-appointed treasurer of a community or technical college district, the state board for community and technical colleges, or a public four-year institution of higher education.

(5) "Funds" means:

(a) Public funds under the control of or in the custody of any local government official or local funds, as defined by the office of financial management publication "Policies, Regulations and Procedures," under the control of or in the custody of a financial officer by virtue of the official's authority that are not immediately required to meet current demands;

(b) State funds deposited in the investment pool by the state treasurer that are the proceeds of bonds, notes, or other evidences of indebtedness authorized by the state finance committee under chapter 39.42 RCW or payments pursuant to financing contracts under chapter 39.94 RCW, when the investments are made in order to comply with the Internal Revenue Code of 1986, as amended.

[2001 c 31 § 2; 1996 c 268 § 2; 1990 c 106 § 1; 1986 c 294 § 2.]

**RCW 43.250.030 Public funds investment account.**

There is created a trust fund to be known as the public funds investment account. The account is to be separately accounted for and invested by the state treasurer. All moneys remitted under this chapter shall be deposited in this account. All earnings on any balances in the public funds investment account, less moneys for administration pursuant to RCW 43.250.060, shall be credited to the public funds investment account.

[1991 sp.s. c. 13 § 86; 1990 c. 106 § 2; 1986 c. 294 § 3.]

**Notes:**

Effective dates--Severability--1991 sp.s. c. 13: See notes following RCW 18.08.240.

**RCW 43.250.040 Authority of official to place funds in the public funds investment account--Investment of funds by state treasurer--Degree of judgment and care required.**

If authorized by statute, local ordinance, or resolution, a local government official or financial officer or his or her designee may place funds into the public funds investment account for investment and reinvestment by the state treasurer in those securities and investments set forth in RCW 43.84.080 and chapter 39.58 RCW. The state treasurer shall invest the funds in such manner as to effectively maximize the yield to the investment pool. In investing and reinvesting moneys in the public funds investment account and in acquiring, retaining, managing, and disposing of investments of the investment pool, there shall be exercised the judgment and care under the circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of the funds considering the probable income as well as the probable safety of the capital.

[2001 c 31 § 3; 1996 c 268 § 3; 1986 c 294 § 4.]

**RCW 43.250.050 Employment of personnel.**

The state treasurer's office is authorized to employ such personnel as are necessary to administer the public funds investment account. The bond of the state treasurer as required by law shall be made to include the faithful performance of all functions relating to the investment pool.

[1986 c. 294 § 5.]

**RCW 43.250.060 Investment pool--Generally.**

The state treasurer shall by rule prescribe the time periods for investments in the investment pool and the procedure for withdrawal of funds from the investment pool. The state treasurer shall promulgate such other rules as are deemed necessary for the efficient operation of the investment pool. The rules shall also provide for the administrative expenses of the investment pool, including repayment of the initial administrative costs financed out of the appropriation included in chapter 294, Laws of 1986, to be paid from the pool's earnings and for the interest earnings in excess of the expenses to be credited or paid to participants in the pool. The state treasurer may deduct the amounts necessary to reimburse the treasurer's office for the actual expenses the office incurs and to repay any funds appropriated and expended for the initial administrative costs of the pool. Any credits or payments to the participants shall be calculated and made in a manner which equitably reflects the differing amounts of the participants' respective deposits in the investment pool fund and the differing period of time for which the amounts were placed in the investment pool.

[1990 c. 106 § 3; 1986 c. 294 § 6.]

**RCW 43.250.070 Investment pool--Separate accounts for participants--Monthly status report.**

The state treasurer shall keep a separate account for each participant having funds in the investment pool. Each separate account shall record the individual amounts deposited in the investment pool, the date of withdrawals, and the earnings credited or paid. The state treasurer shall report monthly the status of the respective account to each participant having funds in the pool during the previous month.

[1990 c. 106 § 4; 1986 c. 294 § 7.]

**RCW 43.250.080 Annual summary of activity.**

At the end of each fiscal year, the state treasurer shall submit to the governor, the state auditor, and the joint legislative audit and review committee a summary of the activity of the investment pool. The summary shall indicate the quantity of funds deposited; the earnings of the pool; the investments purchased, sold, or exchanged; the administrative expenses of the investment pool; and such other information as the state treasurer deems relevant.

[1996 c 288 § 48; 1986 c. 294 § 8.]

**RCW 43.250.090 Administration of chapter--Rules.**

The state finance committee shall administer this chapter and adopt appropriate rules.

[1986 c. 294 § 9.]

## CHAPTER 210-01 WAC LOCAL GOVERNMENT INVESTMENT POOL

### WAC

210-01-010	Promulgation.
210-01-020	Definitions.
210-01-030	Local government ordinance or resolution.
210-01-040	Proper adoption and filing of local government ordinance or resolution.
210-01-050	State treasurer's liability.
210-01-060	Deposit and withdrawal of funds.
210-01-070	Transaction limitation.
210-01-080	Deposit procedures.
210-01-090	Withdrawal procedures.
210-01-100	Interest earnings credit.
210-01-110	Reporting requirements.
210-01-120	Administrative fees.
210-01-130	Portfolio management.

### WAC 210-01-010 Promulgation.

The state finance committee, after due and proper notice, and pursuant to the provisions of chapter 294, Laws of 1986, hereby adopts and promulgates the following rules and regulations, effective July 1, 1986.

[Statutory Authority: 1986 c 294. 86-14-002 (Resolution No. 639), §210-01-010, filed 6/19/86.]

### WAC 210-01-020 Definitions.

Unless the context requires otherwise:

(1) "Local government investment pool" or "pool" means the aggregate of all funds from political subdivisions that are placed in the custody of the state treasurer for investment and reinvestment.

(2) "Pool participant" means any county, city, town, municipal corporation, political subdivision, community and technical college district, the state board for community and technical colleges, or other entities in this state as may be designated by statute.

(3) "Local government official" means any officer or employee of political subdivision who has been designated by statute or by local charter, ordinance, or resolution as the officer having the authority to invest the funds of the political subdivision.

(4) "Financial officer" means the board-appointed treasurer of a community or technical college district or the state board for community and technical colleges.

(5) "Funds" means public funds under the control of or in the custody of any local government official or local funds, as defined by the office of financial management publication "Policies, Regulations and Procedures," under the control of or in the custody of a financial officer by virtue of the official's or financial officer's authority that are not immediately required to meet current demands.

(6) "Financial institution" means a public depository defined in RCW 39.58.010.

[Statutory Authority: Chapter 43.250 RCW and RCW 43.250.090. 98-24-060, § 210-01-020, filed 11/30/98, effective 12/31/98. Statutory Authority: 43.250.090, 43.250.010, [43.250].020 and [43.250].040. 96-18-029, § 210-01-020, filed 8/28/96, effective 9/28/96. Statutory Authority: 1986 c 294. 86-14-002 (Resolution No. 639), § 210-01-020, filed 6/19/86.]

**WAC 210-01-030 Local government ordinance or resolution.**

All government entities participating in the local government investment pool will file with the state treasurer a certified copy of an ordinance or resolution containing the following:

(1) Name and address of entity.

(2) A statement that the governmental entity agrees to deposit or withdraw funds in the local government investment pool in accordance with the provisions of the Washington Administrative Code for the purpose of investment as stated therein.

(3) The names and titles of the officials authorized by this ordinance or resolution to order the deposit or withdrawal of funds in the local government investment pool. No more than two signatures are necessary for this purpose.

[Statutory Authority: Chapter 43.250.090, 43.250.010, [43.250].020 and [43.250].040, 96-18-029, § 210-010-030, filed 8/28/96, effective 9/28/96. Statutory Authority: 1986 c 294. 86-14-002 (Resolution No. 639), § 210-01-030, filed 6/19/86.]

**WAC 210-01-040 Proper adoption and filing of local government ordinance or resolution.**

It shall be the responsibility of local government officials to properly execute and file the resolution or ordinance, described in WAC 210-01-030 with the state treasurer. The state treasurer shall not allow participation in the local government investment pool unless such resolution or ordinance has been filed with the office of state treasurer.

[Statutory Authority: 1986 c 294. 86-14-002 (Resolution No. 639), § 210-01-040, filed 6/19/86.]

**WAC 210-01-050 State treasurer's liability.**

The state treasurer shall not be liable for any damages resulting from misfeasance, malfeasance, nonfeasance, or defalcation on the part of local government officials.

[Statutory Authority: 1986 c 294. 86-14-002 (Resolution No. 639), § 210-01-050, filed 6/19/86.]

**WAC 210-01-060 Deposit and withdrawal of funds.**

The minimum transaction size will be at least five thousand dollars.

[Statutory Authority: 1986 c 294. 86-14-002 (Resolution No. 639), § 210-01-060, filed 6/19/86.]

**WAC 210-01-070 Transaction limitation.**

Each pool participant shall be limited to one transaction per business day. This may be either a deposit to or a withdrawal from the pool.

[Statutory Authority: 1986 c 294. 86-14-002 (Resolution No. 639), § 210-01-070, filed 6/19/86.]

**WAC 210-01-080 Deposit procedures.**

To ensure same day credit, a pool participant must inform the office of the state treasurer of any deposit over one million dollars no later than 9 a.m. on the same day the deposit is made. Deposits for one million dollars or less can be requested at any time prior to 10 a.m. on the day of deposit.

For all other deposits over one million dollars that are requested prior to 10 a.m., a pool participant may receive same day credit at the discretion of the office of the state treasurer, taking into account when notification is received, the amount of the deposit, or any other factor that may affect the office of the state treasurer's ability to accommodate the requested deposit.

All deposits will be made by electronic funds transfer to an account designated by the state treasurer. It is the responsibility of each pool participant to pay any bank charges associated with such electronic transfers to the office of the state treasurer. Failure to wire funds by a pool participant (after notification to the state treasurer of an intended transfer) will result in a bank overdraft in the state treasurer's bank account. Bank penalties for overdrafts will be assessed to those pool participants responsible for the overdraft.

[Statutory Authority: RCW 43.250.090. 09-14-025, § 210-01-080, filed 6/23/09, effective 7/24/09. Statutory Authority: Chapter 43.250 RCW and RCW 43.250.090. 98-24-060, § 210-01-080, filed 11/30/98, effective 12/31/98. Statutory Authority: 1986 c 294. 86-14-002 (Resolution No. 639), § 210-01-080, filed 6/19/86.]

**WAC 210-01-090 Withdrawal procedures.**

A pool participant, in order to withdraw funds from the pool, must notify the office of the state treasurer of any withdrawal over one million dollars no later than 9 a.m. on the same day the withdrawal is made. Withdrawals for one million dollars or less can be requested at any time prior to 10 a.m. on the day of withdrawal.

For all other withdrawals over one million dollars that are requested prior to 10 a.m., a pool participant may receive such withdrawal on the same day it is requested at the discretion of the office of the state treasurer, taking into account when the request is received, the amount of the requested withdrawal, or any other factor that may affect the office of the state treasurer's ability to accommodate the requested withdrawal.

Each local government entity participating in the pool shall file with the state treasurer a letter designating the financial institution at which funds withdrawn from the pool shall be deposited. This letter shall contain the name of the financial institution, location of the financial institution, account number to which funds will be deposited and account name. This letter shall be signed by local officials authorized to receive and disburse funds, as described in WAC 210-01-030. Disbursements from the pool will be by electronic funds transfer. Failure of the state treasurer to wire funds to a pool participant (after proper notification to the state treasurer to disburse funds to a pool participant) may result in a bank overdraft in the pool participant's bank account. The state treasurer will reimburse pool participants for such bank overdraft penalties charged to the pool participant's bank account.

[Statutory Authority: RCW 43.250.090. 09-14-025, § 210-01-090, filed 6/23/09, effective 7/24/09. Statutory Authority: Chapter 43.250 RCW and RCW 43.250.090. 98-24-060, § 210-01-090, filed 11/30/98, effective 12/31/98. Statutory Authority: 1986 c 294. 86-14-002 (Resolution No. 639), § 210-01-090, filed 6/19/86.]

**WAC 210-01-100 Interest earnings credit.**

Interest earnings on funds deposited in the local government investment pool will be credited to each pool participant's account in the pool on the last day of the month in which the interest income was earned. These funds may be left on deposit and earn interest at the discretion of each pool participant.

[Statutory Authority: 1986 c 294. 86-14-002 (Resolution No. 639) § 210-01-100, filed 6/19/86.]

**WAC 210-01-110 Reporting requirements.**

The state treasurer will provide to each pool participant a statement showing that participant's beginning balance, deposits, withdrawals, administrative charges, earnings rate, earnings and ending balance for the calendar month.

[Statutory Authority: 1986 c 294. 86-14-002 (Resolution No. 639), § 210-01-110, filed 6/19/86.]

**WAC 210-01-120 Administrative deductions.**

As authorized in RCW 43.250.060, the state treasurer will require reimbursement for the administration and recovery of costs associated with the operation of the local government investment pool. The deduction for the amount to reimburse the office of the state treasurer will be based on the average daily balance of the funds deposited in the pool. Each participant will reimburse based upon its share of the total pool's assets. The deduction will be expressed as a percentage of the average daily funds on deposit in the pool for a specified period. This reimbursement will be deducted from each participants earnings prior to the credit of those earnings. The administrative deduction will be adjusted to reflect actual experience.

[Statutory Authority: Chapter 43.250 RCW and RCW 43.250.090. 00-07-003, § 210-01-120, filed 3/2/00, effective 4/2/00. Statutory Authority: RCW 43.250.090, 43.250.010, [43.250].020 and [43.250].040. 96-18-029, § 210-01-120, filed 8/28/96, effective 9/28/96. Statutory Authority: 1986 c 294. 86-14-002 (Resolution No. 639), § 210-01-120, filed 6/19/86.]

**WAC 210-01-130 Portfolio management.**

The state treasurer shall have sole responsibility in the setting of investment strategy for the local government investment pool. Any investments made hereunder shall be made with the exercise of that degree of judgment and care, under circumstances then prevailing, which men of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation but for investment, considering the probable income to be derived.

[Statutory Authority: 1986 c 294. 86-14-002 (Resolution No. 639), § 210-01-130, filed 6/19/86.]





**Statistical Section**



**TABLE 1**  
**NET ASSETS**  
**Last Ten Fiscal Years**  
**(expressed in thousands)**

	6/30/2000	6/30/2001	6/30/2002	6/30/2003	6/30/2004	6/30/2005	6/30/2006	6/30/2007	6/30/2008	6/30/2009
<b>Assets</b>										
Investments <sup>1</sup>										
Repurchase Agreements	\$ 1,351,680	\$ 349,858	\$ 458,043	\$ 903,626	\$ 683,906	\$ 1,566,853	\$ 3,280,925	\$ 3,820,672	\$ 215,768	\$ .....
U.S. Agency Securities	1,351,592	3,914,423	3,270,989	3,665,154	3,763,313	2,769,258	1,115,036	1,486,788	5,624,473	4,123,550
U.S. Treasury Securities	56,903	731,377	1,697,798	228,209	351,151	49,766	19,919	149,795	.....	2,922,171
Commercial Paper	520,290	.....	.....	.....	.....	.....	.....	.....	.....	.....
Total (excluding Securities Lending & Securities Purchased or Matured But Not Settled)	3,260,465	4,995,658	5,426,830	4,796,989	4,798,370	4,385,877	4,415,880	5,457,255	5,840,241	7,045,721
Securities Lending Investments <sup>1</sup>	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Repurchase Agreements	.....	311,052	683,155	143,941	298,799	80,899	44,790	91,105	113,595	.....
Total Investments (Settlement Date Basis)	3,260,465	5,306,710	6,109,985	4,940,930	5,097,169	4,466,776	4,460,670	5,548,360	5,953,836	7,045,721
Due from Brokers <sup>1</sup>	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
(Securities Purchased But Not Settled)	445,578	59,469	.....	199,679	449,477	43,661	.....	98,770	.....	.....
U.S. Agency Securities	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
U.S. Treasury Securities	.....	.....	50,934	.....	.....	.....	.....	.....	.....	.....
Due to Brokers <sup>1</sup>	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
(Securities Matured But Not Settled)	.....	.....	(100,000)	.....	.....	.....	.....	.....	.....	.....
U.S. Treasury Securities	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Total Investments (Trade Date Basis)	3,706,043	5,366,179	6,060,919	5,140,609	5,546,646	4,510,437	4,460,670	5,647,130	5,953,836	7,045,721
Other Assets	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Interest Bearing Bank Deposits	.....	.....	.....	267,236	39,820	429,234	674,006	378,726	381,110	302,774
Certificates of Deposit	164,800	124,900	144,050	110,150	105,000	143,250	188,500	255,350	646,350	229,000
Negotiable Order of Withdrawal (NOW) Accounts	.....	.....	.....	.....	.....	.....	.....	.....	.....	1,105,436
Cash	250	.....	.....	10	.....	1	1	.....	105	3,250
Interest Receivable	9,619	13,803	5,753	4,516	4,747	9,086	13,046	21,659	18,655	5,430
Investment Maturities Pending Receivable	.....	.....	100,000	.....	.....	.....	.....	.....	.....	.....
Total Other Assets	174,669	138,703	249,803	381,912	149,567	581,571	875,553	655,735	1,046,220	1,645,891
<b>Total Assets</b>	<b>3,880,712</b>	<b>5,504,882</b>	<b>6,310,722</b>	<b>5,522,521</b>	<b>5,696,213</b>	<b>5,092,008</b>	<b>5,336,223</b>	<b>6,302,865</b>	<b>7,000,056</b>	<b>8,691,612</b>
<b>Liabilities</b>										
Cash Drawn in Excess of Bank Balance	.....	.....	1,999	.....	.....	.....	.....	.....	.....	.....
Accrued Expenses	314	1,336	663	211	413	153	419	750	337	58
Obligations Under Securities Lending Agreements	.....	.....	.....	143,941	298,799	80,899	44,790	91,105	113,595	.....
Securities Sold Under Agreements to Repurchase	.....	.....	.....	.....	.....	.....	.....	.....	.....	199,675
Investment Trades Pending Payable	445,578	59,469	50,939	199,679	449,477	43,903	.....	98,770	.....	.....
<b>Total Liabilities</b>	<b>445,892</b>	<b>371,857</b>	<b>736,757</b>	<b>343,831</b>	<b>748,689</b>	<b>124,955</b>	<b>45,209</b>	<b>190,625</b>	<b>113,932</b>	<b>199,733</b>
<b>Net Assets</b>	<b>\$ 3,434,820</b>	<b>\$ 5,133,025</b>	<b>\$ 5,573,965</b>	<b>\$ 5,178,690</b>	<b>\$ 4,947,524</b>	<b>\$ 4,967,053</b>	<b>\$ 5,291,014</b>	<b>\$ 6,112,240</b>	<b>\$ 6,886,124</b>	<b>\$ 8,491,879</b>

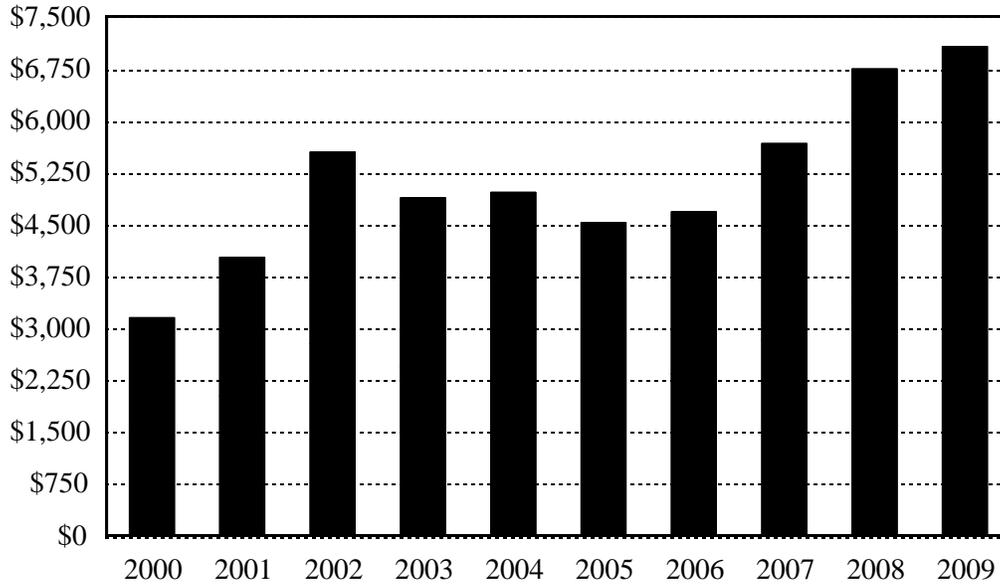
<sup>1</sup> valued at amortized cost

TABLE 2  
CHANGES IN NET ASSETS  
Last Ten Fiscal Years  
(expressed in thousands)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>ADDITIONS</b>										
Contributions from Participants	\$ 10,351,953	\$ 11,840,249	\$ 12,956,626	\$ 12,514,906	\$ 12,262,144	\$ 11,537,145	\$ 12,891,202	\$ 13,138,868	\$ 15,913,825	\$ 18,143,386
Investment Income:										
Investment Earnings	181,081	243,556	145,974	78,111	57,656	103,852	205,216	306,142	277,538	112,859
Less: Expenses	(1,028)	(9,877)	(6,494)	(3,824)	(2,736)	(3,547)	(5,731)	(4,519)	(3,330)	(445)
Total Investment Income	180,053	233,679	139,480	74,287	54,920	100,305	199,485	301,623	274,208	112,414
Miscellaneous	6	5	4	3	2	2	1	4	1	3
<b>Total Additions</b>	10,532,012	12,073,933	13,096,110	12,589,196	12,317,066	11,637,452	13,090,688	13,440,495	16,188,034	18,255,803
<b>DEDUCTIONS</b>										
Distributions to Participants	10,404,888	10,375,222	12,654,682	12,983,913	12,547,682	11,617,385	12,766,205	12,618,725	15,413,583	16,649,428
Administrative Expenses	626	506	488	558	550	538	522	544	567	621
<b>Total Deductions</b>	10,405,514	10,375,728	12,655,170	12,984,471	12,548,232	11,617,923	12,766,727	12,619,269	15,414,150	16,650,049
<b>CHANGE IN NET ASSETS</b>	126,498	1,698,205	440,940	(395,275)	(231,166)	19,529	323,961	821,226	773,884	1,605,755
Net Assets - Beginning of Year	3,308,322	3,434,820	5,133,025	5,573,965	5,178,690	4,947,524	4,967,053	5,291,014	6,112,240	6,886,124
Net Assets - End of Year	\$ 3,434,820	\$ 5,133,025	\$ 5,573,965	\$ 5,178,690	\$ 4,947,524	\$ 4,967,053	\$ 5,291,014	\$ 6,112,240	\$ 6,886,124	\$ 8,491,879

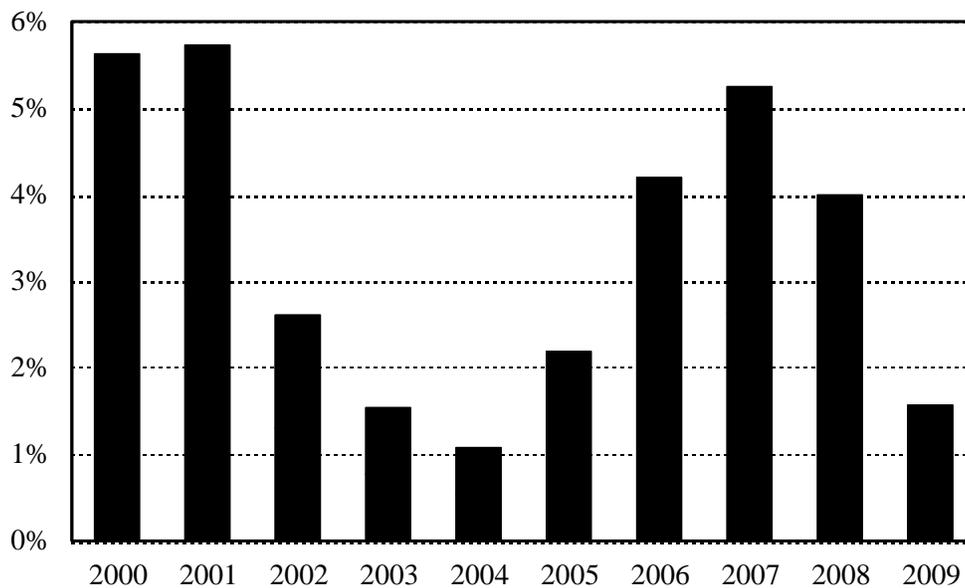
### AVERAGE INVESTED BALANCES

Last Ten Fiscal Years  
(\$ in Millions)

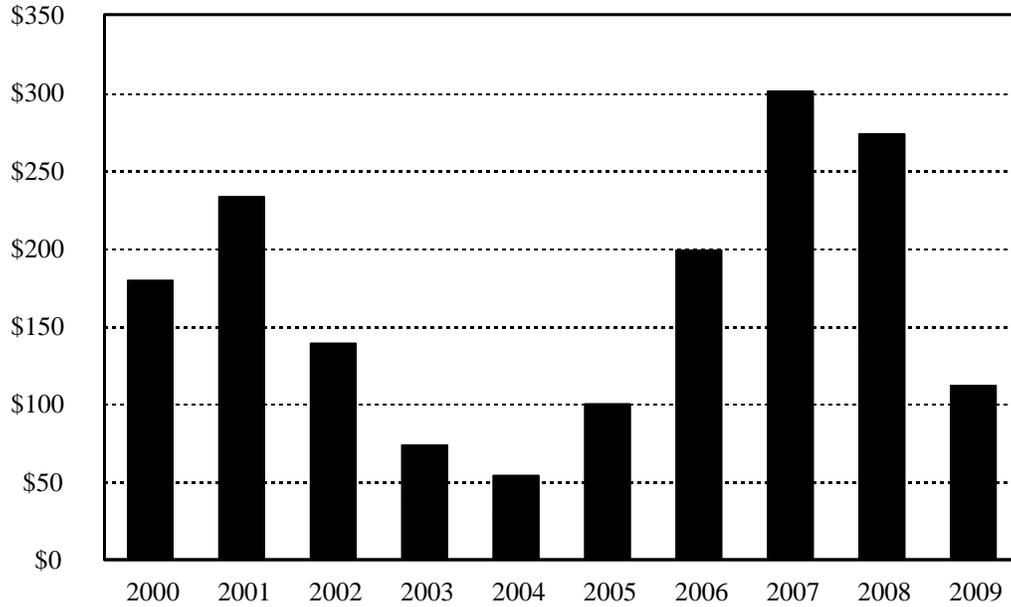


### PORTFOLIO YIELD PERCENTAGE

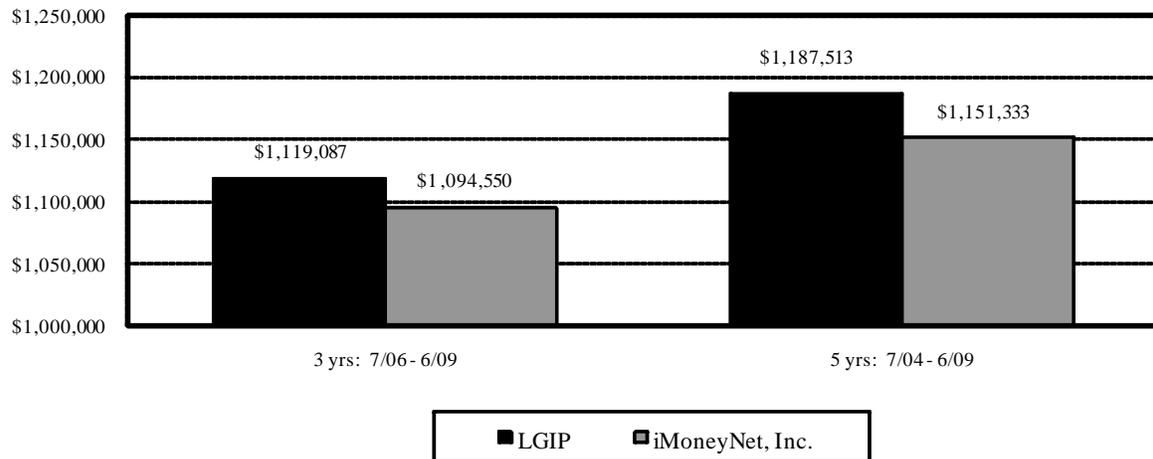
Last Ten Fiscal Years  
(360-Day Basis)



**NET INVESTMENT INCOME**  
 Last Ten Fiscal Years  
 (\$ in Millions)



**LGIP versus iMoneyNet, Inc**  
 \$1 Million Compounded Over 3yrs / 5yrs





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