

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, 2014





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OFFICE OF THE STATE TREASURER

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AN INVESTMENT POOL OF THE STATE OF WASHINGTON

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Report prepared by:

Office of the State Treasurer

James L. McIntire, State Treasurer

Operations Division

Shad Pruitt, Deputy State Treasurer

Darrel Jensen, Accounting Services Director

Cindy Shave, Investment Accounting Manager

Fang Xu, Investment Accountant

Dixie Layman, Investment Accountant

Investment Division

Doug Extine, Deputy State Treasurer

Kari Sample, LGIP Administrator

COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2014

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James L. McIntire
Washington State Treasurer



JAMES L. McINTIRE
State Treasurer

State of Washington
Office of the Treasurer

The Local Government Investment Pool (LGIP) is an optional investment tool available to eligible governmental entities in the state of Washington. The LGIP, operated by the Office of the State Treasurer, was created by the Legislature in 1986 to enable governments to earn a competitive rate of return while maintaining the safety and liquidity of their excess funds.

During Fiscal Year 2014:

- The average balance in the LGIP portfolio was \$10.138 billion maintained by 538 participants.
- The LGIP had an administrative fee of 0.9 basis points. This is the eighth year in a row that the LGIP has charged less than one 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.

I am proud to report the LGIP net rate of return during the fiscal year outperformed its benchmark by ten basis points. The benchmark is the iMoneyNet Government Only / Institutional Only Money Market Funds, which is comprised of privately managed money market funds similar to the LGIP. During the fiscal year, LGIP participants earned \$10 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
Local Government Investment Pool

October 16, 2014

The Honorable Jay Inslee, Governor
The Honorable Troy Kelley, 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, 2014. This report has been prepared by the Office of the State Treasurer (OST) pursuant to 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 both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with OST management. A framework of internal controls has been established by management for this purpose, as well as to ensure information reported in the investment section is reliable. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

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 changes in net position of the LGIP in conformance with generally accepted accounting principles (GAAP). All disclosures necessary to enable the reader to gain an understanding of the LGIP's financial activities have been included. Data presented in the investment section is prepared on a basis consistent with other sections of the report.

The LGIP's financial statements have been audited by Peterson Sullivan LLP, a firm of licensed certified public accountants. The independent auditor concluded the enclosed financial statements are presented fairly in conformance with GAAP. The independent auditors' report is included in the financial section of this report.

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

LGIP Profile

The LGIP, created by the Washington State Legislature in 1986, is managed and operated by OST on behalf of participants. The State Finance Committee administers the statute that created the pool and adopts administrative rules and procedures. In 1995, 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 operates in a fiduciary capacity as an investment pool within the framework of state laws and regulations. The LGIP serves as an investment vehicle for governmental entities. Eligible entities may invest temporary cash surpluses to take advantage of the volume and management expertise of the state's investment program to earn a competitive rate of return while maintaining security and liquidity.

Investment Policies and Practices

The LGIP is considered extremely low risk. Funds are invested in a portfolio of securities in a manner generally consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940 as it currently stands. The portfolio is made up of high-quality, highly liquid securities, with relatively short average maturities to reduce the pool's price sensitivity to market interest rate fluctuations and credit risk. 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 follows the standard of the prudent investor. The objectives of the investment practices, in priority order, are safety, liquidity and return on investment. OST invests cash in excess of the daily liquidity requirements of LGIP participants. Investments authorized by statute include: 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.

Financial and Economic Information

The economic condition of the LGIP is based primarily upon investment earnings. Due to the short-term nature of the portfolio, and the types of investments utilized, yields closely follow the targeted federal funds rate. With \$11.2 billion in assets as of June 30, 2014, the LGIP produced an average monthly portfolio yield of 0.11 percent. The LGIP exceeded its benchmark by ten basis points, resulting in \$10 million in additional interest income for participants.

Fiscal year 2014 was marked by sustained monetary policy by the Federal Open Market Committee (FOMC). The FOMC did not change its target for the federal funds rate from July 2013 through June 2014 stating that inflation has been below its objective, although longer-term inflation expectations have remained stable. The targeted federal funds rate began and ended the fiscal year at 0 to 1/4 percent.

During the period, the FOMC remarked that growth in economic activity has expanded; labor market conditions showed further improvement, but the unemployment rate remained elevated; household spending and business fixed investment advanced, while the recovery in the housing sector remained slow. Furthermore, the FOMC sees risks to the economic outlook and labor market as nearly balanced.

Consistent with its statutory mandate, the FOMC seeks to foster maximum employment and price stability. To support a stronger economic recovery and help ensure that inflation is at the rate most consistent with its mandate, the FOMC purchased agency mortgage-backed securities and longer-term Treasury securities monthly to maintain downward pressure on interest rates and make broader financial conditions more accommodative.

During the first quarter of fiscal year 2015, the FOMC maintained its target for the federal funds rate at 0 to 1/4 percent to support continued progress toward maximum employment and price stability anticipating that it likely will be appropriate to maintain this target range if projected inflation continues to run below two percent, and longer-term inflation expectations remain well anchored.

Major Initiatives

OST continues to explore the feasibility of offering a longer-term investment fund option to LGIP participants, similar to an intermediate bond fund, to complement the current 2a-7 like money market fund option. PFM Asset Management has been retained to provide oversight and guidance for the development and launch of this extended asset fund, as well as assist in the education and outreach to participants. Upon completion of a prospectus and administrative rules, OST expects to begin operation when market conditions, such as the interest rate environment, are conducive.

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 CAFR for the fiscal year ended June 30, 2013. This was the seventeenth 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 Services section 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.

Additional Information

A section of the State Treasurer's website is dedicated to the LGIP, and features information related to performance measures, historical rates, and portfolio holdings. This CAFR, plus additional information for participants and interested parties, may be accessed on the internet at: <http://www.tre.wa.gov/>.

Sincerely,



Shad Pruitt
Deputy State Treasurer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**State of Washington
Local Government Investment
Pool**

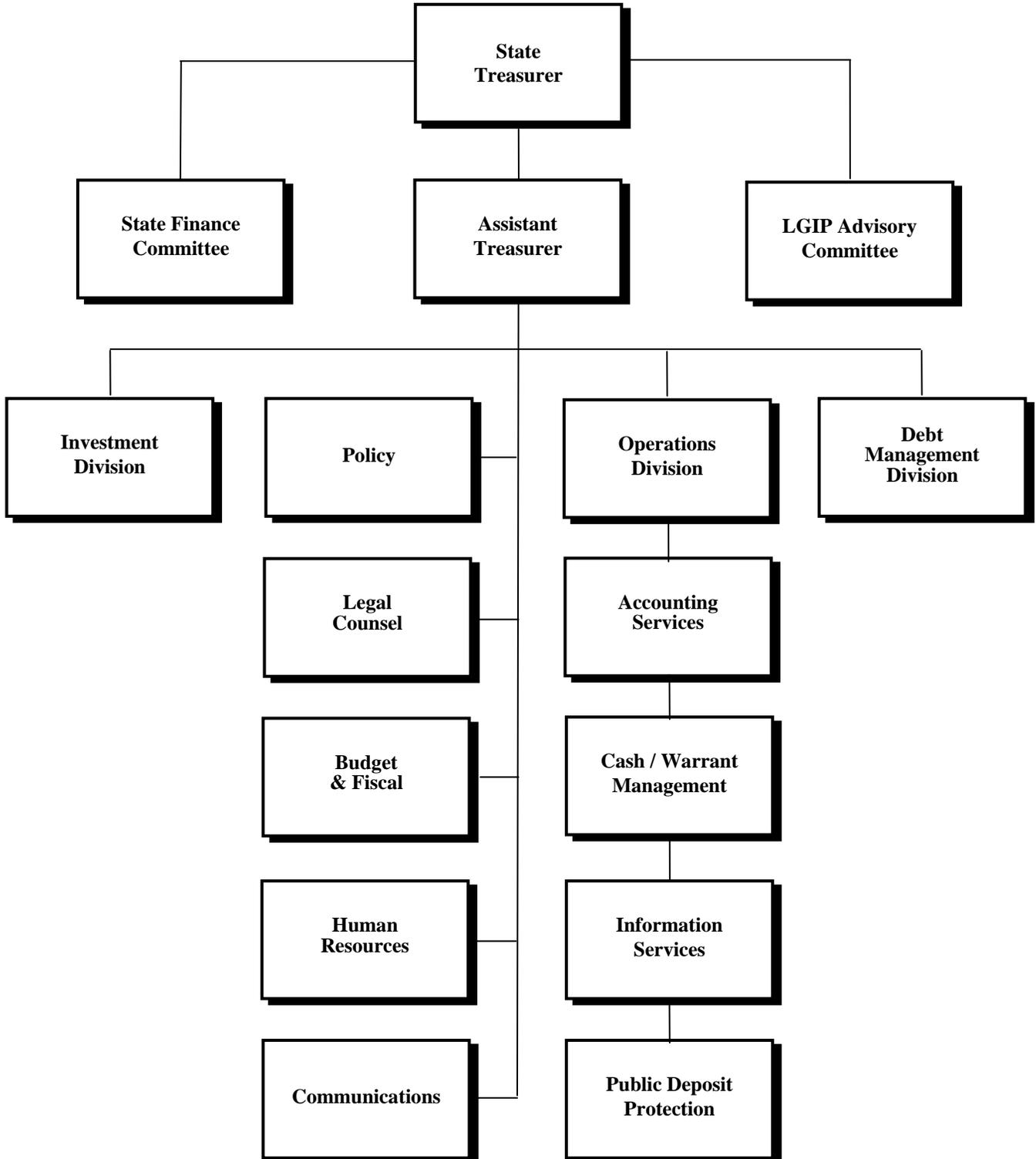
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

ORGANIZATIONAL CHART

Office of the State Treasurer



ADVISORY COMMITTEE
Members

Dani Burton
Treasurer
Klickitat County

Doug Merriman
Finance Director
City of Oak Harbor

Tracy Butler
Treasurer
Sound Transit

Shawn Myers
Treasurer
Thurston County

Meredith Green
Treasurer
Kitsap County

Mary Nelson
Finance Director
Port of Grays Harbor

Toni Habegger
Assistant VP & CFO
Eastern Washington University

Dale Pryor
Deputy Treasurer
Benton County PUD

Carrie Lewellen
Treasurer
City of Vancouver

Jill Stanton
Finance Director
Everett Housing Authority

Jana McQuade
Accounting Manager
City of Poulsbo

Troy Woo
Finance Director
City of Lacey

KEY PERSONNEL
Office of the State Treasurer

James L. McIntire
Treasurer

Wolfgang Opitz
Assistant State Treasurer

Shad Pruitt
Deputy State Treasurer

Doug Extine
Deputy State Treasurer

Darrel Jensen
Accounting Services Director

James Rosenkoetter
Senior Portfolio Manager

Cindy Shave
Investment Accounting Manager

Jill Gravatt
Portfolio Manager

Fang Xu
Investment Accountant

Kari Sample
LGIP Administrator

Dixie Layman
Investment Accountant

Shawn Reed
Portfolio Manager

Amanda Scott
Portfolio Manager

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STATE FINANCE COMMITTEE
Members

James L. McIntire
State Treasurer and Chairman

Jay Inslee
Governor

Brad Owen
Lieutenant Governor

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FINANCIAL SECTION



petersonsullivan LLPCertified Public Accountants
& Advisors**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 position of the State of Washington Local Government Investment Pool ("the LGIP") as of June 30, 2014, and the related statement of changes in net position for the year then ended, and the related notes to the financial statements, which collectively comprise the LGIP's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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An independent firm associated with
MOORE STEPHENS

petersonsullivan LLP**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the LGIP as of June 30, 2014, and the changes in its net position for the year then ended in conformity with accounting principles generally accepted in the United States.

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis preceding the financial statements be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of investments as of June 30, 2014, contained in the investment section, is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of investments is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory, investment (except for the schedule of investments described above), and statistical sections as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



October 16, 2014

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, 2014. Please read this analysis in conjunction with the letter of transmittal and the financial statements that follow.

Financial Highlights

At fiscal year end, the LGIP reported a net position in the amount of \$11.2 billion.

The LGIP's net position increased by \$522.4 million over the previous year.

The LGIP earned \$11.3 million, net of expenses, for pool participants. This was a decrease of \$6.5 million from the previous fiscal year.

Administrative fees were less than one basis point for the eighth consecutive year.

The LGIP's average annualized monthly yield was ten basis points greater than that of its benchmark.

Overview of the Financial Statements

The LGIP invests in a portfolio of securities in a manner generally consistent with Rule 2a-7 money market funds, as currently recognized by the Securities and Exchange Commission. Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities 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 Position, Statement of Changes in Net Position, Notes to the Financial Statements, and the Schedule of Investments. 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. The following is a description of the basic financial statements:

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

Statement of Changes in Net Position - The Statement of Changes in Net Position presents information on how the net position 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.

Net Position

The LGIP experienced an increase in net position of \$522.4 million in 2014. Total assets were higher and liabilities were lower compared to last fiscal year. The LGIP's net position total is a function of several parameters, some of which are independent of the LGIP's performance.

The resulting change in net position can best be explained simply by changes in deposits and withdrawals of the participants in the fund. Since the LGIP is a 100 percent voluntary investment option for eligible 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 percent.

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

	2014	2013	Variance
Pooled Cash and Investments	\$ 11,156,753,761	\$ 10,634,212,993	\$ 522,540,768
Receivables	581,706	713,951	(132,245)
Total Assets	11,157,335,467	10,634,926,944	522,408,523
Liabilities	83,761	89,963	(6,202)
Net Position	\$ 11,157,251,706	\$ 10,634,836,981	\$ 522,414,725

Change in Net Position

Total Investment Income less administrative expenses ("Net Investment Income") decreased 36.5 percent compared to the previous fiscal year. This decline was primarily due to a decrease of six basis points in LGIP's portfolio yield from the previous fiscal year.

Contributions from participants and distributions to participants increased by 47.2 and 60.7 percent, respectively, in comparison to the prior fiscal year. These increases are the result of increased deposit and withdrawal transactional activity for state government funds available for investment in the LGIP.

A summary of the changes in the LGIP's net position is presented below:

	2014	2013	Variance
Contributions from Participants	\$ 25,735,242,074	\$ 17,487,171,053	\$ 8,248,071,021
Distributions to Participants	25,224,106,673	15,700,259,153	9,523,847,520
Net Investment Income	11,279,324	17,758,410	(6,479,086)
Change in Net Position	\$ 522,414,725	\$ 1,804,670,310	\$ (1,282,255,585)

Average Annualized Monthly Yield

The average annualized monthly yield represents the annualized percent return of LGIP investments based on the average invested balance for the month. The average annualized monthly 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 Federal Funds rate during that time period. The targeted Federal 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 portfolio, and the types of investments utilized, LGIP yields will closely follow the targeted Federal Funds rate.

The most informative 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 Government Only / Institutional Only Money Market Funds. This benchmark is comprised of privately managed money market funds similar in portfolio composition and investment guidelines to the LGIP. The LGIP net yield during the fiscal year was ten basis points higher than that of the benchmark. The LGIP continues to be a sound investment option for eligible governments, obtaining a competitive yield while preserving principal and liquidity.

The following table shows an average of the annualized monthly portfolio yields for each of the last five fiscal years.

	Average Annualized Monthly Yields				
	2010	2011	2012	2013	2014
LGIP	0.36%	0.23%	0.14%	0.17%	0.11%
iMoneyNet	0.03%	0.02%	0.01%	0.01%	0.01%
Targeted Federal Funds	0% - 0.25%	0% - 0.25%	0% - 0.25%	0% - 0.25%	0% - 0.25%

STATEMENT OF NET POSITION

June 30, 2014

ASSETS

Investments, at fair value:

U.S. Agency Securities	\$ 8,286,216,764
Repurchase Agreements	1,200,000,000
U.S. Treasury Securities	649,887,158
Interest Bearing Bank Deposits	856,266,682
Negotiable Order of Withdrawal (NOW) Accounts	101,932,561
Time Certificate of Deposit (TCD) Investment Program	35,950,000
Certificates of Deposit	<u>26,500,000</u>
Total Investments	<u>11,156,753,165</u>

Other Assets:

Interest Receivable	581,706
Cash	<u>596</u>
Total Other Assets	<u>582,302</u>
Total Assets	<u>11,157,335,467</u>

LIABILITIES

Accrued Expenses	<u>83,761</u>
Total Liabilities	<u>83,761</u>

NET POSITION

Held in Trust for Pool Participants	<u>\$ 11,157,251,706</u>
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The notes to the financial statements are an integral part of this statement.

STATEMENT OF CHANGES IN NET POSITION

For the Fiscal Year Ended June 30, 2014

ADDITIONS

Contributions from Participants	\$ 25,735,242,074
Investment Income:	
Investment Earnings	12,253,834
Less: Expenses	(62,811)
Total Investment Income	12,191,023
Miscellaneous	123
Total Additions	25,747,433,220

DEDUCTIONS

Distributions to Participants	25,224,106,673
Administrative Expenses	911,822
Total Deductions	25,225,018,495

Change in Net Position	522,414,725
Net Position – Beginning of Year	10,634,836,981
Net Position – End of Year	\$ 11,157,251,706

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, 2014

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 accounting policies follow:

A. 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 eligible governmental entities as defined by Revised Code of Washington (RCW) 43.250.020. Participation 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 the policy 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 State Treasurer and designated investment officers adhere to all restrictions on the investment of funds established by law and policy.

The LGIP portfolio is invested in a manner generally consistent with Rule 2a-7 money market funds, as currently 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.

The LGIP is reported as a fiduciary fund in the state of Washington's Comprehensive Annual Financial Report. 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.

B. Financial Statements

The LGIP presents two basic financial statements: the Statement of Net Position and the Statement of Changes in Net Position. These statements report information on all fiduciary activities.

C. Measurement Focus and Basis of Accounting

The LGIP is accounted for using the economic resources measurement focus. With this measurement focus, all assets and liabilities are included on the Statement of Net Position. Operating statements present additions and deductions in total net position. Net position is held in trust for pool participants.

The LGIP is reported using 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.

Security transactions are reported on a trade date basis in accordance with GAAP. At fiscal year end, there were no pending trades.

D. Other Information

Investment Objectives

The objectives of the LGIP investment policy, in priority order, are safety, liquidity and return on investment. Safety of principal is the primary objective. Investments are undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio. The investment portfolio is liquid to enable the State Treasurer to meet all cash requirements that might be reasonably anticipated. The LGIP is structured with the objective of attaining a market rate of return throughout the budgetary and economic cycles, commensurate with the investment risk parameters and cash flow characteristics of the pool.

Investment Restrictions

To provide for safety and liquidity of funds, the LGIP policy is to invest in only those high-quality, short-term instruments authorized by statute. Investments are restricted to fixed rate securities that mature in 397 days or less, except for securities utilized in repurchase agreements and U.S. government floating or variable rate notes which may have a maximum maturity of 762 days, provided they have reset dates within one year and that on any reset date can reasonably be expected to have a fair value that approximates their amortized cost. The weighted average maturity of the portfolio will not exceed 60 days, and a weighted average life will not exceed 120 days. The State Treasurer has the sole responsibility to set investment strategy for the LGIP.

Valuation

Investments, other than bank deposits, are stated at fair value, which is the same as amortized cost. Bank deposits are stated at fair value, which is the same as historical cost.

Administrative Expenses / Fees

OST oversees the operations of the LGIP and provides portfolio management and record keeping services. The costs for these services, including professional, custodial, and other operating costs, are accrued and charged as an expense. Administrative expenses applied to this fiscal year were \$911,822.

To recover costs associated with the pool's operation, each participant is assessed a fee in accordance with Washington Administrative Code (WAC) 210-10-100. This administrative fee is based on an estimate of the annual administrative expenses. Estimates are reviewed periodically and the fee is adjusted as necessary. The fee for the fiscal year was 0.009 percent of each participant's average daily balance of funds in the LGIP.

Penalties

Overdraft penalties result from a pool participant's failure to wire funds after notifying the State Treasurer of an intended transfer. Charges, reported as Miscellaneous income, assessed to participants responsible for overdrafts totaled \$123 for the fiscal year.

Income Distribution

Net earnings are allocated to each LGIP account on a daily basis and credited to the account at the end of the month. On a daily basis, the total earnings, less the administrative fee, are allocated to the participants based on their pro rata share of the total deposits in the LGIP on that day.

Participant Transactions

Participants may contribute and withdraw funds on a daily basis. Participants must inform OST of any contribution or withdrawal over one million dollars no later than 9 a.m. on the same day the transaction is made. Contributions or withdrawals for one million dollars or less can be requested at any time prior to 10 a.m. on the day of the transaction. However, participants may complete transactions greater than one million dollars when notification is made between 9 a.m. and 10 a.m., at the sole discretion of OST. All participants are required to file with the State Treasurer documentation containing the names and titles of the officials authorized to contribute or withdraw funds.

Custodian

Citibank, N.A. provided securities lending services for the LGIP and served as securities custodian, maintaining custody of all investments other than deposits with qualified public depositories.

Risk Management

The state of Washington operates a self-insurance 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's 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 liabilities arising from employee bonds, and to limit the exposure to catastrophic losses. Otherwise, the self-insurance liability program services all claims against the state for injuries and property damage to third parties. The OST participates in the self-insurance liability program.

NOTE 2 – INVESTMENTS AND DEPOSITS

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, and 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 of investments are as follows:

Investment Type	Ratings		Fair Value
	Moody's	S&P	
Repurchase Agreements	AAA	AA+	\$ 1,200,000,000
U.S. Treasury Securities ^[1]			
U.S. Treasury Bills	AAA	AA+	349,930,086
U.S. Treasury Floating Rate Notes	AAA	AA+	299,957,072
			649,887,158
U.S. Agency Securities			
Federal Home Loan Bank	AAA	AA+	7,089,561,375
Federal Home Loan Mortgage Corporation	AAA	AA+	99,959,410
Federal Farm Credit Bank	AAA	AA+	996,740,407
Federal National Mortgage Association	AAA	AA+	99,955,572
			8,286,216,764
Total			\$ 10,136,103,922

^[1] U.S. Treasury issues are explicitly guaranteed by the United States government and are not subject to credit risk.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event a depository institution or counterparty fails, the LGIP will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party.

Collateral protection is administered 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 comprised of securities pledged to secure uninsured public deposits. Pledged securities are held by the PDPC's agent in the name of the collateral pool.

Investments held as deposits in financial institutions are insured by the Federal Deposit Insurance Corporation and / or collateralized.

The LGIP investment policy requires that securities purchased by the office 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 LGIP's exposure to risk and insure the safety of the investment. All securities utilized in repurchase agreements were rated AAA by Moody's and AA+ by Standard & Poor's. The fair value of securities utilized in repurchase agreements must be at least 102 percent 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 LGIP mitigates concentration of credit risk by limiting the purchase of securities of any one issuer, with the exception of U.S. Treasury and U.S. Agency securities, to no more than five percent of the portfolio.

Repurchase agreements comprise 10.8 percent of the total portfolio. The LGIP limits the securities utilized in repurchase agreements to U.S. Treasury and U.S. Agency securities. The

LGIP requires delivery of all securities utilized in repurchase agreements and the securities are priced daily.

At fiscal year end, U.S. Treasury securities comprised 5.8 percent of the total portfolio. U.S. Agency securities comprised 74.3 percent of the total portfolio, including Federal Home Loan Bank (63.6 percent), Federal Home Loan Mortgage Corporation (0.9 percent), Federal Farm Credit Bank (8.9 percent), and Federal National Mortgage Association (0.9 percent).

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 invested in a manner generally consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940, i.e., money market funds, as it currently stands. Much of the Rule 2a-7 investment guidelines are directed towards limiting interest rate risk, in order to maintain a stable net asset value. As of June 30, the LGIP had a weighted average maturity of 30 days and a weighted average life of 85 days. The following schedule presents the investments and related maturities as of the end of the fiscal year.

Investment Type	Fair Value	Maturity	
		Less Than 1 Year	1-5 Years
U.S. Agency Securities	\$ 8,286,216,764	\$ 7,667,646,346	\$ 618,570,418
Repurchase Agreements	1,200,000,000	1,200,000,000	
Interest Bearing Bank Deposits	856,266,682	856,266,682	
U.S. Treasury Securities	649,887,158	349,930,086	299,957,072
Negotiable Order of Withdrawal Accounts	101,932,561	101,932,561	
Time Certificate of Deposit Program	35,950,000	35,950,000	
Certificates of Deposit	26,500,000	26,500,000	
Total	\$ 11,156,753,165	\$ 10,238,225,675	\$ 918,527,490

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 has contracted with Citibank, N.A. as a lending agent to lend securities and receives a share of income earned from 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. Cash collateral received from the lending of non coupon-bearing securities shall not be valued at less than 102 percent of fair value, not to exceed par.

The cash is invested by the lending agent 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. One option available to the lending agent is to invest cash collateral with the LGIP. Maturities of investments made with cash collateral are generally matched to maturities of securities loaned.

Securities lent (the underlying securities) are reported as assets in the Statement of Net Position. 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 only if the borrower defaults. Liabilities resulting from these transactions are reported in the Statement of Net Position. 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.

During the fiscal year, the LGIP lent U.S. Agency and Treasury securities. Cash collateral was reinvested in repurchase agreements and interest bearing bank deposits. At fiscal year end, there were no securities on loan.

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 the fiscal year, the LGIP had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts borrowers owed the LGIP. Furthermore, contracts require the lending agent to indemnify the LGIP if borrowers fail to return securities and 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 percent of the total portfolio.

There were no violations of legal or contractual provisions and no losses resulting from a default of a borrower or lending agent during the fiscal year.

Repurchase Agreements

The fair 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 fair value, plus accrued income, of all other securities utilized in 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. At fiscal year end, repurchase agreements totaled \$1,200,000,000.

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. During the fiscal year, the LGIP did not enter into any reverse repurchase agreements.

NOTE 3 – SUMMARY OF ACTIVITY

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

	FY 2014
Investments Purchased	\$ 128,312,368,689
Investments Sold	\$ 30,073,234,697
Investments Matured	\$ 97,721,262,684
Net Investment Income	\$ 11,279,324
Administrative Expenses	\$ 911,822
Average Annualized Monthly Yield	0.11 percent
Weighted Average Maturity	30 days
Weighted Average Life	85 days
Participant Contributions	\$ 25,735,242,074
Participant Distributions	\$ 25,224,106,673



INVESTMENT SECTION



OVERVIEW

Administration

The pool was created by the Washington State Legislature in 1986 to provide a mechanism whereby eligible governmental entities, 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.

The reports on investment activities are prepared by staff of the LGIP. The basis of presentation for data reported in the investment section is a time-weighted rate of return methodology.

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 invested in a manner generally consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940, i.e., money market funds, as it currently stands.

Participants are offered 100% liquidity on a daily basis, provided notification is made within specified times. Net earnings are allocated to each LGIP account on a daily basis and credited to the account at the end of the month. On a daily basis, the total earnings, less the administrative fee, are allocated to the participants based on their pro rata share of the total deposits in the LGIP on that day. The administrative fee is based on an estimate of the annual administrative expenses. Estimates are reviewed periodically and the fee is adjusted as necessary.

LGIP Performance

Because the LGIP portfolio is invested in a manner generally consistent with a 2a-7 money market fund, and the administrative fees charged are low, i.e., 0.9 basis points for the fiscal year, the net return of the LGIP closely follows the targeted federal funds rate. Accordingly, the net return during the fiscal year ranged from 0.087 – 0.128 percent, reflecting a targeted federal funds rate that ranged from 0.00 – 0.25 percent during the period. The general management strategy in effect for much of the fiscal year was to maintain a slightly longer than neutral weighted average maturity.

Monthly statements are produced and distributed to participants, along with an enclosure containing various statistical information, such as 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 a group of Government Only / Institutional Only Funds provided by iMoneyNet. This group of Rule 2a-7 money market funds, which have similar investment parameters, 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 managers.

Investment Risk Profile

The Local Government Investment Pool is considered extremely low risk. As the pool invests in a portfolio of securities in a manner generally consistent with the Securities and Exchange Commission's Rule 2a-7 of the Investment Company Act of 1940, as it currently stands, 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 in accordance with policy.

The investment activity is guided by an investment policy, which sets forth the parameters within which the portfolio managers may operate. The policy, which was approved by the State Treasurer, is reviewed annually and updated as necessary. Compliance with the policy is monitored by the investment accounting staff within the operations 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.

Investment Results

The following schedule of investment results presents the annualized gross rate of return for each major category of investments and for the portfolio as a whole versus the benchmark indices.

Investment Type	Gross Rates of Return ^[1]		
	1 Year	3 Year	5 Year
U.S. Agency Securities ^[2]	0.10%	0.14%	0.21%
U.S. Treasury Securities ^[2]	0.13%	0.18%	0.25%
Repurchase Agreements	0.07%	0.11%	0.13%
Floating / Variable Rate Notes	0.20%	0.27%	0.37%
Bank Deposits	0.19%	0.22%	0.28%
Total Portfolio	0.12%	0.16%	0.23%
Investment Benchmark iMoneyNet	0.01%	0.01%	0.02%

^[1] Returns are calculated based on a time-weighted methodology gross of all fees and expenses

^[2] Excludes Floating / Variable Rate Notes

SCHEDULE OF INVESTMENTS

June 30, 2014

(expressed in thousands)

Principal	Description	Date of Maturity	Yield Percentage	Amortized Cost
U.S. AGENCY SECURITIES (74.3% of Total Portfolio)				
U.S. Agency Discount Notes				
\$ 50,000	Federal Home Loan Bank	07/02/2014	0.1288	\$ 50,000
29,000	Federal Home Loan Bank	07/02/2014	0.1217	29,000
100,000	Federal Home Loan Bank	07/02/2014	0.0639	100,000
300,000	Federal Home Loan Bank	07/02/2014	0.0568	300,000
51,000	Federal Home Loan Bank	07/07/2014	0.0608	51,000
100,000	Federal Home Loan Bank	07/07/2014	0.0568	99,999
200,000	Federal Home Loan Bank	07/07/2014	0.0583	199,998
150,000	Federal Home Loan Bank	07/07/2014	0.0568	149,999
100,000	Federal Home Loan Bank	07/09/2014	0.0507	99,999
100,000	Federal Home Loan Bank	07/09/2014	0.0507	99,999
200,000	Federal Home Loan Bank	07/11/2014	0.0578	199,997
50,000	Federal Home Loan Bank	07/11/2014	0.0578	49,999
77,000	Federal Home Loan Bank	07/11/2014	0.0578	76,999
150,000	Federal Home Loan Bank	07/11/2014	0.0578	149,998
100,000	Federal Home Loan Bank	07/16/2014	0.0608	99,998
100,000	Federal Home Loan Bank	07/16/2014	0.0608	99,998
100,000	Federal Home Loan Bank	07/16/2014	0.0608	99,998
229,000	Federal Home Loan Bank	07/16/2014	0.0608	228,994
25,000	Federal Farm Credit Bank	07/18/2014	0.0608	24,999
50,000	Federal Home Loan Bank	07/18/2014	0.0659	49,999
200,000	Federal Home Loan Bank	07/18/2014	0.0598	199,994
29,000	Federal Home Loan Bank	07/18/2014	0.0608	28,999
29,000	Federal Home Loan Bank	07/18/2014	0.0608	28,999
200,000	Federal Home Loan Bank	07/18/2014	0.0558	199,995
100,000	Federal Home Loan Bank	07/23/2014	0.0608	99,996
100,000	Federal Home Loan Bank	07/23/2014	0.0608	99,996
61,000	Federal Home Loan Bank	07/23/2014	0.0608	60,998
100,000	Federal Home Loan Bank	07/23/2014	0.0507	99,997
100,000	Federal Home Loan Bank	07/23/2014	0.0507	99,997
51,000	Federal Home Loan Bank	07/25/2014	0.0588	50,998
100,000	Federal Home Loan Bank	07/25/2014	0.0578	99,996
100,000	Federal Home Loan Bank	07/25/2014	0.0588	99,996
100,000	Federal Home Loan Bank	07/25/2014	0.0588	99,996
60,210	Federal Home Loan Bank	07/25/2014	0.0507	60,208
200,000	Federal Home Loan Bank	07/30/2014	0.0568	199,991

(continued)

SCHEDULE OF INVESTMENTS

June 30, 2014

(expressed in thousands)

Principal	Description	Date of Maturity	Yield Percentage	Amortized Cost
100,000	Federal Home Loan Bank	07/30/2014	0.0578	99,995
100,000	Federal Home Loan Bank	07/30/2014	0.0568	99,996
100,000	Federal Home Loan Bank	08/01/2014	0.1116	99,991
95,000	Federal Home Loan Bank	08/01/2014	0.0608	94,995
100,000	Federal Home Loan Bank	08/01/2014	0.0608	99,995
100,000	Federal Home Loan Bank	08/06/2014	0.1167	99,989
50,000	Federal Home Loan Bank	08/06/2014	0.0608	49,997
50,000	Federal Home Loan Bank	08/08/2014	0.0619	49,997
50,000	Federal Home Loan Bank	08/08/2014	0.0608	49,997
100,000	Federal Home Loan Bank	08/08/2014	0.0608	99,994
200,000	Federal Home Loan Bank	08/20/2014	0.1014	199,972
74,000	Federal Home Loan Bank	08/20/2014	0.0608	73,994
100,000	Federal Home Loan Bank	08/20/2014	0.0588	99,992
55,000	Federal Home Loan Bank	08/20/2014	0.0608	54,995
40,000	Federal Home Loan Bank	08/22/2014	0.0994	39,994
54,000	Federal Home Loan Bank	08/22/2014	0.0608	53,995
53,000	Federal Home Loan Bank	08/22/2014	0.0608	52,995
100,000	Federal Home Loan Bank	08/27/2014	0.0933	99,985
150,000	Federal Home Loan Bank	08/27/2014	0.0629	149,985
99,000	Federal Home Loan Bank	08/27/2014	0.0290	98,990
50,000	Federal Home Loan Bank	08/29/2014	0.0943	49,992
100,000	Federal Home Loan Bank	08/29/2014	0.0608	99,990
25,000	Federal Farm Credit Bank	09/12/2014	0.1522	24,992
50,000	Federal Home Loan Bank	09/12/2014	0.0994	49,990
50,000	Federal Home Loan Bank	09/12/2014	0.0964	49,990
100,000	Federal Home Loan Bank	09/17/2014	0.0862	99,982
100,000	Federal Home Loan Bank	09/17/2014	0.0872	99,981
94,937	Federal Home Loan Bank	09/19/2014	0.0811	94,920
125,000	Federal Home Loan Bank	09/19/2014	0.0811	124,978
15,000	Federal Home Loan Bank	09/24/2014	0.0801	14,997
100,000	Federal Home Loan Bank	09/24/2014	0.0913	99,979
45,000	Federal Home Loan Bank	09/26/2014	0.0801	44,991
100,000	Federal Home Loan Bank	09/29/2014	0.0710	99,983
50,000	Federal Home Loan Bank	10/31/2014	0.0811	49,986
50,000	Federal Home Loan Bank	10/31/2014	0.0811	49,986
50,000	Federal Home Loan Bank	11/05/2014	0.0811	49,986
100,000	Federal Home Loan Bank	11/07/2014	0.0811	99,971
25,000	Federal Home Loan Bank	11/17/2014	0.1573	24,985

(continued)

SCHEDULE OF INVESTMENTS

June 30, 2014

(expressed in thousands)

Principal	Description	Date of Maturity	Yield Percentage	Amortized Cost
23,000	Federal Home Loan Bank	11/21/2014	0.0811	22,993
25,000	Federal National Mortgage Association	12/01/2014	0.1726	24,982
25,000	Federal National Mortgage Association	12/01/2014	0.1726	24,982
76,000	Federal Home Loan Bank	12/10/2014	0.0913	75,969
50,000	Federal Home Loan Mortgage Corporation	12/15/2014	0.1777	49,959
50,000	Federal Home Loan Bank	02/17/2015	0.1116	49,965
\$ 7,040,147				\$ 7,039,501
U.S. Agency Floating Rate Notes				
\$ 50,000	Federal Farm Credit Bank	07/10/2014	0.1696	\$ 50,000
25,200	Federal Farm Credit Bank	07/21/2014	0.1700	25,200
25,000	Federal Farm Credit Bank	08/01/2014	0.2400	25,000
50,000	Federal Farm Credit Bank	10/23/2014	0.1900	49,998
50,000	Federal Home Loan Bank	08/19/2015	0.2250	49,986
50,000	Federal Home Loan Bank	10/01/2015	0.2204	49,993
50,000	Federal Farm Credit Bank	10/26/2015	0.1400	50,007
25,000	Federal Farm Credit Bank	12/02/2015	0.2049	24,998
50,000	Federal Farm Credit Bank	12/18/2015	0.1799	49,993
50,000	Federal Farm Credit Bank	01/04/2016	0.2050	50,004
\$ 425,200				\$ 425,179
U.S. Agency Variable Rate Notes				
\$ 50,000	Federal Farm Credit Bank	09/24/2014	0.1951	\$ 49,999
28,000	Federal Farm Credit Bank	09/24/2014	0.1950	27,999
25,000	Federal Farm Credit Bank	01/16/2015	0.1500	24,999
50,000	Federal Farm Credit Bank	02/05/2015	0.1354	49,997
50,000	Federal National Mortgage Association	02/27/2015	0.1458	49,992
50,000	Federal Farm Credit Bank	03/11/2015	0.1423	49,993
25,000	Federal Farm Credit Bank	03/26/2015	0.1352	24,998
25,000	Federal Farm Credit Bank	04/01/2015	0.1650	25,000
25,000	Federal Farm Credit Bank	04/13/2015	0.1426	24,997
25,000	Federal Farm Credit Bank	05/18/2015	0.1351	24,998
25,000	Federal Farm Credit Bank	05/21/2015	0.1552	24,998
50,000	Federal Farm Credit Bank	05/28/2015	0.1450	49,991
50,000	Federal Farm Credit Bank	06/05/2015	0.1547	49,986
25,000	Federal Farm Credit Bank	08/05/2015	0.1750	24,997
25,000	Federal Farm Credit Bank	08/05/2015	0.1750	24,997
50,000	Federal Farm Credit Bank	10/01/2015	0.1652	49,994

(continued)

SCHEDULE OF INVESTMENTS

June 30, 2014

(expressed in thousands)

Principal	Description	Date of Maturity	Yield Percentage	Amortized Cost
43,595	Federal Farm Credit Bank	10/01/2015	0.1500	43,598
50,000	Federal Home Loan Mortgage Corporation	11/25/2015	0.1420	50,000
50,000	Federal Home Loan Bank	12/16/2015	0.1650	50,000
50,000	Federal Home Loan Bank	01/15/2016	0.1467	49,996
\$ 50,000	Federal Farm Credit Bank	02/10/2016	0.1437	\$ 50,008
\$ 821,595				\$ 821,537
\$ 8,286,942	TOTAL U.S. AGENCY SECURITIES			\$ 8,286,217
REPURCHASE AGREEMENTS (10.8% of Total Portfolio)				
\$ 400,000	Scotia Capital	07/01/2014	0.0600	\$ 400,000
100,000	Societe Generale	07/01/2014	0.0800	100,000
400,000	Jefferies and Complan, Inc.	07/01/2014	0.1200	400,000
100,000	UBS Warburg	07/01/2014	0.0500	100,000
200,000	Scotia Capital	07/15/2014	0.0900	200,000
\$ 1,200,000	TOTAL REPURCHASE AGREEMENTS			\$ 1,200,000
U.S. TREASURY SECURITIES (5.8% of Total Portfolio)				
U.S. Treasury Bills				
\$ 50,000	U.S. Treasury Bills	09/11/2014	0.0830	\$ 49,992
50,000	U.S. Treasury Bills	09/11/2014	0.0880	49,991
50,000	U.S. Treasury Bills	09/11/2014	0.0840	49,992
50,000	U.S. Treasury Bills	09/18/2014	0.0830	49,991
50,000	U.S. Treasury Bills	09/25/2014	0.0860	49,990
50,000	U.S. Treasury Bills	09/25/2014	0.0830	49,990
50,000	U.S. Treasury Bills	12/18/2014	0.0679	49,984
\$ 350,000				\$ 349,930
U.S. Treasury Floating Rate Notes				
\$ 50,000	U.S. Treasury Floating Rate Notes	01/31/2016	0.1090	\$ 49,985
50,000	U.S. Treasury Floating Rate Notes	01/31/2016	0.1120	49,982
50,000	U.S. Treasury Floating Rate Notes	01/31/2016	0.1140	49,981
50,000	U.S. Treasury Floating Rate Notes	04/30/2016	0.0880	50,001
50,000	U.S. Treasury Floating Rate Notes	04/30/2016	0.0880	50,005
50,000	U.S. Treasury Floating Rate Notes	04/30/2016	0.0910	50,003
\$ 300,000				\$ 299,957
\$ 650,000	TOTAL U.S. TREASURY SECURITIES			\$ 649,887

(continued)

SCHEDULE OF INVESTMENTS

June 30, 2014

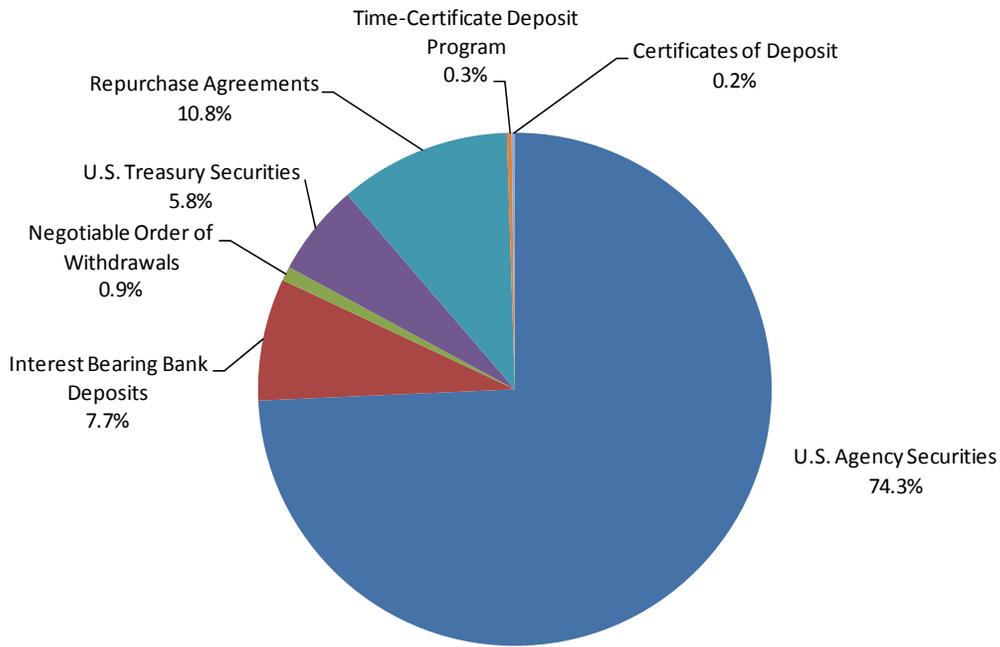
(expressed in thousands)

Face Amount	Issuer	Date of Maturity	Yield Percentage	Historical Cost
CERTIFICATES OF DEPOSIT (0.2% of Total Portfolio)				
\$ 1,500	Liberty Bay Bank	09/16/2014	0.3900	\$ 1,500
25,000	East West Bank	09/26/2014	0.3500	25,000
\$ 26,500	TOTAL CERTIFICATES OF DEPOSIT			\$ 26,500
INTEREST BEARING BANK DEPOSITS (7.7% of Total Portfolio)				
\$ 176,954	U.S. Bank National Association	---	0.0500	\$ 176,954
280,674	KeyBank National Association	---	0.1000	280,674
2,582	Coastal Community Bank	---	0.5000	2,582
346,031	Umpqua Bank	---	0.2500	346,031
\$ 50,026	Washington Federal, N.A.	---	0.2000	\$ 50,026
\$ 856,267	TOTAL INTEREST BEARING BANK DEPOSITS			\$ 856,267
NEGOTIABLE ORDER OF WITHDRAWAL (NOW) ACCOUNTS (0.9% of Total Portfolio)				
\$ 40,343	Union Bank, N.A.	---	0.2000	\$ 40,343
61,589	East West Bank	---	0.1450	61,589
\$ 101,932	TOTAL NOW ACCOUNTS			\$ 101,932
TIME CERTIFICATE OF DEPOSIT (TCD) INVESTMENT PROGRAM (0.3% of Total Portfolio)				
\$ 4,150	Anchor Bank	07/10/2014	0.3900	\$ 4,150
7,500	East West Bank	07/10/2014	0.3900	7,500
4,150	First Federal Savings & Loan Association	07/10/2014	0.3900	4,150
2,175	Liberty Bay Bank	07/10/2014	0.3900	2,175
2,175	Plaza Bank	07/10/2014	0.3900	2,175
4,150	Thurston First Bank	07/10/2014	0.3900	4,150
4,150	UniBank	07/10/2014	0.3900	4,150
\$ 7,500	Yakima Federal Savings & Loan Association	07/10/2014	0.3900	\$ 7,500
\$ 35,950	TOTAL TCD INVESTMENT PROGRAM			\$ 35,950
\$ 11,157,591	TOTAL INVESTMENTS			\$ 11,156,753

(concluded)

DISTRIBUTION BY INVESTMENT TYPE

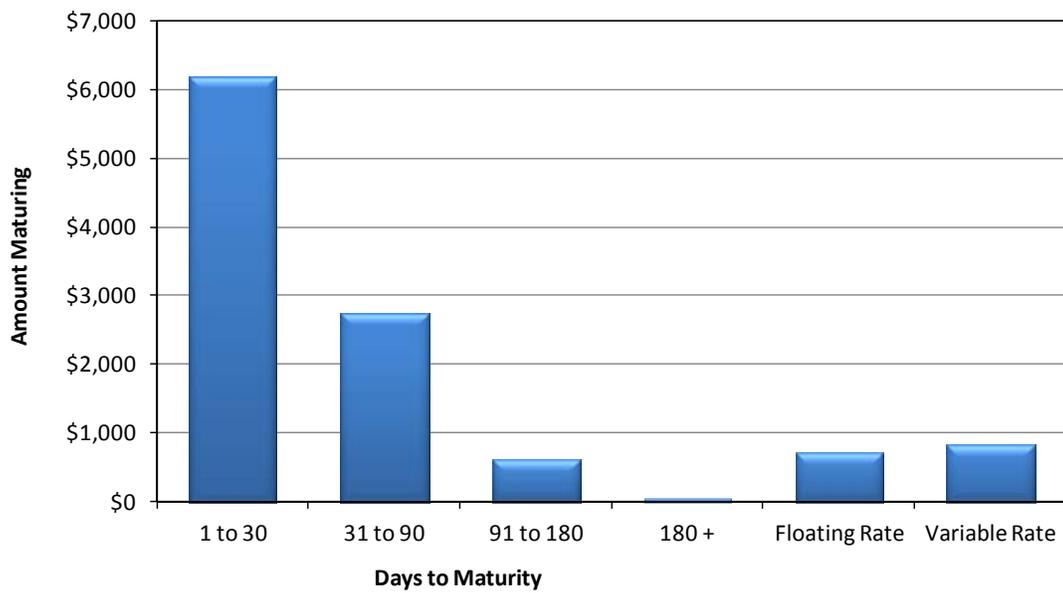
June 30, 2014



MATURITY ANALYSIS

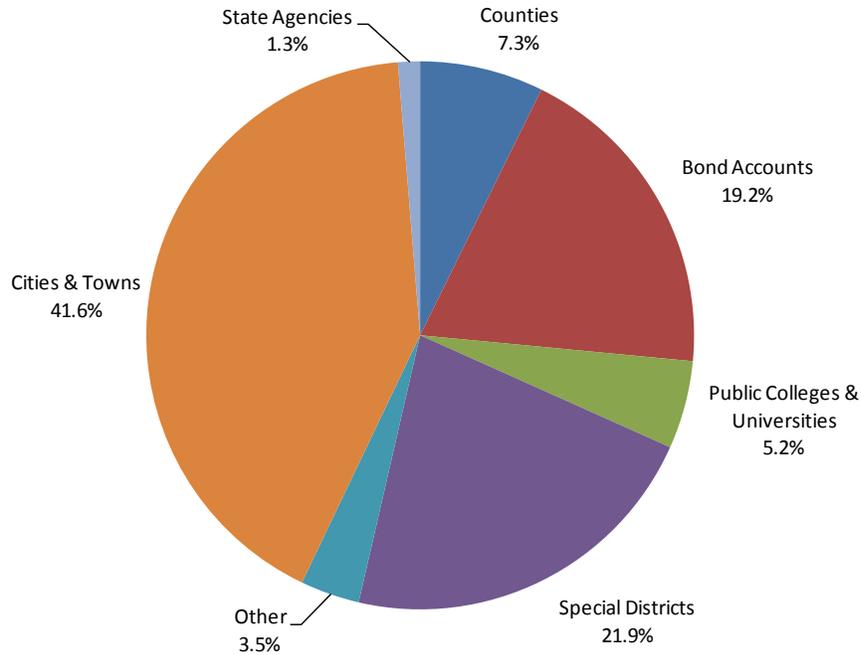
June 30, 2014

(expressed in millions)



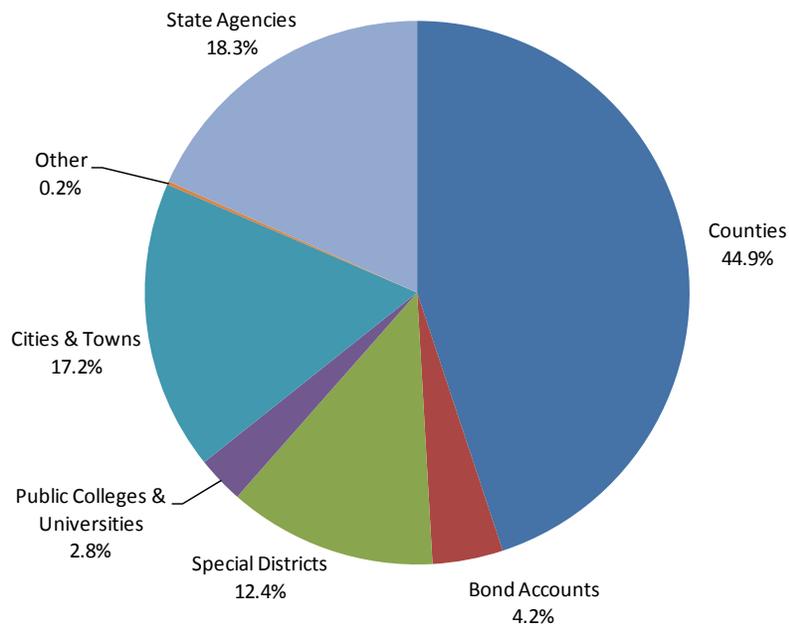
OWNERSHIP ANALYSIS AS A PERCENT OF TOTAL ACCOUNTS

June 30, 2014

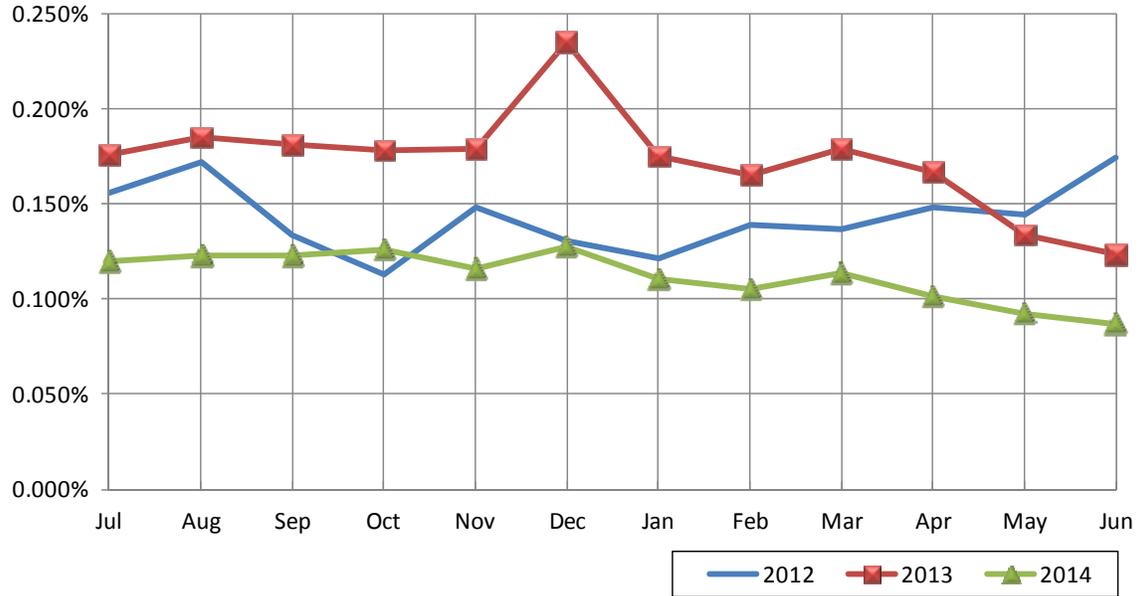


OWNERSHIP ANALYSIS AS A PERCENT OF TOTAL BALANCES

June 30, 2014

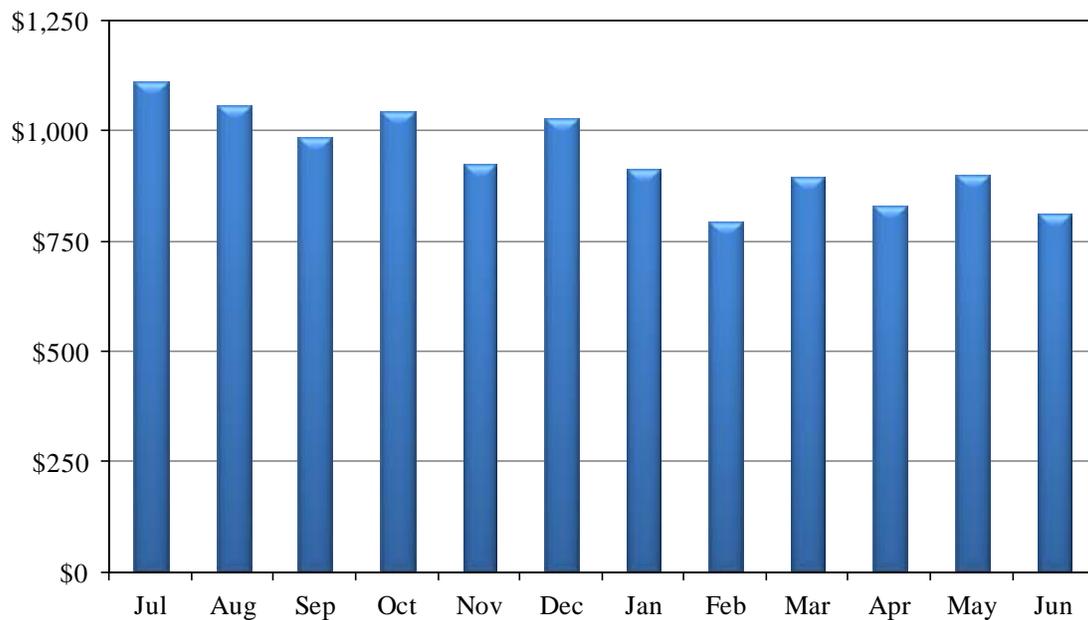


NET RATE OF RETURN ^[1] Fiscal Years 2012 – 2014

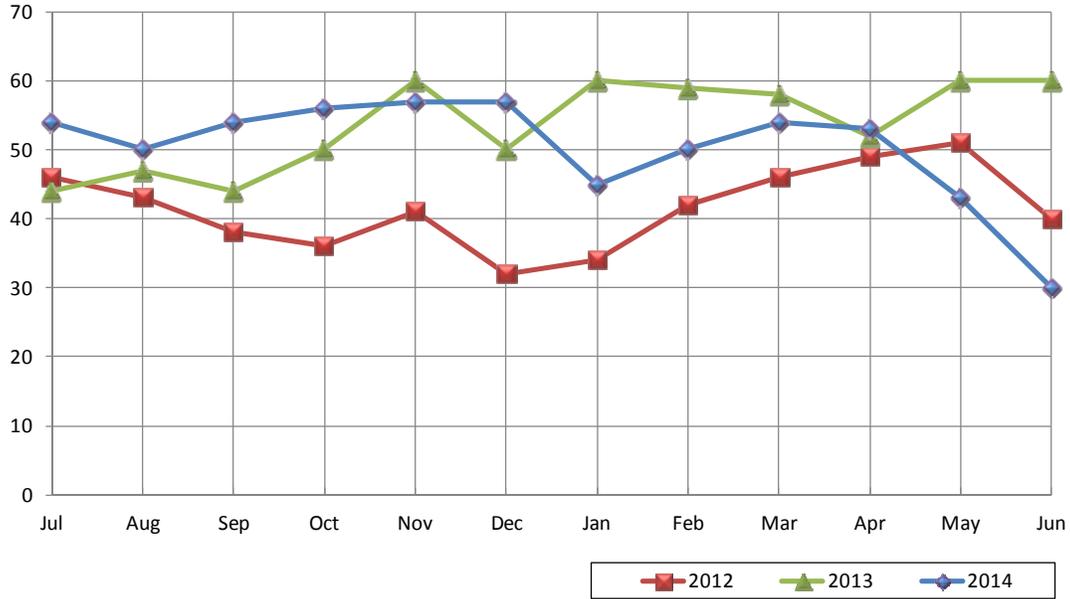


^[1] Returns are calculated based on a time-weighted methodology

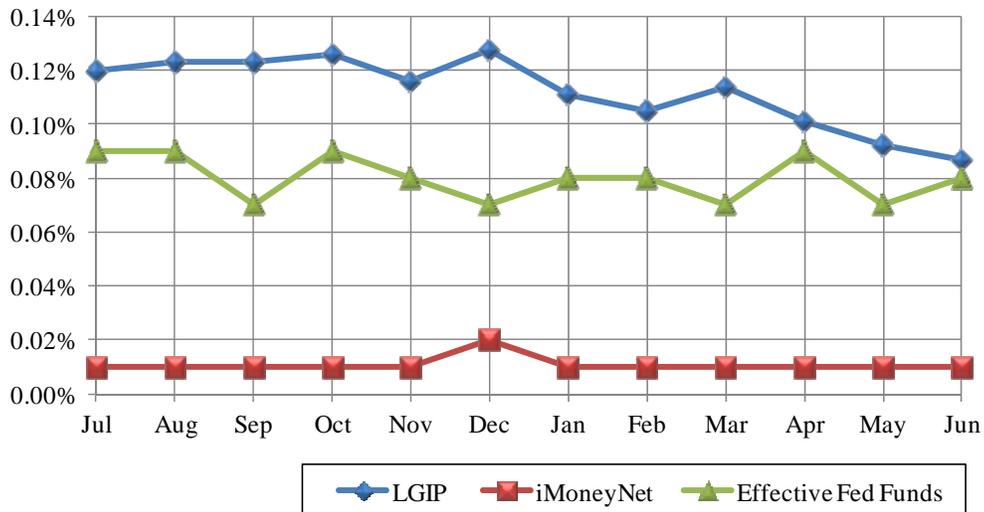
NET INVESTMENT INCOME Fiscal Year 2014 (expressed in thousands)



AVERAGE DAYS TO MATURITY Fiscal Years 2012 – 2014



LGIP NET EARNINGS RATE Versus EFFECTIVE FEDERAL FUNDS and iMoneyNet Fiscal Year 2014



SCHEDULE OF PARTICIPANTS BY CONCENTRATION

June 30, 2014

Participant Type	Number of Accounts		Ownership Value	
Counties	39	7.3%	\$ 5,007,406,373	44.9%
State Agencies	7	1.3%	2,042,937,381	18.3%
Cities & Towns	224	41.6%	1,923,916,649	17.2%
Special Districts	118	21.9%	1,377,993,371	12.4%
Bond Accounts	103	19.2%	471,949,071	4.2%
Public Colleges & Universities	28	5.2%	316,761,983	2.8%
Other	19	3.5%	16,275,648	0.2%
Total	538	100.0%	\$ 11,157,240,476	100.0%

SCHEDULE OF ADMINISTRATIVE EXPENSES

For the Fiscal Year Ended June 30, 2014

Category	Amount
Internal Costs ^[1]	\$ 707,958
External Costs ^[2]	<u>203,864</u>
Total	\$ 911,822
^[1] Includes salaries, benefits and other administrative expenses. ^[2] Includes custodian, legal, and other financial services.	

INVESTMENT POLICY

I. STATEMENT OF PURPOSE

This statement is intended to *describe the policies* that the State Treasurer has established as useful and prescribed guidelines for the prudent management of the funds in the Local Government Investment Pool (LGIP). This statement also lists and describes realistic parameters and goals in investing those public funds.

It aims to *establish reasonable expectations, objectives and guidelines in the investment process*. It will set forth an investment structure detailing the universe of permitted investments and restrictions for their utilization. Creating this framework will lessen confusion as it sets expectations of generally acceptable returns at a level of risk suitable to the stated funds.

The goal of this investment policy and the corresponding investment function is to *clarify the prescribed duties* delegated to the State Treasurer with regards to the investment of LGIP funds.

This statement is *intended to be an abstract of the investment philosophy* that serves as a general guidance to individuals so authorized. The Treasurer has liberty to make amendments as deemed necessary.

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.

1. **Safety:** Safety of principal is the primary objective of the State Treasurer. Investments shall be undertaken in a manner that seeks to ensure preservation of capital in the overall portfolio. To obtain this objective the OST portfolio manager will:
 - limit the purchase of investments to securities that have a maximum final maturity of 397 days, with the exceptions listed in Section VII of this policy;
 - maintain a Weighted Average Maturity (WAM) of 60 days or shorter, as described in Section VII.3;
 - maintain a Weighted Average Life (WAL) of 120 days, as described in Section VII.3;
 - 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.

2. **Liquidity:** The investment portfolio will remain liquid to enable the State Treasurer to meet all cash requirements that might reasonably be anticipated. Therefore, the investments shall be managed to maintain a balance to meet daily obligations.
 - OST will have an understanding of historical cash flow patterns to manage expectations.
 - OST will hold securities that can be converted to liquid cash to be incorporated in liquidity structure.
3. **Return on Investment:** The LGIP will be structured with the objective of attaining a market rate of return throughout budgetary and economic cycles, commensurate with the investment risk parameters and the cash flow characteristics of the pool.

IV. STANDARDS OF CARE

1. 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.

2. 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.

3. 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.

V. CONTROLS

1. Custody.

Safekeeping and Custody: Prudent treasury management dictates that all purchased securities be bought on a delivery versus payment (DVP) basis and be held in safekeeping by an independent third-party financial institution. Deposits will only be made in depositories approved by the Washington Public Deposit Protection Commission.

The State Treasurer shall designate all safekeeping arrangements and an agreement of the terms executed in writing. The third-party custodian shall be required to provide a statement to the State Treasurer listing at a minimum each specific security, description, maturity date, market value, par value, purchase date, and cusip number.

2. 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 make available annual reports, including audited financial statements, and other information as determined by the State Treasurer.

3. Competitive Transactions.

- It will be the policy of the state treasurer to transact securities purchases or sales through appropriately competitive processes.
- Electronic trading is the preferred option for the purchase and sale of investment instruments, when appropriate.

- Offers or bids for securities may be received from approved broker/dealers by the following means:
 - a. by phone
 - b. by e-mail or other electronic communication
 - c. through electronic trading platform
 - d. from inventory listings supplied by approved broker/dealers for underwritten new issues.

4. Share Price Calculation.

The current price per share, for purposes of distribution, redemption and repurchase, will be computed by use of the Amortized Cost Method. It is the intent to manage the portfolio to maintain a stable net asset value at \$1.00, like 2a7 funds. However maintenance of a stable net asset value at 1.00 is not guaranteed.

5. 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.

6. 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 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.

VI. ELIGIBLE AND SUITABLE INVESTMENTS

1. 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, but are not limited to:

- 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 designated 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 or demand deposits with financial institutions qualified by the Washington Public Deposit Protection Commission and made in accordance with the provisions of RCW 39.58; and,
- obligations of the state of Washington or its political subdivisions.

VII. INVESTMENT PARAMETERS

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 VI and VII of this policy.

Maximum percentages for a particular issuer, investment type or liquidity constraints may on occasion be exceeded, e.g., due to fluctuations in fund balances. Securities need not be liquidated to realign the portfolio; however, consideration will be given to this matter when future purchases are made.

1. Liquidity Provisions

The fund will be structured to maintain a sufficient degree of liquidity necessary to meet reasonably foreseeable redemption requests and reduce the likelihood that a fund will have to meet redemptions by selling portfolio securities into a declining market.

- 10% will be maintained in "daily liquid assets" and that includes (i) cash (ii) direct obligations of the US Government, (iii) demand deposits, (iv) overnight repurchase agreements and (v) securities that mature that day.
- 30% of the portfolio will be maintained in "weekly liquid assets" — and includes (i) cash, (ii) direct obligations of the US Government, (iii) Government Agency discount notes that have remaining maturity of 60 days or less and (iv) securities that will mature, or have a demand feature exercisable and payable within 5 business days.

2. Diversification and 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.

a. 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)	30%
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.

b. 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%
Demand Deposit Accounts	50%

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.

3. Investment Maturity

a. Maximum Final Maturity

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

- The maximum maturity of the variable rate and floating rate securities meeting the requirements listed above will not exceed 762 days; and
- Securities utilized in repurchase agreements

b. Weighted Average Maturity (WAM)

The weighted average maturity (WAM) of the portfolio will not exceed 60 days. For the purposes of calculating the WAM:

- A variable rate security meeting the requirements listed above 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 meeting the requirements listed above 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.

c. Weighted Average Life (WAL)

The weighted average life (WAL) of the portfolio shall not exceed 120 days. For the purpose of calculating the WAL:

- A variable rate security will be calculated using its final maturity; and,
- A floating rate security will be calculated using its final maturity.

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 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 security pricing, substitutions, and margin calls.

VIII. PROFESSIONAL SERVICES

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

1. 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.

2. 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.

IX. ADVISORY COMMITTEE

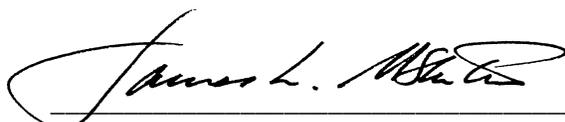
The State Treasurer created the LGIP Advisory Committee to provide advice on the operation of the pool. Of the committee members, all of whom are active LGIP participants, some members are appointed by participant associations, and some members are appointed by the State Treasurer. The LGIP Advisory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

X. PERFORMANCE BENCHMARK

A performance benchmark provides an appropriate comparison of risk and return based on a investment funds policy criteria. The imoney.net, Govt Only Institutional Index is an index that is comprised of 2a7 government only portfolios and represents the LGIP investment objectives. Therefore, this index will be used as a comparison for risk and return results.

XI. REPORTING REQUIREMENTS

The State Treasurer will prepare regular reports summarizing characteristics and holdings in the fund. 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.



Approved by James L. McIntire, State Treasurer

11-15-10

Date

Effective Date: November 10, 2010



**STATISTICAL
SECTION**



STATISTICAL NARRATIVE

This section presents detailed information on the Investment Pool with historical perspective as a context for understanding the information in the Financial and Investment Sections of this report.

The following tables and charts contain ten-year trend information to help the reader assess changes over time.

- ***Table 1 – Net Position***
This table allows the reader to evaluate the movements of increases and decreases in assets, liabilities, and net position.
- ***Table 2 – Changes in Net Position***
This table allows the reader to evaluate movements in the Additions, Deductions, and Changes in Net Position.
- ***Table 3 – Distribution By Investment Type***
This table presents the historical amounts and percentages of various investments in the portfolio to help the reader assess changes in investment types.
- ***Table 4 – Ownership Analysis as a Percent of Total Balances***
This table presents the historical amounts and percentages of balances held by various classes of participants to help the reader assess changes in ownership.
- ***Table 5 – Ownership Analysis as a Percent of Total Accounts***
This table presents the historical number and percentages of accounts held by various classes of participants to help the reader assess changes in ownership.
- ***Table 6 – Financial Highlights***
This table presents historical data and related financial highlights to help the reader assess investment activity.
- ***Average Invested Balances***
This chart presents the average balances invested by participants to help the reader assess the size of the portfolio.
- ***Portfolio Yield***
This chart presents the annual yields to help the reader assess the percentage return of the portfolio.
- ***Net Investment Income***
This chart presents the amount of net earnings to help the reader assess the dollar value return of the portfolio.
- ***LGIP versus iMoneyNet***
This chart presents the LGIP's Compounded Annual Return and Cumulative Return compared to its benchmark to help the reader assess performance.



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

	6/30/2005	6/30/2006	6/30/2007	6/30/2008	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014
Assets										
Investments ¹										
Repurchase Agreements	\$ 1,566,853	\$ 3,280,925	\$ 3,820,672	\$ 215,768	\$ -	\$ 2,600,000	\$ 250,000	\$ 3,168,500	\$ 1,797,874	\$ 1,200,000
U.S. Agency Securities	2,769,258	1,115,036	1,486,788	5,624,473	4,123,550	5,082,699	6,565,888	3,324,955	6,513,556	8,286,217
U.S. Treasury Securities	49,766	19,919	149,795	-	2,922,171	449,640	1,900,331	1,649,151	1,399,598	649,887
Certificates of Deposit	143,250	188,500	255,350	646,350	229,000	38,000	39,000	40,000	2,000	26,500
Interest Bearing Bank Deposits	429,234	674,006	378,726	381,110	302,774	728,893	444,200	363,253	743,434	856,267
Negotiable Order of Withdrawal (NOW) Accounts	-	-	-	-	1,105,437	97,435	115,404	235,788	136,200	101,932
Time Certificate of Deposit (TCD) Program	-	-	-	-	-	-	70,365	47,840	40,715	35,950
Total	4,958,361	5,278,386	6,091,331	6,867,701	8,682,932	8,996,667	9,385,188	8,829,487	10,633,377	11,156,753
Securities Lending Investments ¹										
Repurchase Agreements	80,899	44,790	91,105	113,595	-	-	-	441,000	-	-
Total Investments (Settlement Date Basis)	5,039,260	5,323,176	6,182,436	6,981,296	8,682,932	8,996,667	9,385,188	9,270,487	10,633,377	11,156,753
Due from Brokers ¹										
(Securities Purchased But Not Settled)	43,661	-	98,770	-	-	-	-	49,989	-	-
U.S. Agency Securities	5,082,921	5,323,176	6,281,206	6,981,296	8,682,932	8,996,667	9,385,188	9,320,476	10,633,377	11,156,753
Other Assets										
Cash	1	1	-	105	3,250	673	-	-	836	1
Interest Receivable	9,086	13,046	21,659	18,655	5,430	1,542	1,988	1,078	714	582
Total Other Assets	9,087	13,047	21,659	18,760	8,680	2,215	1,988	1,078	1,550	583
Total Assets	5,092,008	5,336,223	6,302,865	7,000,056	8,691,612	8,998,882	9,387,176	9,321,554	10,634,927	11,157,336
Liabilities										
Cash Drawn in Excess of Bank Balance	-	-	-	-	-	-	-	274	-	-
Accrued Expenses	153	419	750	337	58	57	108	125	90	84
Obligations Under Securities Lending Agreements	80,899	44,790	91,105	113,595	-	-	-	441,000	-	-
Securities Sold Under Agreements to Repurchase	-	-	-	-	199,675	-	-	-	-	-
Investment Trades Pending Payable	43,903	-	98,770	-	-	-	-	49,989	-	-
Total Liabilities	124,955	45,209	190,625	113,932	199,733	57	108	491,388	90	84
Net Position										
Held in Trust for Pool Participants	\$ 4,967,053	\$ 5,291,014	\$ 6,112,240	\$ 6,886,124	\$ 8,491,879	\$ 8,998,825	\$ 9,387,068	\$ 8,830,166	\$ 10,634,837	\$ 11,157,252

¹ valued at fair value

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

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
ADDITIONS										
Contributions from Participants	\$ 11,537,145	\$ 12,891,202	\$ 13,138,868	\$ 15,913,825	\$ 18,143,386	\$ 18,527,197	\$ 17,578,161	\$ 16,479,607	\$ 17,487,171	\$ 25,735,242
Investment Income:										
Investment Earnings	103,852	205,216	306,142	277,538	112,859	34,539	23,439	16,522	18,663	12,254
Less: Expenses	(3,547)	(5,731)	(4,519)	(3,330)	(445)	(52)		(157)	(84)	(63)
Total Investment Income	100,305	199,485	301,623	274,208	112,414	34,487	23,439	16,365	18,579	12,191
Miscellaneous	2	1	4	1	3					
Total Additions	11,637,452	13,090,688	13,440,495	16,188,034	18,255,803	18,561,684	17,601,600	16,495,972	17,505,750	25,747,433
DEDUCTIONS										
Distributions to Participants	11,617,385	12,766,205	12,618,725	15,413,583	16,649,428	18,054,132	17,212,633	17,052,244	15,700,259	25,224,106
Administrative Expenses	538	522	544	567	621	606	724	630	820	912
Total Deductions	11,617,923	12,766,727	12,619,269	15,414,150	16,650,049	18,054,738	17,213,357	17,052,874	15,701,079	25,225,018
Change In Net Position	19,529	323,961	821,226	773,884	1,605,755	506,946	388,243	(556,902)	1,804,671	522,415
Net Position - Beginning of Year	4,947,524	4,967,053	5,291,014	6,112,240	6,886,124	8,491,879	8,998,825	9,387,068	8,830,166	10,634,837
Net Position - End of Year	\$ 4,967,053	\$ 5,291,014	\$ 6,112,240	\$ 6,886,124	\$ 8,491,879	\$ 8,998,825	\$ 9,387,068	\$ 8,830,166	\$ 10,634,837	\$ 11,157,252

TABLE 3
DISTRIBUTION BY INVESTMENT TYPE
 Last Ten Fiscal Years
 (expressed in thousands, except percentages)

Investment Type	6/30/2014		6/30/2013		6/30/2012		6/30/2011		6/30/2010	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Certificates of Deposit	\$ 26,500	0.2%	\$ 2,000	0.0%	\$ 40,000	0.4%	\$ 39,000	0.4%	\$ 38,000	0.4%
Interest Bearing Bank Deposits	856,267	7.7%	743,434	7.0%	363,253	3.9%	444,200	4.7%	728,893	8.1%
Negotiable Order of Withdrawal Accounts	101,932	0.9%	136,200	1.3%	235,788	2.6%	115,404	1.2%	97,435	1.1%
Time Certificate of Deposit Program	35,950	0.3%	40,715	0.4%	47,840	0.5%	70,365	0.8%	0	0.0%
Repurchase Agreements	1,200,000	10.8%	1,797,874	16.9%	3,168,500	34.0%	250,000	2.7%	2,600,000	28.9%
US Agency Securities	8,286,217	74.3%	6,513,556	61.2%	3,374,944	36.2%	6,565,888	70.0%	5,082,699	56.5%
US Treasury Securities	649,887	5.8%	1,399,598	13.2%	1,649,151	17.7%	1,900,331	20.2%	449,640	5.0%
Securities Lending Investments	0	0.0%	0	0.0%	441,000	4.7%	0	0.0%	0	0.0%
Total	\$ 11,156,753	100.0%	\$ 10,633,377	100.0%	\$ 9,320,476	100.0%	\$ 9,385,188	100.0%	\$ 8,996,667	100.0%

Investment Type	6/30/2009		6/30/2008		6/30/2007		6/30/2006		6/30/2005	
	Amount	%								
Certificates of Deposit	\$ 229,000	2.6%	\$ 646,350	9.2%	\$ 255,350	4.1%	\$ 188,500	3.5%	\$ 143,250	2.8%
Interest Bearing Bank Deposits	302,774	3.5%	381,110	5.5%	378,726	6.0%	674,006	12.7%	429,234	8.4%
Negotiable Order of Withdrawal Accounts	1,105,436	12.7%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Time Certificate of Deposit Program	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Repurchase Agreements	0	0.0%	215,768	3.1%	3,820,672	60.8%	3,280,925	61.7%	1,566,853	30.8%
US Agency Securities	4,123,550	47.5%	5,624,473	80.6%	1,585,558	25.3%	1,115,036	20.9%	2,812,919	55.4%
US Treasury Securities	2,922,171	33.7%	0	0.0%	149,795	2.4%	19,919	0.4%	49,766	1.0%
Securities Lending Investments	0	0.0%	113,595	1.6%	91,105	1.4%	44,790	0.8%	80,899	1.6%
Total	\$ 8,682,931	100.0%	\$ 6,981,296	100.0%	\$ 6,281,206	100.0%	\$ 5,323,176	100.0%	\$ 5,082,921	100.0%

TABLE 4
OWNERSHIP ANALYSIS AS A PERCENT OF TOTAL BALANCES
 Last Ten Fiscal Years
 (expressed in thousands, except percentages)

Participant Type	6/30/2014		6/30/2013		6/30/2012		6/30/2011		6/30/2010	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Counties	\$ 5,007,406	44.9%	\$ 5,080,565	47.8%	\$ 4,487,652	50.8%	\$ 4,991,508	53.2%	\$ 4,486,720	49.9%
Cities & Towns	1,923,917	17.2%	1,884,112	17.7%	1,869,098	21.2%	2,048,715	21.8%	2,081,657	23.1%
Special Districts	1,377,993	12.4%	1,415,820	13.3%	1,329,718	15.1%	1,431,314	15.2%	1,420,901	15.8%
Bond Accounts	471,949	4.2%	548,846	5.2%	473,644	5.4%	586,876	6.3%	647,402	7.2%
Public Colleges & Universities	316,762	2.8%	311,129	2.9%	306,887	3.5%	306,936	3.3%	359,692	4.0%
State Agencies	2,042,937	18.3%	1,385,092	13.0%	357,340	4.0%	4,252	0.0%	0	0.0%
Other	16,276	0.2%	7,666	0.1%	3,238	0.0%	15,050	0.2%	0	0.0%
Total	\$ 11,157,240	100.0%	\$ 10,633,230	100.0%	\$ 8,827,577	100.0%	\$ 9,384,651	100.0%	\$ 8,996,372	100.0%

Participant Type	6/30/2009		6/30/2008		6/30/2007		6/30/2006		6/30/2005	
	Amount	%								
Counties	\$ 4,321,316	50.9%	\$ 3,133,787	45.5%	\$ 2,595,477	42.5%	\$ 2,334,879	44.1%	\$ 2,048,362	41.3%
Cities & Towns	2,030,971	23.9%	2,013,555	29.3%	1,857,247	30.4%	1,628,605	30.8%	1,391,925	28.0%
Special Districts	1,489,755	17.6%	1,290,384	18.7%	1,079,027	17.6%	885,888	16.8%	735,283	14.8%
Bond Accounts	374,999	4.4%	277,300	4.0%	401,273	6.6%	301,473	5.7%	660,347	13.3%
Public Colleges & Universities	272,964	3.2%	169,256	2.5%	177,720	2.9%	139,018	2.6%	130,063	2.6%
State Agencies	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Other	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	\$ 8,490,005	100.0%	\$ 6,884,282	100.0%	\$ 6,110,744	100.0%	\$ 5,289,863	100.0%	\$ 4,965,980	100.0%

TABLE 5
OWNERSHIP ANALYSIS AS A PERCENT OF TOTAL ACCOUNTS
 Last Ten Fiscal Years

Participant Type	6/30/2014		6/30/2013		6/30/2012		6/30/2011		6/30/2010	
	Number of Accounts	%								
Counties	39	7.3%	39	7.2%	39	7.4%	39	7.3%	39	7.5%
Cities & Towns	224	41.6%	226	41.5%	226	42.6%	228	42.9%	227	43.6%
Special Districts	118	21.9%	117	21.5%	116	21.9%	121	22.8%	123	23.7%
Bond Accounts	103	19.2%	109	20.0%	109	20.6%	111	20.9%	102	19.6%
Public Colleges & Universities	28	5.2%	28	5.1%	28	5.3%	29	5.5%	29	5.6%
State Agencies	7	1.3%	7	1.2%	6	1.1%	0	0.0%	0	0.0%
Other	19	3.5%	19	3.5%	6	1.1%	3	0.6%	0	0.0%
Total	538	100.0%	545	100.0%	530	100.0%	531	100.0%	520	100.0%

Participant Type	6/30/2009		6/30/2008		6/30/2007		6/30/2006		6/30/2005	
	Number of Accounts	%								
Counties	40	8.0%	39	8.1%	40	8.5%	39	8.7%	38	8.3%
Cities & Towns	224	44.7%	220	45.6%	218	46.5%	217	48.6%	214	46.5%
Special Districts	123	24.5%	118	24.5%	110	23.5%	106	23.8%	112	24.3%
Bond Accounts	86	17.2%	80	16.6%	76	16.2%	61	13.7%	74	16.1%
Public Colleges & Universities	28	5.6%	25	5.2%	25	5.3%	23	5.2%	22	4.8%
State Agencies	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Other	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	501	100.0%	482	100.0%	469	100.0%	446	100.0%	460	100.0%

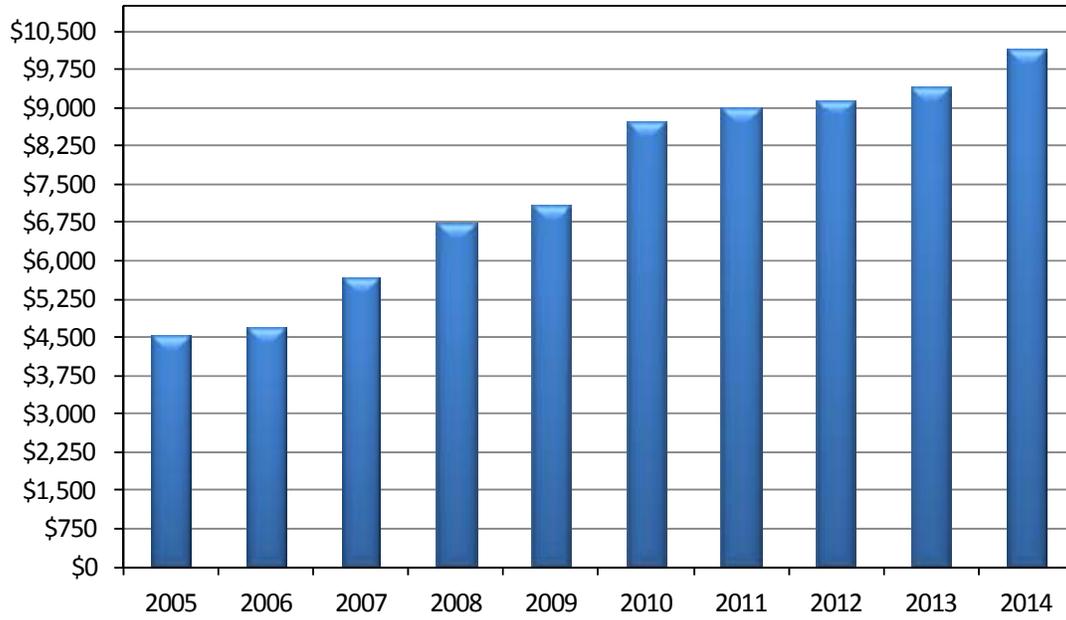
TABLE 6
FINANCIAL HIGHLIGHTS
Last Ten Fiscal Years

	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
Investments Purchased	\$ 128,312,368,689	\$ 201,464,352,490	\$ 206,758,563,256	\$ 137,272,425,884	\$ 98,282,836,482
Investments Sold	\$ 30,073,234,697	\$ 21,906,107,830	\$ 24,076,256,763	\$ 22,703,805,943	\$ 31,707,421,974
Investments Matured	\$ 97,721,262,684	\$ 178,250,863,000	\$ 182,749,495,000	\$ 114,186,405,000	\$ 66,070,485,600
Net Investment Income	\$ 11,279,324	\$ 17,758,410	\$ 15,735,355	\$ 22,715,240	\$ 33,881,350
Administrative Expenses	\$ 911,822	\$ 820,200	\$ 629,629	\$ 723,837	\$ 605,857
Average Annualized Monthly Yield	0.11 percent	0.17 percent	0.14 percent	0.23 percent	0.36 percent
Weighted Average Maturity (WAM)	30 days	58 days	40 days	57 days	49 days
Weighted Average Life (WAL)	85 days	98 days	112 days	109 days	Not Available
Participant Contributions	\$ 25,735,242,074	\$ 17,487,171,053	\$ 16,479,606,797	\$ 17,578,161,095	\$ 18,527,197,621
Participant Distributions	\$ 25,224,106,673	\$ 15,700,259,153	\$ 17,052,244,276	\$ 17,212,632,984	\$ 18,054,132,368

	FY 2009	FY 2008	FY 2007	FY 2006	FY 2005
Investments Purchased	\$ 56,053,557,119	\$ 168,887,089,769	\$ 200,597,043,989	\$ 178,235,075,560	\$ 132,331,297,167
Investments Sold	\$ 16,548,847,666	\$ 4,980,446,284	\$ 1,324,757,969	\$ 3,815,136,652	\$ 3,295,669,926
Investments Matured	\$ 37,931,524,164	\$ 163,356,283,446	\$ 198,379,244,968	\$ 174,171,910,245	\$ 129,474,519,996
Net Investment Income	\$ 111,796,544	\$ 273,642,353	\$ 301,083,119	\$ 198,963,864	\$ 99,769,291
Administrative Expenses	\$ 621,070	\$ 567,017	\$ 543,983	\$ 522,364	\$ 537,913
Average Annualized Monthly Yield	1.57 percent	4.00 percent	5.25 percent	4.20 percent	2.19 percent
Weighted Average Maturity (WAM)	56 days	39 days	46 days	38 days	33 days
Weighted Average Life (WAL)	Not Available	Not Available	Not Available	Not Available	Not Available
Participant Contributions	\$ 18,143,386,412	\$ 15,913,825,002	\$ 13,138,867,890	\$ 12,891,202,147	\$ 11,537,145,370
Participant Distributions	\$ 16,649,428,097	\$ 15,413,583,720	\$ 12,618,725,114	\$ 12,766,205,074	\$ 11,617,384,752

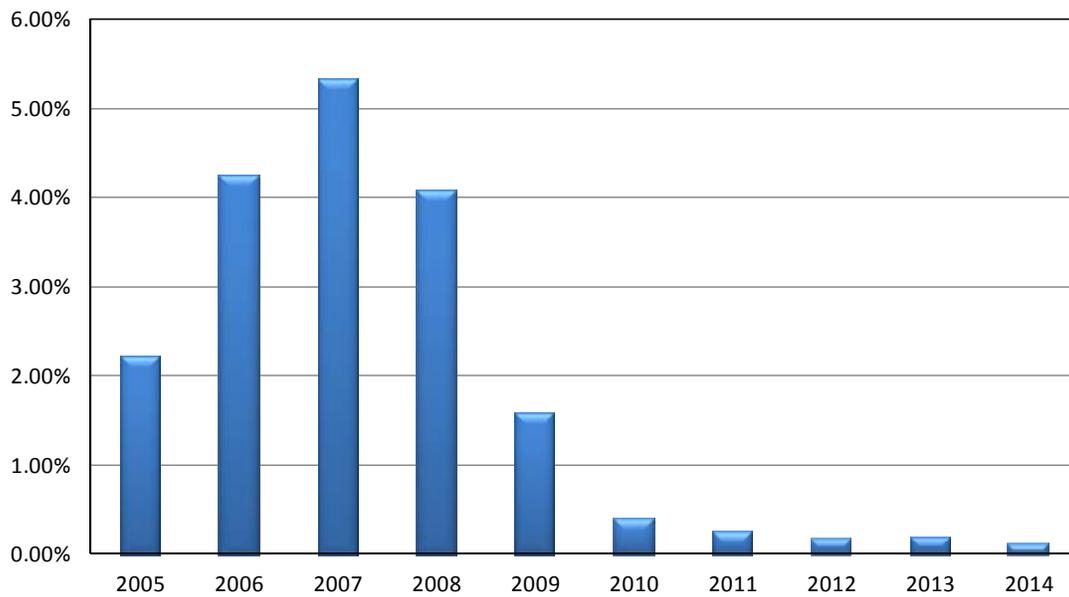
AVERAGE INVESTED BALANCES

Last Ten Fiscal Years
(expressed in millions)

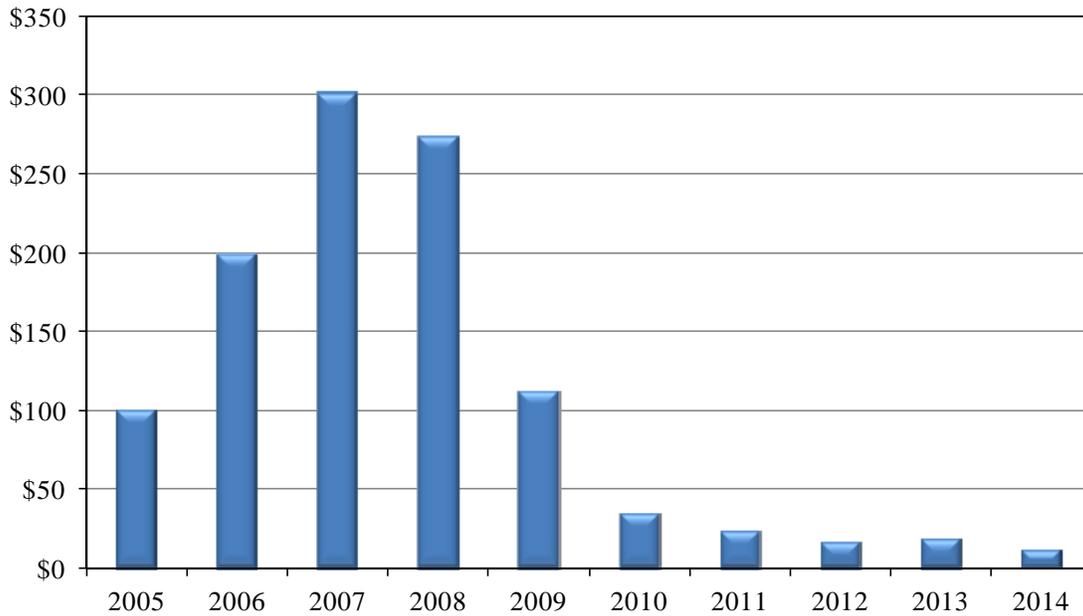


PORTFOLIO YIELD

Last Ten Fiscal Years



NET INVESTMENT INCOME
 Last Ten Fiscal Years
 (expressed in millions)



LGIP versus iMoneyNet

	1 Yr	3 Yrs	5 Yrs	7Yrs	10 Yrs
Compounded Annual Return					
LGIP	0.112%	0.143%	0.210%	0.970%	1.854%
iMoneyNet	0.011%	0.010%	0.015%	0.578%	1.439%
Cumulative Return					
LGIP	0.112%	0.429%	1.055%	6.997%	20.181%
iMoneyNet	0.011%	0.031%	0.075%	4.118%	15.371%



State of Washington
Local Government Investment Pool
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