

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, 2015





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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, 2015

Report prepared by:

Office of the State Treasurer

James L. McIntire, State Treasurer

Operations Division

Shad Pruitt, Deputy State Treasurer

Megan Dietz, Accounting Services Manager

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, 2015

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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 2015:

- The average balance in the LGIP portfolio was \$9.520 billion maintained by 539 participants.
- The LGIP had an administrative fee of 0.95 basis points. This is the ninth 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 11 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 \$11 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 12, 2015

The Honorable Jay Inslee, Governor
Jan M. Jutte, Acting 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, 2015. 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 from 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 \$11.4 billion in assets as of June 30, 2015, the LGIP produced an average monthly portfolio yield of 0.12 percent. The LGIP exceeded its benchmark by 11 basis points, resulting in \$11 million in additional interest income for participants.

Fiscal year 2015 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 2014 through June 2015 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 expanded at a moderate pace; labor market conditions improved; underutilization of labor resources diminished; household spending rose moderately; business fixed investment advanced; and 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 economic recovery and help ensure inflation is at the rate most consistent with its mandate, the FOMC maintained its policy of reinvesting principal payment from its holdings of agency debt and agency mortgage-backed securities, and of rolling over maturing Treasury securities. By keeping holdings of longer-term securities at sizable levels, the FOMC expects to help maintain accommodative financial conditions.

During the first quarter of fiscal year 2016, 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. The Committee anticipates that it will raise the target range when it sees further improvement in the labor market and is reasonably confident that inflation will move back to its two percent objective.

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, 2014. This was the eighteenth 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**

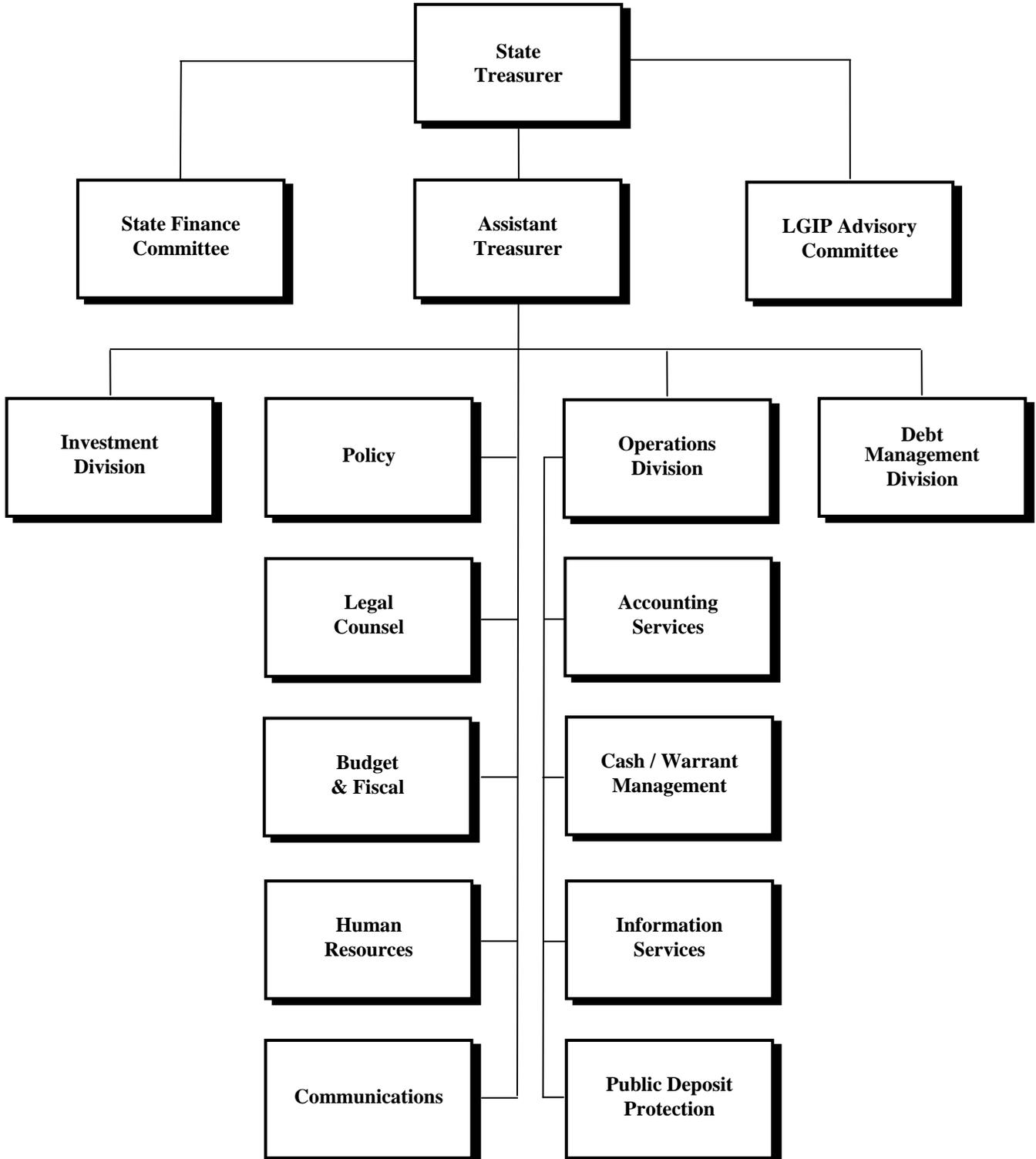
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

ORGANIZATIONAL CHART

Office of the State Treasurer



ADVISORY COMMITTEE

Members

Tracy Butler
Treasurer
Sound Transit

Doug Merriman
Finance Director
City of Oak Harbor

Meredith Green
Treasurer
Kitsap County

David Morrison
Finance Director
Port of Tacoma

Toni Habegger
Assistant VP & CFO
Eastern Washington University

Shawn Myers
Treasurer
Thurston County

Gordon Heimigner
Treasurer
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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

Megan Dietz
Accounting Services Manager

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, 2015, 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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**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, 2015, 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, 2015, 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.

A handwritten signature in cursive script that reads "Peterson Sullivan LLP".

October 12, 2015

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, 2015. 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 \$10.9 billion.
- The LGIP's net position decreased by \$212.2 million over the previous year.
- The LGIP earned \$11.7 million, net of expenses, for pool participants. This was an increase of \$0.4 million from the previous fiscal year.
- Administrative fees were less than one basis point for the ninth consecutive year.
- The LGIP's average annualized monthly yield was 11 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 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 a decrease in net position of \$212.2 million in 2015. Total assets and liabilities were higher 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:

	2015	2014	Variance
Pooled Cash and Investments	\$ 11,444,280,429	\$ 11,156,753,761	\$ 287,526,668
Receivables	709,278	581,706	127,572
Total Assets	11,444,989,707	11,157,335,467	287,654,240
Liabilities	499,894,864	83,761	499,811,103
Net Position	\$ 10,945,094,843	\$ 11,157,251,706	\$ (212,156,863)

Change in Net Position

Net Investment Income (i.e., Total Investment Income plus Miscellaneous income less administrative expenses) increased 3.4 percent compared to the previous fiscal year. This rise was primarily due to an increase of one basis point in LGIP's portfolio yield from the previous fiscal year.

Contributions from participants and distributions to participants increased by 37.0 and 40.7 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:

	2015	2014	Variance
Contributions from Participants	\$ 35,255,884,315	\$ 25,735,242,074	\$ 9,520,642,241
Distributions to Participants	35,479,698,455	25,224,106,673	10,255,591,782
Net Investment Income	11,657,277	11,279,324	377,953
Change in Net Position	\$ (212,156,863)	\$ 522,414,725	\$ (734,571,588)

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 slight variation over the last five years. Those minor changes can be explained by the constant 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 11 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				
	2011	2012	2013	2014	2015
LGIP	0.23%	0.14%	0.17%	0.11%	0.12%
iMoneyNet	0.02%	0.01%	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, 2015

ASSETS

Investments:

U.S. Agency Securities	\$ 6,742,019,973
Repurchase Agreements	2,968,200,000
U.S. Treasury Securities	849,632,180
Interest Bearing Bank Deposits	718,175,051
Negotiable Order of Withdrawal (NOW) Accounts	102,102,254
Time Certificate of Deposit (TCD) Investment Program	37,610,000
Certificates of Deposit	26,500,000
Total Investments	<u>11,444,239,458</u>

Other Assets:

Interest Receivable	709,278
Cash	40,971
Total Other Assets	<u>750,249</u>
Total Assets	<u>11,444,989,707</u>

LIABILITIES

Investment Trades Pending Payable	499,780,944
Accrued Expenses	113,920
Total Liabilities	<u>499,894,864</u>

NET POSITION

Held in Trust for Pool Participants	<u>\$ 10,945,094,843</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, 2015

ADDITIONS

Contributions from Participants	\$ 35,255,884,315
Investment Income:	
Investment Earnings	12,596,959
Less: Expenses	<u>(36,768)</u>
Total Investment Income	12,560,191
Miscellaneous	<u>214</u>
Total Additions	35,268,444,720

DEDUCTIONS

Distributions to Participants	35,479,698,455
Administrative Expenses	<u>903,128</u>
Total Deductions	<u>35,480,601,583</u>

Change in Net Position	(212,156,863)
Net Position – Beginning of Year	<u>11,157,251,706</u>
Net Position – End of Year	<u><u>\$ 10,945,094,843</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2015

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. Pending purchases, at fiscal year end, settled at a total cost of \$499,780,944 by July 2, 2015.

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 market value that approximates their amortized cost. The weighted average maturity (WAM) of the portfolio will not exceed 60 days, and a weighted average life (WAL) 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 amortized cost. Bank deposits are stated at their carrying amount. Both approximate fair value. Fair value is determined monthly.

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 \$903,128.

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 0.0095 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 \$214 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 obligations of the state of Washington or its political subdivisions in its portfolio.

The credit ratings of investments are as follows:

Investment Type	Ratings		Amortized Cost
	Moody's	S&P	
Repurchase Agreements	AAA	AA+	\$ 2,968,200,000
U.S. Treasury Securities ^[1]			
U.S. Treasury Bills	AAA	AA+	849,632,180
U.S. Agency Securities			
Federal Home Loan Bank	AAA	AA+	5,142,102,689
Federal Home Loan Mortgage Corporation	AAA	AA+	224,950,475
Federal Farm Credit Bank	AAA	AA+	1,159,990,170
Federal National Mortgage Association	AAA	AA+	214,976,639
			6,742,019,973
Total			\$ 10,559,852,153

^[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.

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

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.

The LGIP investment policy requires that securities purchased 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 market 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 26.0 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 7.4 percent of the total portfolio. U.S. Agency securities comprised 58.9 percent of the total portfolio, including Federal Home Loan Bank (44.9 percent), Federal Home Loan Mortgage Corporation (2.0 percent), Federal Farm Credit Bank (10.1 percent), and Federal National Mortgage Association (1.9 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. To mitigate the effect of interest rate risk, the portfolio is invested in high quality, highly liquid obligations with limited maximum and average maturities. The LGIP's policy establishes weighted average maturity (WAM), and weighted average life (WAL) limits not to exceed 60 and 120 days respectively. As of June 30, the LGIP had a WAM of 36 days and a WAL of 86 days. The following schedule presents the investments and related maturities as of fiscal year end.

Investment Type	Amortized Cost	Maturity (in Years)	
		Less Than 1	1 - 5
U.S. Agency Securities	\$ 6,742,019,973	\$ 5,950,587,320	\$ 791,432,653
Repurchase Agreements	2,968,200,000	2,968,200,000	
U.S. Treasury Securities	849,632,180	849,632,180	
Interest Bearing Bank Deposits	718,175,051	718,175,051	
Negotiable Order of Withdrawal Accounts	102,102,254	102,102,254	
Time Certificate of Deposit Program	37,610,000	37,610,000	
Certificates of Deposit	26,500,000	26,500,000	
Total	\$ 11,444,239,458	\$ 10,652,806,805	\$ 791,432,653

Securities Lending

State statutes permit the LGIP to lend its securities to broker-dealers and other entities in exchange for collateral 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 market 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 market 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 market value, plus accrued income, of mortgage-backed securities utilized in repurchase agreements with more than seven days remaining until maturity will be 105 percent of the value of the repurchase agreement. The market value, plus accrued income, of 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 \$2,968,200,000.

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 market 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 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 market 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 2015
Investments Purchased	\$ 281,964,025,725
Investments Sold	\$ 18,486,227,699
Investments Matured	\$ 263,095,646,386
Net Investment Income	\$ 11,657,277
Administrative Expenses	\$ 903,128
Average Annualized Monthly Yield	0.12 percent
Weighted Average Maturity (WAM)	36 days
Weighted Average Life (WAL)	86 days
Participant Contributions	\$ 35,255,884,315
Participant Distributions	\$ 35,479,698,455



**INVESTMENT
SECTION**



OVERVIEW

Administration

The LGIP 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 LGIP is managed and operated solely by the Office of the State Treasurer (OST). In 1995, the Local Government Investment Pool Advisory Committee was created by the State Treasurer to provide advice on the pool's operation.

The reports on investment activities are prepared by OST staff. 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. Investment activity is guided by an investment policy, 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 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 month end. 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 portfolio is invested in a manner generally consistent with a 2a-7 money market fund, and the administrative fees are low (i.e., 0.95 basis points for the fiscal year), the net return closely follows the targeted federal funds rate. Accordingly, the monthly net return ranged from 0.093 – 0.169 percent during the fiscal year, reflecting a targeted federal funds rate that ranged from 0.00 – 0.25 percent throughout 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 used internally by the State Treasurer to monitor the performance of the portfolio managers.

Investment Risk Profile

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. 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. High-quality, highly liquid securities, with relatively short average maturities reduce the pool's price sensitivity to market interest rate fluctuations. The LGIP also has a strong degree of asset diversification to minimize risk and maintain adequate rates of return.

The investment activity is guided by an investment policy, which sets forth the parameters within which the portfolio managers may operate. The policy, approved by the State Treasurer, is reviewed annually and updated as necessary. Compliance with the policy is monitored by the investment accounting staff within OST's operations division, 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%	0.12%	0.16%
U.S. Treasury Securities ^[2]	0.26%	0.21%	0.22%
Repurchase Agreements	0.11%	0.11%	0.12%
Floating / Variable Rate Notes	0.17%	0.23%	0.29%
Bank Deposits	0.20%	0.18%	0.21%
Total Portfolio	0.13%	0.15%	0.18%
Investment Benchmark iMoneyNet	0.10%	0.12%	0.14%

^[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, 2015

(expressed in thousands)

Par Value	Description	Date of Maturity	Yield Percentage	Amortized Cost
U.S. AGENCY SECURITIES (58.9% of Total Portfolio)				
U.S. Agency Discount Notes				
\$ 25,000	Federal Home Loan Mortgage Corporation	07/09/2015	0.1523	\$ 24,999
50,000	Federal Home Loan Bank	07/17/2015	0.1471	49,997
69,000	Federal Home Loan Bank	07/17/2015	0.1522	68,995
11,000	Federal Home Loan Bank	07/22/2015	0.1471	10,999
100,000	Federal Home Loan Bank	07/22/2015	0.1451	99,992
100,000	Federal Home Loan Bank	07/22/2015	0.0832	99,995
100,000	Federal Home Loan Bank	07/22/2015	0.0811	99,995
50,000	Federal Home Loan Bank	07/24/2015	0.1420	49,995
100,000	Federal Home Loan Bank	07/24/2015	0.1451	99,991
50,000	Federal Home Loan Bank	07/24/2015	0.1420	49,996
50,000	Federal Home Loan Bank	07/24/2015	0.1420	49,996
38,000	Federal Home Loan Bank	07/24/2015	0.1420	37,997
100,000	Federal Home Loan Bank	07/24/2015	0.0832	99,995
100,000	Federal Home Loan Bank	07/24/2015	0.0811	99,995
26,000	Federal Home Loan Bank	07/24/2015	0.0850	25,999
85,000	Federal Home Loan Bank	07/29/2015	0.1420	84,991
85,000	Federal Home Loan Bank	07/29/2015	0.1420	84,991
100,000	Federal Home Loan Bank	07/31/2015	0.1370	99,989
45,000	Federal Home Loan Bank	07/31/2015	0.1370	44,995
100,000	Federal Home Loan Bank	07/31/2015	0.0882	99,993
100,000	Federal Home Loan Bank	07/31/2015	0.0862	99,993
100,000	Federal Home Loan Bank	08/05/2015	0.1370	99,987
75,000	Federal Home Loan Bank	08/05/2015	0.1370	74,990
100,000	Federal Home Loan Bank	08/05/2015	0.0930	99,991
100,000	Federal Home Loan Bank	08/07/2015	0.1349	99,986
100,000	Federal Home Loan Bank	08/07/2015	0.0953	99,990
200,000	Federal Home Loan Bank	08/07/2015	0.0953	199,981
100,000	Federal Home Loan Bank	08/12/2015	0.1380	99,984
100,000	Federal Home Loan Bank	08/12/2015	0.0974	99,989
100,000	Federal Home Loan Bank	08/14/2015	0.1420	99,983
100,000	Federal Home Loan Bank	08/14/2015	0.0994	99,988
50,000	Federal Home Loan Mortgage Corporation	08/18/2015	0.1726	49,989
100,000	Federal Home Loan Bank	08/19/2015	0.1420	99,981
100,000	Federal Home Loan Bank	08/21/2015	0.1410	99,980
50,000	Federal Home Loan Bank	08/26/2015	0.1390	49,989

(continued)

SCHEDULE OF INVESTMENTS

June 30, 2015

(expressed in thousands)

Par Value	Description	Date of Maturity	Yield Percentage	Amortized Cost
50,000	Federal Home Loan Bank	08/26/2015	0.1380	49,989
50,000	Federal Home Loan Bank	08/26/2015	0.1370	49,989
48,000	Federal Home Loan Bank	08/28/2015	0.1370	47,990
50,000	Federal National Mortgage Association	09/02/2015	0.1217	49,989
200,000	Federal Home Loan Bank	09/02/2015	0.0862	199,970
100,000	Federal Home Loan Bank	09/02/2015	0.0862	99,985
100,000	Federal Home Loan Bank	09/04/2015	0.0872	99,984
100,000	Federal Home Loan Bank	09/04/2015	0.0872	99,984
100,000	Federal Home Loan Bank	09/09/2015	0.0913	99,982
150,000	Federal Home Loan Bank	09/09/2015	0.0892	149,974
100,000	Federal National Mortgage Association	09/15/2015	0.0923	99,982
100,000	Federal Home Loan Bank	09/16/2015	0.0913	99,981
100,000	Federal Home Loan Bank	09/16/2015	0.0923	99,981
200,000	Federal Home Loan Bank	09/21/2015	0.0862	199,961
100,000	Federal Home Loan Bank	09/21/2015	0.0862	99,981
50,000	Federal Home Loan Bank	09/23/2015	0.0882	49,990
36,000	Federal Home Loan Bank	09/23/2015	0.0862	35,993
100,000	Federal Home Loan Bank	09/23/2015	0.0862	99,980
50,000	Federal Home Loan Bank	09/25/2015	0.0862	49,990
100,000	Federal Home Loan Bank	09/25/2015	0.0872	99,979
100,000	Federal Home Loan Bank	10/01/2015	0.1014	99,974
100,000	Federal Home Loan Bank	10/05/2015	0.1014	99,974
50,000	Federal Home Loan Mortgage Corporation	11/03/2015	0.1726	49,970
25,000	Federal Farm Credit Bank	11/04/2015	0.2742	24,976
25,000	Federal Farm Credit Bank	11/04/2015	0.2742	24,976
50,000	Federal Home Loan Bank	11/20/2015	0.1563	49,970
50,000	Federal Home Loan Bank	11/20/2015	0.1563	49,970
50,000	Federal Home Loan Bank	11/20/2015	0.1552	49,970
25,000	Federal Home Loan Bank	02/12/2016	0.3049	24,953
25,000	Federal Home Loan Bank	02/12/2016	0.3049	24,953
25,000	Federal Home Loan Bank	02/12/2016	0.3049	24,953
\$ 5,268,000				\$ 5,266,989
U.S. Agency Coupons				
15,000	Federal National Mortgage Association	09/28/2015	0.1247	15,014
\$ 15,000				\$ 15,014

(continued)

SCHEDULE OF INVESTMENTS

June 30, 2015

(expressed in thousands)

Par Value	Description	Date of Maturity	Yield Percentage	Amortized Cost
U.S. Agency Floating Rate Notes				
\$ 50,000	Federal Home Loan Bank	08/19/2015	0.2250	\$ 49,998
50,000	Federal Home Loan Bank	10/01/2015	0.2204	49,999
50,000	Federal Farm Credit Bank	10/26/2015	0.1400	50,002
25,000	Federal Farm Credit Bank	12/02/2015	0.2049	24,999
50,000	Federal Farm Credit Bank	12/18/2015	0.2199	49,998
50,000	Federal Farm Credit Bank	01/04/2016	0.2050	50,001
50,000	Federal Farm Credit Bank	07/01/2016	0.1750	49,997
25,000	Federal Farm Credit Bank	07/01/2016	0.2302	24,985
50,000	Federal Farm Credit Bank	05/30/2017	0.2199	50,010
50,000	Federal Farm Credit Bank	06/12/2017	0.2201	50,030
51,400	Federal Farm Credit Bank	07/13/2017	0.2200	51,389
\$ 501,400				\$ 501,408
U.S. Agency Variable Rate Notes				
\$ 25,000	Federal Farm Credit Bank	08/05/2015	0.1650	\$ 25,000
25,000	Federal Farm Credit Bank	08/05/2015	0.1650	25,000
50,000	Federal Farm Credit Bank	10/01/2015	0.1502	49,999
43,595	Federal Farm Credit Bank	10/01/2015	0.1350	43,595
50,000	Federal Home Loan Mortgage Corporation	11/25/2015	0.1770	50,000
50,000	Federal Home Loan Bank	12/16/2015	0.1500	50,000
50,000	Federal Home Loan Bank	01/15/2016	0.1810	49,999
50,000	Federal Farm Credit Bank	02/10/2016	0.1756	50,003
50,000	Federal Farm Credit Bank	04/18/2016	0.1150	49,992
50,000	Federal Farm Credit Bank	09/02/2016	0.1350	49,994
50,000	Federal Farm Credit Bank	10/24/2016	0.1720	50,000
25,000	Federal Farm Credit Bank	11/22/2016	0.1870	24,996
50,000	Federal Farm Credit Bank	12/01/2016	0.1741	49,993
50,000	Federal Farm Credit Bank	12/01/2016	0.2014	49,987
50,000	Federal Farm Credit Bank	12/28/2016	0.1857	50,023
50,000	Federal Home Loan Mortgage Corporation	01/13/2017	0.2005	49,992
50,000	Federal National Mortgage Association	01/26/2017	0.2115	49,992
50,000	Federal Farm Credit Bank	04/06/2017	0.1790	49,995
40,000	Federal Farm Credit Bank	04/17/2017	0.1850	40,037
50,000	Federal Farm Credit Bank	05/15/2017	0.1852	50,029
50,000	Federal Farm Credit Bank	06/14/2017	0.1827	49,983
\$ 958,595				\$ 958,609
\$ 6,742,995	TOTAL U.S. AGENCY SECURITIES			\$ 6,742,020

(continued)

SCHEDULE OF INVESTMENTS

June 30, 2015

(expressed in thousands)

Par Value	Description	Date of Maturity	Yield Percentage	Amortized Cost
REPURCHASE AGREEMENTS (26.0% of Total Portfolio)				
\$ 100,000	Cantor Fitzgerald and Company	07/01/2015	0.1800	\$ 100,000
700,000	Jefferies, LLC	07/01/2015	0.1700	700,000
500,000	Daiwa Capital Markets	07/01/2015	0.1900	500,000
150,000	UBS Financial Services, Inc.	07/01/2015	0.1800	150,000
268,200	UBS Financial Services, Inc.	07/01/2015	0.1000	268,200
400,000	Cantor Fitzgerald and Company	07/01/2015	0.1600	400,000
300,000	Jefferies, LLC	07/01/2015	0.1200	300,000
300,000	Daiwa Capital Markets	07/01/2015	0.1000	300,000
100,000	Societe Generale	07/02/2015	0.1000	100,000
150,000	Cantor Fitzgerald and Company	07/15/2015	0.1500	150,000
\$ 2,968,200	TOTAL REPURCHASE AGREEMENTS			\$ 2,968,200
U.S. TREASURY SECURITIES (7.4% of Total Portfolio)				
U.S. Treasury Bills				
\$ 50,000	U.S. Treasury Bills	11/12/2015	0.0852	\$ 49,984
50,000	U.S. Treasury Bills	11/19/2015	0.0884	49,983
50,000	U.S. Treasury Bills	11/19/2015	0.0895	49,983
50,000	U.S. Treasury Bills	12/03/2015	0.0773	49,983
50,000	U.S. Treasury Bills	12/03/2015	0.0772	49,984
50,000	U.S. Treasury Bills	12/10/2015	0.0822	49,982
50,000	U.S. Treasury Bills	12/10/2015	0.0872	49,981
50,000	U.S. Treasury Bills	12/17/2015	0.0940	49,978
50,000	U.S. Treasury Bills	12/17/2015	0.0925	49,979
50,000	U.S. Treasury Bills	12/24/2015	0.0783	49,981
50,000	U.S. Treasury Bills	12/24/2015	0.0784	49,981
100,000	U.S. Treasury Bills	12/31/2015	0.1119	99,945
100,000	U.S. Treasury Bills	12/31/2015	0.1119	99,944
100,000	U.S. Treasury Bills	12/31/2015	0.1119	99,944
\$ 850,000	TOTAL U.S. TREASURY SECURITIES			\$ 849,632

(continued)

SCHEDULE OF INVESTMENTS

June 30, 2015

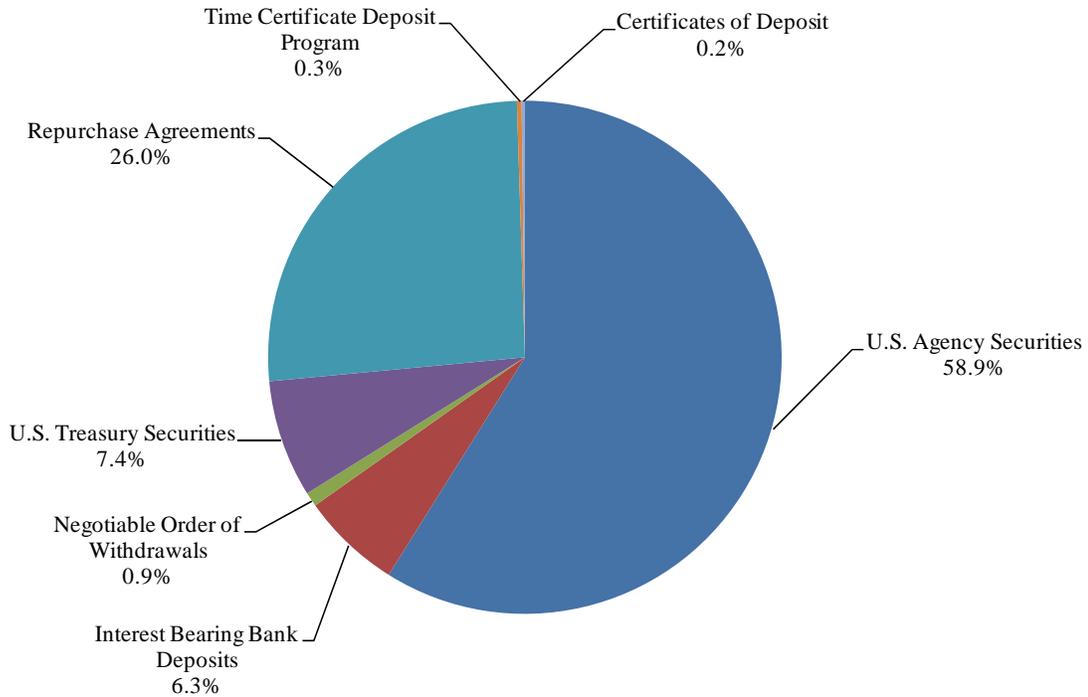
(expressed in thousands)

Par Value	Issuer	Date of Maturity	Yield Percentage	Carrying Amount
INTEREST BEARING BANK DEPOSITS (6.3% of Total Portfolio)				
\$ 296,830	Umpqua Bank		0.2500	\$ 296,830
30,002	Heritage Bank		0.2000	30,002
341,231	KeyBank National Association		0.2000	341,231
50,112	Washington Federal, N.A.		0.1500	50,112
\$ 718,175	TOTAL INTEREST BEARING BANK DEPOSITS			\$ 718,175
NEGOTIABLE ORDER OF WITHDRAWAL (NOW) ACCOUNTS (0.9% of Total Portfolio)				
\$ 40,423	Union Bank, N.A.		0.2000	\$ 40,423
61,679	East West Bank		0.1450	61,679
\$ 102,102	TOTAL NOW ACCOUNTS			\$ 102,102
TIME CERTIFICATE OF DEPOSIT (TCD) INVESTMENT PROGRAM (0.3% of Total Portfolio)				
\$ 1,415	1st Security Bank of Washington	07/10/2015	0.4100	\$ 1,415
4,150	Anchor Bank	07/10/2015	0.4100	4,150
4,150	Bank of the Pacific	07/10/2015	0.4100	4,150
7,500	East West Bank	07/10/2015	0.4100	7,500
4,150	First Federal Savings & Loan Association	07/10/2015	0.4100	4,150
245	First Sound Bank	07/10/2015	0.4100	245
2,175	Liberty Bay Bank	07/10/2015	0.4100	2,175
2,175	Plaza Bank	07/10/2015	0.4100	2,175
4,150	Timberland Bank	07/10/2015	0.4100	4,150
7,500	Yakima Federal Savings & Loan Association	07/10/2015	0.4100	7,500
\$ 37,610	TOTAL TCD INVESTMENT PROGRAM			\$ 37,610
CERTIFICATES OF DEPOSIT (0.2% of Total Portfolio)				
\$ 25,000	East West Bank	09/25/2015	0.5000	\$ 25,000
1,500	Liberty Bay Bank	12/22/2015	0.3800	1,500
\$ 26,500	TOTAL CERTIFICATES OF DEPOSIT			\$ 26,500
\$ 11,445,582	TOTAL INVESTMENTS			\$ 11,444,239

(concluded)

DISTRIBUTION BY INVESTMENT TYPE

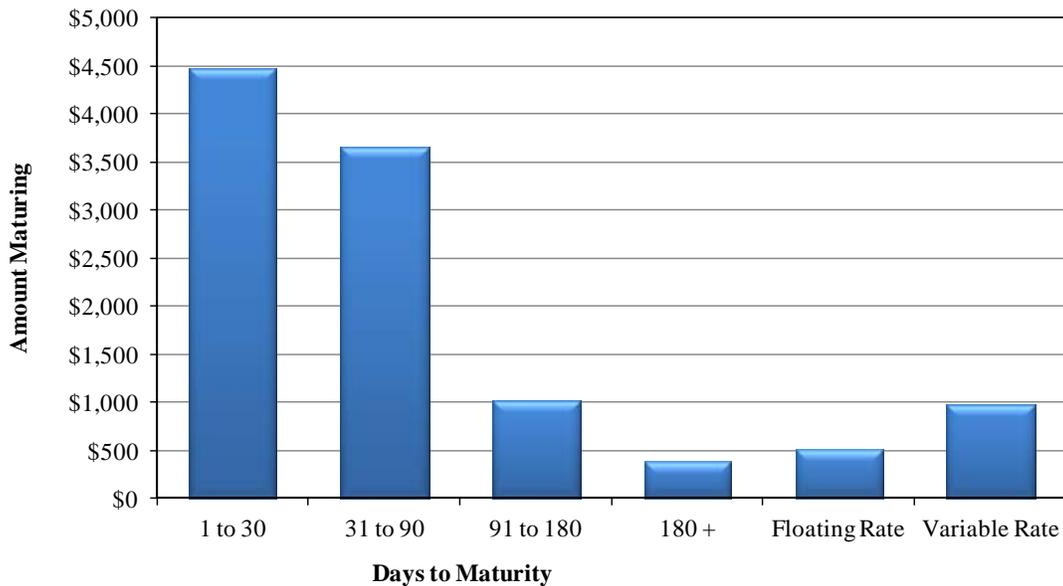
June 30, 2015



MATURITY ANALYSIS

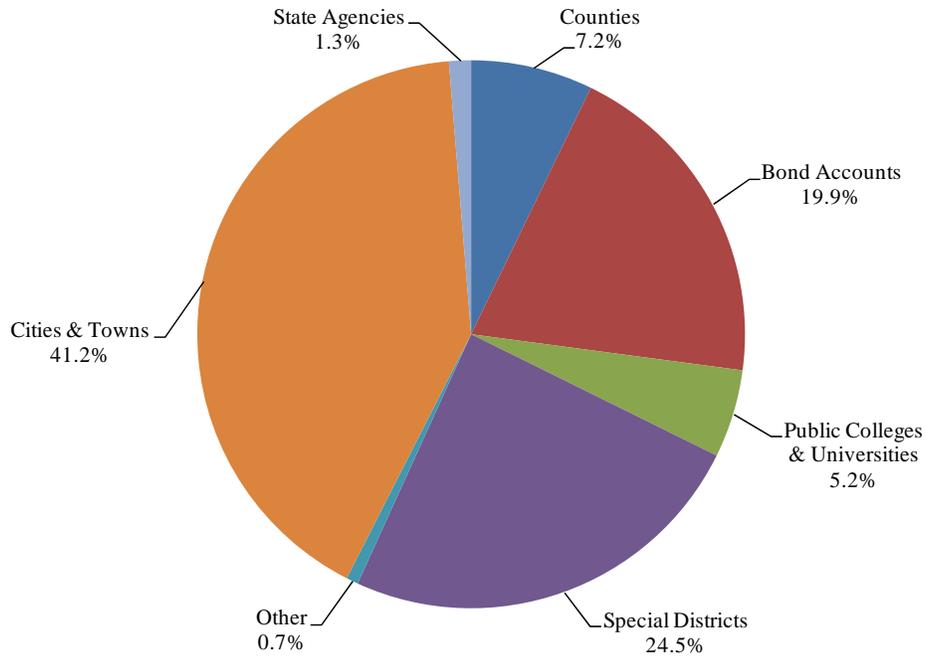
June 30, 2015

(expressed in millions)



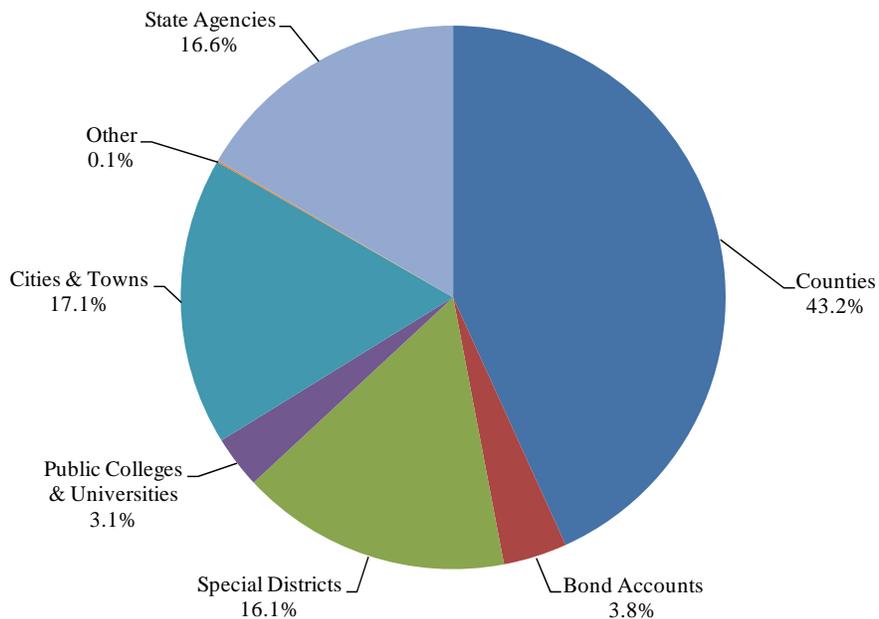
OWNERSHIP ANALYSIS OF TOTAL ACCOUNTS

June 30, 2015

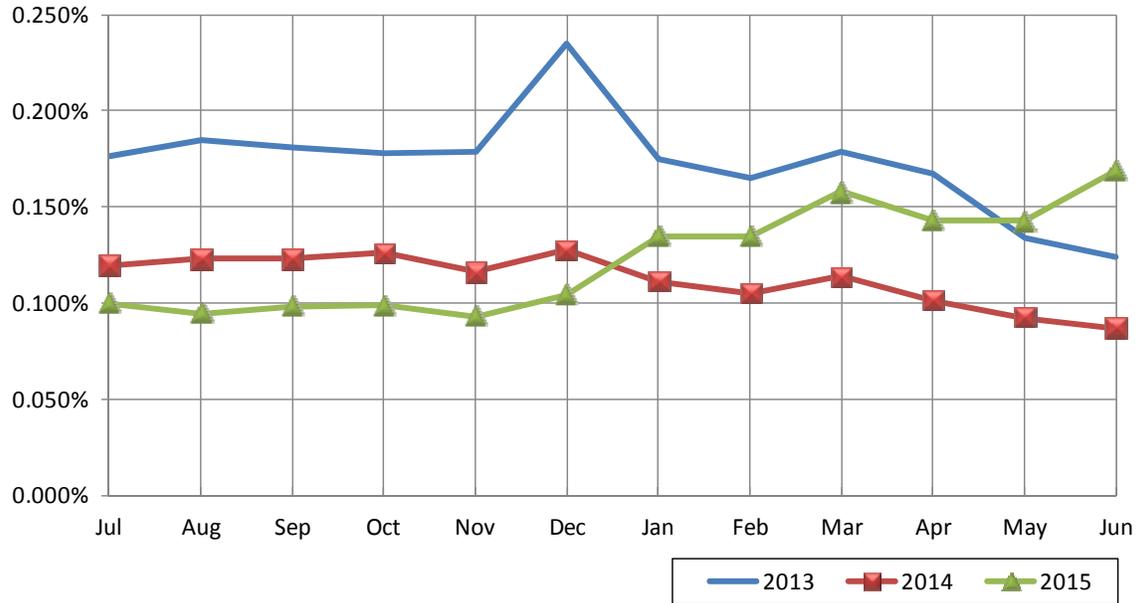


OWNERSHIP ANALYSIS OF TOTAL BALANCES

June 30, 2015

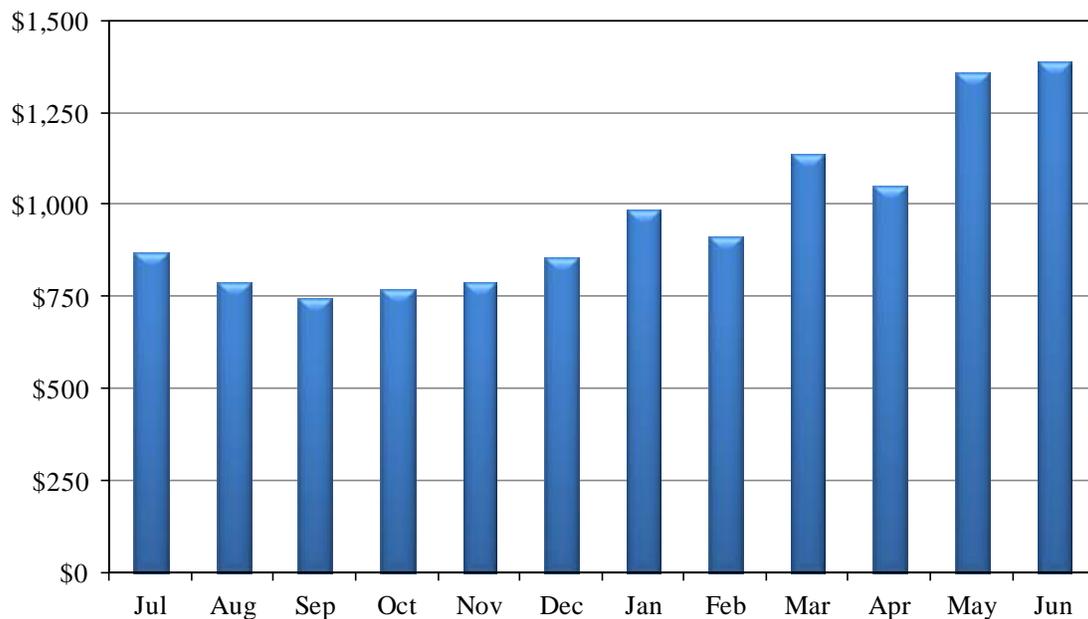


NET RATE OF RETURN ^[1] Fiscal Years 2013 – 2015

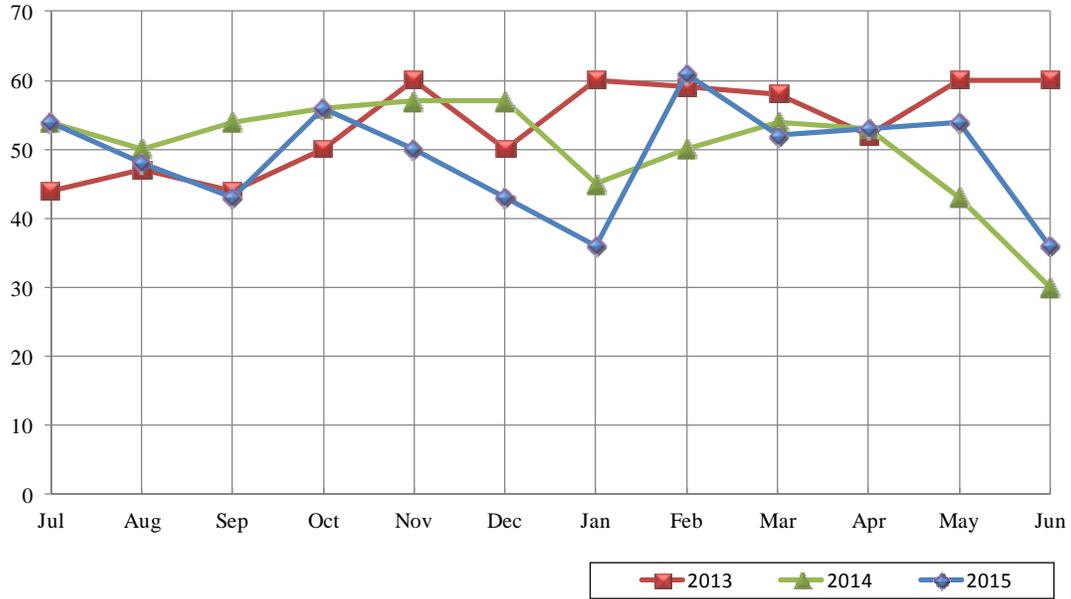


^[1] Returns are calculated based on a time-weighted methodology

NET INVESTMENT INCOME Fiscal Year 2015 (expressed in thousands)



AVERAGE DAYS TO MATURITY Fiscal Years 2013 – 2015

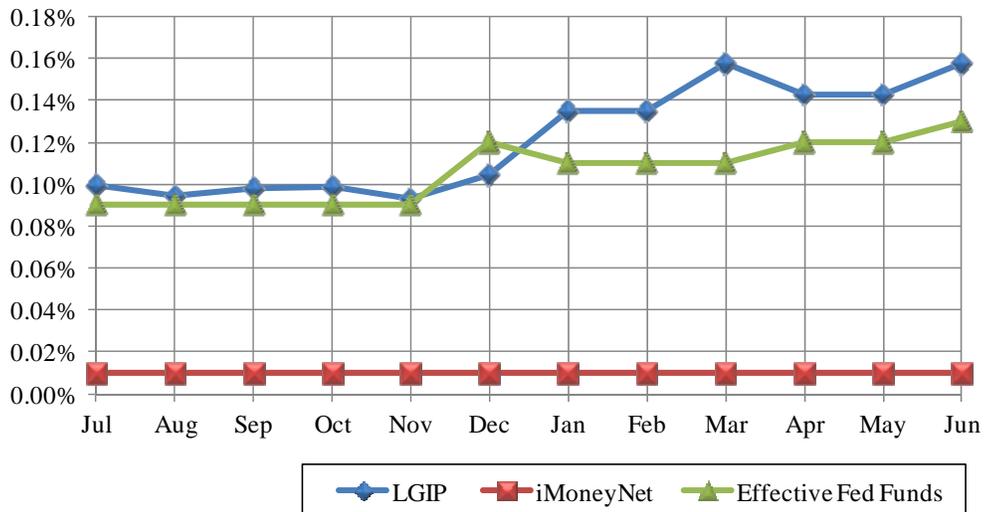


LGIP NET EARNINGS RATE

Versus

EFFECTIVE FEDERAL FUNDS and iMoneyNet

Fiscal Year 2015



SCHEDULE OF PARTICIPANTS BY CONCENTRATION

June 30, 2015

Participant Type	Number of Accounts		Ownership Value	
Counties	39	7.2%	\$ 4,727,506,575	43.2%
Cities & Towns	222	41.2%	1,872,828,122	17.1%
State Agencies	7	1.3%	1,821,106,480	16.6%
Special Districts	132	24.5%	1,763,316,536	16.1%
Bond Accounts	107	19.9%	411,968,383	3.8%
Public Colleges & Universities	28	5.2%	337,089,195	3.1%
Other	4	0.7%	11,255,806	0.1%
Total	539	100.0%	\$ 10,945,071,097	100.0%

SCHEDULE OF ADMINISTRATIVE EXPENSES

For the Fiscal Year Ended June 30, 2015

Category	Amount
Internal Costs ^[1]	\$ 705,447
External Costs ^[2]	<u>197,681</u>
Total	\$ 903,128
^[1] Includes salaries, benefits and other administrative expenses. ^[2] Includes custodian, legal, and other financial services.	

INVESTMENT POLICY

I. PURPOSE

The goal of this investment policy is to clearly prescribe the State Treasurer's Office duties pertaining to the investment of the Local Government Investment Pool (LGIP) funds. This policy:

- Sets out guidelines for the prudent management of LGIP Funds;
- Describes realistic parameters and goals for safely investing those LGIP funds;
- Establishes expectations for generally acceptable returns at a suitable level of risk that matches the nature of the LGIP funds invested; and
- Provides the framework within which the Treasurer's Office investment activity will operate by setting out objectives, guidelines and structure that includes details on the universe of permitted investments and any restrictions on their use.

The State Treasurer reserves the right to amend this policy 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 portfolio will be 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 (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 Office 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 eligible governmental entities may, at their option, utilize the resources of the state treasurer’s office to maximize the potential surplus funds while ensuring the safety of those 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’s Office 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.

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 pursuant to Chapter 39.58 RCW.

The State Treasurer's Office 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's Office 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's Office 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 that are
 - approved by the Washington Public Deposit Protection Commission (39.58 RCW); or
 - the custody provider to the state pursuant to RCW 39.58.080; or
- primary dealers recognized by the Federal Reserve Bank of New York; 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 Financial Industry Regulatory Authority (FINRA).

Each authorized dealer or institution will make available annual reports, including audited financial statements, and other information as determined by the State Treasurer's Office.

3. Competitive Transactions.

- It is the policy of the State Treasurer's Office to transact securities purchases or sales through appropriately competitive processes.
- Electronic trading is the preferred option for the purchase and sale of investment instruments.

- 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.

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's Office 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:

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

Daily compliance reports, as well as monthly performance reports, will be provided to the treasurer and assistant treasurer.

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

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 banker's 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 made in accordance with the provisions of RCW 39.58;
- obligations of the state of Washington or its political sub-divisions.

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

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 the following business 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.

4. 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 Federal Reserve Bank of New York, the state's bank of record, or master custodial bank, and under the terms of a written master repurchase agreement;
- 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, except where the counterparty is the Federal Reserve Bank of New York, in which case they will be priced at 100% of market value, plus accrued income;
- 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's Office may contract for professional services as necessary for the efficient management of investments.

1. Appointment of Master Custodian

The State Treasurer's Office 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's Office 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.

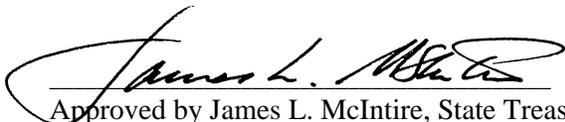
X. PERFORMANCE BENCHMARK

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

XI. REPORTING REQUIREMENTS

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

In accordance with Washington Administrative Code 210-10-090, each pool participant will be provided a monthly statement of account. In accordance with RCW 43.250.080, the State Treasurer's Office 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

11-10-14
Date

Effective Date: November 10, 2014



**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 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 5 – Ownership Analysis 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 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)

	6/30/2006	6/30/2007	6/30/2008	6/30/2009	6/30/2010	6/30/2011	6/30/2012	6/30/2013	6/30/2014	6/30/2015
Assets										
Investments										
Repurchase Agreements	\$ 3,280,925	\$ 3,820,672	\$ 215,768	\$ -	\$ 2,600,000	\$ 250,000	\$ 3,168,500	\$ 1,797,874	\$ 1,200,000	\$ 2,968,200
U.S. Agency Securities	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	6,542,072
U.S. Treasury Securities	19,919	149,795	-	2,922,171	449,640	1,900,331	1,649,151	1,399,598	649,887	549,799
Certificates of Deposit	188,500	255,350	646,350	229,000	38,000	39,000	40,000	2,000	26,500	26,500
Interest Bearing Bank Deposits	674,006	378,726	381,110	302,774	728,893	444,200	363,253	743,434	856,267	718,175
Negotiable Order of Withdrawal (NOW) Accounts	-	-	-	1,105,437	97,435	115,404	235,788	136,200	101,932	102,102
Time Certificate of Deposit (TCD) Program	-	-	-	-	-	70,365	47,840	40,715	35,950	37,610
Total	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	10,944,458
Securities Lending Investments										
Repurchase Agreements	44,790	91,105	113,595	-	-	-	441,000	-	-	-
Total Investments (Settlement Date Basis)	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	10,944,458
Due from Brokers										
(Securities Purchased But Not Settled)										
U.S. Treasury Securities	-	98,770	-	-	-	-	49,989	-	-	299,833
U.S. Agency Securities	-	-	-	-	-	-	-	-	-	199,948
Total Investments (Trade Date Basis)	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	11,444,239
Other Assets										
Cash	1	-	105	3,250	673	-	-	836	1	41
Interest Receivable	13,046	21,659	18,655	5,430	1,542	1,988	1,078	714	582	709
Total Other Assets	13,047	21,659	18,760	8,680	2,215	1,988	1,078	1,550	583	750
Total Assets	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	11,444,989
Liabilities										
Cash Drawn in Excess of Bank Balance	-	-	-	-	-	-	274	-	-	-
Accrued Expenses	419	750	337	58	57	108	125	90	84	114
Obligations Under Securities Lending Agreements	44,790	91,105	113,595	-	-	-	441,000	-	-	-
Securities Sold Under Agreements to Repurchase	-	-	-	199,675	-	-	-	-	-	-
Investment Trades Pending Payable	-	98,770	-	-	-	-	49,989	-	-	499,781
Total Liabilities	45,209	190,625	113,932	199,733	57	108	491,388	90	84	499,895
Net Position										
Held in Trust for Pool Participants	\$ 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	\$ 10,945,094

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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
ADDITIONS										
Contributions from Participants	\$ 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	\$ 35,255,884
Investment Income:										
Investment Earnings	205,216	306,142	277,538	112,859	34,539	23,439	16,522	18,663	12,254	12,597
Less: Expenses	(5,731)	(4,519)	(3,330)	(445)	(52)	-	(157)	(84)	(63)	(37)
Total Investment Income	199,485	301,623	274,208	112,414	34,487	23,439	16,365	18,579	12,191	12,560
Miscellaneous	1	4	1	3	-	-	-	-	-	-
Total Additions	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	35,268,444
DEDUCTIONS										
Distributions to Participants	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	35,479,699
Administrative Expenses	522	544	567	621	606	724	630	820	912	903
Total Deductions	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	35,480,602
Change In Net Position	323,961	821,226	773,884	1,605,755	506,946	388,243	(556,902)	1,804,671	522,415	(212,158)
Net Position - Beginning 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
Net Position - End of Year	\$ 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	\$ 10,945,094

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

Investment Type	6/30/2015		6/30/2014		6/30/2013		6/30/2012		6/30/2011	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Certificates of Deposit	\$ 26,500	0.2%	\$ 26,500	0.2%	\$ 2,000	0.0%	\$ 40,000	0.4%	\$ 39,000	0.4%
Interest Bearing Bank Deposits	718,175	6.3%	856,267	7.7%	743,434	7.0%	363,253	3.9%	444,200	4.7%
Negotiable Order of Withdrawal Accounts	102,102	0.9%	101,932	0.9%	136,200	1.3%	235,788	2.6%	115,404	1.2%
Time Certificate of Deposit Program	37,610	0.3%	35,950	0.3%	40,715	0.4%	47,840	0.5%	70,365	0.8%
Repurchase Agreements	2,968,200	26.0%	1,200,000	10.8%	1,797,874	16.9%	3,168,500	34.0%	250,000	2.7%
US Agency Securities	6,742,020	58.9%	8,286,217	74.3%	6,513,556	61.2%	3,374,944	36.2%	6,565,888	70.0%
US Treasury Securities	849,632	7.4%	649,887	5.8%	1,399,598	13.2%	1,649,151	17.7%	1,900,331	20.2%
Securities Lending Investments	0	0.0%	0	0.0%	0	0.0%	441,000	4.7%	0	0.0%
Total	\$ 11,444,239	100.0%	\$ 11,156,753	100.0%	\$ 10,633,377	100.0%	\$ 9,320,476	100.0%	\$ 9,385,188	100.0%

Investment Type	6/30/2010		6/30/2009		6/30/2008		6/30/2007		6/30/2006	
	Amount	%								
Certificates of Deposit	\$ 38,000	0.4%	\$ 229,000	2.6%	\$ 646,350	9.2%	\$ 255,350	4.1%	\$ 188,500	3.5%
Interest Bearing Bank Deposits	728,893	8.1%	302,774	3.5%	381,110	5.5%	378,726	6.0%	674,006	12.7%
Negotiable Order of Withdrawal Accounts	97,435	1.1%	1,105,436	12.7%	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	2,600,000	28.9%	0	0.0%	215,768	3.1%	3,820,672	60.8%	3,280,925	61.7%
US Agency Securities	5,082,699	56.5%	4,123,550	47.5%	5,624,473	80.6%	1,585,558	25.3%	1,115,036	20.9%
US Treasury Securities	449,640	5.0%	2,922,171	33.7%	0	0.0%	149,795	2.4%	19,919	0.4%
Securities Lending Investments	0	0.0%	0	0.0%	113,595	1.6%	91,105	1.4%	44,790	0.8%
Total	\$ 8,996,667	100.0%	\$ 8,682,931	100.0%	\$ 6,981,296	100.0%	\$ 6,281,206	100.0%	\$ 5,323,176	100.0%

TABLE 4
OWNERSHIP ANALYSIS OF TOTAL ACCOUNTS
 Last Ten Fiscal Years

Participant Type	6/30/2015		6/30/2014		6/30/2013		6/30/2012		6/30/2011	
	Number of Accounts	%								
Counties	39	7.2%	39	7.3%	39	7.2%	39	7.4%	39	7.3%
Cities & Towns	222	41.2%	224	41.6%	226	41.5%	226	42.6%	228	42.9%
Special Districts	132	24.5%	118	21.9%	117	21.5%	116	21.9%	121	22.8%
Bond Accounts	107	19.9%	103	19.2%	109	20.0%	109	20.6%	111	20.9%
Public Colleges & Universities	28	5.2%	28	5.2%	28	5.1%	28	5.3%	29	5.5%
State Agencies	7	1.3%	7	1.3%	7	1.2%	6	1.1%	0	0.0%
Other	4	0.7%	19	3.5%	19	3.5%	6	1.1%	3	0.6%
Total	539	100.0%	538	100.0%	545	100.0%	530	100.0%	531	100.0%

Participant Type	6/30/2010		6/30/2009		6/30/2008		6/30/2007		6/30/2006	
	Number of Accounts	%								
Counties	39	7.5%	40	8.0%	39	8.1%	40	8.5%	39	8.7%
Cities & Towns	227	43.6%	224	44.7%	220	45.6%	218	46.5%	217	48.6%
Special Districts	123	23.7%	123	24.5%	118	24.5%	110	23.5%	106	23.8%
Bond Accounts	102	19.6%	86	17.2%	80	16.6%	76	16.2%	61	13.7%
Public Colleges & Universities	29	5.6%	28	5.6%	25	5.2%	25	5.3%	23	5.2%
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	520	100.0%	501	100.0%	482	100.0%	469	100.0%	446	100.0%

TABLE 5
OWNERSHIP ANALYSIS OF TOTAL BALANCES
 Last Ten Fiscal Years
 (expressed in thousands, except percentages)

Participant Type	6/30/2015		6/30/2014		6/30/2013		6/30/2012		6/30/2011	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Counties	\$ 4,727,507	43.2%	\$ 5,007,406	44.9%	\$ 5,080,565	47.8%	\$ 4,487,652	50.8%	\$ 4,991,508	53.2%
Cities & Towns	1,872,828	17.1%	1,923,917	17.2%	1,884,112	17.7%	1,869,098	21.2%	2,048,715	21.8%
Special Districts	1,763,317	16.1%	1,377,993	12.4%	1,415,820	13.3%	1,329,718	15.1%	1,431,314	15.2%
Bond Accounts	411,968	3.8%	471,949	4.2%	548,846	5.2%	473,644	5.4%	586,876	6.3%
Public Colleges & Universities	337,089	3.1%	316,762	2.8%	311,129	2.9%	306,887	3.5%	306,936	3.3%
State Agencies	1,821,106	16.6%	2,042,937	18.3%	1,385,092	13.0%	357,340	4.0%	4,252	0.0%
Other	11,256	0.1%	16,276	0.2%	7,666	0.1%	3,238	0.0%	15,050	0.2%
Total	\$ 10,945,071	100.0%	\$ 11,157,240	100.0%	\$ 10,633,230	100.0%	\$ 8,827,577	100.0%	\$ 9,384,651	100.0%

Participant Type	6/30/2010		6/30/2009		6/30/2008		6/30/2007		6/30/2006	
	Amount	%								
Counties	\$ 4,486,720	49.9%	\$ 4,321,316	50.9%	\$ 3,133,787	45.5%	\$ 2,595,477	42.5%	\$ 2,334,879	44.1%
Cities & Towns	2,081,657	23.1%	2,030,971	23.9%	2,013,555	29.3%	1,857,247	30.4%	1,628,605	30.8%
Special Districts	1,420,901	15.8%	1,489,755	17.6%	1,290,384	18.7%	1,079,027	17.6%	885,888	16.8%
Bond Accounts	647,402	7.2%	374,999	4.4%	277,300	4.0%	401,273	6.6%	301,473	5.7%
Public Colleges & Universities	359,692	4.0%	272,964	3.2%	169,256	2.5%	177,720	2.9%	139,018	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	\$ 8,996,372	100.0%	\$ 8,490,005	100.0%	\$ 6,884,282	100.0%	\$ 6,110,744	100.0%	\$ 5,289,863	100.0%

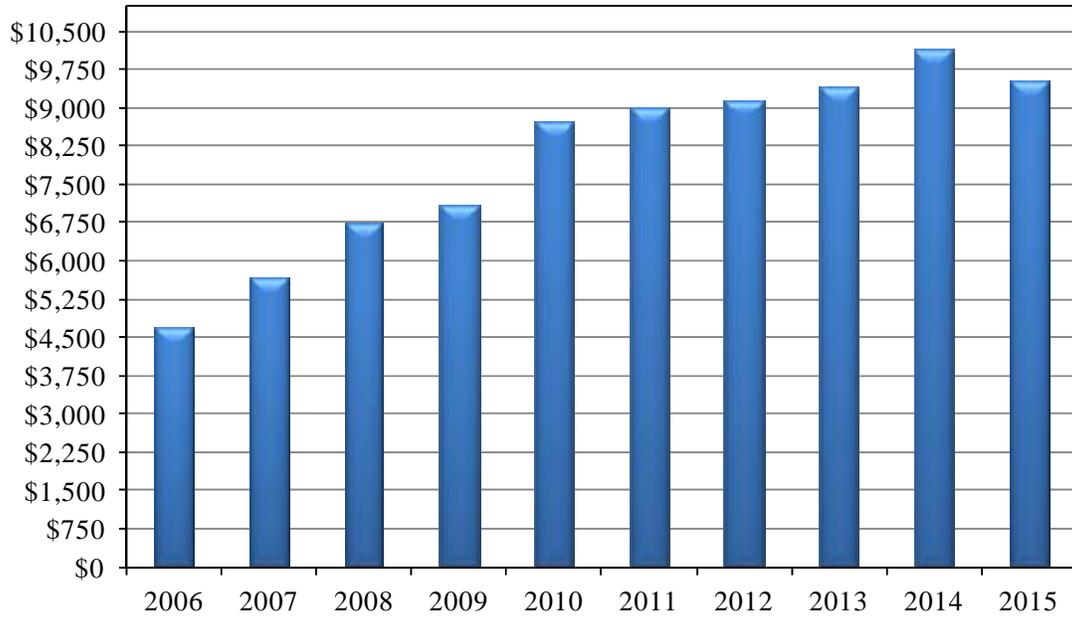
TABLE 6
FINANCIAL HIGHLIGHTS
Last Ten Fiscal Years

	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011
Investments Purchased	\$ 281,964,025,725	\$ 128,312,368,689	\$ 201,464,352,490	\$ 206,758,563,256	\$ 137,272,425,884
Investments Sold	\$ 18,486,227,699	\$ 30,073,234,697	\$ 21,906,107,830	\$ 24,076,256,763	\$ 22,703,805,943
Investments Matured	\$ 263,095,646,386	\$ 97,721,262,684	\$ 178,250,863,000	\$ 182,749,495,000	\$ 114,186,405,000
Net Investment Income	\$ 11,657,277	\$ 11,279,324	\$ 17,758,410	\$ 15,735,355	\$ 22,715,240
Administrative Expenses	\$ 903,128	\$ 911,822	\$ 820,200	\$ 629,629	\$ 723,837
Average Annualized Monthly Yield	0.12 percent	0.11 percent	0.17 percent	0.14 percent	0.23 percent
Weighted Average Maturity (WAM)	36 days	30 days	58 days	40 days	57 days
Weighted Average Life (WAL)	86 days	85 days	98 days	112 days	109 days
Participant Contributions	\$ 35,255,884,315	\$ 25,735,242,074	\$ 17,487,171,053	\$ 16,479,606,797	\$ 17,578,161,095
Participant Distributions	\$ 35,479,698,455	\$ 25,224,106,673	\$ 15,700,259,153	\$ 17,052,244,276	\$ 17,212,632,984

	FY 2010	FY 2009	FY 2008	FY 2007	FY 2006
Investments Purchased	\$ 98,282,836,482	\$ 56,053,557,119	\$ 168,887,089,769	\$ 200,597,043,989	\$ 178,235,075,560
Investments Sold	\$ 31,707,421,974	\$ 16,548,847,666	\$ 4,980,446,284	\$ 1,324,757,969	\$ 3,815,136,652
Investments Matured	\$ 66,070,485,600	\$ 37,931,524,164	\$ 163,356,283,446	\$ 198,379,244,968	\$ 174,171,910,245
Net Investment Income	\$ 33,881,350	\$ 111,796,544	\$ 273,642,353	\$ 301,083,119	\$ 198,963,864
Administrative Expenses	\$ 605,857	\$ 621,070	\$ 567,017	\$ 543,983	\$ 522,364
Average Annualized Monthly Yield	0.36 percent	1.57 percent	4.00 percent	5.25 percent	4.20 percent
Weighted Average Maturity (WAM)	49 days	56 days	39 days	46 days	38 days
Weighted Average Life (WAL)	Not Available	Not Available	Not Available	Not Available	Not Available
Participant Contributions	\$ 18,527,197,621	\$ 18,143,386,412	\$ 15,913,825,002	\$ 13,138,867,890	\$ 12,891,202,147
Participant Distributions	\$ 18,054,132,368	\$ 16,649,428,097	\$ 15,413,583,720	\$ 12,618,725,114	\$ 12,766,205,074

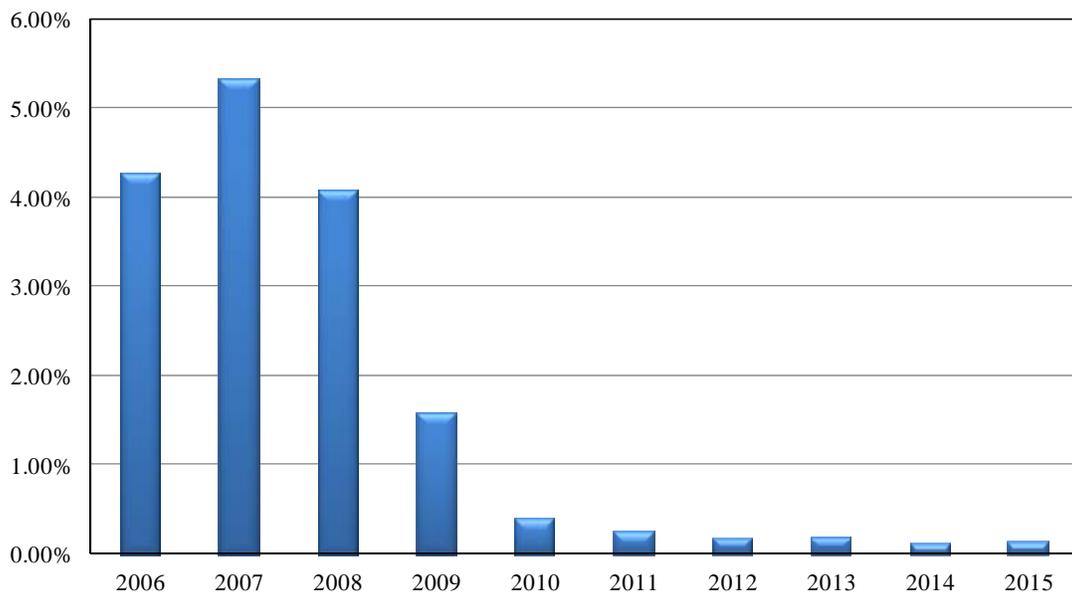
AVERAGE INVESTED BALANCES

Last Ten Fiscal Years
(expressed in millions)

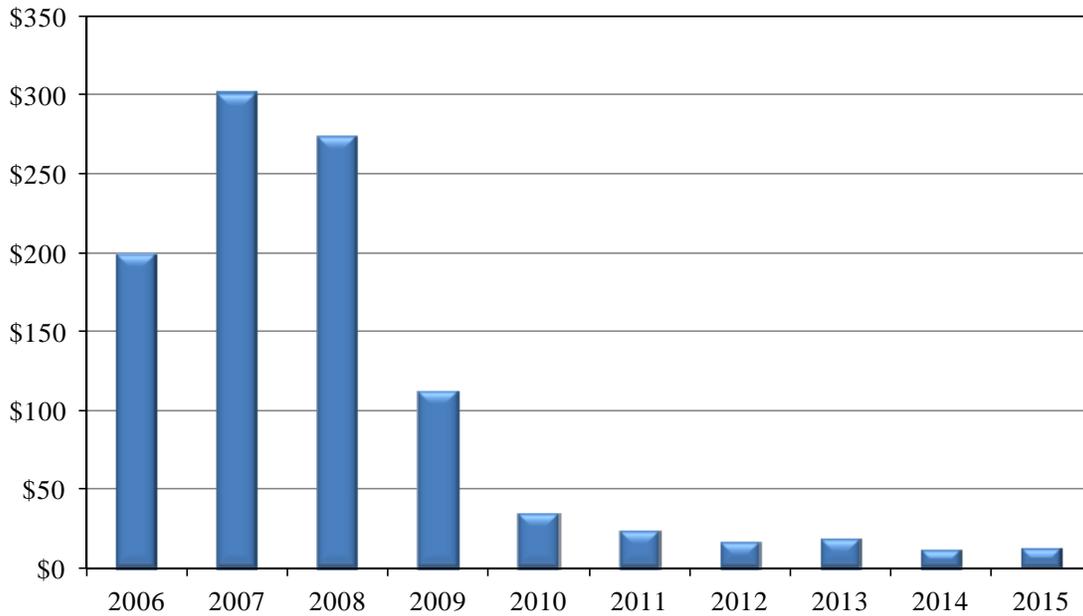


PORTFOLIO YIELD

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	0.124%	0.136%	0.156%	0.391%	1.622%
iMoneyNet	0.010%	0.010%	0.012%	0.105%	1.249%
Cumulative Return					
LGIP	0.122%	0.408%	0.796%	2.829%	17.762%
iMoneyNet	0.010%	0.031%	0.058%	0.748%	13.409%



State of Washington
Local Government Investment Pool
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