

2004 LGIP Comprehensive Annual Financial Report

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Publication Editor: Toni Doyle



MICHAEL J. MURPHY
State Treasurer

State of Washington
Office of the Treasurer

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

During Fiscal Year 2004:

- Four new entities joined the LGIP, bringing the total participants to 424. The average balance in the LGIP portfolio over the fiscal year was \$4.96 billion.
- The Treasury Management System (TMS) continues to be a valuable resource for participants. TMS allows authorized users to initiate LGIP transactions via the Internet. The system also allows users to view and print reports, including statements of account and account ledgers.
- The LGIP has grown significantly, both in participation and portfolio size, since its inception in 1986. TMS, and the automation it provides, helps keep LGIP administrative costs at a minimum. Approximately 63 percent of daily LGIP transactions were initiated via TMS during the fiscal year.
- Investment and statistical information, updated monthly, is among the useful LGIP data on the Office of the State Treasurer (OST) Website. All LGIP forms and investment publications produced by OST can also be found there. Visit the site at www.tre.wa.gov.

I am proud to report the LGIP net rate of return during Fiscal Year 2004 outperformed its benchmark by 44 basis points. The benchmark is the iMoneyNet Inc. Government Only/Institutional Only Money Market Funds, which is comprised of privately managed money market funds similar to the LGIP. Since July 1994, LGIP participants have earned approximately \$156.34 million over what the average comparable money market funds 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,

MICHAEL J. MURPHY
STATE TREASURER



MICHAEL J. MURPHY
State Treasurer

State of Washington
Office of the Treasurer

October 25, 2004

The Honorable Gary Locke, Governor
The Honorable Brian Sonntag, State Auditor
Members of the State Finance Committee
Members of the Joint Legislative Audit and Review Committee
Participants in the Local Government Investment Pool
State of Washington

I am pleased to submit the Comprehensive Annual Financial Report of the Local Government Investment Pool (LGIP) for the fiscal year ended June 30, 2004. This report has been prepared by the Office of the State Treasurer (OST) as required by Title 43.250.080, Revised Code of Washington (RCW). Responsibility for both the accuracy of the financial data and the completeness and fairness of the presentation, including all disclosures, rests with the Office of the State Treasurer. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the LGIP. All disclosures necessary to enable the reader to gain an understanding of the pool's financial activities have been included.

The report is presented in four sections: Introductory, Financial, Investment, and Statistical. The Introductory Section, which is unaudited, includes this transmittal letter, an OST organizational chart and committee and staff listings. The Financial Section, which is audited, begins with the independent auditor's report and contains management's discussion and analysis (MD&A), the financial statements of the pool, notes to the financial statements, schedule of investments and certificates of deposit, and a supplementary schedule. The Investment Section, which is unaudited, includes an administrative overview, the portfolio charts, position and compliance report, schedule of pool participants, investment policy, LGIP authorized personnel, authorizing statutes, and administrative rules. The Statistical Section, also unaudited, includes selected financial data.

This letter of transmittal is designed to compliment the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the auditor's report.

Profile of the Pool

The pool was created by the Washington State Legislature in 1986 and is managed and operated solely by the Office of the State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts appropriate rules. The State Treasurer created the Local Government Investment Pool Advisory Committee to offer counsel on the operation of the pool. The committee includes 12 members selected from active pool participants (refer to page 11 for the list of advisory committee members). Eight members are appointed by participant associations, and four are appointed by the State Treasurer.

The LGIP is a mechanism whereby political subdivisions, public colleges and universities, the State Board for Community and Technical Colleges, and the State Finance Committee may, at their option, invest temporary cash surpluses and take advantage of the volume and expertise of the state's investment

program to earn a competitive rate of return while maintaining the security and liquidity of the funds they manage. The objectives of the State Treasurer's investment program for the pool, in priority order, are safety, liquidity, and return on investment. The pool is operated as a business enterprise within the framework of state laws and regulations using proprietary accounting and following accounting principles generally accepted in the United States appropriate for investment companies. This report includes only activity of the pool and does not include data or information related to other state agencies or funds.

Economic Review and Outlook

The Year in Review

Fiscal Year (FY) 2004 began with a great deal of skepticism regarding the direction of the economy. Despite the country's lackadaisical economic growth, many investors were hopeful that the economy would turnaround and show more solid proof of recovery. The same worries continued to bog down the economy--- unemployment and disinflation. The unemployment rate started at a nine-year high of 6.40 percent and disinflation, although not evident, had some market spectators very concerned because of the Japanese deflation phenomenon of the last decade. However, the second-half of FY 2004 provided a picture of a better economy. Unemployment went down to 5.60 percent and disinflation worries turned into inflation concerns. Indeed, FY 2004 staged a comeback after a series of economic mirages in 2003.

The first half of the year was very disappointing as tax cuts created only a short-lived stimulant. At the same time as most economic indicators were saying that there was some kind of recovery, the unemployment rate went up to its highest level of the cycle. Economists found out later in the year that the much-vaunted growth figures came from consumer spending. Most of the gain in consumer spending came from the administration's tax cuts and from mortgage refinancing. Refinancing was a very attractive option for homeowners as a means of extracting cash from their properties since the housing sector benefited from the low-interest rate environment.

Most companies were also very reluctant to commit capital because the business environment was still clouded with uncertainty. Productivity for the most part filled the void left by businesses unwilling to commit new money. The rise in productivity enabled companies to produce more without hiring additional workers. Technology played a large role in allowing companies to increase their efficiency rates.

The gloomy outlook held by most economists was based on the fact that the economy did not produce a significant amount of jobs at a time when most of the fiscal and monetary stimulants were in full force. The decline in the unemployment rate from 6.40 percent to 5.70 percent by the end of the second quarter of FY 2004 belied the fact that payroll reports came in below market expectations. A lot of unemployed workers dropped off the radar after collecting their last employment checks. Outsourcing became the most controversial topic before Christmas time.

The Federal Reserve had expressed concern about the feeble economic recovery and stated that it would leave interest rates low for a 'considerable period' of time, which investors took as a signal that rate hikes were still remote from the Committee's collective economic assessment.

The second half of FY 2004 saw a marked turnaround from the dour state of the US economy seen during the first half of the year. Jobs, the be all and end all for most market players, came back very strongly which created worry that the Federal Reserve might deem it necessary to change their highly accommodative stance. Many people believed that job creation was a lagging indicator because most economic numbers pointed to a very robust economic trajectory. Many investors believed that, sooner rather than later, most companies would be willing to crank up their hiring as demand outpaced supply. In

fact, there was also a common belief that their optimism bore weight as the Federal Reserve warned that they could take out the “considerable period” in their statement when deemed necessary.

Gross Domestic Product (GDP) growth during FY 2004 was 3.0 percent, which was weaker than the 4.1 percent rise in FY 2003. At first glance, the GDP numbers certainly looked weaker, but further scrutiny revealed that the growth came from business investment which had been sorely lacking during the previous year. Business investment contributed approximately 19 percent of the total growth in GDP which, coupled with strong consumer spending, made most investors very optimistic. The second half of FY 2004 provided the economy an average of 238,000 new jobs every month, in stark contrast to the 61,000 a month decline in 2003. With all these developments occurring towards the end of FY 2004, the Federal Reserve promptly changed its tone from a “considerable period” to a “measured pace” language of monetary accommodation. In layman’s parlance, the Federal Reserve signaled its intentions of raising interest rates (take out accommodation) as the economy rebounded from its long slumber.

The economic landscape changed considerably during the second half of FY 2004. The fear of deflation which prompted the Federal Reserve to cut rates down to 1 percent was gone. Employment growth rebounded and productivity slowed, which closed the much talked-about output gap, giving rise to inflation worries. Inflation worries came from stronger demand, excess liquidity, higher operating costs, and a rise in oil prices. Energy costs had risen dramatically, with oil prices reaching \$46 a barrel in the world market by the end of FY 2004.

The end of FY 2004 saw the fed funds rate move up from 1.00 percent to 1.25 percent, and many Federal Open Market Committee (FOMC) members indicated that the Federal Reserve’s goal was to bring the fed funds level back to neutral. The “measured pace” was a catchall phrase that the Federal Reserve would probably raise rates depending upon the threat of inflation. It also meant that Chairman Greenspan would want to take out the accommodative nature of the Federal Reserve’s monetary policy without economic disruption.

During the second half of FY 2004, investors became resigned to the fact that interest rates would rise, albeit at a “measured pace”, for the rest of FY 2004 and probably continue upward in FY 2005 to target a neutral fed funds rate. A tighter monetary policy could be seen if evidence of rising growth and inflation materialize. Fed Chairman Alan Greenspan on several occasions stated that interest rate hikes depend upon their prognosis of inflation vis-à-vis economic growth.

Economic Risks

The risks to this outlook are that job growth could remain very tentative and energy costs could derail the global economy. Higher energy costs could dampen consumer spending, leading to a vicious cycle of business slowdown, subsequently spoiling the economy’s momentum. Of great concern is the potential for terrorist attacks which could also trigger a rise in risk premiums in the cost of doing business. As the 2004 elections approach, terrorist attacks can not be discounted.

The economy is still very fragile as both the budget and current account deficit soar. Financing the deficit is one of the more serious problems in a period of rising interest rates. This fundamental problem is exacerbated by the current build-up of the costs in Iraq. Considering how resilient the economy was during FY 2004, economists are more optimistic that FY 2005 will see the economy on more solid ground. The risks mentioned are what most investors are watching since those factors could change the economic landscape.

Bond Market Outlook

The bond market has experienced a back-up in yields since the Fed started raising interest rates. Two-year notes started the year at 1.30 percent and ended the year at 2.68 percent, reflective of the changing interest

rate environment. The three and five-year notes also experienced a significant rise in yields of approximately 140 basis points (bp). These back-ups have priced-in an aggressive Fed taking away much of its monetary accommodation. The longer 10-year and 30-year maturities had a less amplified move of 106 bp and 73 bp, respectively, as they benefited from investors putting on flattening trades in order to cushion their portfolios.

Investors continue to expect a series of rate hikes for the remainder of FY 2005. Economic reports suggest that the economy is improving, albeit in a very haphazard manner. Announcements of economic numbers have shown both weak and strong indicators which do not help investors in forming a general observation about the economy. The Federal Reserve Board, however, has been quite optimistic and reiterated their belief that the economy will stay on track and that most conflicting signals arise from transitory factors such as energy prices.

Equity markets have been quite robust, reflecting the general positive outlook on the economy. The Dow Jones Industrial average, NASDAQ, and S&P 500 registered substantial gains of 18.6%, 26.7%, and 19.1%, respectively, for FY 2004. There was a general belief that the economy had the momentum to build on its gains. The equity markets have all faltered at the onset of FY 2005 due to weaker employment numbers and energy prices, as earlier discussed. Most analysts have subsequently readjusted company earnings forecasts to reflect the current perceived earnings slowdown. However, economists are still in consensus that the economy will maintain its upward course.

Investment Risk Profile

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

The pool is managed diligently by professional and dedicated 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.

Cash Management

The Office of the State Treasurer operates the Local Government Investment Pool for investing cash in excess of daily requirements. Among the investments authorized by statute are: U.S. Treasury and agency securities, banker's acceptances, repurchase agreements, reverse repurchase agreements, commercial paper, and certificates of deposit with qualified public depositories.

Risk Management

The state of Washington operates a risk management liability program pursuant to Title 4.92.130, RCW. The state manages its tort claims as an insurance business activity rather than a general governmental activity. 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. The Office of the State Treasurer is assessed an annual premium to fund payment of future tort claims.

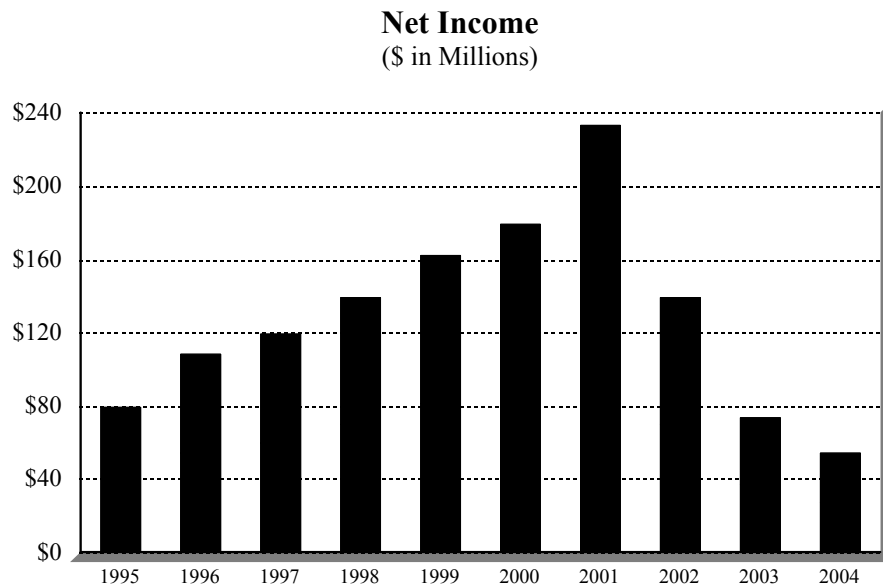
Financial Information

Operations

The investment activity for the pool is guided by an investment policy, approved by the State Treasurer and operates under the standard of the prudent investor.

The Local Government Investment Pool is operated as a business enterprise, and its purpose is to provide an investment tool for local governments. No general government functions are managed within the pool or included in this report.

Net investment income for Fiscal Year 2004 totaled \$54.4 million, a decrease of \$19.3 million from the previous fiscal year. Net investment income for the past ten years was as follows:



Additional information on the financial activity of the pool can be found in Management's Discussion and Analysis.

Internal Controls

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

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

The Office of the State Treasurer currently has 70 employees, of which five work in the Investment Division and ten work in the Accounting and Fiscal Services Division.

External Controls

Washington statutes and the federal Single Audit Act of 1984 require an annual single audit of the state, including its Comprehensive Annual Financial Report, by the Washington State Auditor, an independently elected public official. In addition, the pool contracts for an outside independent audit of the pool's financial statements. The Washington State Auditor's reports on internal controls and compliance with applicable laws and regulations can be found in a separately issued single audit report. The independent auditor's report on the pool's financial statements is included in the financial section of this report.

Other Information

Internet

This report is located on the Internet at <http://tre.wa.gov/LGIP/lgip.htm>. The Office of the State Treasurer website, located at <http://tre.wa.gov/>, maintains additional information on the LGIP for participants and interested parties, along with other Office of the State Treasurer information.

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 state of Washington's Local Government Investment Pool for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. This was the seventh consecutive year LGIP has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

Preparation of this report was accomplished due to the efficient and dedicated services of the Office of the State Treasurer's Accounting and Fiscal Services Division and its Investment Division. A special thank you to Doug Extine, Jill Gravatt, Lisa Hennessy, Ferdinand Pascual and Jen Thun for their administration of the pool, to Wendy Weeks, Cindy Shave and Alberta Quinlan for their accounting of the pool, to Toni Doyle for editing and coordinating this data for publication, and to Darrel Jensen for his continued leadership.

The Comprehensive Annual Financial Report reflects our commitment to the pool participants and to the citizens of the state of Washington to maintain our financial statements and accounting systems in conformance with the highest standards of accountability. Due credit is given to State Treasurer Michael J. Murphy and Assistant State Treasurer Michael Colleran for their commitment to operating the Office of the State Treasurer and the Local Government Investment Pool in a responsible and progressive manner.

Respectfully submitted,

ELAINE EMANS
DEPUTY STATE TREASURER
STATE OF WASHINGTON

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, 2003

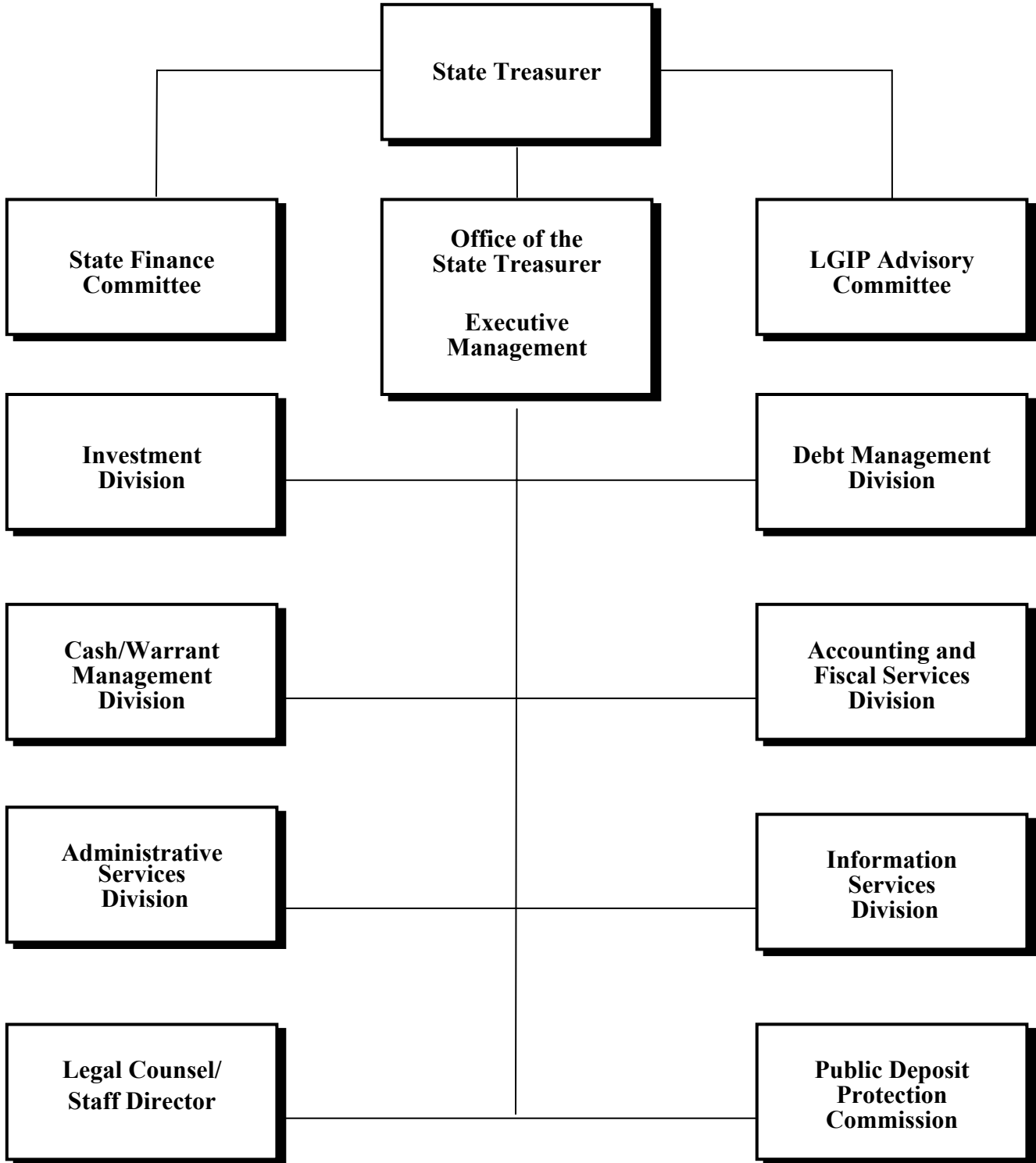
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

**Office of the State Treasurer
ORGANIZATIONAL CHART**



ADVISORY COMMITTEE

Members

Stan Finkelstein
Executive Director
Association of Washington Cities

Barbara Stephenson
Kitsap County Treasurer
Kitsap County

Chuck Greenough
Accounting Services Director
State Board for Community &
Technical Colleges

Lisa Frazier
Mason County Treasurer
Mason County

Paula Henderson
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Dan Underwood
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Lynn Hills
Director/Finance & Administration
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Spokane County

Richard Patrick
Finance Director
City of Burlington

Mark Wyman
Banking/Fiscal Coordinator
Snohomish County PUD

Shelly Pearson
Investment Officer
Kitsap County

Dani Burton
Klickitat County Treasurer
Klickitat County PUD

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Accounting Manager
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STATE FINANCE COMMITTEE

Members

Michael J. Murphy

State Treasurer and Chairman

Gary Locke

Governor

Brad Owen

Lieutenant Governor

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of net assets of the State of Washington Local Government Investment Pool ("LGIP") as of June 30, 2004, and the related statements of operations and changes in net assets for the year then ended. These financial statements are the responsibility of the State of Washington Office of the State Treasurer. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the LGIP's June 30, 2003, financial statements and in our report dated August 29, 2003, we expressed an unqualified opinion on those statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the LGIP as of June 30, 2004, and the results of its operations and the changes in its net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying management discussion and analysis on pages 16 through 18 is not a required part of the basic financial statements, but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of investments and certificates of deposit as of June 30, 2004, and the schedule of reconciliation of assets for the year then ended, are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. As noted above, we previously audited the basic financial statements of the LGIP as of June 30, 2003, and expressed an unqualified opinion on those statements. In our opinion, the schedule of reconciliation of assets for the year ended June 30, 2003, is fairly stated in relation to the basic financial statements from which it was derived. The introductory, investment, and statistical sections as listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Peterson Sullivan PLLC

August 26, 2004

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, 2004. Please read this analysis in conjunction with the transmittal letter preceding this section and with the financial statements, which follow.

Financial Highlights

- The LGIP reported net assets as of June 30, 2004, in the amount of \$4.9 billion, a decrease over the previous year of approximately \$200 million.
- The LGIP distributed \$54 million to pool participants as a result of investment activity during the year. This was a decrease of \$20 million from the previous year.

Overview of the Financial Statements

The LGIP prepares its financial statements on an accrual basis in accordance with accounting principles generally accepted in the United States of America appropriate for investment companies. The Pool is operated in a manner consistent with Rule 2a-7 money market funds, as recognized by the Securities and Exchange Commission. These funds are limited to high quality obligations with limited maximum and average maturities in order to minimize both market and credit risk. Investments are reported on a trade date basis in accordance with GAAP. This report consists of a Statement of Net Assets, Statement of Operations, Statements of Changes in Net Assets, Notes to the Financial Statements, Schedule of Investments and Certificates of Deposit and the Schedule of Reconciliation of Assets. In addition, this report 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 ending June 30, 2004. The following is a description of the basic financial statements:

Statement of Net Assets - The statement of net assets presents all of the LGIP's assets and liabilities at fiscal year end. It also provides information on the types of investments held by the LGIP.

Statement of Operations - The statement of operations shows the revenues and expenses that were earned and/or generated during the year, with the difference reported as "net income". The net income is then distributed to the participants, based on their respective average balance in the fund.

Statements of Changes in Net Assets - All purchases and redemptions of investment units for the year are shown in the statement of changes in net assets, indicating the total activity of the participants in the fund.

Notes to Financial Statements - The notes to 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

In order 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 help to provide a more comprehensive picture of the activity in the fund. We will begin by looking at the net assets of the pool. A summary of the LGIP's net assets is provided in the following table:

Net Assets

Table 1
Net Assets
(in millions)

	2004	2003	Dollar Change	Percent Change
Pooled cash and investments	\$5,392.7	\$5,374.1	\$18.6	0.3%
Receivables	4.7	4.5	0.2	4.4
Securities lending investments	298.8	143.9	154.9	107.6
Total Assets	5,696.2	5,522.5	173.7	3.1
Liabilities	748.7	343.8	404.9	117.7
Net Assets	\$4,947.5	\$5,178.7	\$(231.2)	(4.5)%

As the table shows, the LGIP experienced a decrease in net assets of \$231.2 million in 2004. Although both assets and liabilities experienced increases compared to last year, a large portion of this is due to securities lending and pending sales transactions, which have offsetting assets and liabilities entries. Because the LGIP is a 100% voluntary investment option for local governments and participants are free to utilize the LGIP at their discretion as they invest their funds, the percentage of total funds that individual participants have available for investment that are invested in the LGIP changes over time and can vary from near zero to 100%. Accordingly, the LGIP's Net Asset total is a function of several parameters, some of which are independent of the performance of the LGIP. The resulting change in net assets can best be explained simply by changes in deposits and withdrawals of the participants in the fund.

Changes in Net Assets

Table 2
Changes in Net Assets
(in millions)

	2004	2003	Dollar Change	Percent Change
Purchase of units	\$12,262.1	\$12,514.9	\$(252.8)	(2.0)%
Redemption of units	12,547.7	12,983.9	(436.2)	(3.4)
Net income distributed	54.4	73.7	(19.3)	(26.2)
Net increase (decrease) in net assets	\$(231.2)	\$(395.3)	\$164.1	41.5%

Net income for the LGIP was down by twenty-six percent over the previous year. This decline was due, in part, to the decrease in portfolio yield, as shown in Table 3. In addition, purchases decreased over the prior year and redemptions also decreased, which resulted in a net increase in net assets in the pool. Due to the discretionary nature of the LGIP as an investment option, it is difficult to ascertain the reasons behind the changes in net assets, as was discussed in the above paragraph on net assets.

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

	2000	2001	2002	2003	2004
Portfolio Yield	5.56%	5.80%	2.58%	1.46%	1.05%
iMoneyNet Inc.	5.04%	5.27%	2.02%	1.05%	0.61%

The monthly portfolio yield represents the percent return of LGIP investments based on the average invested balance for the month. Table 3 shows an average of the monthly portfolio yields for each of the last five fiscal years. The average monthly portfolio yield showed a significant decline in Fiscal Year 2004 from previous years. The drop in LGIP yield can be explained by the decline in the targeted fed funds rate, which is the interest rate that banks charge each other for the use of funds. LGIP yields closely follow the targeted fed funds rate and this rate went from a high of 6.50% in the first half of Fiscal Year 2001, down to a low of 1.00% in June 2003, where it remained until the end of Fiscal Year 2004. The best measure of the LGIP's performance is not the change in the yield of the portfolio over time, but rather a comparison of the LGIP yield to the yield of its benchmark, iMoneyNet Inc., Government Only/Institutional Only Money Market Funds. This benchmark is comprised of privately managed money market funds similar in composition and guidelines to the LGIP. The LGIP net yield during Fiscal Year 2004 was 44 basis points higher than that of the benchmark. The LGIP continues to be a sound investment option for local governments, obtaining a competitive yield while preserving principal and liquidity.

STATEMENT OF NET ASSETS

June 30, 2004
(with Comparative Totals for June 30, 2003)
(in Thousands)

Assets	FY 2004	FY 2003
Investments, at Amortized Cost:		
Repurchase Agreements	\$ 683,906	\$ 903,626
U.S. Agency Securities	3,763,313	3,665,154
U.S. Treasury Securities	351,151	228,209
Total Excluding Securities Lending & Securities Purchased or Matured But Not Settled	4,798,370	4,796,989
Securities Lending Investments, at amortized cost:		
Repurchase Agreements	298,799	143,941
Total Investments (Settlement Date Basis)	5,097,169	4,940,930
Due from Brokers - Securities Purchased But Not Settled, at Amortized Cost:		
U.S. Agency Securities	449,477	199,679
Total Investments (Trade Date Basis)	5,546,646	5,140,609
Interest Bearing Bank Deposits	39,820	267,236
Certificates of Deposit	105,000	110,150
Cash	.....	10
Interest Receivable	4,747	4,516
Total Other Assets	149,567	381,912
Total Assets	5,696,213	5,522,521
Liabilities		
Accrued Expenses	413	211
Obligations Under Securities Lending Agreements	298,799	143,941
Investment Trades Pending Payable	449,477	199,679
Total Liabilities	748,689	343,831
Net Assets	\$ 4,947,524	\$ 5,178,690

The accompanying notes are an integral part of these financial statements.

STATEMENT OF OPERATIONS
For the Fiscal Year Ended June 30, 2004
(with Comparative Totals for June 30, 2003)
(in Thousands)

	FY 2004	FY 2003
Investment & Certificates of Deposit Income		
Interest	\$ 54,685	\$ 74,046
Securities Lending	2,971	4,065
Total Investment & Certificates of Deposit Income	57,656	78,111
Miscellaneous Income		
Overdraft Penalties Assessed to Pool Participants	2	3
Total Income	57,658	78,114
Investment Expenses		
Administrative Expenses	550	558
Securities Lending	2,736	3,824
Total Expenses	3,286	4,382
Net Income	\$ 54,372	\$ 73,732

The accompanying notes are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSETS

For the Fiscal Year Ended June 30, 2004
(with Comparative Totals for June 30, 2003)
(in Thousands)

	<u>FY 2004</u>	<u>FY 2003</u>
Increase in Net Assets From Operations		
Net Income Distributed and Deposited to Participants Accounts at Net Asset Value of \$1.00 per Unit	\$ 54,372	\$ 73,732
Pool Participants Unit Transactions at Net Asset Value of \$1.00 per Unit		
Purchase of Units	12,262,144	12,514,906
Redemption of Units	<u>(12,547,682)</u>	<u>(12,983,913)</u>
Net Decrease	<u>(285,538)</u>	<u>(469,007)</u>
Total Decrease in Net Assets	(231,166)	(395,275)
Net Assets		
Beginning of Year	<u>5,178,690</u>	<u>5,573,965</u>
End of Year	<u><u>\$ 4,947,524</u></u>	<u><u>\$ 5,178,690</u></u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2004

NOTE 1 - Summary of Significant Accounting Policies

The accompanying financial statements of the Local Government Investment Pool (LGIP) have been prepared in conformity with accounting principles generally accepted in the United States of America. The amounts in the notes are rounded to the nearest thousand. 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. For proprietary fund accounting and reporting, the state applies applicable pronouncements of the Financial Accounting Standards Board issued on or before November 30, 1989, unless those pronouncements conflict with or contradict the pronouncements of the GASB. The more significant of the LGIP's accounting policies are as follows:

Reporting Entity - The LGIP is an investment trust fund (a fiduciary fund) of the state of Washington. The assets and liabilities of the LGIP are included in the Comprehensive Annual Financial Report of the state of Washington. However, the accompanying financial statements present only the LGIP and are not intended to present fairly the financial position of the state of Washington and the results of its operations in conformity with accounting principles generally accepted in the United States of America. Although legally separate, the LGIP is governed by the State Finance Committee and is administered by the State Treasurer.

Measurement Focus and Basis of Presentation - These separately issued financial statements are presented for LGIP participants. The LGIP is an investment trust fund that reports transactions and balances using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

Description of the LGIP - The LGIP was created by Chapter 294, Laws of 1986 and began operations in July 1986. This short-term investment pool is available to Washington State counties, cities, towns, municipal corporations, special-purpose taxing districts, community and technical colleges, four-year public institutions of higher education, the State Board for Community and Technical Colleges, and the State Finance Committee. Participation in the Pool is voluntary. Participants are permitted separate accounts for bond proceeds to facilitate arbitrage calculation.

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

Investments are valued at amortized cost, which approximates fair value. Certificates of Deposit are valued at historical cost. Security transactions are reported on a trade date basis following accounting principles generally accepted in the United States of America. Pending purchases, as of June 30, 2004, settled at a total cost of \$449,477 on July 1, 2004 and July 2, 2004.

Income Recognition - Interest income on portfolio investments is accounted for on the accrual basis.

Deductions and Penalties - An administrative deduction is assessed for the administration of the LGIP in accordance with WAC 210-01-120. The deduction is set so as to cover costs associated with the LGIP. The deduction is calculated at 0.035 percent of each participant's average daily balance of the funds in the LGIP and is reflected on the participant's monthly statement. The deduction is subtracted from the pool participant's earnings prior to the earnings posting to the account. The amount assessed for administration of the LGIP totaled \$1,766 for Fiscal Year 2004.

On a monthly basis, the LGIP determines the total dollar amount necessary to reimburse the Office of the State Treasurer for actual expenses as provided in RCW 43.250.060. Administrative deductions collected in excess of these expenses are rebated to pool participants at the end of each fiscal year. The proportionate share of the rebate is based on the participant's average daily balance for the fiscal year. The rebate to participants of fees in excess of expenses totaled \$1,215 for Fiscal Year 2004.

The net administrative deduction for Fiscal Year 2004 was 0.011 percent of each participant's average daily balance of the funds in the LGIP.

Overdraft penalties due to failure to wire funds by a pool participant (after notification to the State Treasurer of an intended transfer) are assessed to the pool participant responsible for the overdraft. Overdraft penalties collected (miscellaneous income) are allocated and distributed to participants on an annual basis, based on the participant's average daily balance for the fiscal year. Overdraft penalties totaled \$2 for Fiscal Year 2004. Combined with fees in excess of expenses, the total rebated to participants for Fiscal Year 2004 was \$1,217.

Participant Transactions - Participants can invest and withdraw their investments on a daily basis with a limit of one transaction per business day. The minimum transaction amount is five thousand dollars. There is no maximum transaction amount. For an investment or withdrawal of ten million dollars or more, a one-day notification prior to the transfer date is requested. An investment or withdrawal greater than one million dollars requires notification prior to 9 A.M. on the transfer date. An investment or withdrawal of one million dollars or less requires notification prior to 10 A.M. on the transfer date. All participants are required to file with the State Treasurer a certified copy of an ordinance or resolution containing the names and titles of the officials authorized to invest or withdraw funds in the LGIP.

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

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

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

The Bank of New York provides securities lending services for the LGIP and serves as securities custodian, maintaining custody of all LGIP-owned investments other than certificates of deposit and interest bearing bank deposits.

Risk Management - The state of Washington continues to operate a risk management liability program pursuant to RCW 4.92.130. The state manages its tort claims as an insurance business activity rather than a general governmental activity. The state's policy is generally not to purchase commercial insurance for the risk of losses to which it is exposed. Instead, the state management believes it is more economical to manage its risks internally and set aside assets for claims settlement in an Internal Service Fund. A lim-

ited amount of commercial insurance is purchased for employee bonds and to limit the exposure to catastrophic losses. Otherwise, the risk management liability program services all claims against the state for injuries and property damage to third parties. The Office of the State Treasurer participates in the risk management liability program.

Securities Lending - In accordance with GASB Statement 28, the LGIP reports securities lent (the underlying securities) as assets in the statement of net assets. Cash received as collateral on securities lending transactions and investments made with that cash are reported as assets. Securities received as collateral are reported as assets if the LGIP has the ability to pledge or sell them without a borrower default. Liabilities resulting from these transactions are reported in the statement of the net assets. Securities lending transactions collateralized by securities that the LGIP does not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities.

2a7- Like Pool - In accordance with GASB Statement 31, the accounting and financial reporting standards in paragraphs 7, 8, and 10 through 15 apply to all investments of governmental external investment pools, except that 2a7-like pools may report their investments at amortized cost. The LGIP is a 2a7-like pool, therefore, investments will continue to be reported at amortized cost.

NOTE 2 - Investments and Deposits

The LGIP's investments are categorized below per GASB Statement 3 to give an indication of the level of risk assumed at year-end. GASB Statement 3, Category 1, includes investments that are insured, registered, or held by the LGIP or its agent in the LGIP's name. GASB Statement 3, Category 2, includes uninsured and unregistered investments which are held by the counterparties' trust departments or agents in the LGIP's name. GASB Statement 3, Category 3, includes uninsured and unregistered investments held by counterparties or their trust departments or agents, but not in the LGIP's name.

The LGIP had no investments in Categories 2 or 3 on June 30, 2004. At year end, investments by investment type are as follows:

Investment Type	Category 1	Fair Value
Repurchase Agreements	\$ 683,906	\$ 683,906
U.S. Agency Coupons	326,702	326,702
U.S. Agency Discount Notes		
Not on Securities Loan	3,381,829	3,381,829
On Securities Loan	54,782	54,782
U.S. Treasury Securities		
Not on Securities Loan	111,181	111,181
On Securities Loan	<u>239,970</u>	<u>239,970</u>
Sub Total	4,798,370	4,798,370
Securities Lending		
Repurchase Agreements	298,799	298,799
Due from Brokers - Securities Purchased But Not Settled		
U.S. Agency Discount Notes	<u>449,477</u>	<u>449,477</u>
Total Investments	<u>\$ 5,546,646</u>	<u>\$ 5,546,646</u>

State statutes permit the LGIP to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The LGIP, which has contracted with a lending agent to lend securities in the LGIP, earns a fee for this activity. The lending agent lends securities and receives collateral, which can be in the form of cash or other securities. The collat-

eral, which must be valued at 102 percent of the fair value of the loaned securities, is priced daily and, if necessary, action is taken to maintain the collateralization level at 102 percent. The cash is invested by the lending agent in repurchase agreements or money market instruments, in accordance with investment guidelines approved by the LGIP. The securities held as collateral and the securities underlying the cash collateral are held by the LGIP's custodian. At June 30, 2004, all LGIP securities on loan were collateralized by cash and other securities and are classified in the preceding schedule of custodial credit risk according to the category for the collateral received on the securities lent. On June 30, 2004, the average life of both the loans and the investment of cash received as collateral was one day.

The LGIP investment policy requires that any securities on loan be made available by the lending agent for next day liquidity at the option of the LGIP. During Fiscal Year 2004, the LGIP had no credit risk exposure to borrowers because the amounts owed to the borrowers exceeded the amounts the borrowers owed the LGIP. Furthermore, the contract with the lending agent requires them to indemnify the LGIP if the borrowers fail to return the securities (and if collateral is inadequate to replace the securities lent) or if the borrower fails to pay the LGIP for income distribution by the securities' issuers while the securities are on loan. The LGIP cannot pledge or sell collateral securities received unless the borrower defaults. The LGIP investment policy limits the amount of reverse repurchase agreements and securities lending to 30 percent of the total portfolio. There were no violations of legal or contractual provisions nor any losses resulting from a default of a borrower or lending agent during the year.

Repurchase agreements are collateralized at 102 percent. The collateral is priced daily and held by the LGIP's custodian in the state's name. Collateral for mortgage-backed repurchase agreements with a maturity date longer than seven days will be priced at 105 percent of fair value, plus accrued interest. Collateralized Mortgage Obligations (CMO) used as collateral for 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.

State law also permits the LGIP to enter into reverse repurchase agreements, which are, by contract, sales of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities pledged as collateral by the LGIP underlying the reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in the fair value of the securities. If the dealers default on their obligations to resell these securities to the LGIP or to provide equal value in securities or cash, the LGIP would suffer an economic loss equal to the difference between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. On June 30, 2004, there were no obligations under reverse repurchase agreements.

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

Deposits by type, at June 30, 2004, are as follows:

Type of Deposit	Reported Amount	Insured/ Collateralized	Uninsured/ Uncollateralized
Demand Deposit	\$.....	\$.....	\$.....
Interest Bearing Bank Deposits	39,820	39,820	.....
Certificates of Deposit	<u>105,000</u>	<u>105,000</u>	.....
Total Deposits	<u>\$ 144,820</u>	<u>\$ 144,820</u>	<u>\$.....</u>

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

NOTE 3 - Financial Information for 2003

The information for the year ended June 30, 2003, presented for comparative purposes, is not intended to be a complete financial presentation.

NOTE 4 - Summary of Activity

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

	<u>FY 2004</u>
Total Investment Purchases	\$110,628,743
Total Sales	\$5,171,806
Total Maturities	\$105,468,481
Total Net Income	\$54,372
Administrative Expenses	\$550
Portfolio Yield (360-Day Basis)	1.09 percent
Average Weighted Maturity	42 days
Pool Participants Investments	\$12,262,144
Pool Participants Redemptions	\$12,547,682

NOTE 5 - Related Party Transactions

State of Washington funds pursuant to RCW 43.250.020(4)(b) may be invested in the LGIP. As a pool participant in the LGIP, activity and balances for state of Washington funds (public colleges and universities and authorized state agencies) were as follows:

Increase in Net Assets From Operations	<u>FY 2004</u>
Income Distributed and Deposited to Participants Accounts at Net Asset Value of \$1.00 per Unit, Net of Administrative Deductions of \$62	\$ 1,903
Pool Participants Unit Transactions at Net Asset Value of \$1.00 per Unit	
Purchase of Units	864,575
Redemption of Units	<u>(879,029)</u>
Net Decrease	<u>(14,454)</u>
Total Decrease in Net Assets	(12,551)
Net Assets	
Beginning of Year	194,511
End of Year	<u>\$ 181,960</u>

SCHEDULE OF INVESTMENTS & CERTIFICATES OF DEPOSIT

June 30, 2004
(in Thousands)

REPURCHASE AGREEMENTS

(12.0% of Total Portfolio)

Principal	Dealer	Date of Maturity	Yield Percentage	Description of Collateral	Amortized Cost
Repurchase Agreements					
\$ 100,000	Merrill Lynch Markets, Inc.	7/01/04	1.5500	U.S. Mortgage-Backed Securities	\$ 100,000
350,000	Banc of America Securities LLC	7/01/04	1.5000	U.S. Mortgage-Backed Securities	350,000
185,000	Lehman Brothers, Inc.	7/01/04	1.4500	U.S. Mortgage-Backed Securities	185,000
<u>48,906</u>	Lehman Brothers, Inc.	7/01/04	1.4500	U.S. Mortgage-Backed Securities	<u>48,906</u>
<u>683,906</u>	Total Repurchase Agreements				<u>683,906</u>

(Continued)

U.S. TREASURY SECURITIES

(6.2% of Total Portfolio)

Principal	Issuer	Date of Maturity	Yield Percentage	Amortized Cost
U.S. Treasury Bills				
50,000	U.S. Treasury	9/09/04	0.9828	49,906
<u>50,000</u>	U.S. Treasury	9/16/04	0.9996	<u>49,895</u>
<u>100,000</u>	Total U.S. Treasury Bills			<u>99,801</u>
U.S. Treasury Notes				
25,000	U.S. Treasury	9/30/04	1.1022	25,048
25,000	U.S. Treasury	9/30/04	1.0979	25,048
25,000	U.S. Treasury	10/31/04	1.1030	25,084
25,000	U.S. Treasury	10/31/04	1.1564	25,080
25,000	U.S. Treasury	3/31/05	1.3009	25,060
25,000	U.S. Treasury	4/30/05	1.3375	25,059
25,000	U.S. Treasury	4/30/05	1.3752	25,051
25,000	U.S. Treasury	4/30/05	1.4097	25,044
25,000	U.S. Treasury	5/15/05	1.4308	26,092
<u>25,000</u>	U.S. Treasury	6/30/05	2.0062	<u>24,784</u>
<u>250,000</u>	Total U.S. Treasury Notes			<u>251,350</u>
<u>350,000</u>	Total U.S. Treasury Securities			<u>351,151</u>

(Continued)

SCHEDULE OF INVESTMENTS & CERTIFICATES OF DEPOSIT

June 30, 2004
(in Thousands)

U.S. AGENCY SECURITIES (66.1% of Total Portfolio)

Principal	Issuer	Date of Maturity	Yield Percentage	Amortized Cost
U. S. Agency Discount Notes				
50,000	Federal National Mortgage Assoc.	7/01/04	1.0195	50,000
20,000	Federal National Mortgage Assoc.	7/01/04	1.0185	20,000
10,000	Federal National Mortgage Assoc.	7/01/04	1.0283	10,000
100,000	Federal National Mortgage Assoc.	7/01/04	1.0072	100,000
75,000	Federal Home Loan Bank	7/02/04	1.0133	74,998
50,000	Federal Home Loan Bank	7/02/04	1.0327	49,999
50,000	Federal Home Loan Bank	7/02/04	1.0276	49,999
50,000	Federal Home Loan Mortgage Corp.	7/06/04	1.1194	49,992
100,000	Federal Home Loan Mortgage Corp.	7/06/04	1.0633	99,985
50,000	Federal National Mortgage Assoc.	7/07/04	1.0599	49,991
100,000	Federal National Mortgage Assoc.	7/07/04	1.0393	99,983
20,000	Federal National Mortgage Assoc.	7/07/04	1.0494	19,997
20,000	Federal National Mortgage Assoc.	7/07/04	1.0236	19,997
20,000	Federal National Mortgage Assoc.	7/07/04	1.0386	19,997
15,000	Federal National Mortgage Assoc.	7/07/04	1.0284	14,997
50,000	Federal Home Loan Bank	7/07/04	1.0633	49,991
50,000	Federal National Mortgage Assoc.	7/08/04	1.0684	49,990
70,000	Federal Home Loan Mortgage Corp.	7/09/04	1.0493	69,984
100,000	Federal Home Loan Bank	7/09/04	1.0335	99,977
50,000	Federal National Mortgage Assoc.	7/09/04	1.1293	49,988
100,000	Federal Home Loan Mortgage Corp.	7/13/04	1.0627	99,965
15,000	Federal Home Loan Bank	7/14/04	1.0619	14,994
50,000	Federal National Mortgage Assoc.	7/14/04	1.0499	49,981
50,000	Federal National Mortgage Assoc.	7/14/04	1.0550	49,981
100,000	Federal National Mortgage Assoc.	7/15/04	1.0198	99,961
75,000	Federal Home Loan Bank	7/16/04	1.0642	74,967
100,000	Federal Home Loan Bank	7/16/04	1.0641	99,956
75,000	Federal National Mortgage Assoc.	7/21/04	1.0601	74,957
100,000	Federal Home Loan Mortgage Corp.	7/26/04	1.0695	99,927
50,000	Federal Home Loan Mortgage Corp.	7/27/04	1.0834	49,962
75,000	Federal National Mortgage Assoc.	7/28/04	1.0501	74,942
50,000	Federal National Mortgage Assoc.	7/28/04	1.2721	49,953
75,000	Federal National Mortgage Assoc.	8/06/04	1.0831	74,920
40,000	Federal National Mortgage Assoc.	8/06/04	1.0658	39,958
100,000	Federal National Mortgage Assoc.	8/09/04	1.0609	99,887

Principal	Issuer	Date of Maturity	Yield Percentage	Amortized Cost
U.S. Agency Discount Notes (Continued)				
50,000	Federal National Mortgage Assoc.	8/10/04	1.3032	49,929
50,000	Federal National Mortgage Assoc.	8/11/04	1.3339	49,925
50,000	Federal National Mortgage Assoc.	8/12/04	1.0712	49,939
50,000	Federal Home Loan Bank	8/13/04	1.0813	49,937
50,000	Federal Home Loan Mortgage Corp.	8/16/04	1.0864	49,932
100,000	Federal Home Loan Mortgage Corp.	8/17/04	1.0731	99,863
100,000	Federal Home Loan Mortgage Corp.	8/17/04	1.0677	99,864
50,000	Federal Home Loan Bank	8/18/04	1.2734	49,917
50,000	Federal National Mortgage Assoc.	8/27/04	1.3145	49,898
50,000	Federal National Mortgage Assoc.	9/01/04	1.0622	49,910
75,000	Federal Home Loan Bank	9/07/04	1.0821	74,850
100,000	Federal National Mortgage Assoc.	9/08/04	1.0526	99,803
100,000	Federal National Mortgage Assoc.	9/08/04	1.0522	99,803
15,000	Federal National Mortgage Assoc.	9/08/04	1.1130	14,969
50,000	Federal National Mortgage Assoc.	9/10/04	1.1336	49,891
25,000	Federal National Mortgage Assoc.	9/10/04	1.1336	24,945
50,000	Federal Home Loan Mortgage Corp.	9/13/04	1.1028	49,889
50,000	Federal National Mortgage Assoc.	9/15/04	1.0526	49,891
50,000	Federal National Mortgage Assoc.	9/15/04	1.0526	49,891
20,000	Federal Home Loan Mortgage Corp.	9/15/04	1.1438	19,953
100,000	Federal Home Loan Mortgage Corp.	9/21/04	1.0577	99,764
25,000	Federal National Mortgage Assoc.	10/06/04	1.1756	24,923
75,000	Federal National Mortgage Assoc.	10/13/04	1.1861	74,749
<u>3,440,000</u>	Total U.S. Agency Discount Notes			<u>3,436,611</u>

U. S. Agency Bullets				
46,900	Federal Home Loan Mortgage Corp.	7/15/04	1.0508	46,935
50,000	Federal Home Loan Mortgage Corp.	7/15/04	1.0583	50,100
10,000	Federal Home Loan Bank	7/20/04	1.0976	10,035
<u>24,459</u>	Federal Home Loan Mortgage Corp.	11/15/04	1.1885	<u>24,646</u>
<u>131,359</u>	Total U.S. Agency Bullets			<u>131,716</u>

Principal	Insuer	Date of Maturity	Yield Percentage	Amortized Cost
U.S. Agency Callables				
20,000	Federal National Mortgage Assoc.	2/18/05	1.3750	20,000
<u>25,000</u>	Federal National Mortgage Assoc.	5/23/05	1.7500	<u>25,000</u>
<u>45,000</u>	Total U.S. Agency Callables			<u>45,000</u>
U.S. Agency Floating Rate Notes				
<u>75,000</u>	Federal National Mortgage Assoc.	5/03/05	1.0175	<u>74,987</u>
<u>75,000</u>	Total U.S. Agency Floating Rate Notes			<u>74,987</u>
U.S. Agency Variable Rate Notes				
25,000	Federal Home Loan Bank	4/19/05	1.1960	24,999
<u>50,000</u>	Federal Home Loan Bank	4/25/05	1.22	<u>50,000</u>
<u>75,000</u>	Total U.S. Agency Variable Rate Notes			<u>74,999</u>
<u>3,766,359</u>	Total U.S. Agency Securities			<u>3,763,313</u>
(Continued)				

SCHEDULE OF INVESTMENTS & CERTIFICATES OF DEPOSIT

June 30, 2004
(in Thousands)

CERTIFICATES OF DEPOSIT
(1.9% of Total Portfolio)

Face Amount	Public Depository	Date of Maturity	Yield Percentage	Historical Cost
500	West Coast Bank	7/06/04	1.3000	500
4,500	Asia-Europe-Americas Bank	9/03/04	1.3500	4,500
20,000	Banner Bank	9/03/04	1.3500	20,000
6,000	Charter Bank	9/03/04	1.3500	6,000
5,000	Columbia Trust Bank	9/03/04	1.3500	5,000
25,000	Heritage Savings Bank	9/03/04	1.3500	25,000
4,500	Inland Northwest Bank	9/03/04	1.3500	4,500
3,000	Issaquah Bank	9/03/04	1.3500	3,000
1,000	North County Bank	9/03/04	1.3500	1,000
4,000	Northwest Business Bank	9/03/04	1.3500	4,000
1,000	Prime Pacific Bank N.A.	9/03/04	1.3500	1,000
1,000	Redmond National Bank	9/03/04	1.3500	1,000
2,000	ShoreBank Pacific	9/03/04	1.3500	2,000
1,000	Twin City Bank	9/03/04	1.3500	1,000
3,000	Umpqua Bank	9/03/04	1.3500	3,000
5,000	Viking Community Bank	9/03/04	1.3500	5,000
5,000	West Coast Bank	9/03/04	1.3500	5,000
2,700	Westside Community Bank	9/03/04	1.3500	2,700
800	Westside Community Bank	9/03/04	1.3500	800
10,000	City Bank	9/20/04	1.3500	10,000
<u>105,000</u>	Total Certificates of Deposit			<u>105,000</u>

(Continued)

INTEREST BEARING BANK DEPOSITS
(0.7% of Total Portfolio)

Face Amount	Public Depository	Date of Maturity	Yield Percentage	Historical Cost
<u>39,820</u>	U.S. Bank	7/01/04	1.2500	<u>39,820</u>
<u>39,820</u>	Total Interest Bearing Bank Deposits			<u>39,820</u>

(Continued)

SCHEDULE OF INVESTMENTS & CERTIFICATES OF DEPOSIT

June 30, 2004
(in Thousands)

SECURITIES LENDING INVESTMENTS

(5.2% of Total Portfolio)

Principal	Dealer	Date of Maturity	Yield Percentage	Description of Collateral	Amortized Cost
Repurchase Agreements					
109,575	Bear Stearns & Company Inc.	7/01/04	1.5000	U.S. Agency Securities	109,575
<u>189,224</u>	Morgan Stanley & Company Inc.	7/01/04	1.5000	U.S. Agency Securities	<u>189,224</u>
<u>298,799</u>	Total Security Lending Investments				<u>298,799</u>

(Continued)

SECURITIES PURCHASED BUT NOT SETTLED

(7.9% of Total Portfolio)

Principal	Issuer	Date of Maturity	Yield Percentage	Amortized Cost	
U. S. Agency Discount Notes					
50,000	Federal Home Loan Mortgage Corp.	7/20/04	1.2717	49,967	
50,000	Federal Home Loan Mortgage Corp.	7/27/04	1.2720	49,955	
50,000	Federal National Mortgage Assoc.	7/28/04	1.2822	49,954	
50,000	Federal National Mortgage Assoc.	7/28/04	1.2822	49,953	
100,000	Federal National Mortgage Assoc.	8/10/04	1.3031	99,861	
50,000	Federal National Mortgage Assoc.	8/10/04	1.3032	49,929	
<u>100,000</u>	Federal National Mortgage Assoc.	8/10/04	1.3032	<u>99,858</u>	
<u>450,000</u>	Total Securities Purchased But Not Settled				<u>449,477</u>

(Continued)

<u>\$ 5,693,884</u>	Total Investments & Certificates of Deposit	<u>\$ 5,691,466</u>
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(Concluded)

SCHEDULES OF RECONCILIATION OF ASSETS

For the Years Ended June 30, 2004 and 2003
(in Thousands)

	June 30, 2004	June 30, 2003
Reconciliation to Net Assets		
Pool Total, End of Fiscal Year	\$ 4,946,278	\$ 5,177,495
Amounts not Included in June 30 Schedule of Pool Participants:		
Administrative Deduction Rebate	1,215	1,175
Accrued Interest	29	17
Miscellaneous Income Distribution	2	3
Net Assets, End of Year	\$ 4,947,524	\$ 5,178,690
Recap of Net Asset Activity		
Net Assets, Beginning of Year	\$ 5,178,690	\$ 5,573,965
Net Income	54,372	73,732
Participant Investments	12,262,144	12,514,906
Participant Redemptions	(12,547,682)	(12,983,913)
Net Assets, End of Year	\$ 4,947,524	\$ 5,178,690
Recap of Distributions of Net Income		
Current Period's Excess of Earnings Over Operating Costs:		
Distributed During the Period	\$ 53,126	\$ 72,537
Accrued in Current Year, But Distributed in Subsequent Fiscal Year:		
Rebate	1,215	1,175
Accrued Interest	29	17
Miscellaneous Income	2	3
Total Distributions and Available for Distributions of Net Income	\$ 54,372	\$ 73,732

Administrative Overview

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

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

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

Participants are offered 100% liquidity on a daily basis, provided notification is made within specified times. The expenses of operating the pool are covered through an administrative fee of 3.5 basis points charged to participants based on their average daily balance in the pool. Fees in excess of the expenses incurred for pool operation are rebated to participants. As of June 30, 2004 there were 424 LGIP participants, with total deposits of \$4.946 billion.

LGIP Performance

Because the LGIP is managed like a 2a-7 money market fund, and the administrative fees charged are low, i.e., 3.5 basis points, the net return of the LGIP closely follows the targeted federal funds rate. Accordingly, the net return on the LGIP during Fiscal Year 2004 ranged from 1.02 to 1.09 percent, reflecting a targeted federal funds rate that remained steady at 1.00 percent during the entire fiscal year. The general management strategy, which was in effect for much of the fiscal year, was to maintain a neutral average life. During the last quarter of the fiscal year the market began anticipating the Fed raising the fed funds rate and short-term rates began to reflect that sentiment. Accordingly, the average life of the LGIP portfolio was lowered in order to more quickly re-price when the fed funds rate was raised. However, regardless of market situations, the LGIP maintains significant liquidity to take advantage of any cheapness in the yield curve and provide liquidity to the LGIP participants.

Monthly statements are produced and distributed to participants, along with an enclosure containing various statistical information, e.g., historical yields and portfolio holdings by security type. A newsletter containing information regarding the LGIP and related investment topics is produced and distributed quarterly. This newsletter is also available online at <http://tre.wa.gov/LGIP/lgip.htm>. For internal monitoring purposes monthly reports are prepared which summarize the pool's activity and performance during the previous month.

The performance benchmark of the LGIP is a group of Rule 2a-7 money market funds with similar investment parameters as the LGIP. Specifically, the average net return of Government Only/Institutional Only Funds as reported in the Money Market Insight, iMoneyNet, Inc., Westborough MA. The similarities in investment parameters of this group of funds provide an excellent benchmark for monitoring the pool's performance. Both the net and gross returns of the

benchmark are monitored and compared to the net and gross returns of the pool. The net return provides an appropriate measure for what pool participants would receive if their funds were invested in the average benchmark fund. The gross return is also used internally by the state treasurer to monitor the performance of the portfolio manager.

Investment Risk Profile

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

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

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

**Portfolio Composition
as of June 30, 2004
(on Trade Date Basis)**

Securities Purchased
But Not Settled
7.9%

Repurchase
Agreements
12.0%

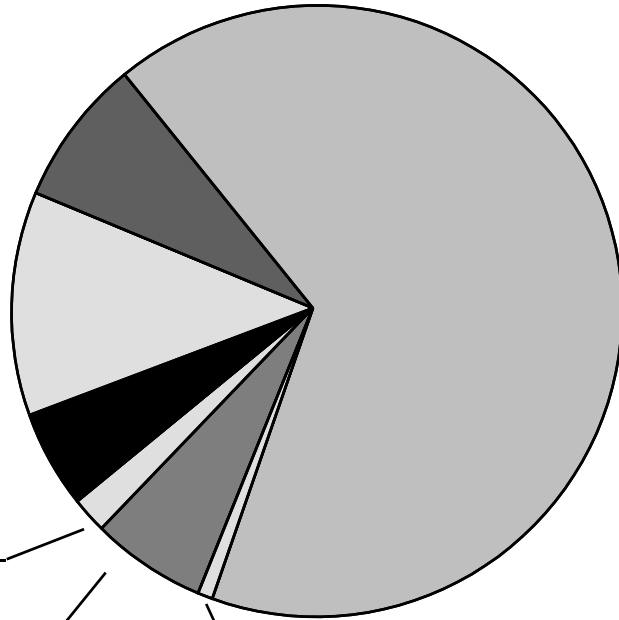
Securities Lending
Investments
5.2%

Certificates
of Deposit
1.9%

U.S. Treasury
Securities
6.2%

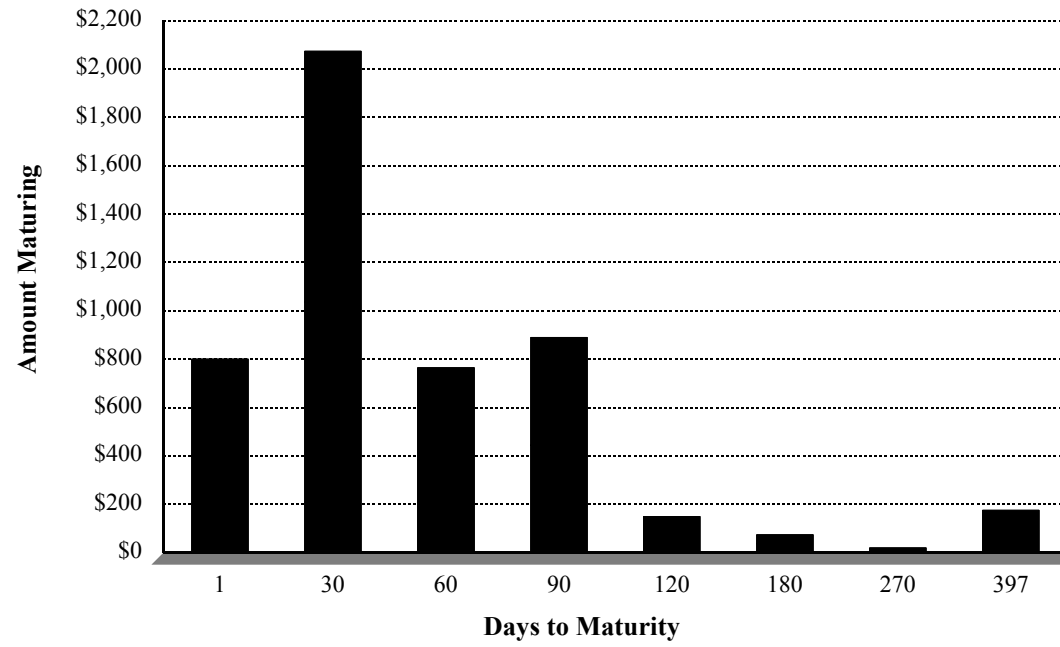
U.S. Agency
Securities
66.1%

Interest Bearing
Bank Accounts
0.7%

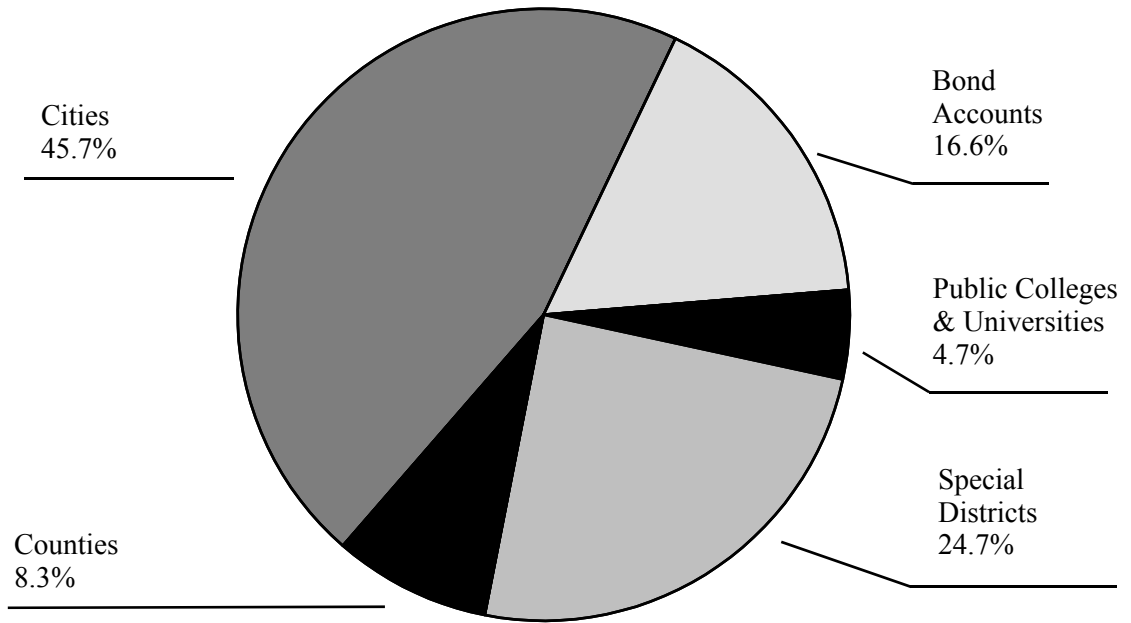


Days to Maturity

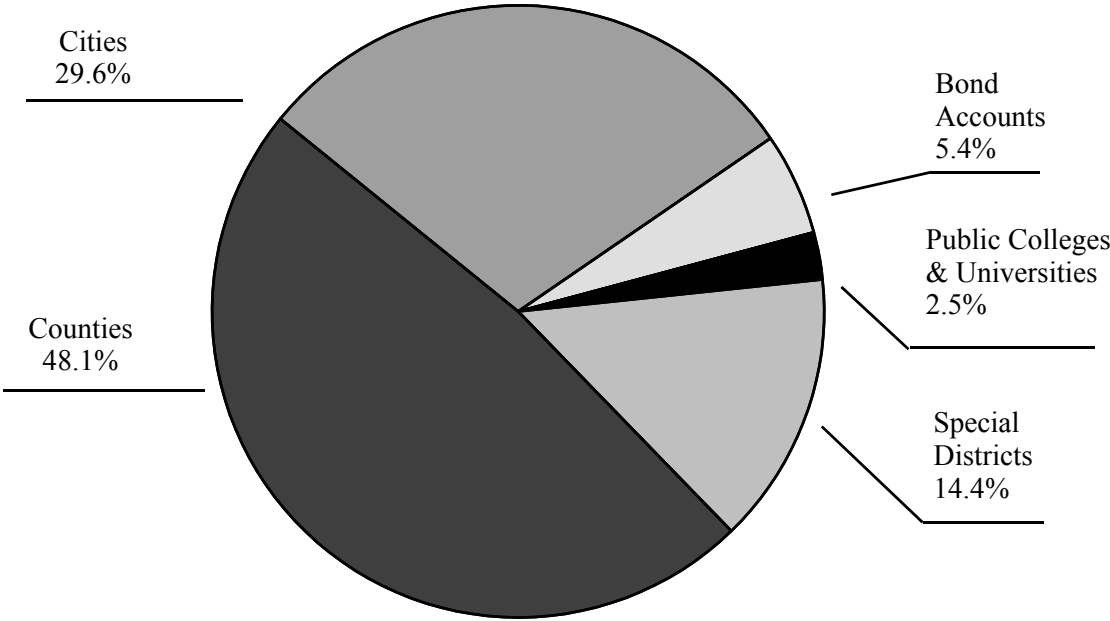
**Maturity Structure
as of June 30, 2004
(\$ in Millions)**



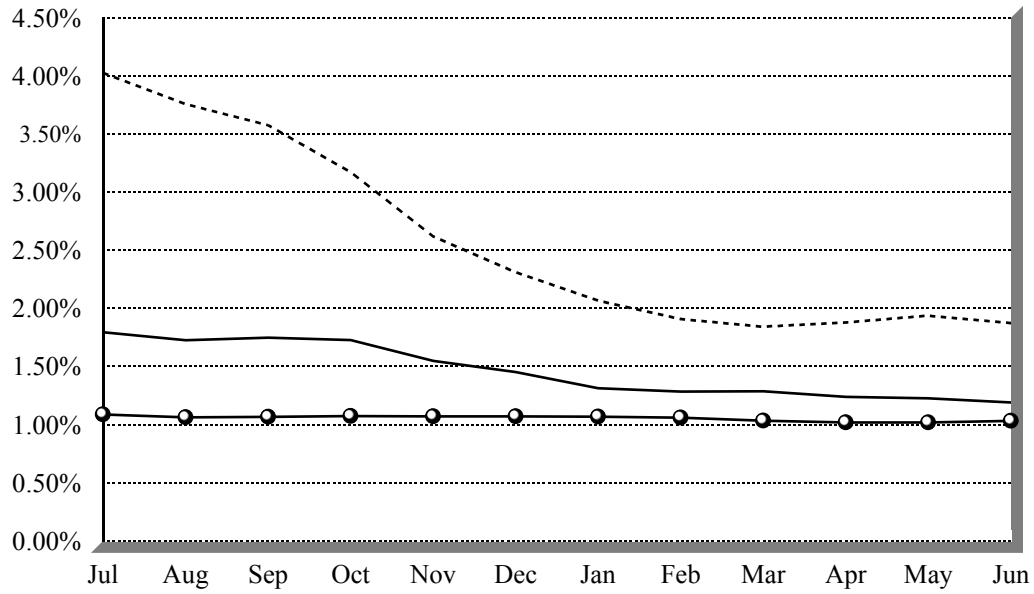
**Active Participants in Pool
as a Percent of Total Participation
as of June 30, 2004**



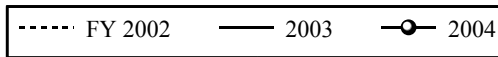
**Amounts in Pool by Participants
as of June 30, 2004**



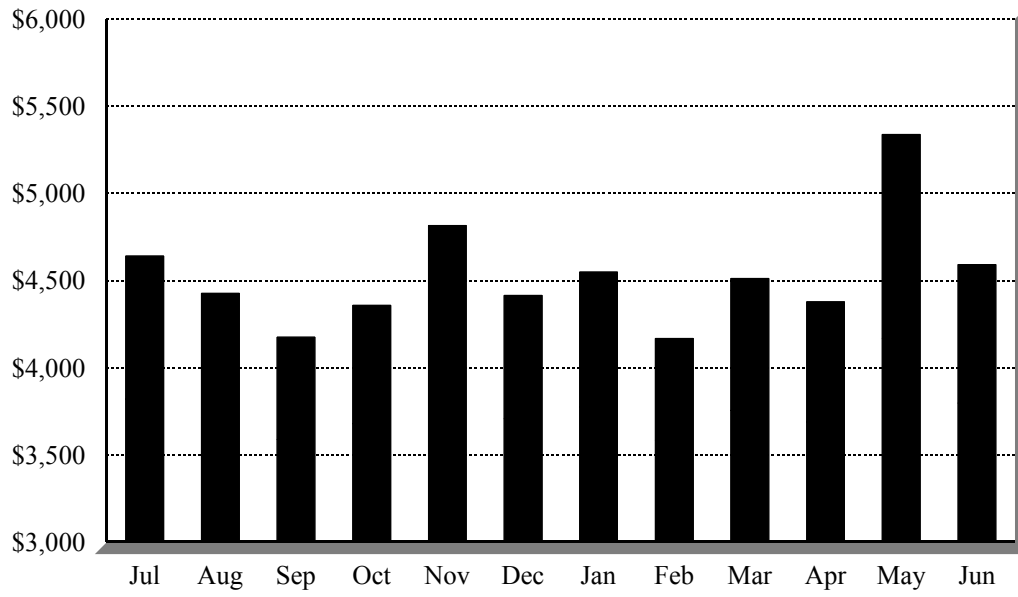
Net Rate of Return *
Fiscal Years 2002, 2003 and 2004



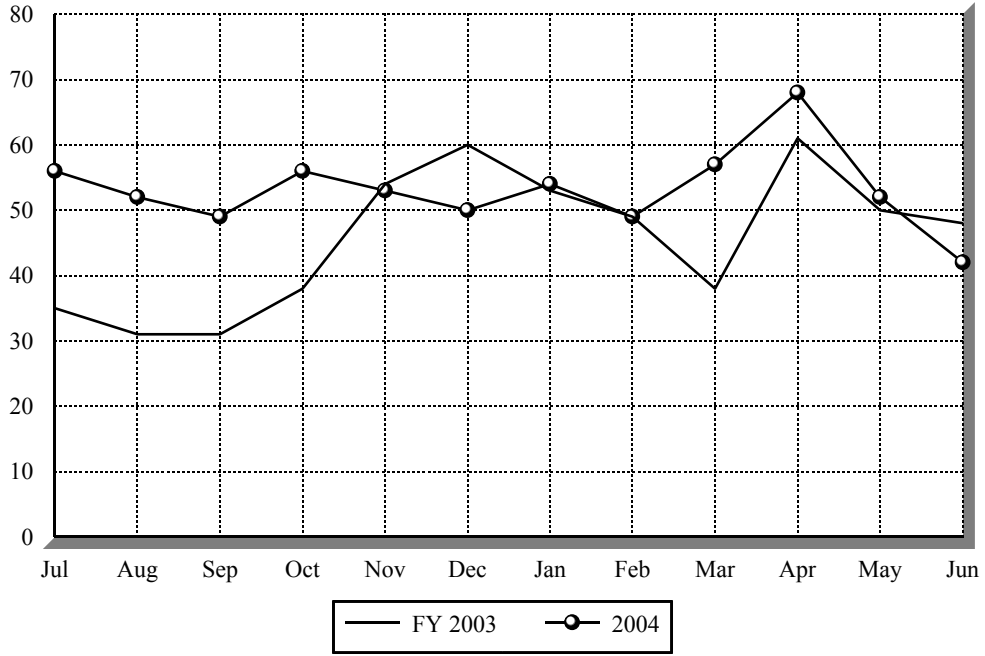
* Rates are calculated on a 360-day basis.



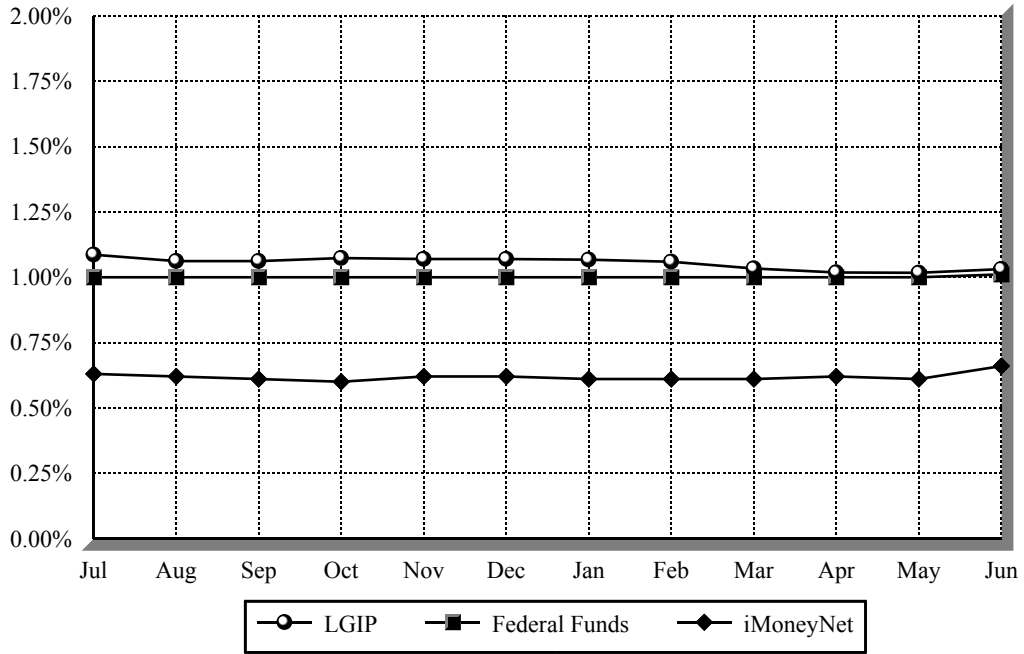
**Net Income
Fiscal Year 2004
(\$ in Thousands)**



**Average Days to Maturity
Fiscal Years 2003 and 2004**



**LGIP Net Earnings Rate
versus
Federal Funds and iMoneyNet, Inc.
Fiscal Year 2004
(Calculated on a 360-day Basis)**



POSITION AND COMPLIANCE REPORT

(Settlement Date Basis)
as of June 30, 2004
(in Thousands)

Investments & Certificates of Deposit by Security Type

<u>Portfolio Holdings</u>	<u>Cost</u>	<u>Percentage of Portfolio</u>
Repurchase Agreements	\$ 683,906	13.84%
U.S. Treasury Bills	99,801	2.02%
U.S. Treasury Coupons	251,350	5.08%
U.S. Agency Discount Notes	3,436,611	69.52%
U.S. Agency Bullets	131,716	2.66%
U.S. Agency Callables	45,000	0.91%
U.S. Agency Floating Rate Notes	74,987	1.52%
U.S. Agency Variable Rate Notes	74,999	1.52%
Certificates of Deposit	105,000	2.12%
Interest Bearing Bank Deposits	39,820	0.81%
Total	<u>4,943,190</u>	<u>100%</u>
<u>Securities Lending Holdings</u>		
Repurchase Agreements	<u>298,799</u>	
Total	<u>298,799</u>	
Total Investments & Certificates of Deposit	<u>\$ 5,241,989</u>	

Policy Limitations

<u>Limitations</u>	<u>Holdings</u>	<u>Percentage of Portfolio</u>	<u>Policy Limitations Percentage</u>
Agency Callables	\$ 45,000	0.91%	10%
Certificates of Deposit	105,000	2.12%	10%
Bankers Acceptances (BA)	.....	0.00%	20%
Commercial Paper (CP)	.....	0.00%	25%
Repos Beyond 30 Days	.....	0.00%	30%
Aggregate BA & CP Holdings	.....	0.00%	35%

Leverage (30% Total Limit)

Securities on Loan (dollars out on loan)	\$ 294,752	
Reverse Repos	.....
Total	<u>\$ 294,752</u>	5.96%

Policy Limitations (Continued)

Maturity Limitations

	<u>Currently</u>	<u>Policy Limitations</u>
Portfolio Average Life	42 days	90 days
Maximum Maturity	365 days	397 days
Maximum Maturity of Repc	1 day	180 days
Maximum Maturity of Reverse Repc	0 days	90 days

Repo Limits Per Dealer

	<u>June 30, 2004</u>	<u>Total Repo Percentage (20% limit)</u>	<u>Term Repo Percentage (10% limit)</u>
Banc of America Securities LLC	\$ 350,000	7%	0%
Bear Stearns & Co.	109,575	2%	0%
Lehman Brothers Inc.	233,906	5%	0%
Merrill Lynch & Co., Inc	100,000	2%	0%
Morgan Stanley	<u>189,224</u>	4%	0%
Total	<u>\$ 982,705</u>		

SCHEDULE OF POOL PARTICIPANTS

June 30, 2004 and June 30, 2003

Pool Participants	June 30, 2004	June 30, 2003
Adams County		
Adams County	\$ 16,515,892.74	\$ 16,562,394.58
Town of Lind	111,174.08	198,893.37
City of Othello	710,831.32	862,175.91
City of Ritzville	1,266,882.50	1,253,079.88
East Columbia Basin Irrigation District	681,058.05	294,166.40
Total Adams County	19,285,838.69	19,170,710.14
Asotin County		
City of Asotin	791,653.83	764,556.12
City of Clarkston	3,564,974.02	3,314,841.58
Asotin County PUD No. 1	2,036,221.25	1,722,912.23
Total Asotin County	6,392,849.10	5,802,309.93
Benton County		
Benton County	585,541.57	479,475.78
City of Benton City	1,610,817.45	1,397,748.22
City of Kennewick	20,874,950.77	11,059,476.77
City of Prosser	712,663.09	456,390.37
City of Richland	9,499,191.99	25,939,707.94
City of Richland - Bond Account No. 1	212,525.61	210,192.79
City of Richland - Bond Account No. 2	2,220,187.84	2,024,877.69
City of Richland - Bond Account No. 4	497,452.38	497,518.12
City of Richland - Bond Account No. 5	51,302.87	296.09
City of Richland - Bond Account No. 6	2,951,790.73	.....
City of Richland - Bond Account No. 7	171,788.43	169,888.92
City of Richland - Bond Account No. 8	5,513,667.91	.....
City of Richland - Bond Account No. 9	1,363,112.04	.....
City of Richland - Bond Account No. 10	10,952,264.74	.....
City of Richland - Bond Account No. 12	108,904.87	110,995.02
City of Richland - Bond Account No. 13	.....	121,439.30
City of West Richland	6,244,750.44	5,181,484.65
Ben Franklin Transit	28,659.24	28,346.98
Benton Conservation District	78,213.77	77,358.60
Kennewick Public Hospital District	615,967.89	3,691,708.27
Kennewick Public Hospital District - Bond No. 1	257,619.22	157,912.00
Prosser Public Hospital District	4,227,737.46	5,680,266.08
Prosser Public Hospital District - Bond No. 2	931,838.35	633,699.79
Richland Housing Authority	87,645.39	86,690.49
Benton County PUD No. 1	27,119,768.33	19,773,062.14
Total Benton County	96,918,362.38	77,778,536.01
Chelan County		
Chelan County	48,859,599.81	50,497,565.60
City of Chelan	742,825.78	734,732.71

Pool Participants	June 30, 2004	June 30, 2003
Chelan County (Continued)		
City of Entiat	0.04	793,031.66
City of Leavenworth	20,689.98	20,464.56
City of Wenatchee	12,875,177.12	18,288,635.53
Lake Chelan Airport	6,397.85	6,328.14
Lake Chelan Reclamation District	5,254,569.93	4,949,249.12
Lake Chelan Reclamation District - Bond No. 1	118,698.26	117,405.04
Lake Chelan Reclamation District - Bond No. 3	50,141.95	43,372.48
Lake Chelan Reclamation District - Willow LID	59,763.80	49,832.35
Chelan County PUD No. 1	30,803,798.10	145,080,190.21
Wenatchee Valley College	5,726,832.41	4,885,650.76
Total Chelan County	104,518,495.03	225,466,458.16
Clallam County		
Clallam County	51,832,397.87	46,908,762.88
Clallam County - Bond No. 1	.....	7,597.13
City of Forks	900,773.54	.....
City of Port Angeles	4,682,590.24	10,981,634.65
City of Sequim	4,511,397.30	7,334,808.75
Clallam County Hospital District No. 2	2,698,672.09	2,763,907.16
Clallam County Hospital District No. 2 - Bond No. 1	0.03	1,142.88
Clallam Transit System	811,227.94	1,911,923.45
Peninsula College	1,026,748.94	1,015,562.57
Port of Port Angeles	904,606.90	495,579.77
Total Clallam County	67,368,414.85	71,420,919.24
Clark County		
Clark County	199,360,829.57	162,149,366.15
City of Battle Ground	23,530,007.17	20,785,256.53
City of Camas	4,960,800.03	5,518,874.52
City of Camas - Bond No. 1	838,734.75	1,417,665.78
City of La Center	6,444,625.13	13,351,879.71
City of Vancouver	76,249,353.96	69,478,597.40
City of Washougal	8,278,173.76	8,138,494.55
Clark College	7,121,489.05	3,179,940.49
Clark County PTBA	40,112,309.50	40,511,513.01
Clark Public Utilities	48,923,010.64	25,215,108.08
Hazel Dell Sewer District	17,017,828.56	14,952,890.86
Port of Vancouver	37,380,746.55	.....
Total Clark County	470,217,908.67	364,699,587.08
Columbia County		
Columbia County	6,252.68	6,184.57
Columbia County - Bond No. 1	.....	7,653.57
Total Columbia County	6,252.68	13,838.14
Cowlitz County		
Cowlitz County	65,433,083.75	87,598,100.89
City of Kalama	1,193,893.75	1,054,068.36
City of Kelso	9,293,370.88	12,395,572.83

Pool Participants	June 30, 2004	June 30, 2003
Cowlitz County (Continued)		
City of Longview	22,316,217.06	26,801,835.54
City of Woodland	841,799.49	272,669.39
Kelso Housing Authority	441,830.39	341,675.89
Longview Housing Authority - Bond No. 1	616,934.39	628,230.84
Total Cowlitz County	100,137,129.71	129,092,153.74
Douglas County		
Douglas County	15,470,994.70	28,714,199.25
City of Bridgeport	384,737.39	380,523.39
City of East Wenatchee	1,376,622.60	2,244,091.95
Town of Mansfield	184,908.80	212,776.31
Foster Creek Conservation District	18,088.00	17,887.37
Total Douglas County	17,435,351.49	31,569,478.27
Ferry County		
Ferry County	9,871,999.52	10,897,822.01
Ferry County - Bond No. 1	.....	245.62
City of Republic	532,305.81	303,254.60
Ferry County PUD No. 1	415,655.13	912,064.46
Total Ferry County	10,819,960.46	12,113,386.69
Franklin County		
Franklin County	42,476,103.90	48,564,409.52
Franklin County - Bond No. 1	1,884,286.19	2,987,185.42
City of Connell	2,625,164.38	2,965,978.30
City of Mesa	277,012.59	273,994.55
City of Pasco	3,828,855.09	5,773,852.99
Franklin Conservation District	253,039.39	250,282.53
Franklin County PUD No. 1	15,230,550.04	15,924,117.79
Pasco Housing Authority	232,206.89	229,692.63
South Columbia Basin Irrigation District	2,707.39	480,803.27
Total Franklin County	66,809,925.86	77,450,317.00
Garfield County		
Garfield County	6,004,026.78	8,050,810.89
Garfield County - Bond No. 1	0.01	7,529.97
Total Garfield County	6,004,026.79	8,058,340.86
Grant County		
Grant County	4,002,995.78	2,902,422.44
Grant County - Bond No. 2	0.01	7,508.91
Grant County - Bond No. 3	0.01	7,614.45
Grant County - Bond No. 6	0.01	7,552.96
Town of Coulee City	29,569.15	33,988.82
City of Ephrata	132,021.46	130,439.51
City of George	797,506.65	721,124.35
City of Grand Coulee	1,019,895.47	1,016,328.63
Town of Mattawa	1,209,270.96	847,543.10
City of Moses Lake	12,084,590.60	18,471,794.35

Pool Participants	June 30, 2004	June 30, 2003
Grant County (Continued)		
City of Quincy	5,393,377.31	5,077,246.62
City of Quincy - Bond No. 1	6,695.43	46,017.44
City of Royal City	1,124,555.43	982,500.44
City of Soap Lake	13,874.19	118,269.86
City of Warden	1,460,903.01	1,693,057.83
Big Bend Community College	6,817,153.73	8,616,766.39
Cities Insurance Association of Washington	25,680.49	25,400.71
Eastern Washington School District Insurance Group	30,704.71	30,370.19
Grant County Public Hospital District (Samaritan Hospital)	9,736,737.20	5,827,800.25
Total Grant County	43,885,531.60	46,563,747.25
Grays Harbor County		
Grays Harbor County	36,579,819.56	33,075,078.22
City of Aberdeen	4,051,611.14	5,884,306.85
City of Cosmopolis	963,901.62	1,645,430.04
City of Elma	1,750,071.20	783,868.26
City of Hoquiam	2,156,665.72	3,326,412.40
City of McCleary	959,376.12	1,262,998.92
City of Montesano	908,731.68	908,042.23
City of Oakville	21,295.70	35,946.85
City of Ocean Shores	17,636,973.64	9,941,794.98
Grays Harbor County PUD No. 1	5,158,257.36	6,285,621.44
Grays Harbor County PUD - Bond No. 1	.....	0.12
Grays Harbor Public Development Authority	885,672.67	1,503,374.72
Grays Harbor Conservation District	10,381.83	10,269.37
Port of Grays Harbor	5,449,105.22	9,580,028.29
Total Grays Harbor County	76,531,863.46	74,243,172.69
Island County		
Island County	25,546,907.81	17,721,164.13
Town of Coupeville	2,632,202.72	2,213,827.92
City of Langley	1,092,945.58	1,081,038.04
City of Oak Harbor	13,124,590.56	8,029,167.41
Total Island County	42,396,646.67	29,045,197.50
Jefferson County		
Jefferson County	34,753,578.89	36,292,643.85
City of Port Townsend	17,906,685.07	15,743,381.71
Total Jefferson County	52,660,263.96	52,036,025.56
King County		
King County	181,400.00	11,434.96
City of Algona	4,381,829.02	4,053,096.15
City of Auburn	64,030,789.15	64,837,635.20
Town of Beaux Arts Village	358,854.87	354,935.26
City of Bellevue	11,873,102.14	64,068,369.81
City of Black Diamond	4,401,417.40	4,353,464.27
City of Bothell	23,662,998.56	33,336,779.68
City of Burien	17,844,620.97	16,108,920.53

Pool Participants**June 30, 2004****June 30, 2003****King County (Continued)**

City of Carnation	1,256,627.79	1,309,634.59
City of Clyde Hill	1,865,823.15	2,191,479.03
City of Covington	6,991,559.46	7,883,219.84
City of Covington - Bond No. 1	758,285.73	.....
City of Des Moines	13,838,080.34	12,556,346.41
City of Duvall	830,724.24	4,554,086.18
City of Enumclaw	7,232,920.19	5,330,710.29
City of Enumclaw - Bond No. 1	.....	0.02
City of Federal Way	23,740,479.00	20,831,541.04
Town of Hunts Point	1,254,213.06	1,195,644.19
City of Issaquah	18,432,130.13	21,004,326.47
City of Kenmore	1,100,722.96	2,475,523.19
City of Kent	62,049,094.05	71,718,773.19
City of Kirkland	37,095,711.30	44,274,566.78
City of Lake Forest Park	6,888,924.71	6,192,019.90
City of Maple Valley	6,369,417.14	8,397,352.60
City of Medina	4,733,035.88	4,984,138.84
City of Mercer Island	32,636,658.47	32,527,160.77
City of Newcastle	4,851,285.10	6,050,093.41
City of Normandy Park	2,885,094.69	4,001,472.45
City of North Bend	1,228,983.16	3,215,498.05
City of Pacific	3,113,265.17	3,079,346.38
City of Redmond	16,235,207.49	21,361,284.70
City of Renton	11,925,652.24	14,684,655.87
City of Sammamish	6,366,670.50	11,739,254.98
City of SeaTac	30,873,783.93	34,346,589.93
City of SeaTac - Bond No. 1	1,632,529.67	3,109,545.18
City of SeaTac - Bond No. 2	0.01	2,233,555.62
City of SeaTac - Bond No. 3	4,484,219.30	3,674,928.85
City of SeaTac - Bond No. 4	7,334,402.57	7,352,854.77
City of Shoreline	10,425,850.01	39,422,876.10
City of Snoqualmie	5,982,921.37	6,290,368.03
City of Tukwila	23,509,427.28	23,882,532.28
City of Woodinville	20,274,932.93	19,639,792.76
Town of Yarrow Point	1,635,364.27	1,614,035.81
Airport Communities Coalition	25,316.45	60,011.11
Bellevue Community College	67,901.55	66,947.52
Bellevue Convention Center Authority	1,074,575.71	2,732,323.59
Black Diamond/Soos Creek Water & Sewer District	398,000.67	393,664.48
Capitol Hill Housing Improvement Program	1,278,671.79	1,363,624.04
Capitol Hill Housing Improvement - Bond No. 1	163.68	88.76
Cascade Water Alliance	3,848,496.10	.....
Cascadia Community College	509,382.54	503,881.82
Eastside Public Safety Communications Agency	2,699,767.23	2,977,725.74
King Conservation District	5,293,250.20	5,515,636.43
King County Housing Authority	21,643,058.00	15,865,384.65
Lake Washington Technical College	2,546,788.20	2,519,287.28

Pool Participants	June 30, 2004	June 30, 2003
King County (Continued)		
Pike Place Market PDA	6,609,764.63	7,562,262.24
Power Resource Managers	273.85	4,453.76
Regional Transit Authority	28,479,598.92	37,647,744.75
Regional Transit Authority - Bond No. 1	.....	16,653,988.89
Renton Community College	1,172,723.11	1,159,946.38
Renton Housing Authority	1,325,371.17	2,163,080.57
Seattle Chinatown - IDPDA	4.31	4.31
Seattle Community College District	26,014,211.15	22,160,074.87
Seattle Housing Authority	4,364,866.02	9,540,727.58
Valley Communications Center	3,434,640.39	6,581,567.10
Valley Communications Center - Bond No. 1	.....	0.03
Valley Communications Center Development Authority	18,806.40	18,539.66
Valley Medical Center	19,818.56	19,602.65
Washington Cities Insurance Authority	16,291,564.42	13,650,327.84
Total King County	633,686,024.45	789,410,740.41
Kitsap County		
Kitsap County	56,421,564.21	97,763,836.83
City of Bainbridge Island	2,097,877.22	950,684.09
City of Bremerton	1,289,380.09	4,681,058.27
City of Bremerton - Bond No. 1	518,886.91	9,014.59
City of Bremerton - Bond No. 2	2,252,563.04	17,694.60
City of Bremerton - Bond No. 3	2,304,055.85	.....
City of Port Orchard	5,843,489.41	5,484,938.54
City of Poulsbo	6,562,461.02	7,241,113.06
Bremerton Housing Authority	4,471,376.46	4,423,298.01
Kitsap County Housing Authority	804,421.45	349,554.87
Olympic College	7,128,406.51	7,138,442.16
Port of Bremerton	6,369,661.29	6,255,696.50
Total Kitsap County	96,064,143.46	134,315,331.52
Kittitas County		
Kittitas County	8,984,387.30	8,486,146.55
City of Ellensburg	12,540,366.55	19,612,288.84
Central Washington University	5,646,539.86	10,236,595.43
Kittitas Reclamation District	1,136,812.41	1,124,426.89
Kittitas Valley Community Hospital	51,619.45	51,057.07
Total Kittitas County	28,359,725.57	39,510,514.78
Klickitat County		
Klickitat County	33,170,128.34	54,843,880.32
City of Bingen	74,953.14	74,060.90
City of Goldendale	1,042,942.93	1,726,786.32
City of White Salmon	945,281.71	934,982.93
Central Klickitat Conservation District	5,185.66	5,129.19
Eastern Klickitat Conservation District	3,317.05	3,280.94
Underwood Conservation District	81,727.88	80,833.66
Total Klickitat County	35,323,536.71	57,668,954.26

Pool Participants	June 30, 2004	June 30, 2003
Lewis County		
Lewis County	55,495,409.81	73,178,811.65
Lewis County - Bond No.1	.....	495.36
City of Centralia	15,912,869.74	17,265,658.66
City of Chehalis	834,267.99	2,071,311.59
City of Morton	976,836.65	617,597.66
City of Mossyrock	154,308.01	132,681.01
City of Napavine	238,749.42	285,934.53
Town of Pe Ell	31,070.37	30,731.86
City of Toledo	413,597.57	518,517.28
City of Vader	204,436.13	251,681.79
City of Winlock	1,091,751.13	332,595.76
Centralia College	133,784.29	972,358.64
Total Lewis County	75,487,081.11	95,658,375.79
Lincoln County		
Lincoln County	9,555,131.45	8,836,302.49
Lincoln County - Bond No. 1	.....	7,394.38
Lincoln County - Bond No. 3	.....	8,068.69
Town of Almira	3,922.56	3,841.72
Town of Creston	313,713.12	310,295.24
City of Davenport	1,584,276.54	1,567,015.97
Town of Odessa	200,867.09	222,260.62
Town of Reardan	174,627.04	172,820.34
City of Sprague	292,372.64	289,187.28
Town of Wilbur	591,116.70	565,252.77
Total Lincoln County	12,716,027.14	11,982,439.50
Mason County		
Mason County	55,279,928.01	68,859,814.23
Mason County PUD No. 3	6,504,088.08	5,003,461.68
Mason County PUD No. 3 - Bond No. 1	.....	0.14
Mason County PUD No. 3 - Bond No. 2	1,510,574.76	6,666,345.12
Total Mason County	63,294,590.85	80,529,621.17
Okanogan County		
Okanogan County	2,302,462.77	3,270,924.34
Okanogan County - Bond No. 1	.....	8,256.75
City of Brewster	209,784.36	531,449.22
Town of Coulee Dam	2,328,966.55	2,105,709.37
Town of Nespelem	23,945.04	23,684.15
City of Okanogan	3,034,923.48	2,928,331.23
City of Omak	1,004,333.71	2,041,156.10
City of Pateros	19,759.42	880,809.90
Okanogan Conservation District	495.12	489.68
Okanogan County PUD	1,486,706.97	1,032,525.54
Okanogan County PUD - Bond No. 1	39,568.59	96,531.71
Okanogan County PUD - Bond No. 2	27,418.47	27,475.58
Oroville - Tonasket Irrigation District	949,986.61	491,667.49
Total Okanogan County	11,428,351.09	13,439,011.06

Pool Participants	June 30, 2004	June 30, 2003
Pacific County		
Pacific County	55,842,431.20	58,705,460.40
City of Ilwaco	780,105.09	1,201,316.07
City of Long Beach	279.21	247.92
City of South Bend	1,115,340.43	1,203,399.83
Pacific County PUD No. 2	272,945.95	1,284,710.87
Pacific County PUD No. 2 - Bond No. 1	259,883.88	257,052.45
Pacific County PUD No. 2 - Bond No. 2	128,555.51	598,628.04
Pacific County PUD No. 2 - Bond No. 3	1,244,262.06	1,332,102.55
Pacific County PUD No. 2 - Bond No. 4	341,417.51	337,697.84
Pacific County PUD No. 2 - Bond No. 5	7,182,267.46	7,104,017.20
Pacific County PUD No. 2 - Bond No. 7	653,802.43	646,679.29
Total Pacific County	67,821,290.73	72,671,312.46
Pend Oreille County		
Pend Oreille County	19,500,488.46	11,998,702.30
City of Newport	1,395,040.12	1,184,958.76
Pend Oreille County Public Hospital District No. 1	1,429.83	1,388.83
Pend Oreille County Public Hospital District No. 1 - Bond No. 1	866,878.73	539,240.70
Pend Oreille County PUD No. 1	10,709,248.72	11,510,682.84
Total Pend Oreille County	32,473,085.86	25,234,973.43
Pierce County		
Pierce County	80,060,726.63	79,071,891.15
City of Bonney Lake	34,313,202.88	22,238,060.60
City of Buckley	2,722,417.36	2,571,892.87
City of DuPont	7,050,081.26	7,225,293.53
City of Edgewood	3,840,923.61	5,838,596.21
City of Fife	9,433,101.63	7,932,868.29
City of Fircrest	8,795,577.99	3,380,669.74
City of Gig Harbor	6,569,312.98	6,984,825.07
City of Lakewood	13,964,557.19	13,812,328.80
City of Milton	641,351.34	2,317,454.21
City of Orting	4,263,729.60	5,776,239.44
City of Puyallup	13,819,245.88	20,603,188.04
City of Puyallup - Bond No. 1	.....	1,237,168.65
City of Puyallup - Bond No. 2	4,644,563.41	4,594,709.26
City of Roy	170,530.00	168,672.09
Town of Ruston	1,222,146.56	1,358,627.54
Town of Steilacoom	9,762,659.36	8,639,057.13
City of Sumner	2,871,855.61	4,712,029.45
City of Tacoma	56,055,658.94	43,015,225.03
City of University Place	11,644,097.14	12,503,519.08
Clover Park Technical College	2,562,151.26	2,534,371.96
Lakewood Water District	151,620.85	476,624.79
Pierce College	986,270.54	2,297,655.30
Pierce Transit	49,178,005.13	44,678,285.45
Pierce Transit - Bond No. 2	244,007.56	193,751.60
Port of Tacoma	11,794.32	11,665.80

Pool Participants	June 30, 2004	June 30, 2003
Pierce County (Continued)		
Tacoma Housing Authority	520.32	24,140.33
Total Pierce County	324,980,109.35	304,198,811.41
San Juan County		
San Juan County	23,546,252.67	16,049,174.59
Town of Friday Harbor	8,346,876.25	7,646,829.36
Total San Juan County	31,893,128.92	23,696,003.95
Skagit County		
Skagit County	201,171,307.57	125,837,590.20
City of Anacortes	21,400,084.56	21,167,070.82
City of Anacortes - Bond No. 1	1,792,011.78	1,772,487.95
City of Anacortes - Bond No. 2	376,678.45	372,316.96
City of Burlington	7,526,025.98	4,653,956.47
Town of La Conner	1,315,876.79	1,301,540.41
City of Mount Vernon	3,240,348.25	.....
City of Sedro-Woolley	9,443,747.27	9,246,115.46
Skagit County PUD No. 1	4,108,006.99	17,883.49
Skagit Valley College	1,634,170.70	128,616.03
Total Skagit County	252,008,258.34	164,497,577.79
Skamania County		
Skamania County	1,506,084.61	1,245,163.15
City of North Bonneville	1,016,271.29	787,599.33
City of Stevenson	1,256,185.06	1,137,987.17
Total Skamania County	3,778,540.96	3,170,749.65
Snohomish County		
Snohomish County	693,086,181.19	737,951,688.74
City of Arlington	11,863,620.34	12,489,108.68
City of Arlington - Bond No. 1	1,195,877.30	1,516,351.71
City of Arlington - Bond No. 2	7,557,749.68	.....
City of Brier	6,466,512.17	5,637,772.48
City of Edmonds	7,735,161.00	9,005,858.35
City of Everett	16,175,725.12	57,319,566.26
City of Gold Bar	124,619.64	173,051.06
City of Granite Falls	1,121,930.27	1,309,299.23
Town of Index	118,852.18	117,556.91
City of Lake Stevens	7,123,238.31	7,476,270.28
City of Lynnwood	4,892,571.73	6,286,444.19
City of Marysville	12,553,138.89	20,360,605.33
City of Mill Creek	10,097,128.74	9,794,103.98
City of Monroe	10,340,667.38	10,228,006.59
City of Mountlake Terrace	2,159,383.62	3,315,376.64
City of Mukilteo	18,053,848.15	21,420,618.27
City of Skykomish	357,527.14	470,219.54
City of Snohomish	8,803,553.82	9,519,096.48
City of Stanwood	5,291,343.35	5,680,707.33

Pool Participants	June 30, 2004	June 30, 2003
Snohomish County (Continued)		
City of Sultan	1,095,839.62	783,863.71
City of Woodway	1,186,175.83	1,372,647.23
Alderwood Water District	34,093,357.62	72,586,548.56
Cross Valley Water District	1,051,530.16	947,744.82
Cross Valley Water District - Bond P&I	1,443,173.22	1,342,923.95
Cross Valley Water District - Construction Bond	1,429,539.96	.....
Cross Valley Water District - Reserve Bond	988,634.23	1,061,568.71
Everett Housing Authority	2,642,492.19	3,761,650.70
Everett Public Facilities District	810,316.72	4,408,390.22
Port of Edmonds	1,264,794.12	221,910.79
Port of Everett	43,476,880.90	29,671,108.52
Snohomish Conservation District	123,436.62	122,093.93
Snohomish County Community Transit	75,221,135.86	74,070,412.53
Snohomish County Community Transit - Bond No. 1	0.09	1,889,452.10
Snohomish County Housing Authority	4,029,733.06	2,406,114.76
Snohomish County Public Hospital District No. 2	4,049,850.71	2,430,092.25
Snohomish County PUD No. 1	32,684,892.54	22,607,364.11
South Snohomish County Public Facilities District	7,120,286.28	462,665.98
Southwest Snohomish County Communications	0.22	.....
Valley General Hospital	3,356,756.36	4,416,807.79
Total Snohomish County	1,041,187,456.33	1,144,635,062.71
Spokane County		
Spokane County	238,869,310.95	220,466,767.64
City of Airway Heights	459,034.53	454,033.38
City of Airway Heights - Construction Bond	273.05	270.09
City of Airway Heights - Reserve Bond	116,656.20	115,385.23
City of Cheney	7,341,435.81	7,759,757.88
City of Deer Park	2,287,984.51	2,387,918.52
City of Liberty Lake	2,201,621.59	1,879,498.93
City of Medical Lake	1,850,151.60	2,417,912.99
Town of Spangle	16,282.83	16,105.45
City of Spokane	7,944,986.92	22,316,624.84
City of Spokane - Bond No. 1	127,984,716.87	90,084,924.88
City of Spokane Valley	9,916,677.01	1,040,170.74
Town of Waverly	3.62	2.80
Community Colleges of Spokane	7,618,614.31	.....
Eastern Washington University	11,216,195.49	12,464,737.91
Spokane County Water District No. 3	121,095.63	135,680.33
Spokane Housing Authority	536,216.07	480,739.46
Vera Irrigation District	634,602.86	3,108,885.56
Whitworth Water District No. 2	3,939,071.92	5,064,916.77
Total Spokane County	423,054,931.77	370,194,333.40
Stevens County		
Stevens County	25,771,631.47	25,042,262.21
City of Chewelah	39.22	38.76
City of Colville	8,050,484.94	6,630,621.75
City of Kettle Falls	25,256.14	24,980.98

Pool Participants	June 30, 2004	June 30, 2003
Stevens County (Continued)		
Town of Marcus	163,733.91	156,556.12
Stevens County Conservation District	.....	116,775.66
Stevens County PUD No. 1	2,678,637.36	2,730,756.17
Total Stevens County	36,689,783.04	34,701,991.65
Thurston County		
Thurston County	31,726,561.28	47,463,564.97
Town of Bucoda	243,652.51	240,997.94
City of Lacey	20,978,012.80	37,103,295.51
City of Olympia	34,610,821.03	5,057,386.24
Town of Rainier	127,624.73	126,179.04
City of Tenino	815,085.46	754,837.77
City of Tumwater	10,070,689.52	10,072,803.89
City of Yelm	3,190,609.47	3,642,455.81
Association of Washington Cities		
Risk Management Service Agency	8,079,888.82	5,874,581.18
LOTT Wastewater Alliance	31,916,357.37	249,952.84
State Board for Community and Technical Colleges	2,664,954.24	2,206,829.00
State Finance Committee - SFC State COP Account No. 1	90,181.70	.....
State Finance Committee - SFC State COP Account No. 2	2,825.31	.....
State Finance Committee - SFC State COP Account No. 4	3,761,889.08	3,508,713.55
State Finance Committee - SFC State COP Account No. 5	581.86	.....
State Finance Committee - SFC State COP Account No. 6	3,855,001.46	12,145,150.24
State Finance Committee - SFC State COP Account No. 7	.....	15,886.76
State Finance Committee - SFC State COP Account No. 9	128,111.63	588,295.65
State Finance Committee - SFC State COP Account No. 10	3,465,947.98	.....
State Finance Committee - SFC State COP Account No. 11	.....	5,296.94
State Finance Committee - SFC State COP Account No. 12	86,640.55	91,569.24
State Finance Committee - SFC State COP Account No. 13	448,262.67	3,024,082.71
State Finance Committee - SFC State COP Account No. 14	109,115.08	403,093.51
State Finance Committee - SFC State COP Account No. 15	.....	240,150.78
State Finance Committee - SFC State COP Account No. 17	4,799,999.71	.....
State Finance Committee - SFC State COP Account No. 18	40,677.96	.....
State Finance Committee - SFC State COP Account No. 19	.....	5.28
State Finance Committee - SFC State COP Account No. 21	.....	292,548.35
State Finance Committee - SFC State COP Account No. 22	.....	21.75
State Finance Committee - SFC State COP Account No. 23	7.45	215,575.55
State Finance Committee - SFC State COP Account No. 24	1,382,301.58	10,154,964.90
State Finance Committee - SFC State COP Account No. 25	284,324.92	1,335,408.78
State Finance Committee - SFC State COP Account No. 26	901,366.99	14,232,268.15
State Finance Committee - SFC State COP Account No. 27	.....	32,872.30
State Finance Committee - SFC State COP Account No. 28	.....	638,115.34
State Finance Committee - SFC State COP Account No. 29	100,102.59	1,313,460.15
State Finance Committee - SFC State COP Account No. 30	28,080,006.03	24,371,278.95
State Finance Committee - SFC Local COP Account No. 1	4,566,436.01	1,417,406.29
State Finance Committee - SFC Local COP Account No. 2	532,413.25	438,511.97
State Finance Committee - SFC Local COP Account No. 3	4,090,200.88	3,711,503.05
State Finance Committee - SFC Local COP Account No. 5	255,223.82	794,543.85

Pool Participants	June 30, 2004	June 30, 2003
Thurston County (Continued)		
State Finance Committee - SFC Local COP Account No. 6	89,579.18	349,694.59
State Finance Committee - SFC Local COP Account No. 7	197,475.59	.....
State Finance Committee - SFC Local COP Account No. 8	91,963.19	.....
State Finance Committee - SFC Local COP Account No. 9	19,334.75	.....
The Evergreen State College	12,613,586.70	12,612,506.13
Thurston Conservation District	176,813.55	133.06
Washington Community & Technical College Payroll Account	3,604,729.18	5,213,786.14
Washington Counties Insurance Fund	41,969.10	41,440.10
Washington Counties Risk Pool	4,453,767.74	2,545,836.30
Washington Fire Commissioners Association	3,423,977.55	3,388,873.59
Washington State Transit Insurance Pool	1,835.89	1,096.28
Washington State Water Resources Association	291,404.81	224,163.65
Total Thurston County	226,412,312.97	216,141,138.07
Wahkiakum County		
Wahkiakum County	11,137,187.13	12,572,151.01
Town of Cathlamet	961,774.32	968,033.22
Total Wahkiakum County	12,098,961.45	13,540,184.23
Walla Walla County		
Walla Walla County	529,642.60	2,522,268.95
City of College Place	2,039,094.53	2,016,878.74
City of Prescott	142,745.14	141,189.95
City of Walla Walla	30,123,426.80	24,293,848.12
Walla Walla Housing Authority	301,661.89	99,092.60
Total Walla Walla County	33,136,570.96	29,073,278.36
Whatcom County		
Whatcom County	13,462,430.34	16,849,352.79
City of Bellingham	6,901,349.62	2,339,972.55
City of Blaine	664,100.79	948,307.71
City of Ferndale	2,496,550.86	4,128,380.17
City of Lynden	9,344,698.13	8,844,418.29
Birch Bay Water & Sewer District	2,047,892.72	1,215,485.34
Port of Bellingham	712,118.88	9,753,285.39
Whatcom Community College	9,278,081.28	7,751,653.24
Western Washington University	6,085,024.39	429,997.17
Western Washington University - Bond No. 1	114,172.04	1,374,662.99
Western Washington University - Bond No. 2	371,956.92	150,488.55
Total Whatcom County	51,478,375.97	53,786,004.19
Whitman County		
Whitman County	24,743,255.06	27,974,066.92
Town of Albion	315,641.72	312,214.94
City of Colfax	1,020,667.87	1,207,806.49
Town of Colton	38,729.65	38,307.71
City of Palouse	1,161,263.46	1,156,693.39
City of Pullman	10,002,098.03	9,893,079.24

Pool Participants	June 30, 2004	June 30, 2003
Whitman County (Continued)		
Town of Rosalia	20.31	0.02
Town of Uniontown	301,679.49	298,380.83
Pullman - Moscow Regional Airport	167,426.34	87,350.34
Total Whitman County	37,750,781.93	40,967,899.88
Yakima County		
Yakima County	178,359,913.94	175,128,589.10
City of Grandview	1,147,780.01	2,924,064.52
Town of Granger	1,142,621.01	1,477,552.25
City of Mabton	1,281,791.77	1,307,278.23
Town of Naches	659,242.81	646,410.18
City of Selah	3,460,061.91	725,861.54
City of Sunnyside	1,629,015.92	2,727,381.77
Town of Tieton	240,999.49	238,373.82
City of Toppenish	5,682,696.70	6,123,591.52
City of Union Gap	6,242,745.55	5,868,015.02
City of Wapato	3,072,448.80	2,799,639.11
City of Yakima	20,783,954.48	18,233,993.09
City of Yakima - Bond No. 1	.....	1,407,333.33
City of Yakima - Bond No. 2	.....	3,272,757.98
City of Yakima - Bond No. 3	4,366,321.63	.....
City of Yakima - Bond No. 4	.....	324,157.56
City of Zillah	1,327,994.14	1,313,532.51
North Yakima Conservation District	15.42	.....
Port of Sunnyside	82,823.63	777,351.38
Roza Irrigation District	25,503.58	24,980.41
Sunnyside Valley Irrigation District	138,277.69	136,691.98
Washington State Tree Fruit Research Commission	56.20	936,528.05
Yakima - Tieton Irrigation District	1,183,114.17	1,170,209.16
Yakima International Airport - McAllister Field	1,019,934.82	812,149.88
Yakima Valley Community College	1,918,565.28	5,569,764.50
Total Yakima County	233,765,878.95	233,946,206.89
Pool Total	\$ 4,946,277,769.31	\$ 5,177,494,694.82
Participants' Average Investment Balance for the Year	\$4,962,353,914.41	\$4,883,167,592.34
Administrative Expense Ratio*	.011%	.011%

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

INVESTMENT POLICY

I. Delegation of Authority

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

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

To “ensure effective cash management of public funds,” (RCW 43.08.015) the State Treasurer may designate investment officers who will have the authority to perform the duties of the state treasurer. A list of individuals authorized to conduct trades for the portfolio can be found in Appendix I of this policy, which will be modified, as necessary, to reflect personnel changes.

II. Identification of Funds

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

III. Objectives

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

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

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

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

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

IV. Standards of Care

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

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

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

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

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

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

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

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

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

V. Eligible Investments

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

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

VI. Investment Restrictions

The following are 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.

To provide for the safety and liquidity of LGIP funds, the investment portfolio will be subject to the following restrictions:

- the weighted average maturity of the portfolio will not exceed 90 days. For the purposes of calculation of average daily maturity, the reset date of any floating rate instruments will be the maturity date, provided that on any reset date the market value can reasonably be expected to approximate the par value;
- the maximum maturity of any security will not exceed 397 days, except securities used as collateral in repurchase agreements; and,
- the allocation to investments subject to high price sensitivity or reduced marketability will not exceed 10% of the daily portfolio balance at amortized cost. For the purposes of this policy, investments subject to high price sensitivity or reduced marketability will be defined as structured notes, with the exception of floating rate notes which may be reasonably expected to reset at or near par on their reset dates. A structured note is a debt security 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 would not count against the 10 % allocation.

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

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

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

The investments of cash collateral and securities accepted as collateral by a securities lending agent are subject to the restrictions and limits of sections V and VI of this policy. Percentage limitations of the portfolio will not increase as a result of investments made by a securities lending agent, or as the result of reverse repurchase agreements.

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

- transactions will be conducted only with primary dealers, the state's bank of record, or master custodial bank, and under the terms of a written master repurchase agreement approved by the Public Securities Association;
- repurchase agreements with any single primary dealer or financial institution will not exceed 20% of the portfolio;
- repurchase agreements with any single primary dealer or financial institution with a maturity date past the next business day will not exceed 10% of the total 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 accepted as collateral for repurchase agreements will be subject to the following additional restrictions:

- securities delivered as collateral for a repurchase agreement with a maturity date longer than seven days will be priced at least weekly;
- all collateral substitutions will be approved by the OST before the existing collateral is released to the broker/dealer;
- the market value, plus accrued income, of treasury, agency and money market securities utilized in repurchase agreements will be 102% of the value of the repurchase agreement;
- the market value, plus accrued income, of mortgage-backed securities utilized in repurchase agreements with more than seven days remaining until maturity will be 105% of the value of the repurchase agreement;
- collateralized mortgage obligation (CMO) repurchase agreement collateral 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 accepted as collateral.

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

VII. Professional Services

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

Appointment of Master Custodian

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

- executing transactions involving all securities held in custody, including on-line security clearing, settlement of securities on a delivery-versus-payment basis, and settlement of physically-held securities;
- accounting for all transactions in accordance with generally accepted accounting principles and requirements of the state;
- 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.

Appointment of Securities Lending Agent

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

- ensuring all loans of coupon-bearing securities are supported by collateral valued at not less than 102% of market value of the securities, including accrued income;
- ensuring all loans of non coupon-bearing securities supported by cash collateral, shall not be valued at less than 102% of market value, but not to exceed par;
- ensuring all loans of non coupon-bearing securities supported by non-cash collateral, shall not be valued at less than 102% of market value;
- ensuring the average maturity of 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 delivery-versus-payment (DVP) basis only, and a trade confirm/safekeeping receipt is to be provided to the Treasurer's Office.

VIII. Advisory Committee

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

IX. Internal Controls

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

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

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

X. External Controls

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

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

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

XI. Reporting

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

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

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

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

Approved by Michael J. Murphy, State Treasurer

Date

Effective Date: October 10, 2003

Appendix I

Individuals authorized to conduct trades for the Local Government Investment Pool portfolio are as follows:

Douglas D. Extine, Deputy Treasurer

Jill M. Gravatt, Investment Officer

Ferdinand Pascual, Investment Officer

Lisa M. Hennessy, Investment Officer

TITLE 43.250 RCW

Sections

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

Notes:

Investment accounting: RCW 43.33A.180.

RCW 43.250.010 Purpose.

The purpose of this chapter is to enable political subdivisions, community and technical college districts, the state board for community and technical colleges as established in chapter 28B.50 RCW, and public four-year institutions of higher education to participate with the state in providing maximum opportunities for the investment of surplus public funds consistent with the safety and protection of such funds. The legislature finds and declares that the public interest is found in providing maximum prudent investment of surplus funds, thereby reducing the need for additional taxation. The legislature also recognizes that not all political subdivisions are able to maximize the return on their temporary surplus funds. The legislature therefore provides in this chapter a mechanism whereby political subdivisions, community and technical colleges, the state board for community and technical colleges, and public four-year institutions of higher education may, at their option, utilize the resources of the state treasurer's office to maximize the potential of surplus funds while ensuring the safety of public funds.[2001 c 31 § 1; 1996 c 268 § 1; 1986 c 294 § 1.]

RCW 43.250.020 Definitions.

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

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

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

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

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

(5) "Funds" means:

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

(b) State funds deposited in the investment pool by the state treasurer that are the proceeds of bonds, notes, or other evidences of indebtedness authorized by the state finance committee under chapter 39.42 RCW or payments pursuant to financing contracts under chapter 39.94 RCW, when the investments are made in order to comply with the Internal Revenue Code of 1986, as amended.[2001 c 31 § 2; 1996 c 268 § 2; 1990 c 106 § 1; 1986 c 294 § 2.]

RCW 43.250.030 Public funds investment account.

There is created a trust fund to be known as the public funds investment account. The account is to be separately accounted for and invested by the state treasurer. All moneys remitted under this chapter shall be deposited in this account. All earnings on any balances in the public funds investment account, less moneys for administration pursuant to RCW 43.250.060, shall be credited to the public funds investment account. [1991 sp.s. c. 13 § 86; 1990 c. 106 § 2; 1986 c. 294 § 3.]

Notes:

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

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

If authorized by statute, local ordinance, or resolution, a local government official or financial officer or his or her designee may place funds into the public funds investment account for investment and reinvestment by the state treasurer in those securities and investments set forth in RCW 43.84.080 and chapter 39.58 RCW. The state treasurer shall invest the funds in such manner as to effectively maximize the yield to the investment pool. In investing and reinvesting moneys in the public funds investment account and in acquiring, retaining, managing, and disposing of investments of the investment pool, there shall be exercised the judgment and care under the circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of the funds considering the probable income as well as the probable safety of the capital.[2001 c 31 § 3; 1996 c 268 § 3; 1986 c 294 § 4.]

RCW 43.250.050 Employment of personnel.

The state treasurer's office is authorized to employ such personnel as are necessary to administer the public funds investment account. The bond of the state treasurer as required by law shall be made to include the faithful performance of all functions relating to the investment pool. [1986 c. 294 § 5.]

RCW 43.250.060 Investment pool--Generally.

The state treasurer shall by rule prescribe the time periods for investments in the investment pool and the procedure for withdrawal of funds from the investment pool. The state treasurer shall promulgate such other rules as are deemed necessary for the efficient operation of the investment pool.

The rules shall also provide for the administrative expenses of the investment pool, including repayment of the initial administrative costs financed out of the appropriation included in chapter 294, Laws of 1986, to be paid from the pool's earnings and for the interest earnings in excess of the expenses to be credited or paid to participants in the pool. The state treasurer may deduct the amounts necessary to reimburse the treasurer's office for the actual expenses the office incurs and to repay any funds appropriated and expended for the initial administrative costs of the pool. Any credits or payments to the participants shall be calculated and made in a manner which equitably reflects the differing amounts of the participants' respective deposits in the investment pool fund and the differing period of time for which the amounts were placed in the investment pool. [1990 c. 106 § 3; 1986 c. 294 § 6.]

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

The state treasurer shall keep a separate account for each participant having funds in the investment pool. Each separate account shall record the individual amounts deposited in the investment pool, the date of withdrawals, and the earnings credited or paid. The state treasurer shall report monthly the status of the respective account to each participant having funds in the pool during the previous month. [1990 c. 106 § 4; 1986 c. 294 § 7.]

RCW 43.250.080 Annual summary of activity.

At the end of each fiscal year, the state treasurer shall submit to the governor, the state auditor, and the legislative budget committee a summary of the activity of the investment pool. The summary shall indicate the quantity of funds deposited; the earnings of the pool; the investments purchased, sold, or exchanged; the administrative expenses of the investment pool; and such other information as the state treasurer deems relevant. [1986 c. 294 § 8.]

RCW 43.250.090 Administration of chapter--Rules.

The state finance committee shall administer this chapter and adopt appropriate rules. [1986 c. 294 § 9.]

TITLE 210-01 WAC

Last Update: 4/2/00

WAC

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

WAC 210-01-010 Promulgation.

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

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

WAC 210-01-020 Definitions.

Unless the context requires otherwise:

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

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

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

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

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

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

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

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

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

(1) Name and address of entity.

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

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

[Statutory Authority: Chapter 43.250.909, 43.250.010, [43.250].020 and [43.250].040, 96-18-029, § 210-010-030, filed 8/28/96, effective 9/28/96. Statutory Authority: 1986 c 294. 86-14-002 (Resolution No. 639), § 210-01-030, filed 6/19/86.]

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

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

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

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

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

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

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

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

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

WAC 210-01-070 Transaction limitation.

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

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

WAC 210-01-080 Deposit procedures.

A pool participant, to receive same day credit, must inform the office of the state treasurer of any deposit over one million dollars no later than 9:00 a.m. on the same day the deposit is made. Deposits for one million dollars or less can be requested at any time prior to 10 a.m. on the day of deposit. All deposits will be made by electronic funds transfer to an account designated by the state treasurer. It is the responsibility of each pool participant to pay any bank charges associated with such electronic transfers to the office of the state treasurer. Failure to wire funds by a pool participant (after notification to the state treasurer of an intended transfer) will result in a bank overdraft in the state treasurer's bank account. Bank penalties for overdrafts will be assessed to those pool participants responsible for the overdraft.

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

WAC 210-01-090 Withdrawal procedures.

A pool participant, in order to withdraw funds from the pool, must notify the office of state treasurer of any withdrawal over one million dollars no later than 9 a.m. on the same day the withdrawal is made. Withdrawals for one million dollars or less can be requested at any time prior to 10 a.m. on the day of withdrawal. Each local government entity participating in the pool shall file with the state treasurer a letter designating the financial institution at which funds withdrawn from the pool shall be deposited. This letter shall contain the name of the financial institution, location of the financial institution, account number to which funds will be deposited and account name. This letter shall be signed by local officials authorized to receive and disburse funds, as described in WAC 210-01-030. Disbursements from the pool will be by electronic funds transfer. Failure of the state treasurer to wire funds to a pool participant (after proper notification to the state treasurer to disburse funds to a pool participant) may result in a bank overdraft in the pool participant's bank account. The state treasurer will reimburse pool participants for such bank overdraft penalties charged to the pool participant's bank account.

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

WAC 210-01-100 Interest earnings credit.

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

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

WAC 210-01-110 Reporting requirements.

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

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

WAC 210-01-120 Administrative deductions.

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

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

WAC 210-01-130 Portfolio management.

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

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

TABLE 1 - NET ASSETS

June 30, 2000, 2001, 2002, 2003 and 2004

(in Thousands)

Assets	June 30, 2000	June 30, 2001	June 30, 2002	June 30, 2003	June 30, 2004
Investments, at Amortized Cost:					
Repurchase Agreements	\$ 1,331,680	\$ 349,858	\$ 458,043	\$ 903,626	\$ 683,906
U.S. Agency Securities	1,351,592	3,914,423	3,270,989	3,665,154	3,763,313
U.S. Treasury Securities	56,903	731,377	1,697,798	228,209	351,151
Commercial Paper	520,290	.....	.....	.....	.....
Total (Excluding Securities Lending & Securities Purchased or Matured But Not Settled)	3,260,465	4,995,658	5,426,830	4,796,989	4,798,370
Securities Lending Investments, at amortized cost:					
Repurchase Agreements	.....	311,052	683,155	143,941	298,799
Total Investments (Settlement Date Basis)	3,260,465	5,306,710	6,109,985	4,940,930	5,097,169
Due from Brokers - Securities Purchased But Not Settled, at Amortized Cost:					
U.S. Agency Securities	445,578	59,469	.....	199,679	449,477
U.S. Treasury Securities	.....	.....	50,934	.....	.....
Due to Brokers - Securities Matured But Not Settled, at Amortized Cost:					
U.S. Treasury Securities	.....	.....	(100,000)	.....	.....
Total Investments (Trade Date Basis)	3,706,043	5,366,179	6,060,919	5,140,609	5,546,646
Interest Bearing Bank Deposits	.....	.....	.....	267,236	39,820
Certificates of Deposit	164,800	124,900	144,050	110,150	105,000
Cash	250	.....	.....	10	.....
Interest Receivable	9,619	13,803	5,753	4,516	4,747
Investment Maturities Pending Receivable	.....	.....	100,000	.....	.....
Total Other Assets	174,669	138,703	249,803	381,912	149,567
Total Assets	3,880,712	5,504,882	6,310,722	5,522,521	5,696,213
Liabilities					
Cash Drawn in Excess of Bank Balance	.....	.....	1,999	.....	.....
Accrued Expenses	314	1,336	663	211	413
Obligations Under Securities Lending Agreements	.....	311,052	683,156	143,941	298,799
Investment Trades Pending Payable	445,578	59,469	50,939	199,679	449,477
Total Liabilities	445,892	371,857	736,757	343,831	748,689
Net Assets	\$ 3,434,820	\$ 5,133,025	\$ 5,573,965	\$ 5,178,690	\$ 4,947,524

TABLE 2 - NET INCOME**For Fiscal Years Ended June 30, 2000, 2001, 2002, 2003 and 2004
(in Thousands)**

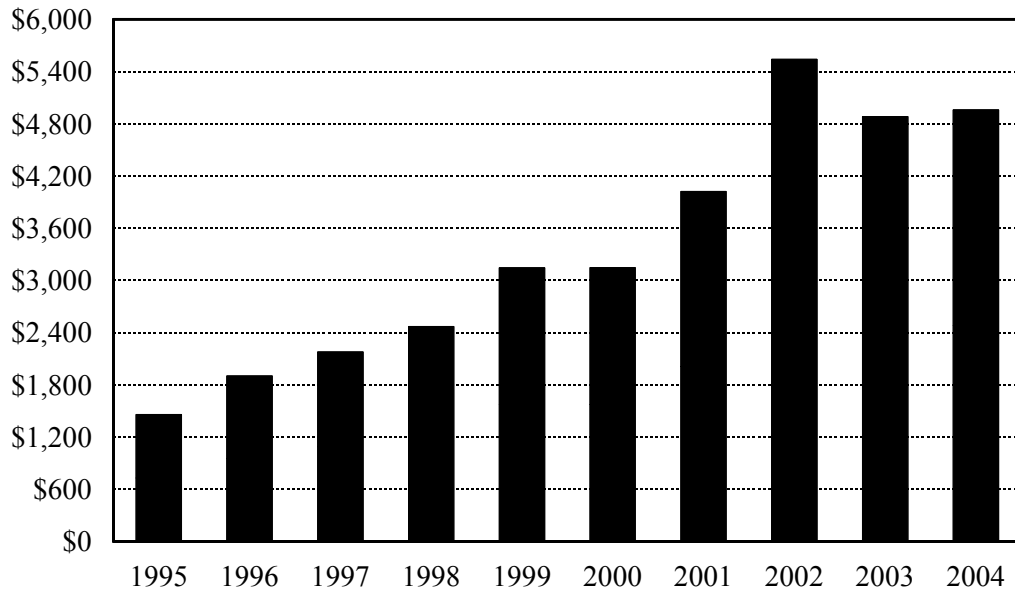
	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>
Income					
Interest (includes reverse repos)	\$ 180,008	\$ 233,371	\$ 139,237	\$ 74,046	\$ 54,685
Securities Lending	1,073	10,185	6,737	4,065	2,971
Overdraft Penalties Assessed to Pool Participants	<u>6</u>	<u>5</u>	<u>4</u>	<u>3</u>	<u>2</u>
Total Income	<u>181,087</u>	<u>243,561</u>	<u>145,978</u>	<u>78,114</u>	<u>57,658</u>
Expenses					
Administrative Expenses	626	506	488	558	550
Securities Lending	<u>1,028</u>	<u>9,877</u>	<u>6,494</u>	<u>3,824</u>	<u>2,736</u>
Total Expenses	<u>1,654</u>	<u>10,383</u>	<u>6,982</u>	<u>4,382</u>	<u>3,286</u>
Net Income	<u>\$ 179,433</u>	<u>\$ 233,178</u>	<u>\$ 138,996</u>	<u>\$ 73,732</u>	<u>\$ 54,372</u>

TABLE 3 - SUMMARY OF ACTIVITY**For Fiscal Years Ended June 30, 2000, 2001, 2002, 2003 and 2004
(in Thousands)**

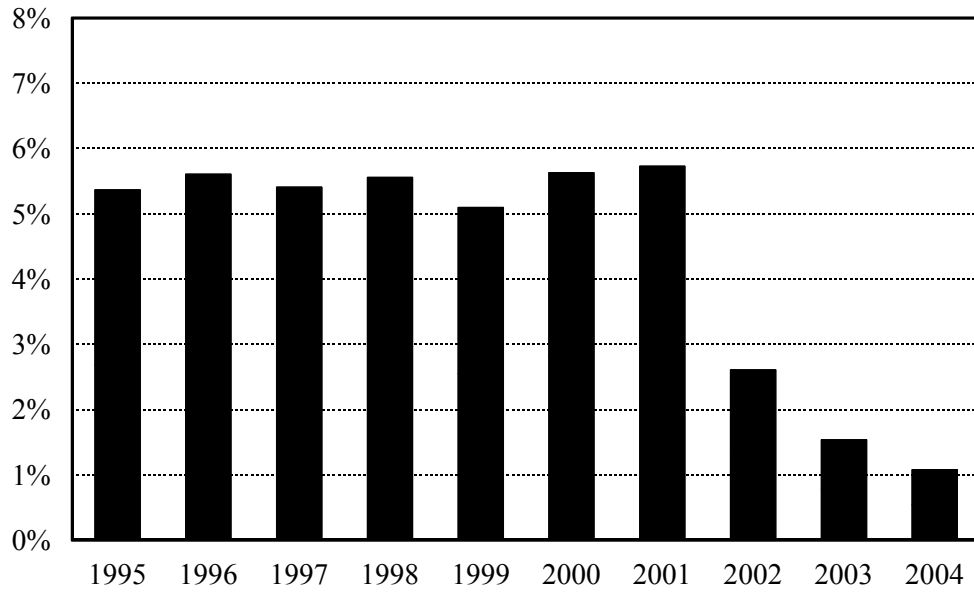
A summary of LGIP activity, including reporting required by RCW 43.250.080 is as follows:

	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004
Total Investment Purchases	\$ 102,848,032	\$ 90,223,164	\$ 101,639,265	\$ 121,446,685	\$110,628,743
Total Sales	\$ 451,503	\$ 1,873,088	\$ 8,120,916	\$ 11,821,927	\$ 5,171,806
Total Maturities	\$ 102,209,381	\$ 87,093,489	\$ 93,281,469	\$ 109,818,317	\$105,468,481
Total Net Income	\$ 179,433	\$ 233,178	\$ 138,996	\$ 73,732	\$ 54,372
Portfolio Yield (360-Day Basis)	5.63%	5.73%	2.61%	1.50%	1.09%
Average Weighted Maturity	38 days	69 days	42 days	48 days	42 days
Pool Participants Investments	\$ 10,351,954	\$ 11,840,249	\$ 12,956,627	\$ 12,514,906	\$ 12,262,144
Pool Participants Redemptions	\$ 10,404,888	\$ 10,375,222	\$ 12,654,682	\$ 12,983,913	\$ 12,547,682

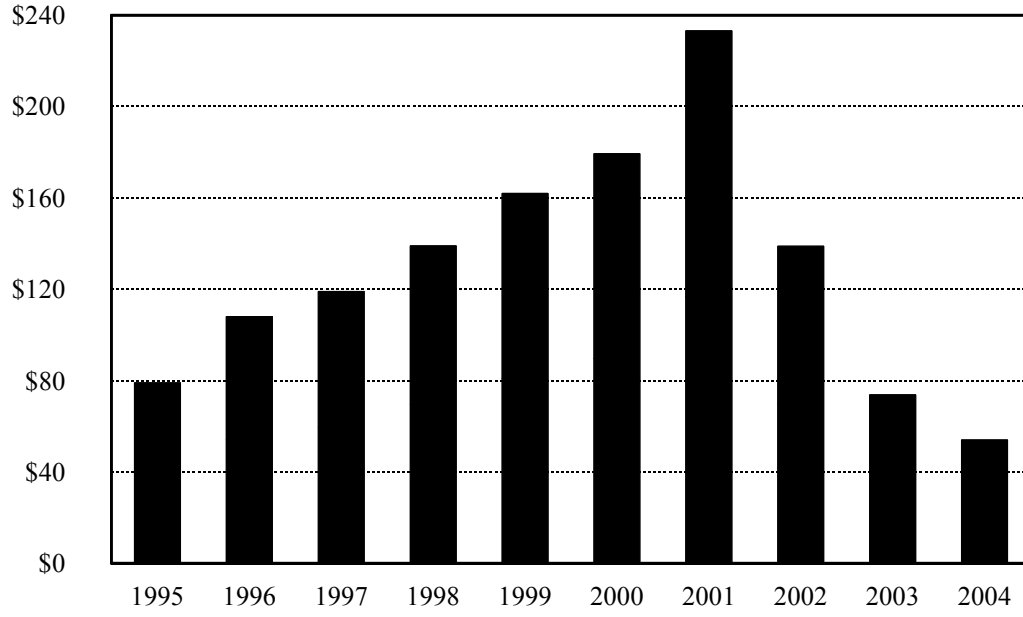
**Average Invested Balances
(\$ in Millions)**



Portfolio Yield Percentage
(360-day Basis)



Net Income
(\$ in Millions)



LGIP versus iMoneyNet, Inc.
\$1 million compounded over 3yrs/5yrs

