

STATE OF WASHINGTON
OFFICE OF THE STATE TREASURER

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

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2012





To accommodate persons with disabilities, this document will be made available in alternate formats upon request to the Office of the State Treasurer, Legislative Building, 2nd Floor, Olympia, Washington 98504-0200, Telephone: (360) 902-9000, FAX: (360) 902-9037, TTY Users Call: 7-1-1 or E-mail: watreas@tre.wa.gov.

Visit our web site at www.tre.wa.gov/

STATE OF WASHINGTON
OFFICE OF THE STATE TREASURER

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

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Report prepared by:

Office of the State Treasurer

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

Accounting and Fiscal Services Division

Darrel Jensen, Director
Cindy Shave, Investment Accountant
Dixie Layman, Investment Accountant

Investment Division

Doug Extine, Deputy Treasurer
Kari Sample, LGIP Administrator

TABLE OF CONTENTS

State Treasurer’s Letter 1

Introductory Section

Letter of Transmittal 3
Certificate of Achievement for Excellence in Financial Reporting 6
Organizational Chart 7
Advisory Committee 8
Key Personnel 9
State Finance Committee 10

Financial Section

Independent Auditors’ Report 11
Management’s Discussion and Analysis 12
Basic Financial Statements
 Statement of Net Assets 15
 Statement of Changes in Net Assets 16
 Notes to the Financial Statements 17

Investment Section

Overview..... 23

Schedule of Investments & Deposits 25

Charts

Distribution by Security Type 30

Maturity Analysis 30

Ownership Analysis as a Percent of Total Accounts 31

Ownership Analysis as a Percent of Total Balances 31

Net Rate of Return 32

Net Investment Income 32

Average Days to Maturity..... 33

LGIP Net Earnings Rate versus Federal Funds and iMoneyNet, Inc. 33

Position and Compliance Report 34

Schedule of Participants by Concentration..... 36

Investment Policy 37

Chapter 43.250 RCW 46

Chapter 210-01 WAC 49

Statistical Section

Statistical Narrative 53

Tables

Table 1 – Net Assets 55

Table 2 – Changes in Net Assets 56

Table 3 – Distribution by Security Type 57

Table 4 – Ownership Analysis as a Percent of Total Balances 58

Charts

Average Invested Balances 59

Portfolio Yield Percentage 59

Net Investment Income 60

LGIP versus iMoneyNet, Inc. 60



James L. McIntire
Washington State Treasurer



JAMES L. McINTIRE
State Treasurer

State of Washington
Office of the Treasurer

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

During Fiscal Year 2012:

- The average balance in the LGIP portfolio was \$9.163 billion maintained by 530 participants.
- The LGIP had a net administrative charge of 0.687 basis points. This is the sixth year in a row that the LGIP has charged less than a basis point.

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

I am proud to report the LGIP net rate of return during Fiscal Year 2012 outperformed its benchmark by 13 basis points. The benchmark is the iMoneyNet Inc. Government Only/Institutional Only Money Market Funds, which is comprised of privately managed money market funds similar to the LGIP. During Fiscal Year 2012, LGIP participants have earned \$12 million over what the average comparable money market fund would have generated.

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

Sincerely,

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

James L. McIntire
State Treasurer





Introductory Section





JAMES L. McINTIRE
State Treasurer

State of Washington
Office of the Treasurer
Local Government Investment

October 30, 2012

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

I am pleased to submit this Comprehensive Annual Financial Report (CAFR) of the state of Washington Local Government Investment Pool (LGIP) for the fiscal year ended June 30, 2012. This report has been prepared by the Office of the State Treasurer (OST) pursuant to Revised Code of Washington (RCW) 43.250.080. It includes only activity of the LGIP and does not include data or information related to other state agencies or funds.

Responsibility for the accuracy of the data, as well as the completeness and fairness of the presentation, including all disclosures, rests with management of the OST. Management is responsible for establishing and maintaining internal controls designed to ensure the assets of the LGIP are protected from loss, theft, or misuse, and that the preparation of financial statements is in conformance with generally accepted accounting principles. Internal 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. To the best of our knowledge, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the LGIP.

The LGIP's financial statements have been audited by Peterson Sullivan LLP. The independent auditor rendered an unqualified ("clean") opinion on the financial statements for the fiscal year ended June 30, 2012. The independent auditors' report is included in the financial section of this report.

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

Profile of the LGIP

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

The LGIP is operated as a business enterprise within the framework of state laws and regulations. The LGIP's primary purpose is to provide an investment tool for eligible governmental entities. At their option, such entities may invest temporary cash surpluses to take advantage of the volume and expertise of the state's investment program to earn a competitive rate of return while maintaining security and

liquidity. The objectives of the State Treasurer's investment program, in priority order, are safety, liquidity and return on investment.

Investment Risk Profile

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

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

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

Economic Condition and Outlook

The economic condition of the LGIP is based primarily upon investment earnings. Due to the short-term nature of the LGIP portfolio, and the types of investments utilized, the LGIP yields closely follow the targeted federal funds rate. With \$8.8 billion in net assets as of June 30, 2012, the LGIP produced an average monthly portfolio yield of .14 percent. The LGIP exceeded its benchmark by 13 basis points, resulting in \$12 million in additional interest income for participants.

Fiscal year 2012 was marked by sustained monetary policy by the Federal Open Market Committee (FOMC). The FOMC did not change its target for the federal funds rate from July 2011 through June 2012 stating that economic conditions, including low rates of resource utilization, subdued inflation trends, and stable inflation expectations called for extremely low rate levels. The targeted federal funds rate began and ended the fiscal year at 0 to 1/4 percent.

During the period, the FOMC remarked that the economy has been expanding moderately; labor market conditions have improved; the unemployment rate has declined but remains elevated; household spending appears to be rising at a slow pace; business fixed investment has continued to advance; and, despite some signs of improvement, the housing sector continued to be depressed. Furthermore, strains in global financial markets continue to pose significant downside risks to the economic outlook.

Consistent with its statutory mandate, the FOMC employed its policy tools to foster maximum employment and price stability. To support a stronger economic recovery and help ensure that inflation is at the rate most consistent with its mandate, the FOMC expects to maintain a highly accommodative stance for monetary policy. The FOMC is closely monitoring economic and financial developments, and providing accommodations as needed to promote recovery and sustained improvement in labor market conditions in the context of price stability.

During the first quarter of fiscal year 2013, the FOMC has maintained its target range for the federal funds rate at 0 to 1/4 percent anticipating that economic conditions are likely to warrant exceptionally low levels for the federal funds rate at least through mid-2015.

Major Initiatives

OST is planning to begin calculating earnings and expenses for LGIP participants daily rather than monthly in early 2013. The daily expense factor would be based on estimated annual expenses adjusted throughout the fiscal year for changes in those estimates. The daily earnings factor would reflect accrued and accreted income less expenses. Earnings would continue to be credited to participant accounts monthly while capital gains or losses would be distributed periodically.

OST is also exploring the feasibility of offering a longer-term investment fund option to LGIP participants, similar to an intermediate bond fund, to complement the current 2a-7 like money market fund option. PFM Asset Management has been retained to provide oversight and guidance for the development and launch of this extended asset fund, as well as, assist in the education and outreach to LGIP participants. Upon completion of a prospectus and administrative rules, OST expects to begin operation in mid-2013.

Additional Information

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the LGIP for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2011. This was the fifteenth consecutive year the LGIP achieved this prestigious award. To be awarded a Certificate of Achievement, OST had to publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

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

Sincerely,



Shad Pruitt
Deputy State Treasurer

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, 2011

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.



Linda C. Davison

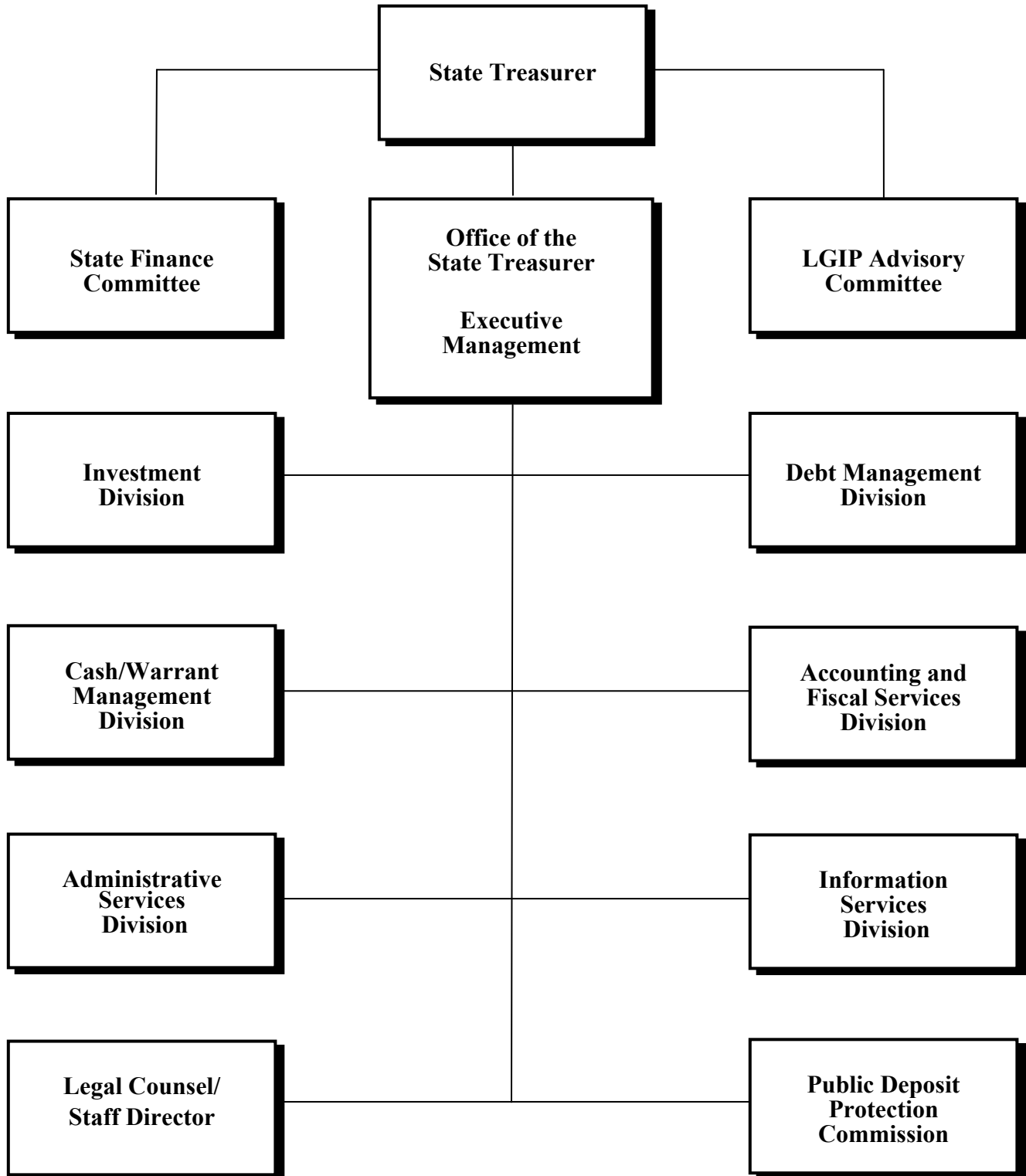
President

Jeffrey R. Evers

Executive Director

ORGANIZATIONAL CHART

Office of the State Treasurer



ADVISORY COMMITTEE

Members

Dani Burton
County Treasurer
Klickitat County

Tabitha Miller
Director of Finance
Alderwood Water & Wastewater District

Tracy Butler
Treasurer
Sound Transit

Shawn Myers
County Treasurer
Thurston County

Meredith Green
County Treasurer
Kitsap County

Mary Nelson
Director of Finance
Port of Grays Harbor

Toni Habegger
Assistant VP & CFO
Eastern Washington University

Shelley Pearson
Investment Officer
Kitsap County

Carrie Lewellen
Treasurer
City of Vancouver

Sherry Speaks
Treasurer
Mason County PUD No. 3

Stan Lewis
Finance Department
City of North Bend

Dan Underwood
Finance Manager
City of Richland

KEY PERSONNEL
Office of the State Treasurer

James L. McIntire
Treasurer
(360) 902-9001

Wolfgang Opitz
Assistant Treasurer
(360) 902-9002

Shad Pruitt
Deputy Treasurer
(360) 902-8904

Doug Extine
Deputy Treasurer
(360) 902-9012

Darrel Jensen
Accounting Services Director
(360) 902-8903

Ferdinand Pascual
Sr. Portfolio Manager
(360) 902-9010

Cindy Shave
Investment Accountant
(360) 902-8953

Jill Gravatt
Investment Officer
(360) 902-9011

Dixie Layman
Investment Accountant
(360) 902-8959

Kari Sample
LGIP Administrator
(360) 902-9015 or
1-800-331-3284 (within WA Only)

Joshua Freese
Portfolio Administrator
(360) 902-9014

Amanda Scott
Assistant Portfolio Analyst
(360) 902-9013

General Information

Legislative Building, Room 230
PO Box 40200
Olympia, Washington 98504-0200
Telephone: (360) 902-9000
Facsimile: (360) 902-9037
<http://www.tre.wa.gov/>

STATE FINANCE COMMITTEE
Members

James L. McIntire
State Treasurer and Chairman

Christine O. Gregoire
Governor

Brad Owen
Lieutenant Governor

General Information
Legislative Building, Room 230
PO Box 40200
Olympia, Washington 98504-0200
Telephone: (360) 902-9001
Facsimile: (360) 902-9045
<http://www.tre.wa.gov/>

Financial Section





INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of net assets of the State of Washington Local Government Investment Pool ("the LGIP") as of June 30, 2012, and the related statement of changes in net assets for the year then ended. These financial statements are the responsibility of the State of Washington Office of the State Treasurer. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets of the LGIP as of June 30, 2012, 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.

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

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of investments and deposits as of June 30, 2012, contained in the investment section, is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of investments and deposits is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Peterson Sullivan LLP

October 30, 2012

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, 2012. Please read this analysis in conjunction with the letter of transmittal and the financial statements that follow.

Financial Highlights

- The LGIP reported net assets as of June 30, 2012, in the amount of \$8.8 billion.
- The LGIP earned \$16 million for pool participants as a result of investment activity during the year. This was a decrease of \$7 million from the previous year.

Overview of the Financial Statements

The LGIP invests in a portfolio of securities in a manner generally consistent with Rule 2a-7 money market funds, as currently recognized by the Securities and Exchange Commission. Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities in order to minimize both market and credit risk. Investments are reported on a trade date basis in accordance with generally accepted accounting principles (GAAP). This is based on the assumption that governments face custodial risk in connection with sold investments up to the date of settlement and face no custodial risk in association with purchases recorded on the balance sheet prior to the settlement date. This report consists of the Statement of Net Assets, Statement of Changes in Net Assets, Notes to the Financial Statements, and the Schedule of Investments and Deposits. In addition, this CAFR also contains supplementary and statistical information to aid the reader in further understanding the financial position of the LGIP and the results of its operation for the fiscal year ended June 30, 2012. The following is a description of the basic financial statements:

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

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

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

Financial Analysis

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

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

Table 1
Net Assets
(expressed in millions)

	2012	2011	Dollar Change	Percent Change
Pooled cash and investments	\$ 9,320.4	\$ 9,385.1	\$ (64.7)	(0.7) %
Receivables	1.1	1.9	(.8)	(42.1)
Total Assets	9,321.5	9,387.0	(65.5)	(0.7)
Liabilities	491.4	0.0	491.4	---
Net Assets	\$ 8,830.1	\$ 9,387.0	\$ (556.9)	(5.9) %

As the table shows, the LGIP experienced a decrease in net assets of \$556.9 million in 2012. Total assets were lower and liabilities were higher compared to last year. The LGIP's Net Asset total is a function of several parameters, some of which are independent of the performance of the LGIP. The resulting change in net assets can best be explained simply by changes in deposits and withdrawals of the participants in the fund. Since the LGIP is a 100% voluntary investment option for local governments, participants may use the LGIP at their discretion. The percentage of total funds that individual participants have available for investment in the LGIP changes over time and can vary from near zero to 100%.

Table 2
Changes in Net Assets
(expressed in millions)

	2012	2011	Dollar Change	Percent Change
Contributions from Participants	\$ 16,479.6	\$ 17,578.1	\$ (1,098.5)	(6.2) %
Distributions to Participants	17,052.2	17,212.6	(160.4)	(0.9)
Net Investment Income	15.7	22.7	(7.0)	(30.8)
Change in Net Assets	\$ (556.9)	\$ 388.2	\$ (945.1)	(243.5) %

Total Investment Income less administrative expenses ("Net Investment Income") was down 30.8 percent over the previous year. This decrease was due to the decrease in portfolio yield, as presented in Table 3. Contributions and distributions decreased over the prior year. Due to the discretionary nature of the LGIP as an investment option, it is difficult to ascertain the reasons behind the changes in net assets, as discussed in the previous paragraph.

Table 3
Average Annualized Monthly Yield

	2008	2009	2010	2011	2012
LGIP Portfolio Yield	4.04%	1.59%	0.36%	0.23%	0.14%
iMoneyNet Inc.	3.25%	0.65%	0.03%	0.02%	0.01%
Targeted Fed Funds	3.74%	0.90%	0.00%- 0.25%*	0.00%- 0.25%*	0.00%- 0.25%*

* Since December 2008 the FOMC has maintained a range for the targeted fed funds rate between 0.00-0.25%.

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

The best measure of the LGIP's performance is not the change in the yield of the portfolio over time, but rather a comparison of the LGIP yield to the yield of its benchmark, iMoneyNet Inc., Government Only/Institutional Only Money Market Funds (formerly IBC Donoghue). This benchmark is comprised of privately managed money market funds similar in portfolio composition and investment guidelines to the LGIP. The LGIP net yield during Fiscal Year 2012 was 13 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, 2012

ASSETS

Investments, at amortized cost:

Repurchase Agreements	\$ 3,168,500,000
US Agency Securities	3,324,955,047
US Treasury Securities	1,649,150,531
Total Investments Excluding Securities Lending	<u>8,142,605,578</u>

Security Lending Investments

Repurchase Agreements	441,000,000
Total Investments Including Securities Lending	<u>8,583,605,578</u>

Due from Brokers - Securities Purchased But Not Settled

US Agency Securities	49,988,600
Total Investments	<u>8,633,594,178</u>

Other Assets:

Interest Bearing Bank Deposits	363,252,915
Certificates of Deposit	40,000,000
Time Certificate of Deposit (TCD) Investment Program	47,840,000
Negotiable Order of Withdrawal (NOW) Accounts	235,788,508
Interest Receivable	1,078,206
Total Other Assets	<u>687,959,629</u>
Total Assets	<u>9,321,553,807</u>

LIABILITIES

Cash Drawn in Excess of Bank Balance	273,699
Accrued Expenses	124,837
Obligations under securities lending agreement	441,000,000
Investment Trades Pending Payable	49,988,600
Total Liabilities	<u>491,387,136</u>

NET ASSETS

Held in Trust for Pool Participants	<u>\$ 8,830,166,671</u>
-------------------------------------	-------------------------

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

STATEMENT OF CHANGES IN NET ASSETS
For the Fiscal Year Ended June 30, 2012

ADDITIONS

Contributions from Participants	\$ 16,479,606,797
Investment Income:	
Investment Earnings	16,521,791
Less: Expenses	<u>(157,191)</u>
Total Investment Income	16,364,600
Miscellaneous	<u>384</u>
Total Additions	<u>16,495,971,781</u>

DEDUCTIONS

Distributions to Participants	17,052,244,276
Administrative Expenses	<u>629,629</u>
Total Deductions	<u>17,052,873,905</u>

CHANGE IN NET ASSETS

(556,902,124)

Net Assets - Beginning of Year	<u>9,387,068,795</u>
Net Assets - End of Year	<u><u>\$ 8,830,166,671</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity – The LGIP was created by Chapter 294, Laws of 1986 and began operations in July 1986. The LGIP is a short-term investment pool of the state of Washington, available to eligible governmental entities as defined by Revised Code of Washington (RCW) 43.250.020. Participation in the LGIP is voluntary.

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

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

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

Investment and Deposit Activity – The OST has adopted a formal investment policy for the LGIP which is reviewed for possible revisions annually. The policy is to invest in high-quality, short-term instruments. Investments are restricted to fixed rate securities that mature in 397 days or less, floating and variable rate securities that mature in 762 days or less, and the portfolio maintains a weighted average maturity of 60 days or less and a weighted average life of 120 days or less. The State Treasurer has the sole responsibility to set investment strategy for the LGIP.

Investments, other than bank deposits, are valued at amortized cost. The bank deposits are valued at historical cost. Both valuation methods approximate fair value. Security transactions are reported on a trade date basis in accordance with GAAP. Pending purchases, as of June 30, 2012 settled at a total cost of \$49,988,600 on July 2, 2012.

Deductions and Penalties – An administrative deduction is assessed for the administration of the LGIP in accordance with Washington Administrative Code (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 \$3,215,422 for Fiscal Year 2012.

On a monthly basis, the LGIP determines the total dollar amount necessary to reimburse the OST 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 \$2,585,793 for Fiscal Year 2012.

The net administrative deduction for Fiscal Year 2012 was 0.007 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 \$384 for Fiscal Year 2012. Combined with fees in excess of expenses, the total rebated to participants for Fiscal Year 2012 was \$2,586,177.

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

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

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

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

From October 1, 2007 through August 31, 2011, Union Bank provided securities lending services for the LGIP and served as securities custodian, maintaining custody of all LGIP-owned investments other than deposits with qualified public depositories. Effective September 1, 2011, Citibank N.A. replaced Union Bank to serve as the securities custodian and provide securities lending services for the LGIP.

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

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

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

NOTE 2 – INVESTMENTS AND DEPOSITS

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates of debt instruments will adversely affect the fair value of an investment. The portfolio is invested in a manner generally consistent with the Securities and Exchange Commission’s Rule 2a-7 of the Investment Company Act of 1940, i.e., money market funds, as it currently stands. Much of the Rule 2a-7 investment guidelines are directed towards limiting interest rate risk, in order to maintain a stable net asset value. For example, the LGIP’s policy places a 60 day maximum on the weighted average maturity and a 120 day maximum on the weighted average life. Further, the maximum maturity of any security will not exceed 397 days, except for securities utilized in repurchase agreements and U.S. Agency floating or variable rate notes may have a maximum maturity of 762 days, provided that they have reset dates within one year and which on any reset date can reasonably be expected to have a fair value that approximates its amortized cost. As of June 30, 2012, the LGIP had a weighted average maturity of 40 days and a weighted average life of 112 days.

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

Investment Type	Moody's Rating	S & P Rating	Book Value
Repurchase Agreements	AAA	AA+	<u>\$ 3,609,500,000</u>
U.S. Treasury Securities			
U.S. Treasury Bills*	AAA	AA+	<u>\$ 1,649,150,531</u>
U.S. Agency Securities			
Federal Home Loan Bank	AAA	AA+	1,432,077,156
Federal National Mortgage Assoc.	AAA	AA+	876,349,094
Federal Farm Credit Bank	AAA	AA+	649,389,619
Federal Home Loan Mortgage Corp.	AAA	AA+	<u>417,127,778</u>
			<u>3,374,943,647</u>
Total			<u>\$ 8,633,594,178</u>

*U.S. Treasury issues are explicitly guaranteed by the United States government and are not subject to credit risk.

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

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The OST mitigates concentration of credit risk by limiting the percentage of the portfolio invested with any one issuer. With the exception of U.S. Treasury and U.S. Agency securities, the OST mitigates concentration of credit risk by limiting the purchase of securities of any one issuer to no more than five percent of the portfolio. Repurchase agreements comprise 38.7% of the total portfolio. OST limits the securities utilized in repurchase agreements to U.S. Treasury and U.S. Agency Securities. OST requires delivery of all securities utilized in repurchase agreements and the securities are priced daily. As of June 30, 2012, U.S. Treasury securities comprised 17.7% of the total portfolio. U.S. Agency securities comprised 36.2% of the total portfolio, including Federal Home Loan Bank (15.3%), Federal National Mortgage Association (9.4%), Federal Farm Credit Bank (7.0%), and Federal Home Loan Mortgage Corporation (4.5%).

As of June 30, 2012, the LGIP had the following investments, deposits, and related maturities:

Investment/Deposit Type	Book Value	Fair Value	Maturity	
			Less than 1 year	1-5 years
Repurchase Agreements	\$3,609,500,000	\$3,609,500,000	\$3,609,500,000	
U.S. Agency Securities	3,374,943,647	3,374,943,647	2,340,712,822	\$1,034,230,825
U.S. Treasury Securities	1,208,342,297	1,208,342,297	1,208,342,297	
U.S. Treasury Securities – On Loan	440,808,234	440,808,234	440,808,234	
Interest Bearing Bank Deposits	363,252,915	363,252,915	363,252,915	
Negotiable Order of Withdrawal Accounts	235,788,508	235,788,508	235,788,508	
Time Certificate of Deposit Program	47,840,000	47,840,000	47,840,000	
Certificates of Deposit	40,000,000	40,000,000	40,000,000	
Total	\$9,320,475,601	\$9,320,475,601	\$8,286,244,776	\$1,034,230,825

Securities Lending – State statutes permit the LGIP to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The LGIP, which has contracted with a lending agent to lend securities in the LGIP, earns a fee for this activity. The lending agent lends securities and receives collateral, which can be in the form of cash or other securities. The collateral, which must be valued at 102 percent of the fair value of the loaned securities, is priced daily and, if necessary, action is taken to maintain the collateralization level at 102 percent. However, cash collateral received from the lending of non coupon-bearing securities shall not be valued at less than 102 percent of fair value, but not to exceed par. The cash is invested by the lending agent in accordance with investment guidelines approved by the LGIP. The securities held as collateral and the securities underlying the cash collateral are held by the LGIP's custodian. One option available to the lending agent is to invest cash collateral into an OST account in the LGIP. Maturities of investments made with cash collateral are generally matched to maturities of securities loaned.

During the period, the LGIP lent U.S. Treasury Bills in exchange for cash collateral. The cash collateral was reinvested in Repurchase Agreements. On June 30, 2012, the fair value of securities on loan was \$440,862,520 and the related cash collateral received in the amount of \$441,000,000 was invested with the LGIP by the lending agent. 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 2012, 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 requires the lending agent to indemnify the LGIP if the borrowers fail to return the securities (and if collateral is inadequate to replace the securities lent) or if the borrower fails to pay the LGIP for income distribution by the securities' issuers while the securities are on loan. The LGIP cannot pledge or sell collateral securities received unless the borrower defaults. The LGIP investment policy limits the amount of reverse repurchase agreements and securities lending to 30% of the total portfolio. There were no violations of legal or contractual provisions, nor any losses resulting from a default of a borrower or lending agent during the year.

Repurchase Agreements – The fair value, plus accrued income, of mortgage-backed securities utilized in repurchase agreements with more than seven days remaining until maturity will be 105 percent of the value of the repurchase agreement. The fair value, plus accrued income, of securities utilized in all other repurchase agreements will be 102 percent of the value of the repurchase agreement. The securities utilized in repurchase agreements are priced daily and held by the LGIP's custodian in the state's name. Collateralized Mortgage Obligations (CMO) utilized in repurchase agreements must pass the Federal Financial Institutions Examination Council (FFIEC) test, or not exceed a volatility rating of V-5 by Fitch Investor Services, or a similar rating of a nationally recognized rating agency. As of June 30, 2012, repurchase agreements totaled \$3,609,500,000.

Reverse Repurchase Agreements – State law also permits the LGIP to enter into reverse repurchase agreements, which are, by contract, sales of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities pledged as collateral by the LGIP underlying the reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in the fair value of the securities. If the dealers default on their obligations to resell these securities to the LGIP or to provide equal value in securities or cash, the LGIP would suffer an economic loss equal to the difference between the fair value plus accrued interest of the underlying securities and the agreement obligation, including accrued interest. During the fiscal year, there was no credit risk for the LGIP due to the fair value plus accrued interest of the underlying securities being less than the fair value plus accrued interest of the reinvested cash. On June 30, 2012, there were no obligations under reverse repurchase agreements.

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

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

NOTE 3 – SUMMARY OF ACTIVITY

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

	<u>FY 2012</u>
Total Investment Purchases	\$ 206,758,563,256
Total Sales	\$ 24,076,256,763
Total Maturities	\$ 182,749,495,000
Total Net Investment Income	\$ 15,735,355
Administrative Expenses	\$ 629,629
Average Annualized Monthly Yield	.14 percent
Average Weighted Maturity	40 days
Average Weighted Life	112 days
Pool Participant Contributions	\$ 16,479,606,797
Pool Participant Distributions	\$ 17,052,244,276

NOTE 4 – RELATED PARTY TRANSACTIONS

Pursuant to Chapter 43.250 RCW, certain funds of the State of Washington’s public colleges, universities and agencies may be invested in the LGIP. Activity and balances for these funds in Fiscal Year 2012 were as follows:

Change in Net Assets

Income Distributed and Deposited to Participant Accounts, Net of Administrative Deductions of \$262,302	\$ 1,213,255
Contributions from Participants	2,576,598,900
Distributions to Participants	<u>(2,268,369,020)</u>
Total Change in Net Assets	309,443,135
Net Assets – Beginning of Year	<u>523,940,684</u>
Net Assets – End of Year	<u>\$ 833,383,819</u>



Investment Section



OVERVIEW

Administration

The pool was created by the Washington State Legislature in 1986 to provide a mechanism whereby eligible governmental entities, at their option, invest temporary cash surpluses and take advantage of the volume and expertise of the state's investment program to earn a competitive rate of return while maintaining the security and liquidity of the funds they manage.

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

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

Participants are offered 100% liquidity on a daily basis, provided notification is made within specified times. 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.

LGIP Performance

Because the LGIP portfolio is invested in a manner generally consistent with a 2a-7 money market fund, and the administrative fees charged are low, i.e., 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 2012 ranged from 0.11 – 0.17 percent, reflecting a targeted federal funds rate that ranged from 0.00 – 0.25 percent during the fiscal year. The general management strategy in effect for much of the fiscal year was to maintain a slightly longer than neutral weighted average maturity in an attempt to lag the decline in fed funds as long as possible, while still ensuring adequate liquidity to LGIP participants.

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

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

Investment Risk Profile

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

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

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

SCHEDULE OF INVESTMENTS & DEPOSITS

June 30, 2012

(expressed in thousands)

Principal	Description	Date of Maturity	Yield Percentage	Amortized Cost
U. S. AGENCY SECURITIES (36.2% of Total Portfolio)				
U. S. Agency Variable Rate Notes				
\$ 25,000	Federal National Mortgage Assoc.	10/18/2012	0.2927	\$ 24,998
50,000	Federal Farm Credit Bank	10/26/2012	0.1983	49,995
44,000	Federal Home Loan Mortgage Corp.	11/2/2012	0.2078	43,996
25,000	Federal Farm Credit Bank	11/29/2012	0.2086	24,998
50,000	Federal National Mortgage Assoc.	12/20/2012	0.2897	49,995
25,000	Federal Home Loan Mortgage Corp.	2/4/2013	0.2389	24,992
50,000	Federal National Mortgage Assoc.	3/14/2013	0.2560	49,996
25,000	Federal National Mortgage Assoc.	3/14/2013	0.2560	24,998
50,000	Federal National Mortgage Assoc.	3/14/2013	0.2357	50,004
25,000	Federal Farm Credit Bank	3/15/2013	0.2216	24,998
25,000	Federal Farm Credit Bank	3/25/2013	0.4135	25,035
50,000	Federal Farm Credit Bank	7/26/2013	0.3123	50,002
25,000	Federal National Mortgage Assoc.	8/12/2013	0.2607	24,992
45,800	Federal Farm Credit Bank	9/16/2013	0.2162	45,789
54,000	Federal Farm Credit Bank	9/23/2013	0.3658	53,940
25,000	Federal Home Loan Mortgage Corp.	11/4/2013	0.2386	24,990
25,000	Federal National Mortgage Assoc.	11/8/2013	0.2405	24,990
60,000	Federal National Mortgage Assoc.	11/8/2013	0.2401	59,976
24,750	Federal Farm Credit Bank	11/29/2013	0.4060	24,743
50,000	Federal Farm Credit Bank	1/6/2014	0.2315	49,992
25,000	Federal Farm Credit Bank	3/24/2014	0.2460	25,000
\$ 778,550				\$ 778,419
U. S. Agency Floating Rate Notes				
\$ 50,000	Federal Home Loan Mortgage Corp.	10/12/2012	0.3000	\$ 50,000
25,000	Federal Home Loan Mortgage Corp.	1/10/2013	0.3599	24,999
50,000	Federal Farm Credit Bank	1/22/2013	0.2700	49,994
25,000	Federal Home Loan Bank	1/22/2013	0.3200	25,000
50,000	Federal Home Loan Bank	1/25/2013	0.3100	50,000
25,000	Federal National Mortgage Assoc.	2/1/2013	0.4100	24,999
16,565	Federal National Mortgage Assoc.	2/1/2013	0.3205	16,573
50,000	Federal Home Loan Bank	2/5/2013	0.3001	50,003
25,000	Federal Home Loan Bank	2/25/2013	0.3700	25,000
25,000	Federal Home Loan Bank	2/25/2013	0.3600	25,000
25,000	Federal Home Loan Bank	3/7/2013	0.3400	24,998
50,000	Federal Home Loan Bank	3/7/2013	0.3500	49,993
25,000	Federal Home Loan Bank	3/12/2013	0.3700	25,000
50,000	Federal Home Loan Bank	3/13/2013	0.3606	49,993
25,000	Federal Home Loan Bank	4/12/2013	0.3600	25,000
25,000	Federal Farm Credit Bank	5/15/2013	0.2949	24,994

SCHEDULE OF INVESTMENTS & DEPOSITS (Continued)

June 30, 2012

(expressed in thousands)

Principal	Description	Date of Maturity	Yield Percentage	Amortized Cost
25,000	Federal Farm Credit Bank	7/29/2013	0.3200	24,995
25,000	Federal National Mortgage Assoc.	8/9/2013	0.3700	25,003
25,000	Federal National Mortgage Assoc.	8/9/2013	0.3701	25,003
25,000	Federal National Mortgage Assoc.	8/9/2013	0.3700	25,003
50,000	Federal Home Loan Mortgage Corp.	8/12/2013	0.3999	49,983
25,000	Federal Home Loan Mortgage Corp.	9/3/2013	0.4099	24,994
25,000	Federal National Mortgage Assoc.	10/17/2013	0.4000	25,000
25,000	Federal National Mortgage Assoc.	10/25/2013	0.4399	24,993
100,000	Federal Home Loan Bank	11/8/2013	0.2793	99,946
50,000	Federal Home Loan Bank	11/15/2013	0.2898	49,965
50,000	Federal Home Loan Mortgage Corp.	11/18/2013	0.4699	49,993
50,000	Federal Home Loan Bank	12/6/2013	0.2800	49,985
50,000	Federal Home Loan Bank	12/20/2013	0.2800	49,978
50,000	Federal Home Loan Bank	1/2/2014	0.2750	49,989
50,000	Federal Farm Credit Bank	6/4/2014	0.3000	49,990
25,000	Federal Home Loan Bank	6/4/2014	0.1651	24,998
\$ 1,191,565				\$ 1,191,364
U. S. Agency Discount Notes				
\$ 150,000	Federal Home Loan Bank	7/25/2012	0.1170	\$ 149,988
107,400	Federal Home Loan Bank	7/27/2012	0.1220	107,391
50,000	Federal Home Loan Bank	8/1/2012	0.1170	49,995
50,000	Federal Home Loan Bank	8/1/2012	0.1170	49,995
50,000	Federal Home Loan Bank	8/1/2012	0.1170	49,995
50,000	Federal Home Loan Bank	8/1/2012	0.1220	49,995
50,000	Federal Home Loan Bank	8/3/2012	0.1246	49,994
100,000	Federal Home Loan Bank	8/3/2012	0.1246	99,989
50,000	Federal Home Loan Bank	8/3/2012	0.1271	49,994
50,000	Federal Home Loan Mortgage Corp.	8/6/2012	0.1373	49,993
48,210	Federal Home Loan Mortgage Corp.	8/20/2012	0.1424	48,201
50,000	Federal National Mortgage Assoc.	9/20/2012	0.1119	49,988
50,000	Federal National Mortgage Assoc.	9/20/2012	0.1119	49,988
25,000	Federal National Mortgage Assoc.	10/1/2012	0.1934	24,988
25,000	Federal National Mortgage Assoc.	10/1/2012	0.1934	24,988
25,000	Federal National Mortgage Assoc.	10/1/2012	0.1017	24,994
25,000	Federal National Mortgage Assoc.	10/1/2012	0.1017	24,993
50,000	Federal National Mortgage Assoc.	10/15/2012	0.1322	49,981
25,000	Federal Home Loan Mortgage Corp.	11/1/2012	0.1526	24,987
50,000	Federal Home Loan Bank	11/2/2012	0.1602	49,973
50,000	Federal Farm Credit Bank	11/8/2012	0.1629	49,971
100,000	Federal National Mortgage Assoc.	11/13/2012	0.1526	99,944
25,000	Federal Farm Credit Bank	11/21/2012	0.1629	24,984
50,000	Federal Farm Credit Bank	11/21/2012	0.1629	49,968

SCHEDULE OF INVESTMENTS & DEPOSITS (Continued)

June 30, 2012

(expressed in thousands)

Principal	Description	Date of Maturity	Yield Percentage	Amortized Cost
50,000	Federal National Mortgage Assoc.	1/2/2013	0.1425	49,964
50,000	Federal Home Loan Bank	4/1/2013	0.2133	49,920
\$ 1,405,610				\$ 1,405,161
\$ 3,375,725	TOTAL U.S. AGENCY SECURITIES			\$ 3,374,944
U.S. TREASURY SECURITIES (17.7% of Total Portfolio)				
U.S. Treasury Bills				
\$ 50,000	U.S. Treasury Bills	9/20/2012	0.1540	\$ 49,983
50,000	U.S. Treasury Bills	9/27/2012	0.1490	49,982
50,000	U.S. Treasury Bills	9/27/2012	0.1490	49,982
50,000	U.S. Treasury Bills	10/4/2012	0.1470	49,981
50,000	U.S. Treasury Bills	10/4/2012	0.1350	49,982
50,000	U.S. Treasury Bills	10/4/2012	0.1450	49,981
50,000	U.S. Treasury Bills	10/4/2012	0.1240	49,984
50,000	U.S. Treasury Bills	10/11/2012	0.1470	49,979
50,000	U.S. Treasury Bills	10/11/2012	0.1470	49,979
50,000	U.S. Treasury Bills	10/11/2012	0.1430	49,980
50,000	U.S. Treasury Bills	10/18/2012	0.1370	49,980
50,000	U.S. Treasury Bills	10/25/2012	0.1280	49,980
50,000	U.S. Treasury Bills	10/25/2012	0.1340	49,979
50,000	U.S. Treasury Bills	10/25/2012	0.1350	49,979
50,000	U.S. Treasury Bills	10/25/2012	0.1350	49,979
50,000	U.S. Treasury Bills	11/1/2012	0.1450	49,976
50,000	U.S. Treasury Bills	11/1/2012	0.1520	49,974
50,000	U.S. Treasury Bills	11/1/2012	0.1520	49,974
50,000	U.S. Treasury Bills	11/8/2012	0.1420	49,975
50,000	U.S. Treasury Bills	11/8/2012	0.1420	49,975
50,000	U.S. Treasury Bills	11/15/2012	0.1530	49,971
50,000	U.S. Treasury Bills	11/23/2012	0.1520	49,970
50,000	U.S. Treasury Bills	11/29/2012	0.1430	49,970
50,000	U.S. Treasury Bills	11/29/2012	0.1450	49,970
50,000	U.S. Treasury Bills	11/29/2012	0.1450	49,970
50,000	U.S. Treasury Bills	12/6/2012	0.1250	49,973
50,000	U.S. Treasury Bills	12/13/2012	0.1470	49,967
50,000	U.S. Treasury Bills	12/20/2012	0.1500	49,965
50,000	U.S. Treasury Bills	12/20/2012	0.1520	49,964
50,000	U.S. Treasury Bills	12/27/2012	0.1510	49,963
50,000	U.S. Treasury Bills	12/27/2012	0.1520	49,963
50,000	U.S. Treasury Bills	12/27/2012	0.1600	49,961
50,000	U.S. Treasury Bills	12/27/2012	0.1620	49,960
\$ 1,650,000	TOTAL U.S. TREASURY SECURITIES			\$ 1,649,151

SCHEDULE OF INVESTMENTS & DEPOSITS (Continued)

June 30, 2012

(expressed in thousands)

Principal	Description	Date of Maturity	Yield Percentage	Amortized Cost
REPURCHASE AGREEMENTS (34.0% of Total Portfolio)				
\$ 100,000	Jefferies and Company, Inc.	7/2/2012	0.1900	\$ 100,000
59,000	JP Morgan/Chase	7/2/2012	0.1800	59,000
200,000	Hsbc Securities, Inc.	7/2/2012	0.1300	200,000
100,000	BNP Paribas	7/2/2012	0.1000	100,000
309,500	UBS Warbug	7/2/2012	0.1500	309,500
200,000	UBS Warbug	7/3/2012	0.1300	200,000
200,000	BNP Paribas	7/5/2012	0.1700	200,000
300,000	Barclays Capital Inc.	7/5/2012	0.1700	300,000
200,000	BNP Paribas	7/5/2012	0.1400	200,000
250,000	UBS Warbug	7/5/2012	0.1100	250,000
200,000	BNP Paribas	7/12/2012	0.1700	200,000
200,000	Jefferies and Company, Inc.	7/16/2012	0.1600	200,000
150,000	Jefferies and Company, Inc.	7/16/2012	0.1500	150,000
300,000	Barclays Capital Inc.	7/16/2012	0.1300	300,000
200,000	Barclays Capital Inc.	7/16/2012	0.1500	200,000
200,000	Barclays Capital Inc.	7/19/2012	0.1500	200,000
\$ 3,168,500				\$ 3,168,500
SECURITIES LENDING INVESTMENTS (4.7% of Total Portfolio)				
Repurchase Agreements				
\$ 441,000	J P Morgan/Chase	7/2/2012	0.1800	\$ 441,000
\$ 441,000				\$ 441,000
Face Amount	Issuer	Date of Maturity	Yield Percentage	Historical Cost
CERTIFICATES OF DEPOSIT (0.4% of Total Portfolio)				
\$ 5,000	UniBank	7/10/2012	0.3600	\$ 5,000
5,000	UniBank	7/10/2012	0.3000	5,000
5,000	Umpqua Bank	8/16/2012	0.4000	5,000
25,000	Sterling Savings Bank	11/15/2012	0.2500	25,000
\$ 40,000				\$ 40,000

SCHEDULE OF INVESTMENTS & DEPOSITS (Continued)

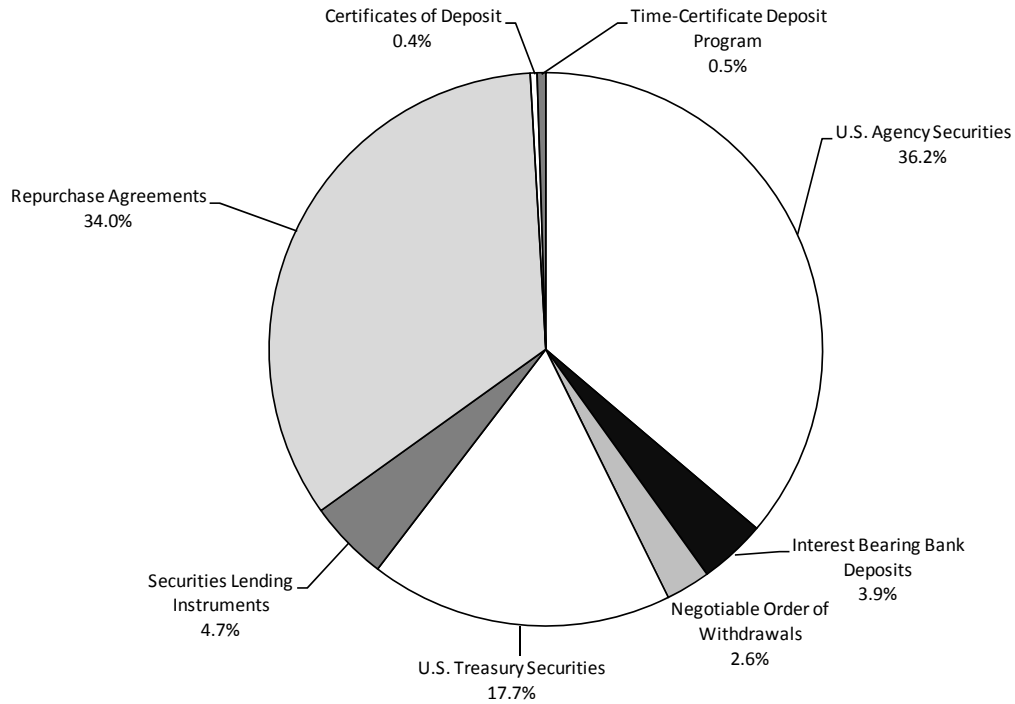
June 30, 2012

(expressed in thousands)

Face Amount	Issuer	Date of Maturity	Yield Percentage	Historical Cost
INTEREST BEARING BANK DEPOSITS (3.9% of Total Portfolio)				
\$ 535	US Bank	---	0.0500	\$ 535
35,288	Umpqua Bank	---	0.4400	35,288
2,556	Coastal Cummunity Bank	---	0.5000	2,556
20,000	Umpqua Bank	---	0.3000	20,000
25,000	Umpqua Bank	---	0.3000	25,000
279,756	Key Bank	---	0.2000	279,756
118	Sterling Savings Bank	---	0.1300	118
\$ 363,253				\$ 363,253
NEGOTIABLE ORDER OF WITHDRAWAL (NOW) ACCOUNTS (2.6% of Total Portfolio)				
\$ 436	Whidbey Island\City Bank	---	0.1000	\$ 436
14,853	First Citizens Bank\Venture Bank	---	0.4000	14,853
40,182	Union Bank\Frontier Bank	---	0.2000	40,182
80,266	East West Bank	---	0.3000	80,266
100,051	Union Bank\Frontier Bank	---	0.1400	100,051
\$ 235,788				\$ 235,788
TIME CERTIFICATE OF DEPOSIT INVESTMENT PROGRAM (0.5% of Total Portfolio)				
\$ 4,150	Anchor Mutual Savings Bank	7/10/2012	0.3600	\$ 4,150
1,000	Coastal Community Bank	7/10/2012	0.3600	1,000
4,150	Commencement Bank	7/10/2012	0.3600	4,150
2,175	Core Business Bank	7/10/2012	0.3600	2,175
7,500	East West Bank	7/10/2012	0.3600	7,500
4,150	First Federal Savings & Loan Assn.	7/10/2012	0.3600	4,150
1,165	1st Security Bank of Washington	7/10/2012	0.3600	1,165
4,150	Fortune Bank	7/10/2012	0.3600	4,150
4,150	Plaza Bank	7/10/2012	0.3600	4,150
250	Twin City Bank	7/10/2012	0.3600	250
7,500	Umpqua Bank	7/10/2012	0.3600	7,500
7,500	Yakima Federal Savings & Loan Assn.	7/10/2012	0.3600	7,500
\$ 47,840				\$ 47,840
\$ 9,322,106	TOTAL INVESTMENTS & DEPOSITS			\$ 9,320,476

DISTRIBUTION BY SECURITY TYPE

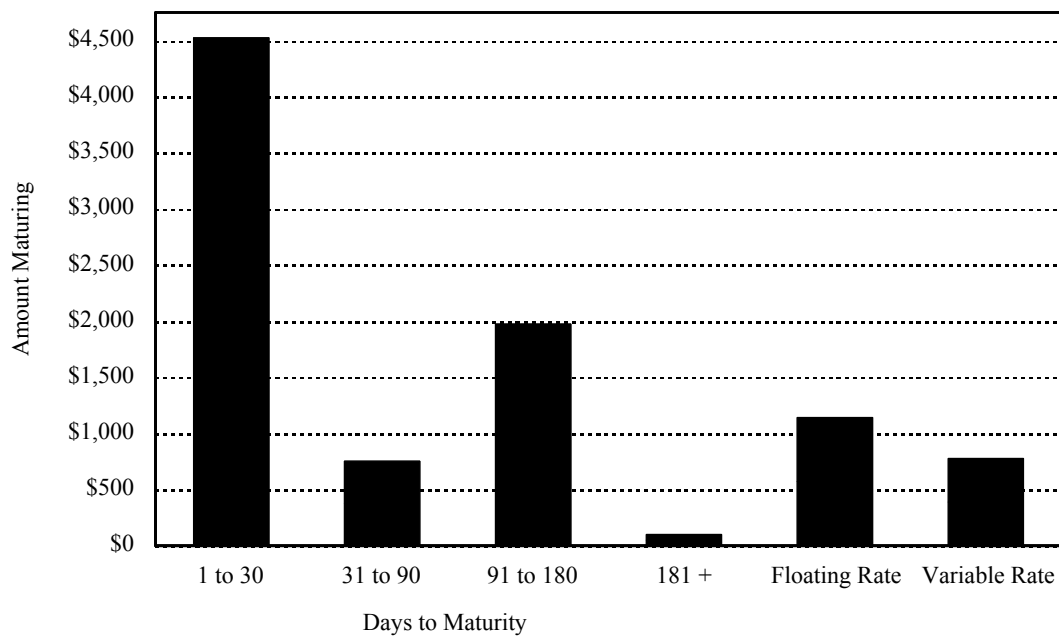
June 30, 2012



MATURITY ANALYSIS

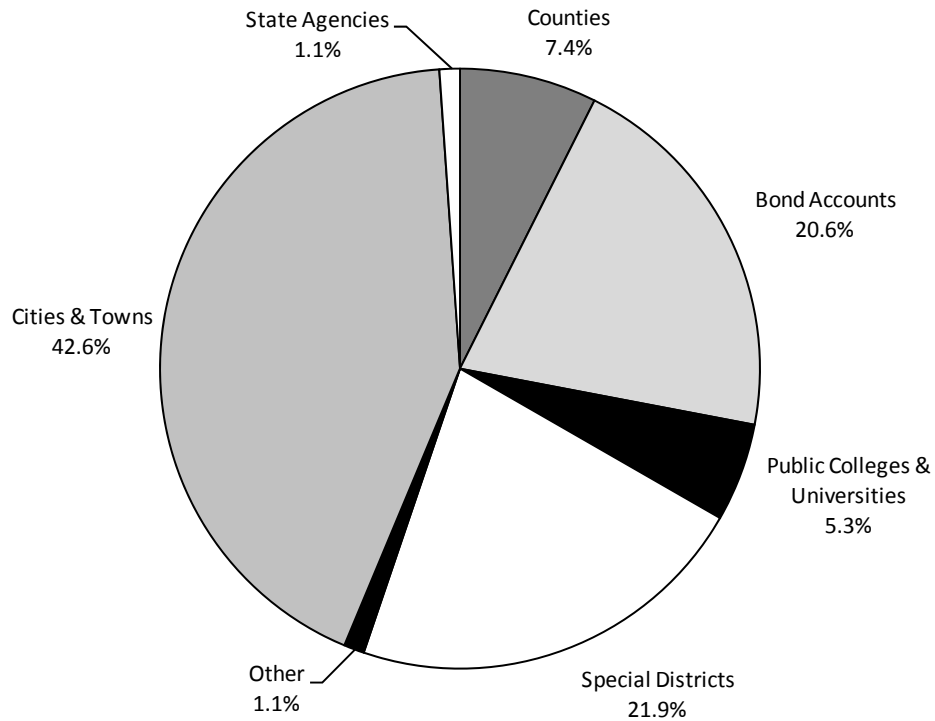
June 30, 2012

(expressed in millions)



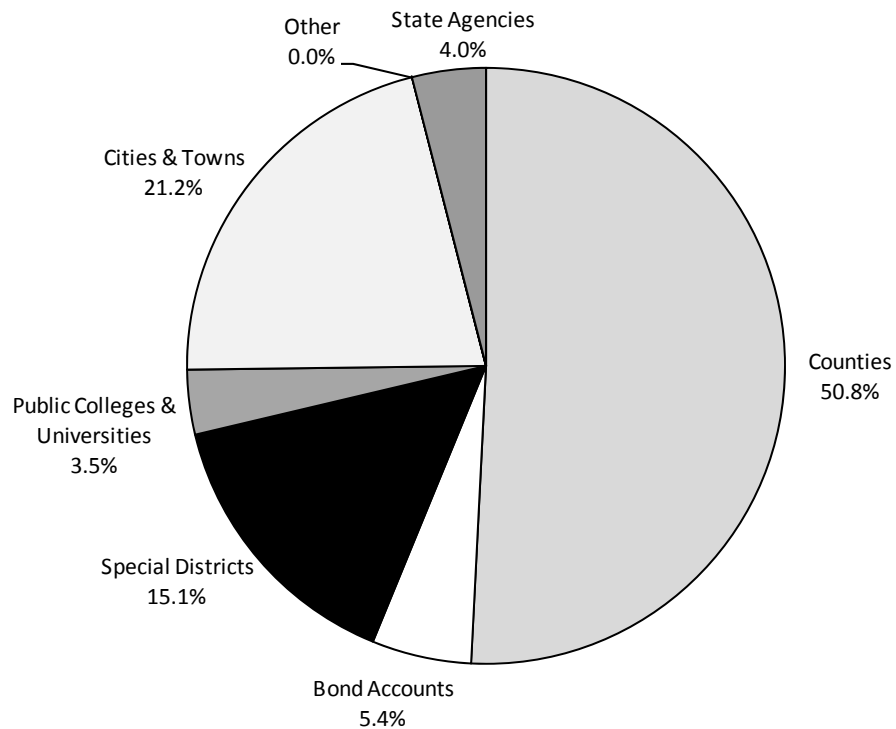
OWNERSHIP ANALYSIS AS A PERCENT OF TOTAL ACCOUNTS

June 30, 2012

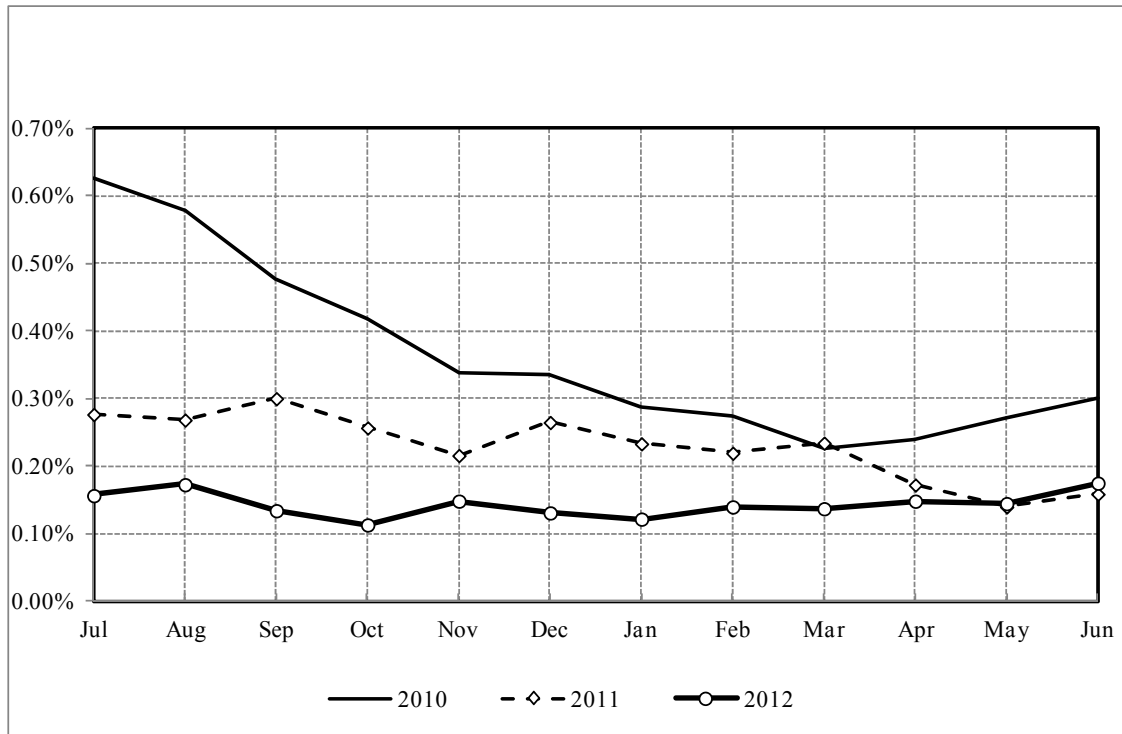


OWNERSHIP ANALYSIS AS A PERCENT OF TOTAL BALANCES

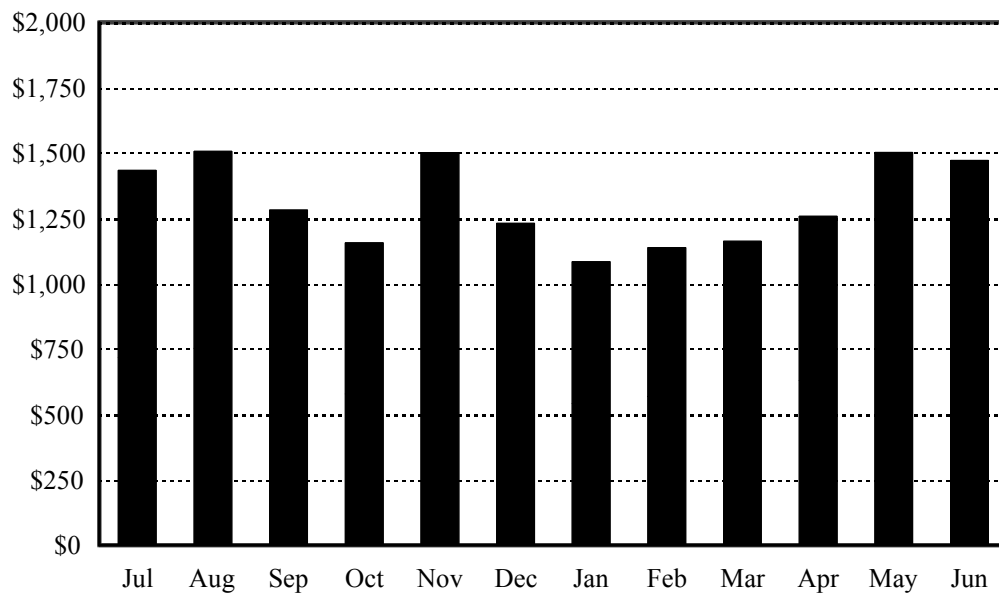
June 30, 2012



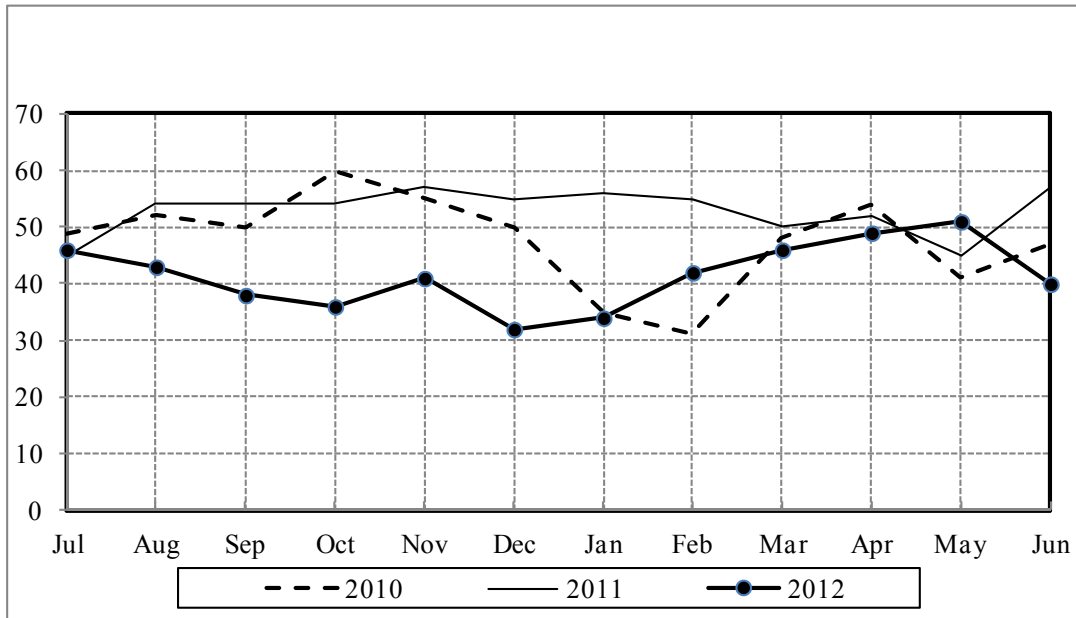
NET RATE OF RETURN Fiscal Years 2010 – 2012



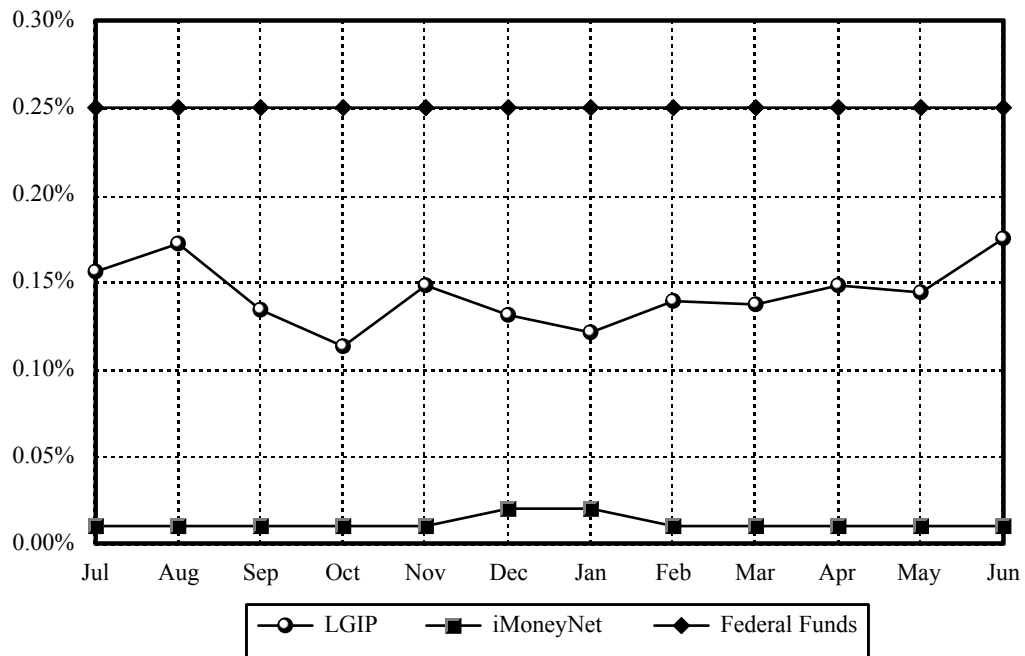
NET INVESTMENT INCOME Fiscal Year 2012 (expressed in thousands)



AVERAGE DAYS TO MATURITY Fiscal Years 2010 – 2012



LGIP NET EARNINGS RATE Versus FEDERAL FUNDS and iMoneyNet, Inc. Fiscal Year 2012



POSITION AND COMPLIANCE REPORT

(Settlement Date Basis)

June 30, 2012
(expressed in thousands)**Investments & Deposits by Security Type**

Portfolio Holdings	Cost	Percentage of Portfolio
Agency Discount Notes	1,405,161	15.16
Agency Floating Rate Notes	1,141,375	12.31
Agency Variable Rate Notes	778,419	8.40
Certificates of Deposit	40,000	.43
Interest Bearing Bank Deposits	363,253	3.92
NOW Accounts	235,788	2.54
Repurchase Agreements (Including Securities Lending)	1,209,500	13.05
Statutory CD Programs	47,840	0.51
Term Repurchase Agreements	2,400,000	25.89
U.S. Treasury Bills	1,649,151	17.79
Total	\$ 9,270,487	100.00%
 Total Investments & Deposits	 \$ 9,270,487	

POSITION AND COMPLIANCE REPORT

(Settlement Date Basis)

June 30, 2012

(expressed in thousands)

Policy Limitations

Size Limitations	Holdings	Percentage of Portfolio	Policy Limitations Percentage
Floating Rate and Variable Rate Notes	\$ 1,919,794	20.71%	30%
Other Structured Notes	.....	0.00%	10%
Term Repo > 30 days	.....	0.00%	30%
Certificates of Deposit	\$ 40,000	0.43%	10%
Demand Deposit Accounts	\$ 559,041	6.46%	50%
Bankers' Acceptances	.....	0.00%	20%
Commercial Paper	.....	0.00%	25%
Reverse Repo	.....	0.00%	30%
Security Lending	\$ 440,808	4.75%	30%
TLGP Variables	.....	0.00%	30%

Maturity Limitations	Currently	Policy Limitations
Weighted Average Maturity	40 days	60 days
Weighted Average Life	112 days	120 days
Maximum Maturity		
Bullet Maturities	0 days	397 days
Floating Rate and Variable Rate Notes	704 days	762 days
Repos	19 days	180 days
Reverse Repos	0 days	90 days

Repo Limits Per Dealer	June 30, 2012	Total Repo Percentage (20% limit)	Average D-T-M (30 day limit)
Barclays Capital Inc.	\$ 1,000,000	11%	13
BNP Paribas	700,000	8%	6
Hsbc Securities, Inc.	200,000	2%	1
Jefferies and Company, Inc.	450,000	5%	13
JP Morgan/Chase	500,000	5%	1
UBS Warburg	759,500	8%	3
Total	\$ 3,609,500		

SCHEDULE OF PARTICIPANTS BY CONCENTRATION

June 30, 2012

Participant Type	Number of Accounts		Ownership Value	
Counties	39	7.4%	\$ 4,487,652,335	50.8%
Cities & Towns	226	42.6%	1,869,098,239	21.2%
Special Districts	116	21.9%	1,329,718,156	15.1%
State Agencies	6	1.1%	357,340,284	4.0%
Bond Accounts	109	20.6%	473,643,828	5.4%
Public Colleges & Universities	28	5.3%	306,886,760	3.5%
Other	6	1.1%	3,237,860	0.0%
Total	530	100.0%	\$ 8,827,577,462	100.0%

INVESTMENT POLICY

I. Statement of Purpose

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

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

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

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

II. Identification of Funds

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

III. Objectives

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

The objectives of the State Treasurer's investment practices for the LGIP, in priority order, will be: safety, liquidity, and return on investment.

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

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

IV. Standards of Care

1. Delegation of Authority.

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

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

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

2. Prudence.

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

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

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

3. Ethics and Conflicts of Interest.

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

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

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

V. Controls

1. Custody.

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

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

2. Authorized Financial Dealers and Institutions.

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

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

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

3. Competitive Transactions.

- It will be the policy of the state treasurer to transact securities purchases or sales through appropriately competitive processes.
- Electronic trading is the preferred option for the purchase and sale of investment instruments, when appropriate.
- Offers or bids for securities may be received from approved broker/dealers by the following means:
 - a. by phone

- b. by e-mail or other electronic communication
- c. through electronic trading platform
- d. from inventory listings supplied by approved broker/dealers for underwritten new issues.

4. Share Price Calculation.

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

5. Internal Controls.

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

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

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

6. External Controls.

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

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

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

VI. Eligible and Suitable Investments

1. Eligible Investments

Eligible investments are only those securities and deposits authorized by statute. (RCW 39.58, 39.59, and 43.84.080) Eligible investments include, but are not limited to:

- obligations of the U.S. government;
- obligations of U.S. government agencies, or of corporations wholly owned by the U.S. government;

- obligations of government-sponsored corporations which are, or may become, eligible as collateral for advances to member banks as determined by the board of governors of the Federal Reserve;
- banker's acceptances purchased on the secondary market rated with the highest short-term credit rating of any two designated Nationally Recognized Statistical Rating Organizations (NRSROs), at the time of purchase. If the banker's acceptance is rated by more than two NRSROs, it must have the highest rating from all of the organizations;
- commercial paper, provided that the OST adheres with policies and procedures of the State Investment Board regarding commercial paper (RCW 43.84.080(7));
- certificates of deposit or demand deposits with financial institutions qualified by the Washington Public Deposit Protection Commission and made in accordance with the provisions of RCW 39.58; and,
- obligations of the state of Washington or its political subdivisions.

VII. Investment Parameters

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

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

1. Liquidity Provisions

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

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

2. Diversification and Percentage Limitations

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

a. Government Securities

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

Floating and Variable Rate Notes (aggregate total)	30%
Other Structured Notes	10%

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

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

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

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

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

b. Non-government Securities

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

Bankers Acceptances	20%
Commercial Paper	25%
Certificates of Deposit	10%
Demand Deposit Accounts	50%

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

3. Investment Maturity

A. Maximum Final Maturity The maximum final maturity of any security will not exceed 397 days, with the following exceptions:

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

B. Weighted Average Maturity (WAM)

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

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

C. Weighted Average Life (WAL)

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

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

D. Repurchase and Reverse Repurchase Agreements

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

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

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

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

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

VIII. Professional Services

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

1. Appointment of Master Custodian

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

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

2. Appointment of Securities Lending Agent

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

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

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

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

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

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

IX. Advisory Committee

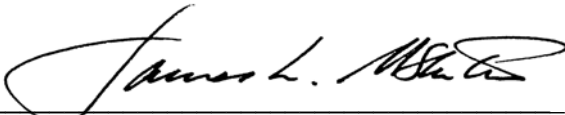
The State Treasurer created the LGIP Advisory Committee to provide advice on the operation of the pool. Of the committee members, all of whom are active LGIP participants, some members are appointed by participant associations, and some members are appointed by the State Treasurer. The LGIP Advisory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

X. Performance Benchmark

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

XI. Reporting Requirements

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



Approved by James L. McIntire, State Treasurer

11.15.10

Date

Effective Date: November 10, 2010

CHAPTER 43.250 RCW

INVESTMENT OF LOCAL GOVERNMENT FUNDS

Sections

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

Notes:

Investment accounting: RCW 43.33A.180.

RCW 43.250.010 Purpose.

The purpose of this chapter is to enable eligible governmental entities, including community and technical college districts, the state board for community and technical colleges as established in chapter 28B.50 RCW, public four-year institutions of higher education, qualifying federally recognized tribes or federally recognized political subdivisions thereof, and other governmental entities 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 eligible governmental entities are able to maximize the return on their temporary surplus funds. The legislature therefore provides in this chapter a mechanism whereby eligible governmental entities may, at their option, utilize the resources of the state treasurer's office to maximize the potential of surplus funds while ensuring the safety of those funds.

[2010 1st sp.s. c 10 § 1; 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) "Authorized tribal official" means any officer or employee of a qualifying federally recognized tribe who has been expressly designated by tribal constitution, ordinance, or resolution as the officer having the authority to invest the funds of the qualifying federally recognized tribe or federally recognized political subdivisions thereof.

(2) "Eligible governmental entity" means any county, city, town, municipal corporation, quasi-municipal corporation, public corporation, political subdivision, or special purpose taxing district in the state, an instrumentality of any of the foregoing governmental entities created under chapter 39.34 RCW, any agency of state government, any entity issuing or executing and delivering bonds or certificates of participation with respect to financing contracts approved by the state finance committee under RCW 39.94.040, and any qualifying federally recognized tribe or federally recognized political subdivisions thereof.

(3) “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.

(4) “Funds” means:

(a) Funds of an eligible governmental entity under the control of or in the custody of any government finance 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 the proceeds of bonds or certificates of participation with respect to financing contracts approved by the state finance committee under RCW 39.94.040, 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; and

(c) Tribal funds under the control of or in the custody of any qualifying federally recognized tribe or federally recognized political subdivisions thereof, where the tribe warrants that the use or disposition of the funds are either not subject to, or are used and deposited with federal approval, and where the tribe warrants that the funds are not immediately required to meet current demands.

(5) “Government finance official” means any officer or employee of an eligible governmental entity who has been designated by statute or by local charter, ordinance, resolution, or other appropriate official action, as the officer having the authority to invest the funds of the eligible governmental entity. However, the county treasurer shall be deemed the only government finance official for all public agencies for which the county treasurer has exclusive statutory authority to invest the funds thereof.

(6) “Public funds investment account” or “investment pool” means the aggregate of all funds as defined in subsection (4) of this section that are placed in the custody of the state treasurer for investment and reinvestment.

(7) “Qualifying federally recognized tribe or federally recognized political subdivisions thereof” means any federally recognized tribe, located in the state of Washington, authorized and empowered by its constitution or ordinance to invest its surplus funds pursuant to this section, and whose authorized tribal official has executed a deposit agreement with the office of the treasurer.

[2010 1st sp.s. c 10 § 2; 2001 c 31 § 2; 1996 c 268 § 2; 1990 c 106 § 1; 1986 c 294 § 2.]

Reviser’s note: The definitions in this section have been alphabetized pursuant to RCW 1.08.015(2)(k).

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, resolution, or other appropriate official action, the state treasurer, a government finance official or financial officer or his or her designee, or authorized tribal official, 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.

[2010 1st sp.s. c 10 § 3; 2001 c 31 § 3; 1996 c 268 § 3; 1986 c 294 § 4.]

RCW 43.250.050 Employment of personnel.

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

[1986 c. 294 § 5.]

RCW 43.250.060 Investment pool--Generally.

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

[1990 c. 106 § 3; 1986 c. 294 § 6.]

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

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

[1990 c. 106 § 4; 1986 c. 294 § 7.]

RCW 43.250.080 Annual summary of activity.

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

[1996 c 288 § 48; 1986 c. 294 § 8.]

RCW 43.250.090 Administration of chapter--Rules.

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

[1986 c. 294 § 9.]

CHAPTER 210-01 WAC LOCAL GOVERNMENT INVESTMENT POOL

WAC

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

WAC 210-01-010 Promulgation.

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

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

WAC 210-01-020 Definitions.

Unless the context requires otherwise:

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

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

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

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

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

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

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

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

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

(1) Name and address of entity.

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

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

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

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

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

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

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

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

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

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

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

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

WAC 210-01-070 Transaction limitation.

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

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

WAC 210-01-080 Deposit procedures.

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

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

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

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

WAC 210-01-090 Withdrawal procedures.

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

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

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

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

WAC 210-01-100 Interest earnings credit.

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

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

WAC 210-01-110 Reporting requirements.

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

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

WAC 210-01-120 Administrative deductions.

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

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

WAC 210-01-130 Portfolio management.

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

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



Statistical Section



STATISTICAL NARRATIVE

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

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

- ***Table 1 – Net Assets***
This table allows the reader to evaluate the movements of increases and decreases in assets, liabilities, and net assets.
- ***Table 2 – Changes in Net Assets***
This table allows the reader to evaluate movements in the Additions, Deductions, and Changes in Net Assets.
- ***Table 3 – Distribution By Security Type***
This table presents the historical amounts and percentages of various securities in the portfolio to help the reader assess the changes in investment types held at yearend.
- ***Table 4 – Ownership Analysis as a Percent of Total Balances***
This table presents the historical amounts and percentages of balances held by various classes of participants to help the reader assess changes in ownership.
- ***Average Invested Balances***
This chart presents the average balances invested by participants to help the reader assess the size of the portfolio.
- ***Portfolio Yield Percentage***
This chart presents the annual yields to help the reader assess the percentage return of the portfolio.
- ***Net Investment Income***
This chart presents the amount of net earnings to help the reader assess the dollar value return of the portfolio.
- ***LGIP versus iMoneyNet, Inc***
This chart presents the Compounded Annual Yield and Cumulative Yield of the LGIP to its benchmark to help the reader assess performance.



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

	6/30/2003	6/30/2004	6/30/2005	6/30/2006	6/30/2007	6/30/2008	6/30/2009	6/30/2010	6/30/2011	6/30/2012
Assets										
Investments ¹										
Repurchase Agreements	\$ 903,626	\$ 683,906	\$ 1,566,853	\$ 3,280,925	\$ 3,820,672	\$ 215,768	\$	\$ 2,600,000	\$ 250,000	\$ 3,168,500
U.S. Agency Securities	3,665,154	3,763,313	2,769,258	1,115,036	1,486,788	5,624,473	4,123,550	5,082,699	6,565,888	3,324,955
U.S. Treasury Securities	228,209	351,151	49,766	19,919	149,795	.....	2,922,171	449,640	1,900,331	1,649,151
Total	4,796,989	4,798,370	4,385,877	4,415,880	5,457,255	5,840,241	7,045,721	8,132,339	8,716,219	8,142,606
Securities Lending Investments ¹										
Repurchase Agreements	143,941	298,799	80,899	44,790	91,105	113,595	.....	.....	.....	441,000
Total Investments	4,940,930	5,097,169	4,466,776	4,460,670	5,548,360	5,953,836	7,045,721	8,132,339	8,716,219	8,583,606
Due from Brokers ¹										
(Securities Purchased But Not Settled)	199,679	449,477	43,661	.....	98,770	.....	.....	.....	.....	49,989
U.S. Agency Securities										
Total Investments	5,140,609	5,546,646	4,510,437	4,460,670	5,647,130	5,953,836	7,045,721	8,132,339	8,716,219	8,633,595
Other Assets										
Interest Bearing Bank Deposits	267,236	39,820	429,234	674,006	378,726	381,110	302,774	728,893	444,200	363,253
Certificates of Deposit	110,150	105,000	143,250	188,500	255,350	646,350	229,000	38,000	39,000	40,000
Negotiable Order of Withdrawal (NOW) Accounts	.....	.....	.....	.....	.....	.....	1,105,436	97,435	115,404	235,788
Time Certificate of Deposit (TCD) Program	.....	.....	.....	.....	.....	.....	.....	.....	70,365	47,840
Cash	10	.....	1	1	.....	105	3,250	673	.....	.....
Interest Receivable	4,516	4,747	9,086	13,046	21,659	18,655	5,430	1,542	1,988	1,078
Investment Maturities Pending Receivable	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Total Other Assets	381,912	149,567	581,571	875,553	655,735	1,046,220	1,645,891	866,543	670,957	687,959
Total Assets	5,522,521	5,696,213	5,092,008	5,336,223	6,302,865	7,000,056	8,691,612	8,998,882	9,387,176	9,321,554
Liabilities										
Cash Drawn in Excess of Bank Balance	.....	.....	.....	.....	.....	.....	.....	.....	.....	274
Accrued Expenses	211	413	153	419	750	337	58	57	108	125
Obligations Under Securities Lending Agreements	143,941	298,799	80,899	44,790	91,105	113,595	.....	.....	.....	441,000
Securities Sold Under Agreements to Repurchase	.....	.....	.....	.....	.....	.....	199,675	.....	.....	.....
Investment Trades Pending Payable	199,679	449,477	43,903	.....	98,770	.....	.....	.....	.....	49,989
Total Liabilities	343,831	748,689	124,955	45,209	190,625	113,932	199,733	57	108	491,388
Net Assets	\$ 5,178,690	\$ 4,947,524	\$ 4,967,053	\$ 5,291,014	\$ 6,112,240	\$ 6,886,124	\$ 8,491,879	\$ 8,998,825	\$ 9,387,068	\$ 8,830,166

¹ valued at amortized cost

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
ADDITIONS										
Contributions from Participants	\$ 12,514,906	\$ 12,262,144	\$ 11,537,145	\$ 12,891,202	\$ 13,138,868	\$ 15,913,825	\$ 18,143,386	\$ 18,527,197	\$ 17,578,161	\$ 16,479,607
Investment Income:										
Investment Earnings	78,111	57,656	103,852	205,216	306,142	277,538	112,859	34,539	23,439	16,522
Less: Expenses	(3,824)	(2,736)	(3,547)	(5,731)	(4,519)	(3,330)	(445)	(52)		(157)
Total Investment Income	74,287	54,920	100,305	199,485	301,623	274,208	112,414	34,487	23,439	16,365
Miscellaneous	3	2	2	1	4	1	3			
Total Additions	12,589,196	12,317,066	11,637,452	13,090,688	13,440,495	16,188,034	18,255,803	18,561,684	17,601,600	16,495,972
DEDUCTIONS										
Distributions to Participants	12,983,913	12,547,682	11,617,385	12,766,205	12,618,725	15,413,583	16,649,428	18,054,132	17,212,633	17,052,244
Administrative Expenses	558	550	538	522	544	567	621	606	724	630
Total Deductions	12,984,471	12,548,232	11,617,923	12,766,727	12,619,269	15,414,150	16,650,049	18,054,738	17,213,357	17,052,874
CHANGE IN NET ASSETS	(395,275)	(231,166)	19,529	323,961	821,226	773,884	1,605,755	506,946	388,243	(556,902)
Net Assets - Beginning of Year	5,573,965	5,178,690	4,947,524	4,967,053	5,291,014	6,112,240	6,886,124	8,491,879	8,998,825	9,387,068
Net Assets - End of Year	\$ 5,178,690	\$ 4,947,524	\$ 4,967,053	\$ 5,291,014	\$ 6,112,240	\$ 6,886,124	\$ 8,491,879	\$ 8,998,825	\$ 9,387,068	\$ 8,830,166

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

Investment/Deposit Type	6/30/2012		6/30/2011		6/30/2010		6/30/2009		6/30/2008	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Certificates of Deposit	\$ 40,000	0.4%	\$ 39,000	0.4%	\$ 38,000	0.4%	\$ 229,000	2.6%	\$ 646,350	9.2%
Interest Bearing Bank Deposits	363,253	3.9%	444,200	4.7%	728,893	8.1%	302,774	3.5%	381,110	5.5%
Negotiable Order of Withdrawal Accounts	235,788	2.6%	115,404	1.2%	97,435	1.1%	1,105,436	12.7%	.....	.....
Time Certificate of Deposit Program	47,840	0.5%	70,365	0.8%	.....	.....	.....	.....	.....	.....
Repurchase Agreements	3,168,500	34.0%	250,000	2.7%	2,600,000	28.9%	.....	.....	215,768	3.1%
U.S. Agency Securities	3,374,944	36.2%	6,565,888	70.0%	5,082,699	56.5%	4,123,550	47.5%	5,624,473	80.6%
U.S. Treasury Securities	1,649,151	17.7%	1,900,331	20.2%	449,640	5.0%	2,922,171	33.7%	.....	.....
Securities Lending Investments	441,000	4.7%	.....	.....	.....	.....	.....	.....	113,595	1.6%
Total	\$ 9,320,476	100.0%	\$ 9,385,188	100.0%	\$ 8,996,667	100.0%	\$ 8,682,931	100.0%	\$ 6,981,296	100.0%

Investment/Deposit Type	6/30/2007		6/30/2006		6/30/2005		6/30/2004		6/30/2003	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Certificates of Deposit	\$ 255,350	4.1%	\$ 188,500	3.5%	\$ 143,250	2.8%	\$ 105,000	1.9%	\$ 110,150	2.0%
Interest Bearing Bank Deposits	378,726	6.0%	674,006	12.7%	429,234	8.4%	39,820	0.7%	267,236	4.9%
Negotiable Order of Withdrawal Accounts	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Time Certificate of Deposit Program	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Repurchase Agreements	3,820,672	60.8%	3,280,925	61.7%	1,566,853	30.8%	683,906	12.0%	903,626	16.4%
U.S. Agency Securities	1,585,558	25.3%	1,115,036	20.9%	2,812,919	55.4%	4,212,790	74.0%	3,864,833	70.0%
U.S. Treasury Securities	149,795	2.4%	19,919	0.4%	49,766	1.0%	351,151	6.2%	228,209	4.1%
Securities Lending Investments	91,105	1.4%	44,790	0.8%	80,899	1.6%	298,799	5.2%	143,941	2.6%
Total	\$ 6,281,206	100.0%	\$ 5,323,176	100.0%	\$ 5,082,921	100.0%	\$ 5,691,466	100.0%	\$ 5,517,995	100.0%

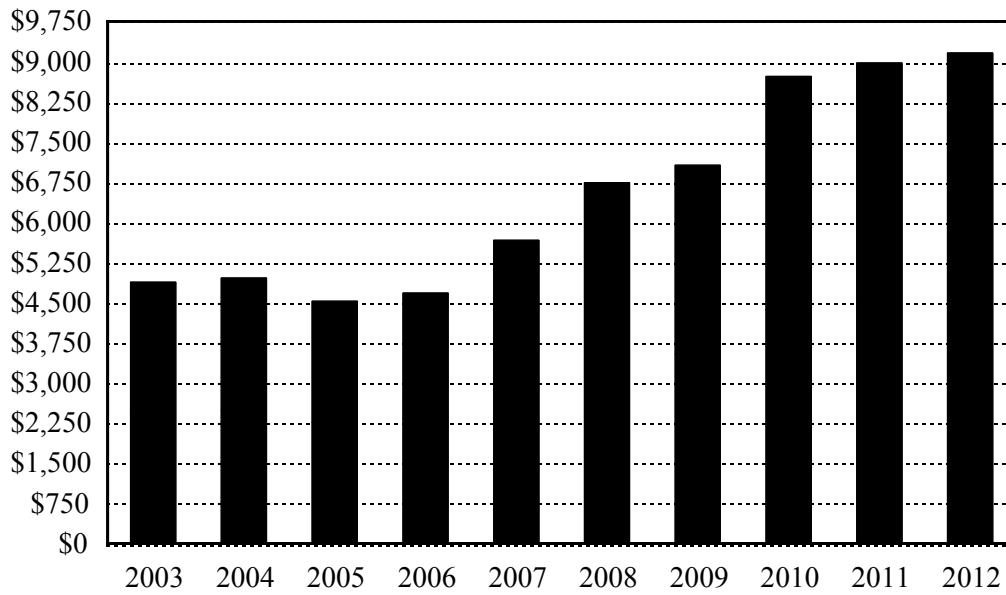
TABLE 4
OWNERSHIP ANALYSIS AS A PERCENT OF TOTAL BALANCES
 Last Ten Fiscal Years
 (expressed in thousands, except percentages)

Participant	6/30/2012		6/30/2011		6/30/2010		6/30/2009		6/30/2008	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Counties	\$ 4,487,652	50.8%	\$ 4,991,508	53.2%	\$ 4,486,720	49.9%	\$ 4,321,316	50.9%	\$ 3,133,787	45.5%
Cities & Towns	1,869,098	21.2%	2,048,715	21.8%	2,081,657	23.1%	2,030,971	23.9%	2,013,555	29.3%
Special Districts	1,329,718	15.1%	1,431,314	15.2%	1,420,901	15.8%	1,489,755	17.6%	1,290,384	18.7%
Bond Accounts	473,644	4.0%	586,876	6.3%	647,402	7.2%	374,999	4.4%	277,300	4.0%
Public Colleges & Universities	306,887	5.4%	306,936	3.3%	359,692	4.0%	272,964	3.2%	169,256	2.5%
State Agencies	357,340	3.5%	4,252	0.0%	.....	.....	.....	.....	.....	.....
Other	3,238	0.0%	15,050	0.2%	.....	.....	.....	.....	.....	.....
Total	\$ 8,827,577	100.0%	\$ 9,384,651	100.0%	\$ 8,996,372	100.0%	\$ 8,490,005	100.0%	\$ 6,884,282	100.0%

Participant	6/30/2007		6/30/2006		6/30/2005		6/30/2004		6/30/2003	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Counties	\$ 2,595,477	42.5%	\$ 2,334,879	44.1%	\$ 2,048,362	41.3%	\$ 2,378,004	48.1%	\$ 2,424,550	46.8%
Cities & Towns	1,857,247	30.4%	1,628,605	30.8%	1,391,925	28.0%	1,462,142	29.6%	1,640,629	31.7%
Special Districts	1,079,027	17.6%	885,888	16.8%	735,283	14.8%	714,100	14.4%	750,546	14.5%
Bond Accounts	401,273	6.6%	301,473	5.7%	660,347	13.3%	267,938	5.4%	248,104	4.8%
Public Colleges & Universities	177,720	2.9%	139,018	2.6%	130,063	2.6%	124,094	2.5%	113,665	2.2%
State Agencies	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Other	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Total	\$ 6,110,744	100.0%	\$ 5,289,863	100.0%	\$ 4,965,980	100.0%	\$ 4,946,278	100.0%	\$ 5,177,494	100.0%

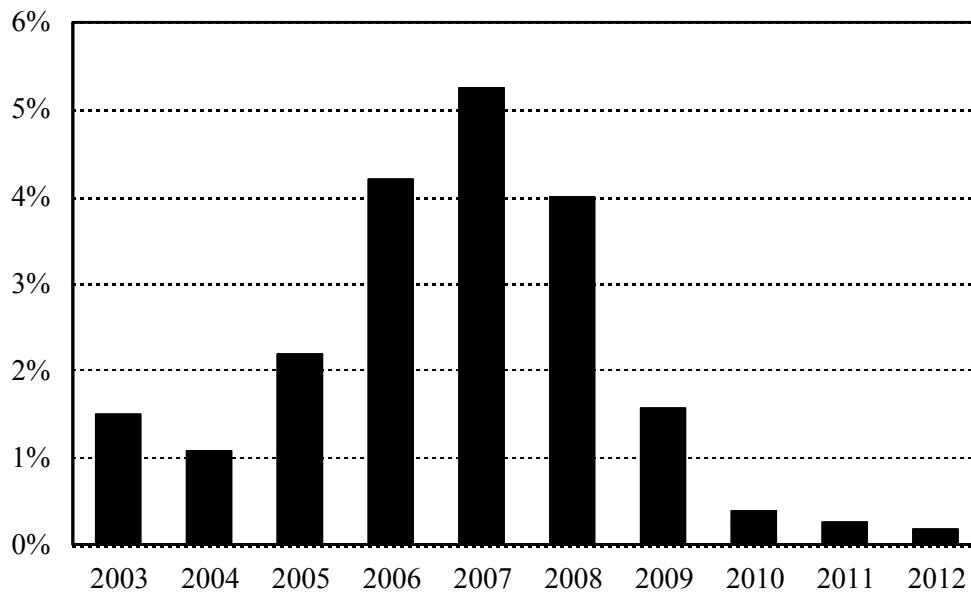
AVERAGE INVESTED BALANCES

Last Ten Fiscal Years
(expressed in millions)

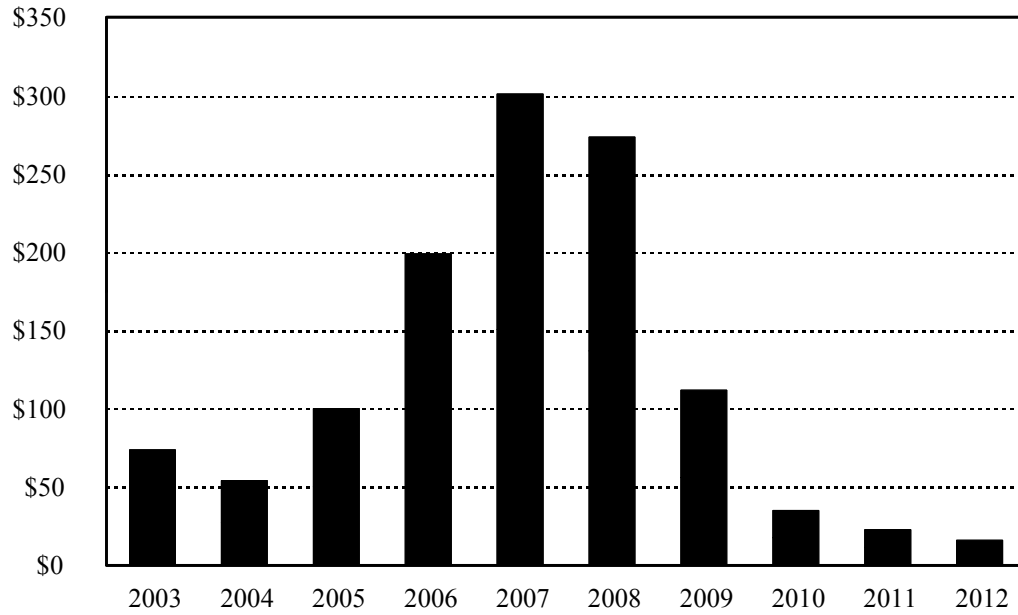


PORTFOLIO YIELD PERCENTAGE

Last Ten Fiscal Years



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



LGIP versus iMoneyNet, Inc

	1 Yr	3 Yrs	5 Yrs	7Yrs	10 Yrs
Compounded Annual Yield (%)					
LGIP	0.144%	0.255%	1.306%	2.305%	2.088%
iMoneyNet	0.018%	0.239%	1.811%	2.098%	1.851%
Cumulative Yield (%)					
LGIP	0.144%	0.767%	6.701%	17.292%	22.951%
iMoneyNet	0.018%	0.718%	9.391%	15.643%	20.136%

State of Washington
Local Government Investment Pool
PO Box 40200
Olympia WA 98504-0200

