

# Virginia Investment Pool Trust Fund

Annual Financial Report  
For the Years Ended June 30, 2021 and 2020



**Virginia Investment Pool**  
A Service of VML/VACo Finance

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Annual Financial Report  
For the Years Ended June 30, 2021 and 2020



Prepared by:  
VML/VACO Finance

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## Report of Independent Auditor

To the Board of Trustees  
Virginia Investment Pool Trust Fund  
Richmond, Virginia

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Virginia Investment Pool Trust Fund (the “Trust”), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Trust’s basic financial statements as listed in the table of contents.

### ***Management’s Responsibility for the Financial Statements***

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

### ***Auditor’s Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective fiduciary net position of the Virginia Investment Pool Trust Fund, as of June 30, 2021 and 2020, and the respective changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Trust's basic financial statements. The combining statements, as listed in the Table of Contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2021, on our consideration of the Trust's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Trust's internal control over financial reporting and compliance.



Richmond, Virginia  
September 23, 2021

# VIRGINIA INVESTMENT POOL TRUST FUND

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2021 and 2020

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This discussion and analysis provides an overview of the financial position and the results of activities of the Virginia Investment Pool Trust Fund ("Trust") as of and for the fiscal years ended June 30, 2021 and June 30, 2020. Management offers the following discussion and analysis as a narrative introduction to the basic financial statements, which includes comparative information as of and for the fiscal year ended June 30, 2019, where applicable. This narrative is intended as a supplement and should be read in conjunction with the basic financial statements, accompanying notes, and supplementary information, which follow this section.

The Trust was established in 2013 under the Joint Exercise of Powers statute of the Commonwealth of Virginia ("Commonwealth") by founding participants, the City of Chesapeake, Virginia and the City of Roanoke, Virginia. The Trust operates under the Virginia Investment Pool Trust Fund Agreement ("Trust Agreement"), which was adopted by the Board of Trustees on September 13, 2013. The Trust is an Internal Revenue Code Section 115 ("IRC § 115") governmental trust. The Trust was created to provide political subdivisions of the Commonwealth of Virginia with an investment vehicle to pool their funds and to invest such funds in one or more investment portfolios under the direction and daily supervision of a professional fund manager. Income of the Trust is tax-exempt under IRC § 115.

The Virginia Association of Counties ("VACo") and the Virginia Municipal League ("VML") jointly sponsor the Trust which operates as the VACo/VML Virginia Investment Pool. Primary benefits of participation in the Trust include professional investment management of trust assets, competitive rates of return, two highly-rated portfolios, and convenient, secure online access. The Trust offers two investment portfolios: the Virginia Investment Pool 1-3 Year High Quality Bond Fund ("VIP 1-3 Year Bond Fund") and the Virginia Investment Pool Stable Net Asset Value Liquidity Pool ("VIP Liquidity Pool"). The VIP 1-3 Year Bond Fund is designed for surplus funds that can be invested in longer duration securities and the VIP Liquidity Pool is designed for daily cash liquidity. Participants hold individual trust accounts wherein they can monitor the performance of their investments.

The Virginia Local Government Finance Corporation ("VLGFC"), operating as VML/VACo Finance, ("Administrator") provides day-to-day administration of the Trust pursuant to a Memorandum of Agreement.

### Overview of the Financial Statements

The components of the financial statements and the required supplementary information are prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Government Accounting Standards Board ("GASB").

This overview serves as an introduction to the Trust's basic financial statements. The Trust's basic financial statements include the following:

- The *Statements of Fiduciary Net Position* presents the Trust's assets and liabilities. The difference between the assets and liabilities is reported as the net position restricted for pool participants. Over time, changes in net position may serve as a useful indicator of whether the financial position of the Trust is improving or deteriorating.
- The *Statements of Changes in Fiduciary Net Position* presents information showing how the Trust's net position changed during the period. This statement includes additions and deductions that occurred during the fiscal year. Additions include participant contributions and investment earnings. Deductions include participant withdrawals and administrative expenses.
- The *Notes to Financial Statements* provide additional information that is essential for understanding the financial data provided in the financial statements and are an integral part of the financial statements.

**VIRGINIA INVESTMENT POOL TRUST FUND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

*JUNE 30, 2021 and 2020*

The summarized financial information presented below is for the three years ended June 30. During fiscal year 2019, certain reclassifications were made to the presentation of the financial statements. The changes include reporting interest receivable separately from the investment balance, and other changes to enhance readability.

	<b>Fiscal Year 2021</b>	<b>Fiscal Year 2020</b>	<b>Fiscal Year 2019</b>
Total Assets	\$ 2,268,973,118	\$ 2,373,620,645	\$ 1,528,623,308
Total Liabilities	185,394	82,127	86,124
Net position, June 30	<u>\$ 2,268,787,724</u>	<u>\$ 2,373,538,518</u>	<u>\$ 1,528,537,184</u>
Total Additions	\$ 1,834,214,483	\$ 2,484,661,527	\$ 1,886,970,533
Total Deductions	1,938,965,276	1,639,660,193	1,751,129,392
Change in net position	<u>\$ (104,750,793)</u>	<u>\$ 845,001,334</u>	<u>\$ 135,841,141</u>
Net position, July 1	\$ 2,373,538,518	\$ 1,528,537,184	\$ 1,392,696,043
Change in net position	(104,750,793)	845,001,334	135,841,141
Net position, June 30	<u>\$ 2,268,787,725</u>	<u>\$ 2,373,538,518</u>	<u>\$ 1,528,537,184</u>

**Financial Highlights – Fiscal Year 2021**

- The combined total net position held in trust for pool participants was \$2,268.8 million at June 30, 2021, representing a decrease of \$104.8 million, or (4.41%), from the net position as of June 30, 2020. The decrease was due to the aggregate of an increase in participant withdrawals from, and a decrease in participant contributions to, the VIP Liquidity Pool. This was partially offset by an increase in participant contributions to, and a decrease in participant withdrawals from, the 1-3 Year High Quality Bond Fund.
- Cash and cash equivalents decreased by \$78.3 million from \$457.3 million at June 30, 2020 to \$379.0 million at June 30, 2021. The decrease in cash position is largely a result of the decrease in Repurchase Agreements (presented as cash equivalents) at June 30, 2021 of \$116.6 million compared to June 30, 2020 of \$218.6 million, representing a decrease of \$102 million.
- Contributions from participants during fiscal year ended 2021 totaled \$1,830.4 million, a 25.37% decrease in contributions from participants of \$2,452.6 million during fiscal year 2020. The decrease is attributed to the VIP Liquidity Pool, which experienced a decrease from prior year of 25.97%. The VIP 1-3 Year Bond Fund experienced an increase in contributions over prior year of 41.59% compared to fiscal year ended June 30, 2020.
- Contributions receivable were \$51.8 million, resulting from participant contributions in transit with a trade date of June 30, 2021. The trades settled to the bank on July 1, 2021.
- Interest income decreased 71.96% during fiscal year 2021 compared with fiscal year 2020, at \$7.5 million during fiscal year 2021 versus \$26.6 million for fiscal year ended 2020. Relationally, interest receivables decreased 71.69% during fiscal year 2021 with a year-ending balance of \$0.8 million compared to fiscal year 2020 ending balance of \$2.8 million. The lower interest income was due primarily to lower interest rates as discussed further in the *Investment Performance* section.

## VIRGINIA INVESTMENT POOL TRUST FUND MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2021 and 2020

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- The Trust closed fiscal year 2021 with a net depreciation in fair value of investments of \$2.9 million, compared to a fiscal year 2020 net appreciation of \$6.2 million. This is attributable in large part to the VIP 1-3 Year Bond Fund, which closed fiscal year 2021 with a net depreciation in the fair value of investments of \$2.7 million, compared to fiscal year 2020, which had a net appreciation of \$6.1 million. As discussed later, the return for the VIP 1-3 Year Bond Fund in fiscal year 2021 was 0.27% compared to 4.21% for fiscal year 2020.
- Participant withdrawals during the fiscal year ended 2021 totaled \$1,938.4 million compared with participant withdrawals of \$1,639.1 million during fiscal 2020 for an increase of \$299.3 million, or 18.26%. The higher withdrawal activity is attributed to the VIP Liquidity Pool, which experienced an increase in withdrawals of \$304.9 million, or 18.94%. The VIP 1-3 Year Bond Fund experienced a decrease of \$5.6 million in withdrawals from prior year, from \$29.0 million for fiscal year ended June 30, 2020 to \$23.4 million in fiscal year ended June 30, 2021.

### Financial Highlights – Fiscal Year 2020

- The combined total net position held in trust for pool participants was \$2,373.5 million at June 30, 2020, representing an increase of \$845.0 million, or 55.28%, from the net position as of June 30, 2019. The increase was due to participant contributions in the VIP Liquidity Pool and investment income.
- Cash and cash equivalents increased by \$369.5 million from \$87.8 million at June 30, 2019 to \$457.3 million at June 30, 2020. The Trust increased the cash position in anticipation of liquidity needs.
- Contributions from participants during fiscal year ended 2020 totaled \$2,452.6 million, a 32.73% increase over contributions from participants of \$1,847.8 million during fiscal year 2019. The increase is attributed to the VIP Liquidity Pool which experienced an increase over prior year of 41.95%. The VIP 1-3 Year Bond Fund experienced a decrease in contributions from prior year of 83.98%, which is a result of a reduced amount of new entrant contributions compared to fiscal year ended June 30, 2019.
- Interest income decreased 20.22% during fiscal year 2020 compared with fiscal year 2019, coming in at \$26.6 million during fiscal year 2020 versus \$33.3 million for fiscal year ended 2019. The lower interest income was due primarily to lower interest rates as discussed further in the *Investment Performance* section.
- The Trust experienced a net appreciation in fair value of investments of \$6.2 million. This is attributable to the VIP 1-3 Year Bond Fund, which experienced a net appreciation in the fair value of investments for fiscal year ended 2020 of \$6.1 million, representing an overall decrease of \$0.37 million compared to the fiscal year ended June 30, 2019. As discussed later, the return for the fund was 4.21% compared to 4.04% for fiscal year 2019.
- Participant withdrawals during the fiscal year ended 2020 totaled \$1,639.1 million compared with participant withdrawals of \$1,750.6 million during fiscal 2019 for a decrease of \$111.5 million, or 6.37%. The lower withdrawal activity is attributed to the VIP Liquidity Pool, which experienced a decline in withdrawals of \$129.1 million, or 7.42%. The VIP 1-3 Year Bond Fund experienced an increase of \$17.6 million in withdrawals from prior year, from \$11.4 million for fiscal year ended June 30, 2019 to \$29.1 million in fiscal year ended June 30, 2020.

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**VIRGINIA INVESTMENT POOL TRUST FUND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

JUNE 30, 2021 and 2020

**Financial Analysis**

The Trust's objectives are established individually by investment pool. The VIP 1-3 Year Bond Fund's objective is to provide political subdivisions with a high-quality investment vehicle for participants who require less liquidity and can assume additional price volatility for the potential of greater returns over a longer-term horizon. The objective of the VIP Liquidity Pool is to provide political subdivisions with an AAAM-rated (Standard & Poor's) investment vehicle offering daily liquidity at a stable net asset value ("NAV").

The comparative financial information for the *Statements of Fiduciary Net Position* as of the three fiscal years ended June 30 are as follows:

	2021	Increase (Decrease)	2020	Increase (Decrease)	2019
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 379,045,203	\$ (78,285,790)	\$ 457,330,993	\$ 369,489,861	\$ 87,841,132
Contributions Receivable	51,820,711	51,820,711	-	-	-
Investments at Fair Value	1,837,321,481	(76,192,773)	1,913,514,254	478,328,829	1,435,185,425
Interest Receivable	785,723	(1,989,675)	2,775,398	(2,821,353)	5,596,751
<b>TOTAL ASSETS</b>	<u>2,268,973,118</u>	<u>(104,647,527)</u>	<u>2,373,620,645</u>	<u>844,997,337</u>	<u>1,528,623,308</u>
<b>LIABILITIES</b>					
Accounts Payable	185,394	103,267	82,127	(3,997)	86,124
<b>TOTAL LIABILITIES</b>	<u>185,394</u>	<u>103,267</u>	<u>82,127</u>	<u>(3,997)</u>	<u>86,124</u>
<b>NET POSITION HELD IN TRUST FOR POOL PARTICIPANTS</b>	<u>\$ 2,268,787,724</u>	<u>\$ (104,750,794)</u>	<u>\$ 2,373,538,518</u>	<u>\$ 845,001,334</u>	<u>\$ 1,528,537,184</u>

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**VIRGINIA INVESTMENT POOL TRUST FUND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

*JUNE 30, 2021 and 2020*

The comparative financial information for the *Statements of Changes in Fiduciary Net Position* for the three fiscal years ended June 30 are as follows:

	<b>2021</b>	<b>Increase (Decrease)</b>	<b>2020</b>	<b>Increase (Decrease)</b>	<b>2019</b>
<b>ADDITIONS</b>					
Participant Contributions	\$ 1,830,396,301	\$ (622,225,440)	\$ 2,452,621,741	\$ 604,845,876	\$ 1,847,775,865
Interest Income	7,455,757	(19,130,589)	26,586,346	(6,739,929)	33,326,275
Net Appreciation/(Depreciation) in Fair Value of Investments	(2,858,598)	(9,068,139)	6,209,541	(373,003)	6,582,544
Investment Expenses	(778,977)	(22,876)	(756,101)	(41,950)	(714,151)
Total Additions	<u>1,834,214,483</u>	<u>(650,447,044)</u>	<u>2,484,661,527</u>	<u>597,690,994</u>	<u>1,886,970,533</u>
<b>DEDUCTIONS</b>					
Participant Withdrawals	1,938,426,264	299,283,478	1,639,142,786	(111,471,554)	1,750,614,340
Administrative and Program Expenses	539,012	21,605	517,407	2,355	515,052
Total Deductions	<u>1,938,965,276</u>	<u>299,305,083</u>	<u>1,639,660,193</u>	<u>(111,469,199)</u>	<u>1,751,129,392</u>
Change in Net Position	<u>(104,750,793)</u>	<u>(949,752,127)</u>	<u>845,001,334</u>	<u>709,160,193</u>	<u>135,841,141</u>
Net Position Beginning of Year	<u>2,373,538,518</u>	<u>845,001,334</u>	<u>1,528,537,184</u>	<u>135,841,141</u>	<u>1,392,696,043</u>
<b>NET POSITION HELD IN TRUST FOR POOL PARTICIPANTS</b>	<u>\$ 2,268,787,724</u>	<u>\$ (104,750,793)</u>	<u>\$ 2,373,538,518</u>	<u>\$ 845,001,334</u>	<u>\$ 1,528,537,184</u>

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# VIRGINIA INVESTMENT POOL TRUST FUND MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2021 and 2020

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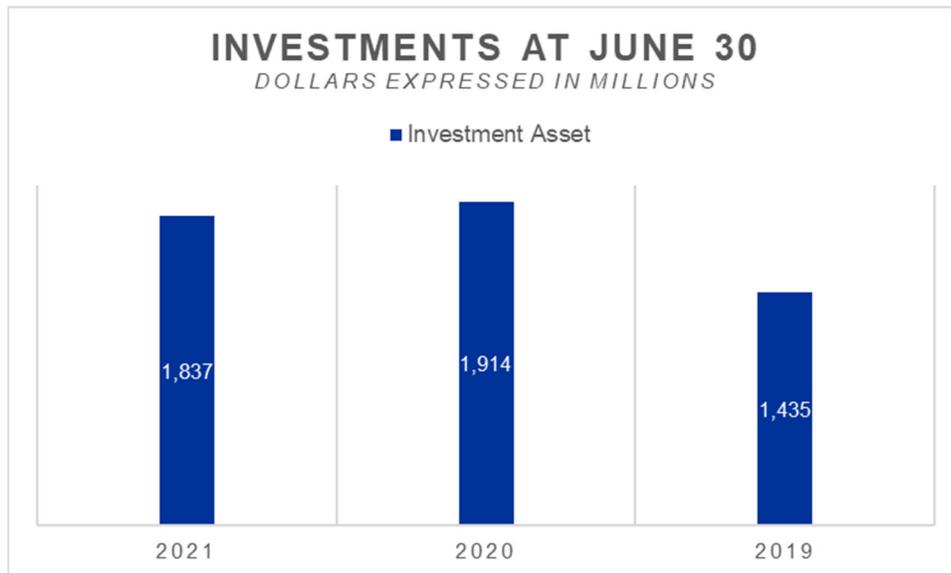
## Net Position – June 30, 2021 compared to June 30, 2020

The Trust's net position is comprised primarily of the investments reported at fair value, which saw a modest decrease of 4.41% from fiscal year ended 2020 to fiscal year ended 2021. Although the number of participants increased in the Trust, decreases in investment balances and overall net position were a result of activities in the VIP Liquidity Pool in fiscal year 2021. Decreased contributions to and increased withdrawals from the VIP Liquidity Pool led to overall decreases in the change in net position from the prior year, with the current year change at (\$104.8) million compared to prior year of \$845.0 million.

## Net Position – June 30, 2020 compared to June 30, 2019

The Trust's net position is comprised primarily of the investments reported at fair value, which saw an increase of 33.33% from fiscal year ended 2019 to fiscal year ended 2020. Increased participation in the Trust, by new and existing participants, resulted in increases in investment balances and overall net position. The growth in participants and the increase in participant contributions and lower participant withdrawals led to an increase in the change in net position from the prior year, with the current year change at \$845.0 million compared to prior year of \$135.8 million.

A comparison of the investment assets for three years as of June 30 is presented below:

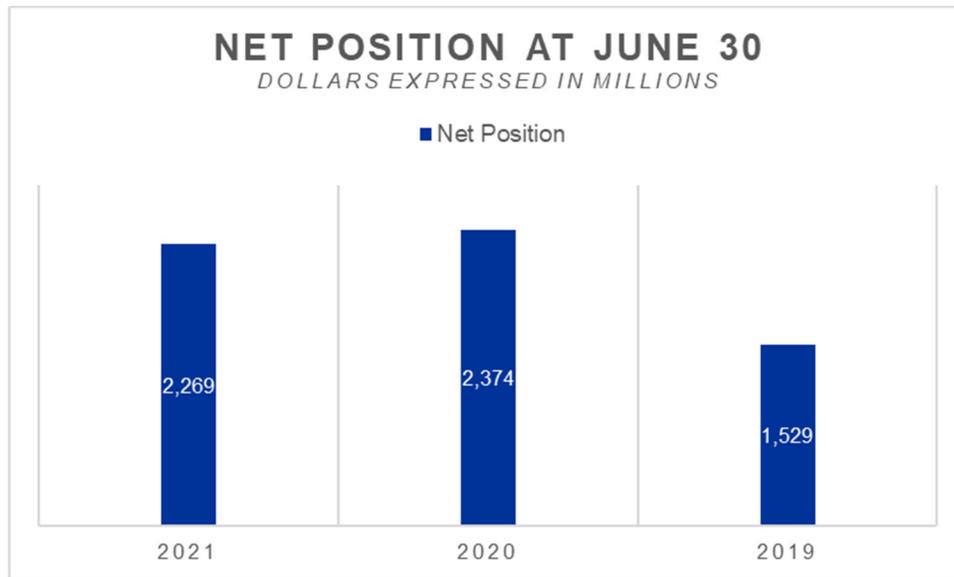


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# VIRGINIA INVESTMENT POOL TRUST FUND MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2021 and 2020

A comparison of the net position restricted for pool participants for three years as of June 30 is presented below:



## Cash and Cash Equivalents – June 30, 2021 compared to June 30, 2020

Cash and cash equivalents totaled \$379.0 million at fiscal year-end 2021 compared with \$457.3 million at fiscal year-end 2020, representing a decrease in cash and cash equivalents of \$78.3 million.

## Cash and Cash Equivalents – June 30, 2020 compared to June 30, 2019

Cash and cash equivalents totaled \$457.3 million at fiscal year-end 2020 compared with \$87.8 million at fiscal year-end 2019. The increase in cash and cash equivalents of \$369.5 million is to ensure anticipated liquidity needs are met.

## Participation - June 30, 2021 compared to June 30, 2020

Participation in the Trust's pools is voluntary and the Administrator strives to direct marketing efforts throughout the Commonwealth. The Trust provides all political subdivisions, including urban, rural, and underserved localities access to professionally managed investment pools.

Average participant net asset values increased during the fiscal year ended June 30, 2021 despite participant contributions decreasing by 25.37% and withdrawals increasing by 18.26%. During the fiscal year, nine new participants joined the Trust, bringing the total number of participants to 140. The VIP Liquidity Pool is in its fifth fiscal year of operations, and participants are seeking security and liquidity.

Aggregate participant investments measured at the NAV had a higher average balance during fiscal year 2021 compared to fiscal year 2020. In addition to weighted average maturity, duration, and interest rate levels, average balance directly affects the level of interest income of the Trust.

# VIRGINIA INVESTMENT POOL TRUST FUND MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2021 and 2020

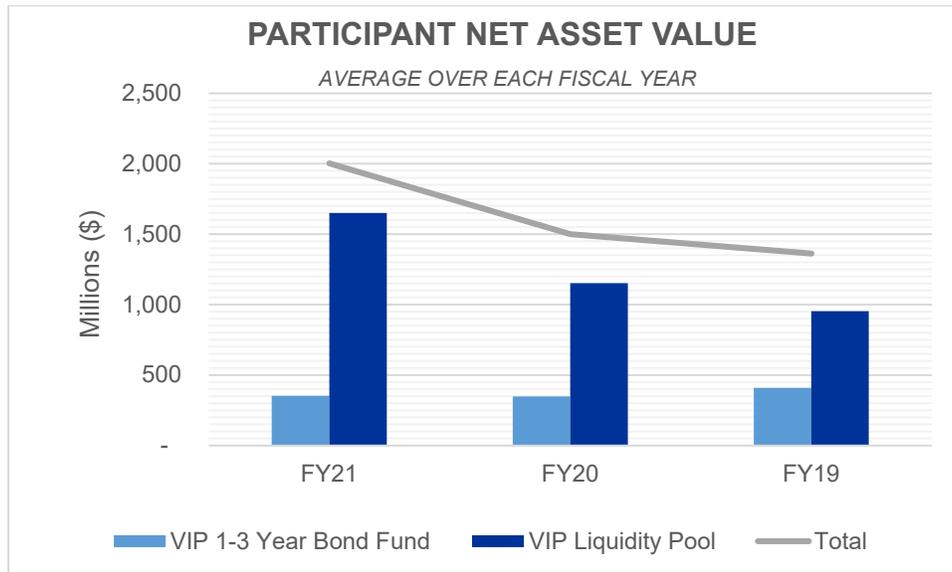
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## Participation - June 30, 2020 compared to June 30, 2019

Participant activity increased during the fiscal year ended June 30, 2020 and participant contributions increased by 32.73%, while withdrawals decreased by 6.37%. During the fiscal year, fifteen new participants joined the Trust, bringing the total number of participants to 131. The VIP Liquidity Pool is in its fourth fiscal year of operations, and participants are seeking security and liquidity.

Aggregate participant investments measured at the NAV had a higher average balance during fiscal year 2020 compared to fiscal year 2019. In addition to weighted average maturity, duration, and interest rate levels, average balance directly affects the level of interest income of the Trust.

The chart below presents a comparison of the average total investment NAV balance of participants by pool and by total Trust over the fiscal years 2021, 2020, and 2019:



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# VIRGINIA INVESTMENT POOL TRUST FUND

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2021 and 2020

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### Investment Performance

In December 2019, a novel strain of coronavirus disease ("COVID-19") was first reported in Wuhan, China. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic. In response to the economic fallout from the pandemic, the Federal Open Market Committee (FOMC) cut the federal funds overnight rate by 150 basis points (1.5 percentage points) in March 2020 to a target range of 0.0% to 0.25%. The federal funds rate is the overnight interest rate at which depository institutions lend reserve balances to other depository institutions. This remained the fed funds target range during the fiscal year ended June 30, 2021. The Federal Reserve also announced in March 2020 that it would purchase longer-term securities in an effort to keep interest rates down and provide liquidity to the economy. In June 2020, the Fed committed to purchasing \$80 billion per month in Treasury securities and \$40 billion per month in mortgaged-backed securities, a policy it maintained throughout the fiscal year. The Fed's policies of driving interest rates lower had a significant impact on the performance of the VIP portfolios, as detailed below.

### VIP 1-3 Year Bond Fund

The VIP 1-3 Year Bond Fund provides an investment vehicle to pool and invest funds for political subdivisions with surplus funds and an investment horizon of one year or longer. The VIP 1-3 Year Bond Fund is rated AA+f/S1 by Standard & Poor's. The VIP 1-3 Year Bond Fund measures its returns against the ICE Bank of America Merrill Lynch (ICE BAML) 1-3 Year AAA/AA Corporate & Government Index. The VIP 1-3 Year Bond Fund aims to exceed the return of the benchmark over three-year periods while preserving participant capital. The total return (before fees) of the VIP 1-3 Year Bond Fund for the year ended June 30, 2021 was 0.27% compared to 0.13% for the ICE BAML Index, and for the year ended June 30, 2020 was 4.21% compared to 4.08% for the ICE BAML Index. As of fiscal year-end 2021, the annualized return since inception (February 1, 2014) of the VIP 1-3 Year Bond Fund was 1.58%, compared to the benchmark's annualized return of 1.46%.

The Treasury yield curve steepened during the fiscal year with the one-month and 5-Year yields starting the year (July 1, 2020) at 0.12% and 0.31%, respectively. As of fiscal year end, the one-month and 5-Year Treasury yields were 0.05% and 0.87%, respectively. The federal funds target rate remained constant during the fiscal year of between 0.0% and 0.25%. The 2-Year Treasury yield began the fiscal year at 0.17% and remained relatively steady throughout the fiscal year, experiencing modest increases, ending the fiscal year at 0.25%. The market value of the securities in the portfolio decreased due to the steepening yield curve. However, this reduction in market value was more than offset by income, resulting in a total return for the fiscal year of the VIP 1-3 Year Bond Fund of 0.27% (before fees).

Duration, a key metric used to manage interest rate risk for the 1-3 Year Bond Fund, is a measurement of a fund's sensitivity to interest rate changes. The duration of the VIP 1-3 Year Fund as of June 30, 2021 was 1.83 years compared with the duration of its benchmark of 1.83 years. As of June 30, 2020, the 1-3 Year Bond Fund's duration was 1.81 years compared with the duration of its benchmark of 1.81 years. Book yield is based on the amortized cost of the securities held in the portfolio, ignoring current market values, and represents the potential yield available to current participants who were invested in the portfolio at the time the securities in the portfolio were purchased. The book yield (before fees) as of June 30, 2021 was 0.64%.

The VIP 1-3 Year Bond Fund has not experienced large swings in fair value during fiscal year 2021 in part due to the relatively short duration of the securities in the portfolio. The Net Asset Value of the VIP 1-3 Year Bond Fund was in a range of \$10.1857 (June 30, 2021) to \$10.2657 (June 30, 2020), representing a decline of 0.785% over the fiscal year. As noted, however, the VIP 1-3 Year Bond Fund had a positive total return during the fiscal year of 0.27%.

**VIRGINIA INVESTMENT POOL TRUST FUND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

*JUNE 30, 2021 and 2020*

**VIP 1-3 Year Bond Fund Summarized Investment Information as of June 30:**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total Return (FYTD)	0.27%	4.21%	4.04%
ICE BAML Index (FYTD)	0.13%	4.08%	4.04%
Duration (years)	1.83	1.81	1.86
Benchmark Duration (years)	1.83	1.81	1.80
Annualized Since Inception	1.58%	1.79%	1.34%
ICE BAML Index (Annualized)	1.46%	1.67%	1.23%

The VIP 1-3 Year Bond Fund portfolio allocation is a key strategy to maximizing the investment returns to participants. The portfolio allocation of the VIP 1-3 Year Bond Fund, based on fair value as of June 30, 2021, was as follows:

<u>Security Distribution</u>	<u>Portfolio Amount</u>	<u>Portfolio Allocation</u>
Money Market Funds	\$ 1,040,159	0.29%
U.S. Treasury Securities	200,338,521	54.96%
U.S. Government and Agency	121,977,357	33.46%
Negotiable Certificates of Deposit	1,100,413	0.30%
Agency Mortgage Backed Securities	23,708,621	6.50%
Corporate Bonds and Notes	15,807,716	4.34%
Commercial Paper	549,950	0.15%
Total	<u>\$ 364,522,737</u>	<u>100.00%</u>

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**VIRGINIA INVESTMENT POOL TRUST FUND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

*JUNE 30, 2021 and 2020*

The portfolio allocation of the VIP 1-3 Year Bond Fund, based on fair value as of June 30, 2020, was as follows:

<b>Security Distribution</b>	<b>Portfolio Amount</b>	<b>Portfolio Allocation</b>
Money Market Funds	\$ 7,416,329	2.25%
U.S. Treasury Securities	171,123,385	51.87%
U.S. Government and Agency	66,044,174	20.02%
Agency Mortgage Backed Securities	39,743,490	12.05%
Corporate Bonds and Notes	41,999,447	12.73%
Municipal Securities	1,481,205	0.45%
Supranational Bonds and Notes	2,084,379	0.63%
Total	<u>\$ 329,892,409</u>	<u>100.00%</u>

The VIP 1-3 Year Bond Fund participant shares are valued two times per month. The net asset value per share of the VIP 1-3 Year Bond Fund as of June 30 for three years is below:

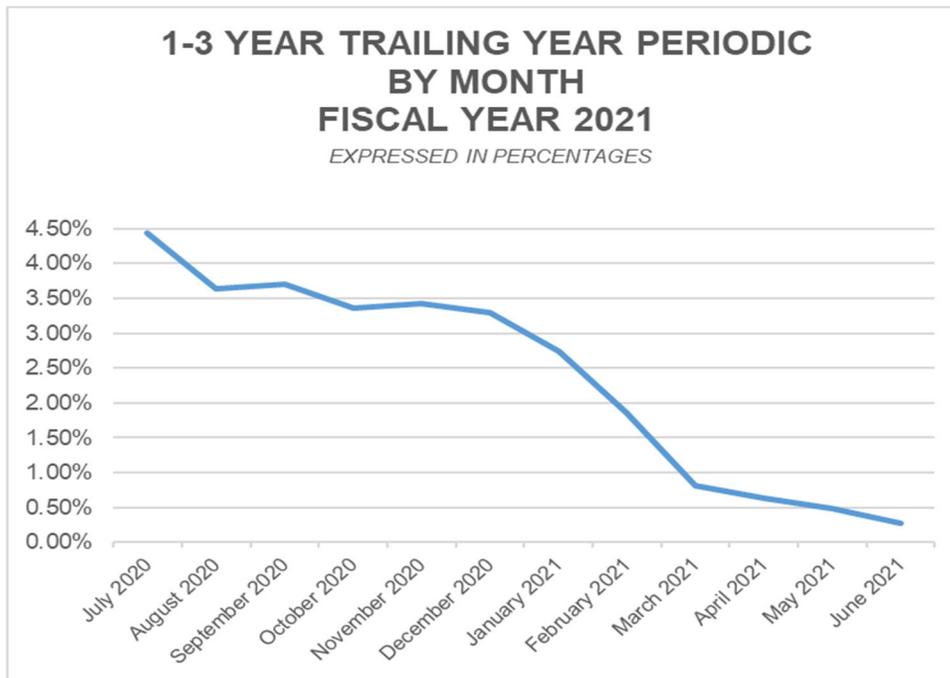
<b>VIP 1-3 Year Bond Fund</b>		
<b>PRICE PER SHARE</b>		
AS OF JUNE 30		
<u>2021</u>	<u>2020</u>	<u>2019</u>
\$ 10.186	\$ 10.266	\$ 10.075

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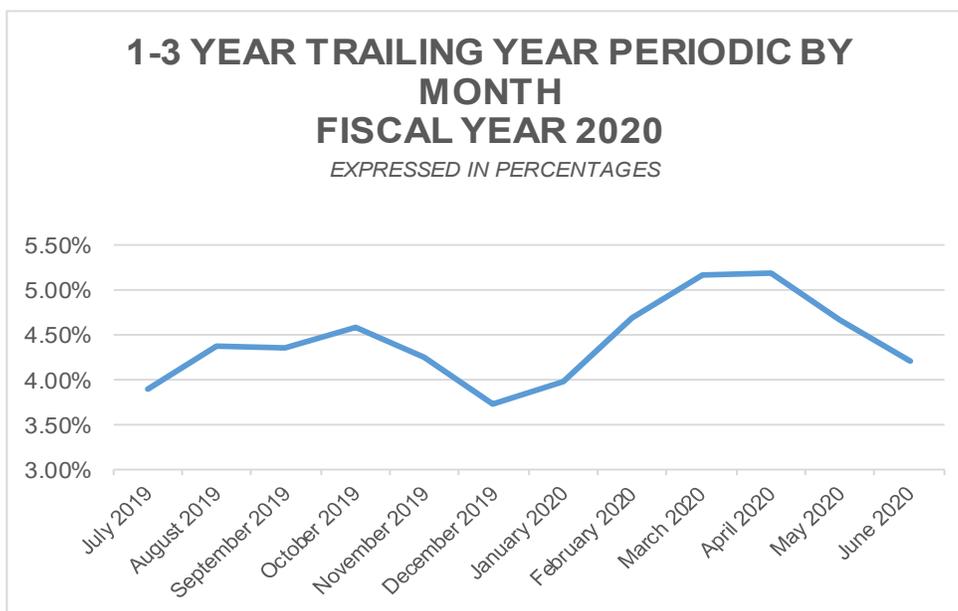
**VIRGINIA INVESTMENT POOL TRUST FUND**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)**

*JUNE 30, 2021 and 2020*

The VIP 1-3 Year Bond Fund’s rolling twelve-month investment returns to participants as of the month-end valuation for each month during fiscal year 2021 are reflected below:



The VIP 1-3 Year Bond Fund’s rolling twelve-month investment returns to participants as of the month-end valuation for each month during fiscal year 2020 are reflected below:



# VIRGINIA INVESTMENT POOL TRUST FUND

## MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

JUNE 30, 2021 and 2020

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### VIP Liquidity Pool

The VIP Liquidity Pool was established in October 2016. The objective of the VIP Liquidity Pool is to provide political subdivisions with an AAAM-rated (Standard & Poor's) investment vehicle offering daily liquidity at a stable net asset value. The investments in the VIP Liquidity Pool are short-duration, high-quality, fixed income securities and the pool is a stable NAV. As such, the investments are less susceptible to changes in fair value that could result in permanent adjustments due to market conditions.

As the Federal Reserve kept the federal funds target rate range steady at 0.00-0.25% throughout the fiscal year ended June 30, 2021, the net yield of the VIP Liquidity Pool decreased from 0.39% at the beginning of the fiscal year to 0.14% at the end of December 2020, and continued to decline ending the fiscal year at 0.06% as of June 30, 2021. The 30-day average net yield of the VIP Liquidity Pool as of June 30, 2021 was 0.06% compared to 0.42% as of June 30, 2020. The average annual daily yield for fiscal year ended June 30, 2021 was 0.17% compared to 1.64% for fiscal year ended June 30, 2020.

As of June 30, 2021, the weighted average maturity to reset ("WAMR") was 46.66 days and the weighted average maturity to final ("WAMF") was 59.60 days. As of June 30, 2020, the WAMR was 51.04 days and the WAMF was 65.62 days. Standard & Poor's guidelines permit a maximum WAMR of 60 days and a maximum WAMF of 90-120 days.

### VIP Liquidity Pool Summarized Investment Information as of June 30:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
30 Day Ave Net Yield	0.06%	0.42%	2.46%
Ave Annual Daily Yield	0.17%	1.64%	2.41%
WAMR (days)	46.66	51.04	53.34
WAMF (days)	59.60	65.62	65.80

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**VIRGINIA INVESTMENT POOL TRUST FUND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

*JUNE 30, 2021 and 2020*

The portfolio allocation of the VIP Liquidity Pool, based on fair value as of June 30, 2021, was as follows:

<b>Security Distribution</b>	<b>Portfolio Amount</b>	<b>Portfolio Allocation</b>
Cash	\$ 195,544,002	10.56%
Money Market Funds	65,692,750	3.55%
U.S. Treasury Securities	349,972,449	18.90%
Commercial Paper	154,988,922	8.37%
Negotiable Certificates of Deposit	943,883,158	50.97%
U.S. Government and Agency	24,994,375	1.35%
Repurchase Agreements	116,628,056	6.30%
Total	\$ 1,851,703,711	100.00%

The portfolio allocation of the VIP Liquidity Pool, based on fair value as of June 30, 2020, was as follows:

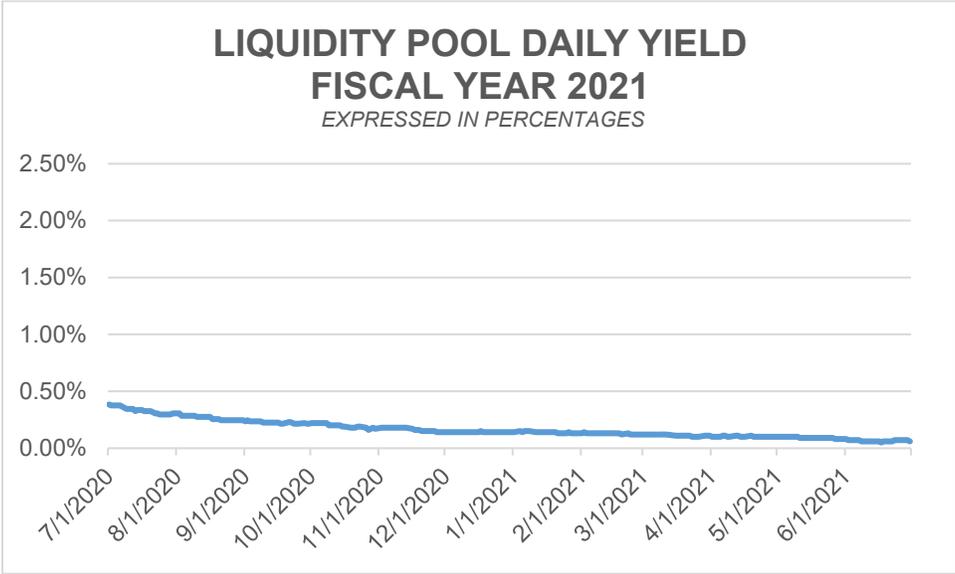
<b>Security Distribution</b>	<b>Portfolio Amount</b>	<b>Portfolio Allocation</b>
Cash	\$ 201,055,822	9.85%
Money Market Funds	30,162,300	1.48%
U.S. Treasury Securities	413,896,796	20.28%
Commercial Paper	339,382,611	16.63%
Negotiable Certificates of Deposit	837,758,767	41.05%
Repurchase Agreements	218,569,171	10.71%
Total	\$ 2,040,825,467	100.00%

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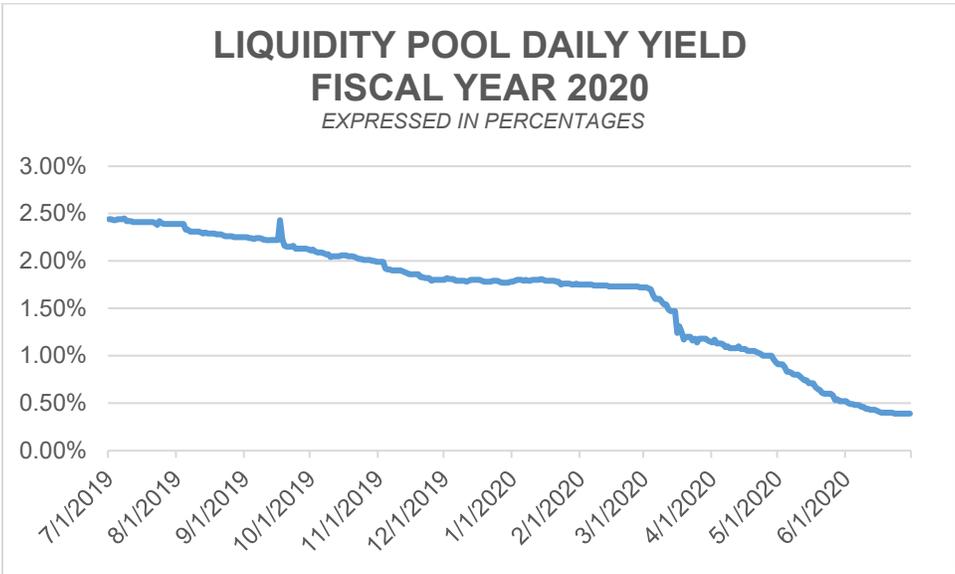
**VIRGINIA INVESTMENT POOL TRUST FUND**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (UNAUDITED)**

*JUNE 30, 2021 and 2020*

The VIP Liquidity Pool’s investment returns to participants based on the daily valuation during fiscal year 2021 are reflected below:



The VIP Liquidity Pool’s investment returns to participants based on the daily valuation during fiscal year 2020 are reflected below:



# **VIRGINIA INVESTMENT POOL TRUST FUND**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

*JUNE 30, 2021 and 2020*

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### **Economic Factors and Review**

The Trust's operations are dependent on the financial markets and overall economic conditions. Participant activity is influenced by local economic factors and participant cash flows.

Quarterly U.S. real economic growth, as measured by Gross Domestic Product ("GDP"), ended the fourth quarter of fiscal year 2020 at negative 31.7% (annualized). The economy rebounded from the COVID-19 pandemic-induced economic shutdown and experienced explosive growth of 33.4% (annualized) during the first quarter of fiscal year 2021. For the remainder of the fiscal year, GDP growth moderated to a still strong quarterly growth of 4.5%, 6.3%, and 6.5% (annualized) for the second, third and fourth quarters of the fiscal year, respectively.

The unemployment rate during fiscal year 2021 steadily declined from a high of 10.2% in July 2020 to 5.9% in June 2021. Virginia's unemployment rate during fiscal year 2021 steadily declined from a high of 7.9% in July 2020 to 4.3% in June 2021, compared to 8.8% in June 2020. Despite declining unemployment rates in fiscal year 2021, job openings nationally hit a record high in June 2021 possibly due to ongoing COVID-19 concerns, family obligations, and extended unemployment benefits. Domestic year-on-year inflation ("CPI") as of June 2021 was 5.4%, up from 0.6% in June 2020, well above the Fed's target of 2.0%.

At the end of the fiscal year, COVID-19 cases in the U.S. were steadily declining with over 330 million vaccine doses administered. However, there are growing concerns with the Delta variant. The Federal Reserve has committed to keeping its benchmark rate at or near zero until labor-market conditions have reached levels consistent with the committee's assessments of maximum employment and inflation has risen to 2% and is on track to moderately exceed 2% for some time. Inflation is likely to accelerate as massive fiscal stimulus and accommodative policy fuel substantial economic growth. Supply chain disruptions and significant labor gaps will continue to hinder growth and foster inflation; however, the Federal Reserve believes this to be transitory.

Intermediate and longer-term interest rates remain near historic lows while short-term rates remain anchored by the Federal Reserve's zero overnight interest rate policy.

### **Requests for Information**

This financial report is designed to provide a general overview of the Trust's finances. This report and additional information can be found by visiting the Trust's website, [virginiainvestmentpool.org/resources/](http://virginiainvestmentpool.org/resources/). Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Managing Director  
VML/VACo Finance  
8 E. Canal Street, Suite 100  
Richmond, VA 23219  
(804) 648-0635

**VIRGINIA INVESTMENT POOL TRUST FUND**  
**STATEMENTS OF FIDUCIARY NET POSITION**

*JUNE 30, 2021 and 2020*

		<b>2021</b>	<b>2020</b>
<b>ASSETS</b>			
	Cash and Cash Equivalents	\$ 379,045,203	\$ 457,330,993
	Contributions Receivable	51,820,711	-
	Investments at Fair Value	1,837,321,481	1,913,514,254
	Interest Receivable	785,723	2,775,398
	Total Assets	<u>2,268,973,118</u>	<u>2,373,620,645</u>
<b>LIABILITIES</b>			
	Accounts Payable	185,394	82,127
	Total Liabilities	<u>185,394</u>	<u>82,127</u>
<b>NET POSITION HELD IN TRUST FOR POOL PARTICIPANTS</b>		<u>\$ 2,268,787,724</u>	<u>\$ 2,373,538,518</u>

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

**VIRGINIA INVESTMENT POOL TRUST FUND**  
**STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION**

*YEAR ENDED JUNE 30, 2021 and 2020*

	<b>2021</b>	<b>2020</b>
<b>ADDITIONS</b>		
Participant Contributions	\$ 1,830,396,301	\$ 2,452,621,741
Investment Income:		
Interest Income	7,455,757	26,586,346
Net Appreciation/(Depreciation) in Fair Value of Investments	(2,858,598)	6,209,541
Investment Expenses	(778,977)	(756,101)
Net Investment Income	3,818,182	32,039,786
Total Additions	1,834,214,483	2,484,661,527
<b>DEDUCTIONS</b>		
Participant Withdrawals	1,938,426,264	1,639,142,786
Administrative and Program Expenses	539,012	517,407
Total Deductions	1,938,965,276	1,639,660,193
Change in Net Position	(104,750,793)	845,001,334
Net Position Beginning of Year	2,373,538,518	1,528,537,184
<b>NET POSITION HELD IN TRUST FOR POOL PARTICIPANTS</b>	<b>\$ 2,268,787,724</b>	<b>\$ 2,373,538,518</b>

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

# VIRGINIA INVESTMENT POOL TRUST FUND

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 and 2020

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### Note 1—Summary of significant accounting policies

*Basis of Presentation* – The accompanying financial statements have been prepared in conformance with the accounting principles generally accepted in the United States of America (“GAAP”) as prescribed by the Governmental Accounting Standards Board (“GASB”).

*The Reporting Entity* – For financial reporting purposes, the Virginia Investment Pool Trust Fund (“Trust”) is an independent reporting entity and is not a component unit of another governmental entity. The Trust reports its activities as a single fiduciary fund type. These financial statements have been prepared utilizing the accounting principles for governmental external investment pools.

The Trust was established September 13, 2013, to provide a pooled investment alternative for political subdivisions of the Commonwealth of Virginia (“Commonwealth”). The Trust is a qualified investment pool as defined in the Code of Virginia § 2.2-4513.1. *Investment of funds in qualified investment pools.*

The Trust was created to provide an investment vehicle to pool participant funds and to invest such funds into one or more investment portfolios under the direction and daily supervision of a professional fund manager. Participants hold individual trust accounts within the investment pools.

The Trust is comprised of two pools and operates under the Virginia Investment Pool Trust Fund Agreement (“Trust Agreement”). The Virginia Investment Pool 1-3 Year High Quality Bond Fund (“VIP 1-3 Year Bond Fund”) is designed for political subdivisions that have excess funds and an investment horizon longer than that of money market instruments, typically one year or longer. In October 2016, the Trust established a second portfolio, the Virginia Investment Pool Stable Net Asset Value Liquidity Pool (“VIP Liquidity Pool”). The VIP Liquidity Pool provides daily liquidity and a stable net asset value (“NAV”) for daily operating funds.

The VIP 1-3 Year Bond Fund is designed to provide political subdivisions with a high-quality investment vehicle for participants who require less liquidity and can assume additional price volatility for the potential of greater returns over a longer-term horizon. Participant ownership is proportionate and based on market value. Participants can expect the value of their investment in the fund to fluctuate from month-to-month and should consider this portfolio for a longer-term strategy. The NAV is floating and fluctuates in accordance with market conditions including changes in interest rates. Shares are purchased and redeemed at the floating NAV.

The Trust has elected to report its investments in the VIP 1-3 Year Bond Fund at fair value, and as such participants should also report their investments in the Trust at fair value approximating NAV. Fair value is determined two times per month. The VIP 1-3 Year Bond Fund is rated AA+f/S1 by Standard & Poor’s.

The objective of the VIP Liquidity Pool is to provide political subdivisions with an AAAM-rated (Standard & Poor’s) investment vehicle offering daily liquidity at a stable NAV. Participant shares are purchased and redeemed at the stable NAV. The Trust has elected to report its investments in the VIP Liquidity Pool at fair value, and as such participants should also report their investments in the Trust at fair value approximating NAV. Fair value is determined daily. The VIP Liquidity Pool is rated AAAM by Standard & Poor’s.

The Trust’s Board of Trustees has fiduciary responsibility for the investment of monies and administration of the Trust pursuant to the Trust Agreement. The Board of Trustees is currently comprised of twelve voting members and two ex-officio members. Trustees are treasurers or chief investment officers of participating political subdivisions and are elected for staggered three-year terms by the participants in the Trust. Notwithstanding this practice, pursuant to the Trust Agreement the two local governments that initially founded the Trust through the Joint Exercise of Powers statute of the Commonwealth, the Cities of Chesapeake and Roanoke, Virginia are each entitled to representation on the Board of Trustees until the annual meeting in fiscal year 2022. The Trust is not subject to regulatory oversight and is not registered with the Securities and Exchange Commission (“SEC”) as an investment company.

# VIRGINIA INVESTMENT POOL TRUST FUND

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 and 2020

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### Note 1—Summary of significant accounting policies (continued)

*Measurement Focus and Basis of Accounting* – The financial statements of the Trust are presented as a fiduciary fund type utilizing the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis revenues are recognized when earned, and expenses are recognized when incurred regardless of timing of the cash flows. Security transactions and the related gains and losses are reported on a trade date basis. As of June 30, 2021, and June 30, 2020, there were no pending trades. Interest income is accrued as earned, but is allocated to participants' accounts daily for the VIP Liquidity Pool and twice per month for the VIP 1-3 Year Bond Fund.

*GASB Statements* – There were no new pronouncements issued by the GASB that affected the Trust for fiscal year ended June 30, 2021.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)*, effective for reporting periods beginning after December 31, 2021, with early adoption permitted. The standard establishes criteria for accounting and financial reporting implications that result from the replacement of an IBOR. The Trust Administrator is currently evaluating the potential impact of the standard on financial reporting at the time of adoption.

*Cash and Cash Equivalents* – The Trust considers all deposits in banks and short-term highly liquid investments that are readily convertible to cash to be cash and cash equivalents. Cash equivalents, which are comprised of money market mutual funds and repurchase agreements, are recorded at cost, which approximates fair value.

Cash received from participants for investing in the Trust is recognized upon receipt by the custodian bank if received by the cutoff time. Funds received after the cutoff time will not be in the investment account until the next business day. There are no separate participant accounts to hold participant funds during this interim period.

*Investment Objectives* – The investment objectives of the Trust are structured in accordance with the strategy of each respective pool. The standard of prudence to be used by investment officials of the Trust shall be the "prudent person" and shall be applied in the context of managing the portfolios. The Trust may only invest in authorized investments as established by the Board of Trustees and in accordance with the Code of Virginia, Chapter 45. *Investment of Public Funds Act*.

The VIP 1-3 Year Bond Fund is a fixed income investment portfolio designed to provide a pooled investment alternative with an investment horizon greater than that of money market instruments, typically one year or longer. The investment objectives are to exceed the return of the ICE Bank of America Merrill Lynch 1-3-Year AAA/AA U.S. Corporate & Government Index over three-year periods, and to preserve capital. The VIP 1-3 Year Bond Fund seeks to obtain the highest possible yield on available financial assets, consistent with constraints imposed by safety objectives and cash flow considerations.

The VIP Liquidity Pool is a fixed income investment portfolio designed to provide a pooled investment alternative with a stable NAV. The investment objectives are safety, liquidity, transparency, and offering a competitive yield, in accordance with the Code of Virginia.

**VIRGINIA INVESTMENT POOL TRUST FUND**  
**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2021 and 2020

**Note 1—Summary of significant accounting policies (continued)**

*Investment Restrictions* – The investment policy seeks to restrict investments only to those high-quality, fixed income securities as authorized in the Code of Virginia. No investment may have a rating that is not at or above the minimum required in the Code of Virginia.

Investments of funds for the VIP 1-3 Year Bond Fund may not exceed a period of 60 months, unless the investment has a put option meeting this requirement.

To provide for the safety and liquidity of funds, the VIP Liquidity Pool is required to maintain a dollar-weighted average maturity to reset (“WAMR”) of 60 days or less and a dollar-weighted average maturity to final of 120 days or less.

*Valuation* – Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Security transactions are recorded on a trade date basis. Realized gains and losses on sales of investments are calculated on an identified cost basis. Interest income, including any amortization of premium or accretion of discount, is recorded on the accrual basis. See Note 2 and Note 3 for discussion of investment risk and fair value measurements. Net investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest income earned. Realized gains and losses on the sale of investments are recognized on the specific identification basis to match with the cost basis of the investments sold.

The following table reflects the investments at fair value and par value, including interest rate ranges and the maturity date ranges for the VIP 1-3 Year Bond Fund, as of June 30, 2021:

**VIP 1-3 Year Bond Fund**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Par Value</u>	<u>Maturity Dates Ranges</u>	<u>Interest Rate Ranges (%)</u>
U.S. Treasury Securities	\$ 200,338,521	\$ 198,800,000	06/2022 - 06/2024	0.13 - 2.75
U.S. Government and Agency	121,977,357	121,870,000	07/2022 - 02/2024	0.13 - 2.13
Commercial Paper	549,950	550,000	08/2021	0.00
Negotiable Certificates of Deposit	1,100,413	1,100,000	08/2021 - 11/2021	0.30 - 0.34
Agency Mortgage Backed Securities	23,708,621	23,185,551	01/2022 - 06/2023	2.37 - 2.78
Corporate Bonds and Notes	15,807,716	15,195,000	06/2021 - 01/2023	0.75 - 3.40
<b>Total VIP 1-3 Year Bond Fund</b>	<b>\$ 363,482,578</b>	<b>\$ 360,700,551</b>		

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**VIRGINIA INVESTMENT POOL TRUST FUND**  
**NOTES TO FINANCIAL STATEMENTS**

*JUNE 30, 2021 and 2020*

**Note 1—Summary of significant accounting policies (continued)**

The following table reflects the investments at fair value and par value, including interest rate ranges and the maturity date ranges for the VIP 1-3 Year Bond Fund, as of June 30, 2020:

**VIP 1-3 Year Bond Fund**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Par Value</u>	<u>Maturity Dates Ranges</u>	<u>Interest Rate Ranges (%)</u>
U.S. Treasury Securities	\$ 171,123,385	\$ 165,825,000	08/2021 - 01/2023	1.50 - 2.88
U.S. Government and Agency	66,044,174	65,440,000	11/2021 - 06/2023	0.25 - 2.13
Agency Mortgage Backed Securities	39,743,490	38,828,899	01/2021 - 01/2023	2.37 - 3.97
Corporate Bonds and Notes	41,999,447	40,528,000	11/2020 - 06/2023	0.75 - 3.40
Municipal Securities	1,481,205	1,455,000	04/2021	2.80
Supranational Bonds and Notes	2,084,379	2,055,000	01/2021 - 03/2021	2.25 - 2.63
<b>Total VIP 1-3 Year Bond Fund</b>	<b>\$ 322,476,080</b>	<b>\$ 314,131,899</b>		

The following table reflects the investments at fair value and par value, including interest rate ranges and the maturity date ranges for the VIP Liquidity Pool, as of June 30, 2021:

**VIP Liquidity Pool**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Par Value</u>	<u>Maturity Dates Ranges</u>	<u>Interest Rate Ranges (%)</u>
U.S. Treasury Securities	\$ 349,972,448	\$ 350,000,000	07/2021 - 12/2021	0.00 (1)
U.S. Government and Agency	24,994,375	25,000,000	12/2021	0.00 (1)
Commercial Paper	154,988,922	155,000,000	06/2021 - 09/2021	0.00 - 0.12 (1)(2)
Negotiable Certificates of Deposit	943,883,158	943,825,000	07/2021 - 02/2022	0.04 - 0.43 (2)
Repurchase Agreements (3)	116,628,056	116,628,056	07/2021	0.03 - 0.05 (1)
<b>Total VIP Liquidity Pool</b>	<b>\$ 1,590,466,959</b>	<b>\$ 1,590,453,056</b>		

(1) Includes securities issued at a discount.

(2) Includes securities that have variable rates with the rates ranging from 0.12 - 0.20 percent as of fiscal year end.

(3) The repurchase agreements meet the definition of a cash equivalent per policy and are reported on the Statement of Net Position as cash equivalents at amortized cost, which approximates fair value.

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**VIRGINIA INVESTMENT POOL TRUST FUND**  
**NOTES TO FINANCIAL STATEMENTS**

*JUNE 30, 2021 and 2020*

**Note 1—Summary of significant accounting policies (continued)**

The following table reflects the investments at fair value and par value, including interest rate ranges and the maturity date ranges for the VIP Liquidity Pool, as of June 30, 2020:

**VIP Liquidity Pool**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Par Value</u>	<u>Maturity Dates Ranges</u>	<u>Interest Rate Ranges (%)</u>
U.S. Treasury Securities	\$ 413,896,796	\$ 414,000,000	07/2020 - 12/2020	0.00 (1)
Commercial Paper	339,382,611	339,600,000	07/2020 - 12/2020	0.00 - 0.34 (1)(2)
Negotiable Certificates of Deposit	837,758,767	837,281,000	07/2020 - 03/2021	0.17 - 2.02 (2)
Repurchase Agreements (3)	218,569,171	218,569,171	07/2020	0.05 - 0.08
<b>Total VIP Liquidity Pool</b>	<b>\$ 1,809,607,345</b>	<b>\$ 1,809,450,171</b>		

(1) Includes securities issued at a discount.

(2) Includes securities that have variable rates with the rates ranging from 0.25 - 0.48 percent as of fiscal year end.

(3) The repurchase agreements meet the definition of a cash equivalent per policy and are reported on the Statement of Net Position as cash equivalents at amortized cost, which approximates fair value.

**Administrative and Investment Fees** – The Administrator oversees the operations of the Trust, and the Trust contracts with a third-party service provider for the portfolio management and record keeping services. The costs for the services of the Administrator and third-party service provider are accrued and charged as administrative expenses and investment expenses, respectively. The Board of Trustees approves administrative and investment fees. Fees are payable monthly in arrears on the first day of the next succeeding month.

Administrative fees for the VIP 1-3 Year Bond Fund are assessed once per month in arrears for the costs of administering the Trust. The fee is inclusive of all costs of program administration other than direct investment-related expenses, including client education, audit and reporting, legal services, accounting, credit rating, Board expenses, and insurance. The program administration fee is applied on a sliding scale based upon each participant's average asset value during the preceding month. Direct investment-related expenses, including fees for investment management and custodial services, are deducted from investment assets directly rather than from participant accounts. For fiscal year ended June 30, 2021 and 2020, the investment-related expenses were approximately 0.06% (6 basis points) of investment assets. Total administrative and investment fees ranged between 0.08% and 0.17% depending on each participant's asset value.

Participant fees for the VIP Liquidity Pool are assessed daily. The annual fee to each participant may not exceed 0.15% (15 basis points) of the participant's account balance. The fee charged to participants is inclusive of all costs including program administration, investment management, custodial services, and fund accounting and reporting.

# VIRGINIA INVESTMENT POOL TRUST FUND

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 and 2020

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### **Note 1—Summary of significant accounting policies (continued)**

*Income Distribution* – In order to account for each participant's activity, separate accounts are maintained by the Trust. Earnings less expenses accrued in the Trust are allocated to each participant on a semi-monthly basis for the VIP 1-3 Year Bond Fund, and on daily basis for the VIP Liquidity Pool. The allocation is based on the participant's pro rata share of the total investments in the pool. The allocated net investment income is automatically reinvested the same business day.

*Participant Transactions* – For both pools, the value of each participant's investment is determined by the pro rata share of NAV of the fund based on the fair value determination on the strike days. Each participant's proportionate share is adjusted so the sum of the participant shares equals the total investment portfolio value.

The VIP 1-3 Year Bond Fund is managed as a variable NAV pool. Fair value and NAV are determined on the 15<sup>th</sup> and last business day of each month. If the 15<sup>th</sup> is not a business day, fair value and the NAV are determined as of the preceding business day. The pool transacts with participants based on a floating NAV per share that is determined by the market, which is the same method used to report investments. Participants may contribute at any time and the contributions initially are included in the VIP Liquidity Pool, which serves as a sweep account for the VIP 1-3 Year Bond Fund. Designated deposits are transferred from the VIP Liquidity Pool into the VIP 1-3 Year Bond Fund following the next semi-monthly portfolio valuation. Redemptions must be at least ten thousand dollars and may be made twice per month on the first business day following the portfolio valuation.

The VIP Liquidity Pool is managed as a stable NAV. Fair value is determined daily for the VIP Liquidity Pool and the pool transacts with participants at a stable NAV per share of \$1.00 based on the fair value, which is the same method used to report investments. Participants may contribute and withdraw funds on a daily basis. Contributions received by the cutoff time are credited to the participant account that day and invested with other funds in the portfolio. Contributions received after the cutoff time are credited on the next business day. Requests for redemptions are honored on a same day basis, if received prior to the cutoff time. Participants may contribute to, and withdraw funds from, the VIP Liquidity Pool at any time.

*Custodian* – The Trust has contracted with a custodian that is a qualified public depository to maintain custody of the funds and securities. The custodian is responsible for holding all funds and securities in a separate account in the name of the Trust, collecting all income and principal due to the Trust from securities held, accepting contributions and distributing redemptions, and properly accepting for delivery and/or delivering securities in accordance with the contract between the Trust and the custodian.

*Risk Management* – The Trust is exposed to various risks of loss such as loss due to torts, theft, injuries, and natural disasters. The Administrator, at the direction of the Board of Trustees, maintains commercial insurance coverage to limit exposure to identified risks. The Administrator conducts an analysis at least annually to determine the type and extent of coverage needed. The coverage is deemed sufficient to preclude any significant uninsured loss for the covered risks. There were no significant reductions in insurance coverage from the prior year. The costs of settled claims, if any, have not exceeded the coverage in any of the past three years. As of June 30, 2021, and 2020, there is no evidence of an asset impairment or other information that would require the recognition or disclosure of a loss.

*Taxes* – The Trust is exempt from taxation under Section 115 of the Internal Revenue Code. Accordingly, the accompanying financial statements do not include a provision for Federal or state income taxes.

# VIRGINIA INVESTMENT POOL TRUST FUND

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021 and 2020

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### **Note 1—Summary of significant accounting policies (continued)**

*Estimates* – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates also affect the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates and assumptions.

*Termination* – The Trust Agreement specifically allows for the termination of the Trust once “all participation interests of all participating political subdivisions have been terminated in their entirety.” Partial termination would occur when a participating political subdivision’s interest in the Trust is terminated or when a Trust Joinder Agreement has been terminated. In case of termination, either in whole or in part, affected assets of the Trust would be distributed or transferred in accordance with the Trust Agreement.

### **Note 2 – Deposits and Investment Risk**

**Deposits and Investment Risk** – The following information regarding disclosures of risks are designed to inform financial statement users about the Trust’s various risks.

*Custodial Credit Risk* – Custodial credit risk is the risk, in the event of the failure of a depository financial institution or financial counterparty, the Trust will not be able to recover the value of its deposits, investments, or recover collateral securities that are in the possession of an outside party. The Trust’s deposit policy states that collateral for savings and time deposits shall be pledged according to the provisions of the Virginia Security for Public Deposits Act, Section 2.2- 4400 et seq. of the Code of Virginia (Deposit Act) and the requirements of the State Treasury Board (“Treasury Board”) regulations.

Funds held as deposits in financial institutions are secured in accordance with the provisions of the Deposit Act, which requires any public depository that receives or holds public deposits to pledge collateral to the Treasury Board to cover public deposits in excess of Federal deposit insurance. Deposits are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to federally insured limits. Deposits with the financial institution in excess of the FDIC limit are collateralized at a rate of 102 percent under the pooled method of collateralization as elected by the financial institution.

The Trust utilized a money market mutual fund with a weighted average maturity of 33 days as of June 30, 2021. The money market mutual fund is held with the custodian. Excess funds in the deposit account are swept into the money market mutual fund each night. The balance remains in the money market mutual fund until expenses are incurred. When the cash is needed to cover expenses, the funds are moved from the money market mutual fund into the deposit account under the direction of the investment manager. At June 30, 2021, the Trust had \$66.7 million of money market mutual funds, which represented approximately 3.55% of the Trust’s total assets. The money market mutual fund is reported as a cash equivalent on the *Statement of Fiduciary Net Position*.

As of June 30, 2021, the Trust had deposits in insured cash sweep accounts with three financial institutions. The deposits are held in savings accounts that are fully FDIC insured and earn interest at 0.25%. As of June 30, 2021, the carrying amount of the insured cash sweep deposits was \$195.5 million. The insured cash sweep account is considered a deposit and is reported as cash on the *Statement of Fiduciary Net Position*.

As of June 30, 2021, the bank balance of deposits was \$195.4 million and the carrying amount of deposits was \$198.7 million. The difference between the bank and carrying amount represents funds in transit.

**VIRGINIA INVESTMENT POOL TRUST FUND**  
**NOTES TO FINANCIAL STATEMENTS**

*JUNE 30, 2021 and 2020*

**Note 2—Deposits and Investment Risk (continued)**

For fiscal year ended June 30, 2021, the Trust utilized repurchase agreements with the custodian on the deposit account. For the deposit account, the funds are invested overnight in the repurchase agreement and cash is swept into the deposit account daily. The overnight repurchase agreements are collateralized at 102 percent. As of June 30, 2021, the bank balance of deposits is \$195.1 million, and the carrying amount of deposits are \$201.1 million. The difference between the bank balance and carrying amounts represent funds in transit.

For fiscal years ended June 30, 2021 and 2020 cash equivalents include repurchase agreements that mature daily. Securities utilized in repurchase agreements are subject to additional restrictions designed to limit the Trust's exposure to risk and ensure the safety of the investment. The Trust invests excess operating cash in repurchase agreements which are collateralized by U.S. Government backed securities with the Trust's bank. The fair value, plus accrued income, of securities utilized as collateral in repurchase agreements must be at least 102 percent of the value of the repurchase agreement, plus accrued income. At June 30, 2021 and 2020, the Trust had \$116.6 million and \$218.6 million of repurchase agreements in cash equivalents respectively, which represent approximately 5.14% and 9.21% of the Trust's total assets, respectively.

As of June 30, 2021 and 2020, investment securities for the Trust were registered and held by the custodian in the name of the Trust for the benefit of the investment pools and were not exposed to custodial credit risk.

*Interest Rate Risk* – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in interest rates. The Trust manages the risk for the VIP 1-3 Year Bond Fund using the effective duration methodology. The VIP Liquidity Pool is reported based on the segmented time distribution as the investments held are not as exposed to interest rate risk as those of longer durations.

The following schedule reflects the interest rate risk for the VIP 1-3 Year Bond Fund as of June 30, 2021:

**VIP 1-3 Year Bond Fund**

Investment Type	Fair Value	Weighted Average Effective Duration (in years)
U.S. Treasury Securities	\$ 200,338,521	1.10
U.S. Government and Agency	121,977,357	1.86
Commercial Paper	549,950	0.11
Negotiable Certificates of Deposit	1,100,413	0.24
Agency Mortgage Backed Securities	23,708,621	1.10
Corporate Bonds and Notes	15,807,716	1.73
<b>Total VIP 1-3 Year Bond Fund</b>	<b>\$ 363,482,578</b>	<b>1.83</b>

**VIRGINIA INVESTMENT POOL TRUST FUND**  
**NOTES TO FINANCIAL STATEMENTS**

*JUNE 30, 2021 and 2020*

**Note 2—Deposits and Investment Risk (continued)**

The following schedule reflects the interest rate risk for the VIP 1-3 Year Bond Fund as of June 30, 2020:

**VIP 1-3 Year Bond Fund**

Investment Type	Fair Value	Weighted Average Effective Duration (in years)
U.S. Treasury Securities	\$ 171,123,385	1.77
U.S. Government and Agency	66,044,174	2.44
Agency Mortgage Backed Securities	39,743,490	1.45
Corporate Bonds and Notes	41,999,447	1.41
Municipal Securities	1,481,205	0.74
Supranational Bonds and Notes	2,084,379	0.64
<b>Total VIP 1-3 Year Bond Fund</b>	<b>\$ 322,476,080</b>	<b>1.81</b>

The following schedule reflects the interest rate risk for the VIP Liquidity Pool as of June 30, 2021:

**VIP Liquidity Pool**

Investment Type	Fair Value	Investment Maturities (in days)								
		0-29	30-59	60-89	90-119	120-149	150-179	180-209	210-239	240-269
U.S. Treasury Securities	\$ 349,972,448	\$ 149,998,139	\$ 79,995,862	\$ 24,997,856	\$ -	\$ 69,986,600	\$ 24,993,992	\$ -	\$ -	\$ -
Mortgage Backed Securities	24,994,375	-	-	-	-	-	24,994,375	-	-	-
Commercial Paper	154,988,922	74,997,865	54,995,993	24,995,065	-	-	-	-	-	-
Negotiable Certificates of Deposit	943,883,158	196,002,846	213,020,822	134,831,150	115,017,896	75,005,219	155,010,504	29,994,722	-	25,000,000
Repurchase Agreements*	116,628,056	116,628,056	-	-	-	-	-	-	-	-
<b>Total VIP Liquidity Pool</b>	<b>\$ 1,590,466,959</b>	<b>\$ 537,626,906</b>	<b>\$ 348,012,677</b>	<b>\$ 184,824,071</b>	<b>\$ 115,017,896</b>	<b>\$ 144,991,819</b>	<b>\$ 204,998,871</b>	<b>\$ 29,994,722</b>	<b>\$ -</b>	<b>\$ 25,000,000</b>

\* The repurchase agreements meet the definition of a cash equivalent per policy and are reported on the Statement of Net Position as cash equivalents.

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**VIRGINIA INVESTMENT POOL TRUST FUND**  
**NOTES TO FINANCIAL STATEMENTS**

*JUNE 30, 2021 and 2020*

**Note 2—Deposits and Investment Risk (continued)**

The following schedule reflects the interest rate risk for the VIP Liquidity Pool as of June 30, 2020:

**VIP Liquidity Pool**

Investment Type	Fair Value	Investment Maturities (in days)								
		0-29	30-59	60-89	90-119	120-149	150-179	180-209	210-239	240-269
U.S. Treasury Securities	\$ 413,896,796	\$ 113,993,814	\$ 114,982,031	\$ 64,980,933	\$ 44,983,321	\$ 49,973,002	\$ 24,983,695	\$ -	\$ -	\$ -
Commercial Paper	339,382,611	69,971,894	49,986,903	59,532,091	49,944,582	19,984,028	89,963,113	-	-	-
Negotiable Certificates of Deposit	837,758,767	140,034,925	150,347,332	135,012,148	161,991,819	74,999,975	150,372,568	-	-	25,000,000
Repurchase Agreements	218,569,171	218,569,171	-	-	-	-	-	-	-	-
<b>Total VIP Liquidity Pool</b>	<b>\$ 1,809,607,345</b>	<b>\$ 542,569,804</b>	<b>\$ 315,316,266</b>	<b>\$ 259,525,172</b>	<b>\$ 256,919,722</b>	<b>\$ 144,957,005</b>	<b>\$ 265,319,376</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 25,000,000</b>

*\* The repurchase agreements meet the definition of a cash equivalent per policy and are reported on the Statement of Net Position as cash equivalents.*

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Trust. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and disclosure is not required. The Investment Policy states that no investment shall be purchased if its ratings from nationally recognized ratings firms are not at or above the minimum as established by the Board of Trustees and in the Code of Virginia. Certain major classes of investments presented below have minimum ratings for securities as defined in the Trust Investment Policy. Those major classes of investments without minimum ratings for securities are subject to a standard of prudence to be used by investment officials in the context of managing the portfolios.

- Bankers' acceptances from "prime quality" institutions. Prime quality shall be as determined by one or more nationally recognized rating agency.
- Commercial paper rated by at least two of the following: Moody's Investors Service Inc., within its NCO/Moody's rating of P1; by Standard & Poor's, Inc., within its rating of A-1; by Fitch Investor's Services, Inc., within its rating of F-1; by Duff and Phelps, Inc., within its rating of D-1; or by their corporate successors.
- Corporate notes with a rating of at least AA by Standard and Poor's and at least Aa by Moody's.
- Negotiable certificates of deposit and negotiable bank deposit notes of domestic banks and domestic offices of foreign banks with a rating of at least A-1 by Standard & Poor's, P-1 by Moody's Investor Service, Inc., for maturities of one year or less, and a rating of at least AA by Standard & Poor's and Aa by Moody's Investor Service, Inc., for maturities over one year.

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**VIRGINIA INVESTMENT POOL TRUST FUND**  
**NOTES TO FINANCIAL STATEMENTS**

JUNE 30, 2021 and 2020

**Note 2—Deposits and Investment Risk (continued)**

The following table reflects the credit quality of the investments held by the Trust in the VIP 1-3 Year Bond Fund as of June 30, 2021:

**VIP 1-3 Year Bond Fund**

	Fair Value by Credit Rating - S&P / Moody's				Total
	AA+ / Aa1	AA / Aa2	A-1+ / P-1	A-1 / P-1	
U.S. Government Agencies	\$ 121,977,357	\$ -	\$ -	\$ -	\$ 121,977,357
Negotiable Certificates of Deposit	-	-	550,297	550,116	1,100,413
Commercial Paper	-	-	-	549,950	549,950
Agency Mortgage Backed Securities	23,708,621	-	-	-	23,708,621
Corporate Bonds and Notes	6,084,240	9,723,476	-	-	15,807,716
<b>Total VIP 1-3 Year Bond Fund</b>	<b>\$ 151,770,218</b>	<b>\$ 9,723,476</b>	<b>\$ 550,297</b>	<b>\$ 1,100,066</b>	<b>\$ 163,144,057</b>

*Excludes investments of \$200.3 million that are obligations of the U.S. Government that are not subject to credit risk disclosure.*

The following table reflects the credit quality of the investments held by the Trust in the VIP 1-3 Year Bond Fund as of June 30, 2020:

**VIP 1-3 Year Bond Fund**

	Fair Value by Credit Rating - S&P / Moody's				Total
	AAA / Aaa	AA+ / Aa1	AA / Aa2	AA- / Aa3	
U.S. Government Agencies	\$ -	\$ 66,044,174	\$ -	\$ -	\$ 66,044,174
Agency Mortgage Backed Securities	-	39,743,490	-	-	39,743,490
Corporate Bonds and Notes	5,366,807	5,558,855	28,420,839	2,652,946	41,999,447
Municipal Securities	-	-	-	1,481,205	1,481,205
Supranational Bonds and Notes	2,084,379	-	-	-	2,084,379
<b>Total VIP 1-3 Year Bond Fund</b>	<b>\$ 7,451,186</b>	<b>\$ 111,346,519</b>	<b>\$ 28,420,839</b>	<b>\$ 4,134,151</b>	<b>\$ 151,352,695</b>

*Excludes investments of \$171.1 million that are obligations of the U.S. Government that are not subject to credit risk disclosure.*

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**VIRGINIA INVESTMENT POOL TRUST FUND**  
**NOTES TO FINANCIAL STATEMENTS**

*JUNE 30, 2021 and 2020*

**Note 2—Deposits and Investment Risk (continued)**

The following table reflects the credit quality of the investments held by the Trust in the VIP Liquidity Pool as of June 30, 2021:

**VIP Liquidity Pool**

	Fair Value by Credit Rating - S&P / Moody's			Total
	AA+ / Aa1	A-1+ / P-1	A-1 / P-1	
Repurchase Agreement	\$ -	\$ 40,395,642	\$ 76,232,414	\$ 116,628,056
Commercial Paper	-	29,998,563	124,990,359	154,988,922
Negotiable Certificates of Deposit	-	351,019,170	592,863,988	943,883,158
Agency Mortgage Backed Securities	24,994,375	-	-	24,994,375
<b>Total VIP Liquidity Pool</b>	<b>\$ 24,994,375</b>	<b>\$ 421,413,375</b>	<b>\$ 794,086,761</b>	<b>\$ 1,240,494,511</b>

*Excludes investments of \$350.0 million that are obligations of the U.S. Government that are not subject to credit risk disclosure.*

The following table reflects the credit quality of the investments held by the Trust in the VIP Liquidity Pool as of June 30, 2020:

**VIP Liquidity Pool**

	Fair Value by Credit Rating - S&P / Moody's		Total
	A-1+ / P-1	A-1 / P-1	
Commercial Paper	\$ 249,432,737	\$ 89,949,874	\$ 339,382,611
Negotiable Certificates of Deposit	461,272,158	376,486,609	837,758,767
Repurchase Agreement	175,186,610	43,382,561	218,569,171
<b>Total VIP Liquidity Pool</b>	<b>\$ 885,891,505</b>	<b>\$ 509,819,044</b>	<b>\$ 1,395,710,549</b>

*Excludes investments of \$413.9 million that are obligations of the U.S. Government that are not subject to credit risk disclosure.*

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer or security type. The Trust's investment policy states that no more than 35% of each portfolio's assets shall be invested in commercial paper, no more than 5% of each portfolio shall be invested in the commercial paper of a single issuing corporation, and that the investment manager shall endeavor to maintain appropriate diversification across instruments and institutions in order to reduce overall portfolio risk. There are no limits on the use of U.S. government, agency, or U.S. guaranteed issues. The Trust invests solely in fixed income securities. At June 30, 2021, and 2020, the commercial paper investments did not exceed 35% of the portfolio's assets and there were no investments in any one issuer that represents 5% or more of the total investments.

# VIRGINIA INVESTMENT POOL TRUST FUND

## NOTES TO FINANCIAL STATEMENTS

*JUNE 30, 2021 and 2020*

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### **Note 3—Fair value measurement**

Fair value, as defined under GAAP, is an exit price representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

Level 1: Observable inputs such as quoted prices in active markets.

Level 2: Inputs other than quoted prices in active markets that are either directly or indirectly observable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing a security and are developed based on market data obtained from sources independent of the reporting entity. These may include quoted prices for similar securities, interest rates, prepayment speeds, credit risk, and others. Debt securities are valued in accordance with the evaluated bid price supplied by the pricing service and are generally categorized as Level 2 in the hierarchy. Securities that are categorized as Level 2 in the hierarchy include, but are not limited to, repurchase agreements, U.S. Treasury securities, U.S. government agency securities, corporate securities, and commercial paper.

Level 3: Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions. In situations where quoted prices or observable inputs are unavailable or deemed less relevant (for example, when there is little or no market activity for an investment at the end of the period), unobservable inputs may be used. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the factors market participants would use in pricing the security and would be based on the best information available under the circumstances.

There have been no changes in the methodologies used as of June 30, 2021 and 2020. There were no transfers between levels in the fair value hierarchy during the period. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

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**VIRGINIA INVESTMENT POOL TRUST FUND**  
**NOTES TO FINANCIAL STATEMENTS**

*JUNE 30, 2021 and 2020*

**Note 3—Fair value measurement (continued)**

The following is a description of the valuation methodologies used for assets measured at fair value by the Trust for the VIP 1-3 Year Bond Fund as of June 30, 2021:

**VIP 1-3 Year Bond Fund**

		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	Total	Level 1	Level 2	Level 3
U.S. Treasury Securities	\$ 200,338,521	\$ -	\$ 200,338,521	\$ -
U.S. Government and Agency	121,977,357	-	121,977,357	-
Commercial Paper	549,950	-	549,950	-
Negotiable Certificates of Deposit	1,100,413	-	1,100,413	-
Agency Mortgage Backed Securities	23,708,621	-	23,708,621	-
Corporate Bonds and Notes	15,807,716	-	15,807,716	-
<b>Total VIP 1-3 Year Bond Fund</b>	<b>\$ 363,482,578</b>	<b>\$ -</b>	<b>\$ 363,482,578</b>	<b>\$ -</b>

The following is a description of the valuation methodologies used for assets measured at fair value by the Trust for the VIP 1-3 Year Bond Fund as of June 30, 2020:

**VIP 1-3 Year Bond Fund**

		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	Total	Level 1	Level 2	Level 3
U.S. Treasury Securities	\$ 171,123,385	\$ -	\$ 171,123,385	\$ -
U.S. Government and Agency	66,044,174	-	66,044,174	-
Agency Mortgage Backed Securities	39,743,490	-	39,743,490	-
Corporate Bonds and Notes	41,999,447	-	41,999,447	-
Municipal Securities	1,481,205	-	1,481,205	-
Supranational Bonds and Notes	2,084,379	-	2,084,379	-
<b>Total VIP 1-3 Year Bond Fund</b>	<b>\$ 322,476,080</b>	<b>\$ -</b>	<b>\$ 322,476,080</b>	<b>\$ -</b>

**VIRGINIA INVESTMENT POOL TRUST FUND**  
**NOTES TO FINANCIAL STATEMENTS**

*JUNE 30, 2021 and 2020*

**Note 3—Fair value measurement (continued)**

The following is a description of the valuation methodologies used for assets measured at fair value by the Trust for the VIP Liquidity Pool as of June 30, 2021:

**VIP Liquidity Pool**

		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	Total	Level 1	Level 2	Level 3
U.S. Treasury Securities	\$ 349,972,448	\$ -	\$ 349,972,448	\$ -
U.S. Government and Agency	24,994,375	-	24,994,375	-
Commercial Paper	154,988,922	-	154,988,922	-
Negotiable Certificates of Deposit	943,883,158	-	943,883,158	-
Repurchase Agreements	116,628,056	-	116,628,056	-
<b>Total VIP Liquidity Pool</b>	<b>\$ 1,590,466,959</b>	<b>\$ -</b>	<b>\$ 1,590,466,959</b>	<b>\$ -</b>

The following is a description of the valuation methodologies used for assets measured at fair value by the Trust for the VIP Liquidity Pool as of June 30, 2020:

**VIP Liquidity Pool**

		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
	Total	Level 1	Level 2	Level 3
U.S. Treasury Securities	\$ 413,896,796	\$ -	\$ 413,896,796	\$ -
Commercial Paper	339,382,611	-	339,382,611	-
Negotiable Certificates of Deposit	837,758,767	-	837,758,767	-
Repurchase Agreements	218,569,171	-	218,569,171	-
<b>Total VIP Liquidity Pool</b>	<b>\$ 1,809,607,345</b>	<b>\$ -</b>	<b>\$ 1,809,607,345</b>	<b>\$ -</b>

**Note 4—Related party transactions**

The Trust has an agreement with Virginia Local Government Finance Corporation (“VLGFC”) whereby VLGFC serves as administrator for the Trust. The Trust compensates VLGFC to provide administrative services through a monthly program fee charged as a percentage of invested assets. The administrative fee during fiscal years ended June 30, 2021 and 2020 amounted to \$0.51 million and \$ 0.47 million, respectively.

# VIRGINIA INVESTMENT POOL TRUST FUND

## NOTES TO FINANCIAL STATEMENTS

*JUNE 30, 2021 and 2020*

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### **Note 5—Subsequent Events**

The Trust has performed an evaluation of subsequent events through September 23, 2021, the date the basic financial statements were available to be issued. At the end of fiscal year 2021, COVID-19 cases in the U.S. were steadily declining; however, there are growing concerns with the Delta variant. The Federal Reserve has committed to keeping its benchmark rate at or near zero until labor-market conditions have reached levels consistent with the committee's assessments of maximum employment and inflation has risen to 2% and is on track to moderately exceed 2% for some time. The Liquidity Pool has a WAMR of less than 60 days, while the 1-3 Year Bond Fund has a duration of less than two years. Investments with shorter durations are subject to less interest rate risk. Management believes that it has adequately planned for economic downturns through portfolio diversification, increased liquidity, investing in securities with lower durations, and by modifying target asset allocations.

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**VIRGINIA INVESTMENT POOL TRUST FUND**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION (UNAUDITED)**

*JUNE 30, 2021*

	1-3 Year High Quality Bond Fund	Stable NAV Liquidity Pool	Total VIP Trust
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 1,101,070	377,944,133	379,045,203
Contributions Receivable	142,495	51,678,216	51,820,711
Investments at Fair Value	363,482,578	1,473,838,903	1,837,321,481
Interest Receivable	455,893	329,830	785,723
Total Assets	<u>365,182,036</u>	<u>1,903,791,082</u>	<u>2,268,973,118</u>
<b>LIABILITIES</b>			
Accounts Payable	39,640	145,754	185,394
Total Liabilities	<u>39,640</u>	<u>145,754</u>	<u>185,394</u>
<b>NET POSITION HELD IN TRUST FOR POOL PARTICIPANTS</b>	<b>\$ <u>365,142,396</u></b>	<b><u>1,903,645,328</u></b>	<b><u>2,268,787,724</u></b>

# VIRGINIA INVESTMENT POOL TRUST FUND

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (UNAUDITED)

YEAR ENDED JUNE 30, 2021

	1-3 Year High Quality Bond Fund	Stable NAV Liquidity Pool	Total VIP Trust
<b>ADDITIONS</b>			
Participant Contributions	\$ 30,670,677	1,799,725,624	1,830,396,301
Investment Income:			
Interest Income	3,825,379	3,630,378	7,455,757
Net Appreciation/(Depreciation) in Fair Value of Investments	(2,741,979)	(116,619)	(2,858,598)
Investment Expenses	(216,002)	(562,975)	(778,977)
Net Investment Income	867,398	2,950,784	3,818,182
Total Additions	31,538,075	1,802,676,408	1,834,214,483
<b>DEDUCTIONS</b>			
Participant Withdrawals	23,439,781	1,914,986,483	1,938,426,264
Administrative and Program Expenses	219,825	319,187	539,012
Total Deductions	23,659,606	1,915,305,670	1,938,965,276
Net Change before Transfers	7,878,469	(112,629,262)	(104,750,793)
Transfers between Pools	26,421,689	(26,421,689)	-
Change in Net Position	34,300,158	(139,050,951)	(104,750,793)
Net Position Beginning of Year	330,842,238	2,042,696,279	2,373,538,517
<b>NET POSITION HELD IN TRUST FOR POOL PARTICIPANTS</b>	<b>\$ 365,142,396</b>	<b>1,903,645,328</b>	<b>2,268,787,724</b>

**VIRGINIA INVESTMENT POOL TRUST FUND**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION (UNAUDITED)**

*JUNE 30, 2020*

	<u>1-3 Year High Quality Bond Fund</u>	<u>Stable NAV Liquidity Pool</u>	<u>Total VIP Trust</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 7,472,731	\$ 449,858,262	\$ 457,330,993
Investments at Fair Value	322,476,080	1,591,038,174	1,913,514,254
Interest Receivable	933,779	1,841,619	2,775,398
Total Assets	<u>330,882,590</u>	<u>2,042,738,055</u>	<u>2,373,620,645</u>
<b>LIABILITIES</b>			
Accounts Payable	40,351	41,776	82,127
Total Liabilities	<u>40,351</u>	<u>41,776</u>	<u>82,127</u>
<b>NET POSITION HELD IN TRUST FOR POOL PARTICIPANTS</b>	<u>\$ 330,842,239</u>	<u>\$ 2,042,696,279</u>	<u>\$ 2,373,538,518</u>

# VIRGINIA INVESTMENT POOL TRUST FUND

## COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (UNAUDITED)

YEAR ENDED JUNE 30, 2020

	<u>1-3 Year High Quality Bond Fund</u>	<u>Stable NAV Liquidity Pool</u>	<u>Total VIP Trust</u>
<b>ADDITIONS</b>			
Participant Contributions	\$ 21,661,421	\$ 2,430,960,320	\$ 2,452,621,741
Investment Income:			
Interest Income	7,842,957	18,743,389	26,586,346
Net Appreciation in Fair Value of Investments	6,121,606	87,935	6,209,541
Investment Expenses	(213,199)	(542,902)	(756,101)
Net Investment Income	<u>13,751,364</u>	<u>18,288,422</u>	<u>32,039,786</u>
Total Additions	<u>35,412,785</u>	<u>2,449,248,742</u>	<u>2,484,661,527</u>
<b>DEDUCTIONS</b>			
Participant Withdrawals	29,050,575	1,610,092,211	1,639,142,786
Administrative and Program Expenses	230,861	286,546	517,407
Total Deductions	<u>29,281,436</u>	<u>1,610,378,757</u>	<u>1,639,660,193</u>
Net Change before Transfers	6,131,349	838,869,985	845,001,334
Transfers between Pools	<u>(99,343,577)</u>	<u>99,343,577</u>	<u>-</u>
Change in Net Position	(93,212,228)	938,213,562	845,001,334
Net Position Beginning of Year	<u>424,054,467</u>	<u>1,104,482,717</u>	<u>1,528,537,184</u>
<b>NET POSITION HELD IN TRUST FOR POOL PARTICIPANTS</b>	<u>\$ 330,842,239</u>	<u>\$ 2,042,696,279</u>	<u>\$ 2,373,538,518</u>

**Report of Independent Auditor on Internal Control over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the Board of Trustees  
Virginia Investment Pool Trust Fund  
Richmond, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Virginia Investment Pool Trust Fund (the "Trust"), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements, and have issued our report thereon dated September 23, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audits of the financial statements, we considered the Trust's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audits we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Trust's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Cherry Belmont LLP".

Richmond, Virginia  
September 23, 2021