Virginia
Pooled OPEB Trust Fund

Comprehensive Annual Financial Report

For the Year Ended June 30, 2012

DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

Virginia Pooled OPEB Trust Fund

Comprehensive Annual Financial Report

For the Year Ended June 30, 2012

Prepared by:

VML/VACO Finance

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Table of Contents

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Pooled OPEB Trust Fund

LETTER OF TRANSMITTAL

December 12, 2012

Honorable Board of Trustees
Virginia Pooled OPEB Trust Fund
Richmond, Virginia

It is our pleasure to submit the *Comprehensive Annual Financial Report* (CAFR) of the Virginia Pooled OPEB Trust Fund (Trust) for the year ended June 30, 2012. The CAFR represents a compilation of financial data that details the Trust's financial status. Information contained in this report was prepared in strict conformance with accounting principles generally accepted in the United States of America as promulgated by the Government Accounting Standards Board (GASB). The CAFR is intended to provide readers with a clearly articulated, user-friendly reporting of the Trust's financial affairs. Responsibility for both the accuracy of the data, and the completeness and reliability of the presentation, including all disclosures, rests with the management of the Trust. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and the activities of the Trust.

The CAFR is presented in two sections:

1) *Introductory Section* – includes this letter of transmittal, identification of the Trust's administrative organization, and descriptions of administrative responsibilities.

2) *Financial Section* – consists of the Report of Independent Auditors, Management's Discussion and Analysis (MD&A), basic financial statements, and the notes to the financial statements.

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

Background

The Virginia Pooled OPEB Trust Fund, operating pursuant to the Virginia Pooled OPEB Trust Fund Agreement, was established on April 11, 2008 as an irrevocable trust to receive, invest, and disburse funds set aside by political subdivisions of the Commonwealth of Virginia to defray future expenses related to post employment benefits other than pensions (OPEB). Income of the Trust is tax-exempt under Section 115 of the Internal Revenue Code. The Trust is jointly sponsored by the Virginia Association of Counties (VACo) and the Virginia Municipal League (VML) and operates as the "VACo/VML Pooled OPEB Trust."

The Trust was founded in response to Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (Statement No. 43) and GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (Statement No. 45).

Primary benefits of participation in the Trust include professional management of trust assets in two diversified investment portfolios: one with a targeted rate of return of 7.5% and the other with a targeted rate of return of 6.5%. Participants hold individual trust accounts wherein they can monitor the performance of their investments, without the burden and expense of directing privately managed individual trust accounts.

As of June 30, 2012, the Trust held 40 employer accounts for Virginia political subdivisions and related governmental entities. In some cases, related employers, such as a primary government and its public school system, have established joint Trust accounts.

The Virginia Local Government Finance Corporation (VLGFC), operating as "VML/VACo Finance," provides day-to-day administration of the Trust pursuant to a Memorandum of Agreement. An investment consultant is retained by the Trust to provide ongoing investment advice to the trustees. A custodian bank has also been contracted to assist with the management of assets and the reporting of contributions, distributions and employer balances within the Trust.

FY 2012 Highlights

Fiscal Year 2012 saw continued growth for the Virginia Pooled OPEB Trust. The net assets held by the Trust increased substantially during the year, growing from $318.1 million on June 30, 2011 to $401.2 million on June 30, 2012. Despite ongoing budgetary constraints, governmental employers across the Commonwealth continue to recognize the benefit of investing current assets to offset the increasing liabilities resulting from other post employment benefits.

The Board of Trustees initiated several actions during the year to reallocate assets as part of a strategy to protect against inflation, capitalize on growth in emerging markets, and provide further diversification of the portfolios. Specific actions included 1) designating an explicit allocation to emerging markets with a dedicated fund manager; 2) increasing the allocation to the hedge fund; and 3) increasing the allocation to real assets.

Summary of Financial Condition

The objective of the Trust is to assist participating employers in providing for their future OPEB obligations by generating investment earnings on employer contributions. Individual participants engage their own consulting actuaries to determine their long-term OPEB obligations and the sufficiency of current contribution levels to fund the liabilities of each plan over a reasonable time frame. Contributions not necessary for the payment of current expected benefits may be remitted to the Trust for long-term investment. Governmental accounting standards specify that the maximum acceptable amortization period for the total unfunded actuarial liability is 30 years.

An optimally diversified investment portfolio is designed to provide long-term returns for a given level of risk as measured by volatility. Portfolio I is designed to produce an expected rate of return of 7.5%; Portfolio II has an expected rate of return of 6.5%. For the period ended June 30, 2012, Portfolio I produced an actual one-year return of -1.0% and a three-year annualized return of 10.2%. Portfolio II, which was established on September 30, 2009, produced an actual one-year return of 2.4% and a two-year annualized return of 8.2%.

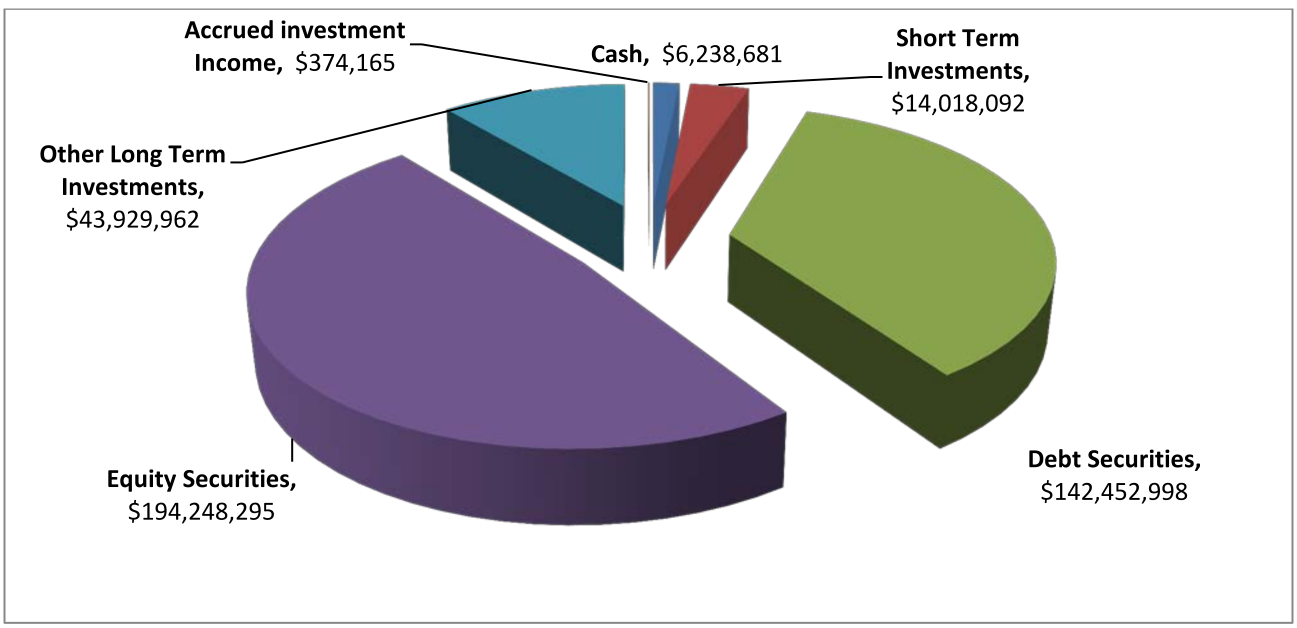
The Trust measures its returns against a customized benchmark, comprised of recognized indexes for each asset class weighted by the Trust's target allocation for that asset class. For example, 10.9% of Portfolio I's custom benchmark is comprised of the return of the S&P 500. For the year ended June 30, 2012, the custom benchmark for Portfolio I returned a one-year / three-year annualized return of 2.5% / 11.6%, whereas the custom benchmark for Portfolio II returned a one year / two-year annualized return of 4.4% / 9.1%.

The target allocations of the Trust as of June 30, 2012, were as follows:

Asset Class	Portfolio I	Portfolio II
Total Equity	**57.0%**	**34.0%**
Large Cap Equity	35.0%	20.0%
Small Cap Equity	10.0%	6.0%
International Equity	12.0%	8.0%
Fixed Income	**35.0%**	**60.0%**
Core Plus	23.0%	39.0%
Core	12.0%	21.0%
Diversified Hedge Funds	**5.0%**	**3.0%**
Real Assets	**3.0%**	**3.0%**
Real Estate	3.0%	3.0%
Cash & Equivalents	**0.0%**	**0.0%**

The target allocations are updated and revised by the Board of Trustees as the Board investigates additional asset classes and assesses market conditions with the advice of an Investment Consultant. The Board of Trustees has elected to incorporate two additional sub-asset classes with dedicated fund managers focused on Emerging Markets Equity and Commodities in Fiscal Year 2013. The chart below summarizes the Trust's asset allocation as of June 30, 2012.

Value of Investments by Asset Allocation as of June 30, 2012



Independent Audit

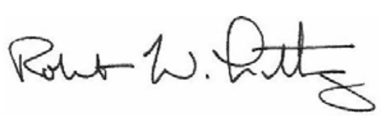
For the year ended June 30, 2012, the Trust's financial statements were audited by the certified public accounting firm of Dixon Hughes Goodman LLP to provide reasonable assurance that the financial statements of the Trust were free of material misstatement. The audit: a) examined activities, documents, and disclosures used to create the financial statements, b) assessed the accounting principles used by management, and c) evaluated the overall financial statement presentation.

Acknowledgements

The completion of this report reflects the efforts of the Board of Trustees and staff of VML/VACO Finance working together to achieve the goals of the Trust. The report is intended to provide comprehensive and reliable information about the Trust and allow for the evaluation of responsible stewardship of the funds of the Trust's net assets.

We express our gratitude to the members of the Board, the consultants, the auditors, and the many people who have worked so diligently to assure the successful operation of the Trust.

Respectfully submitted,

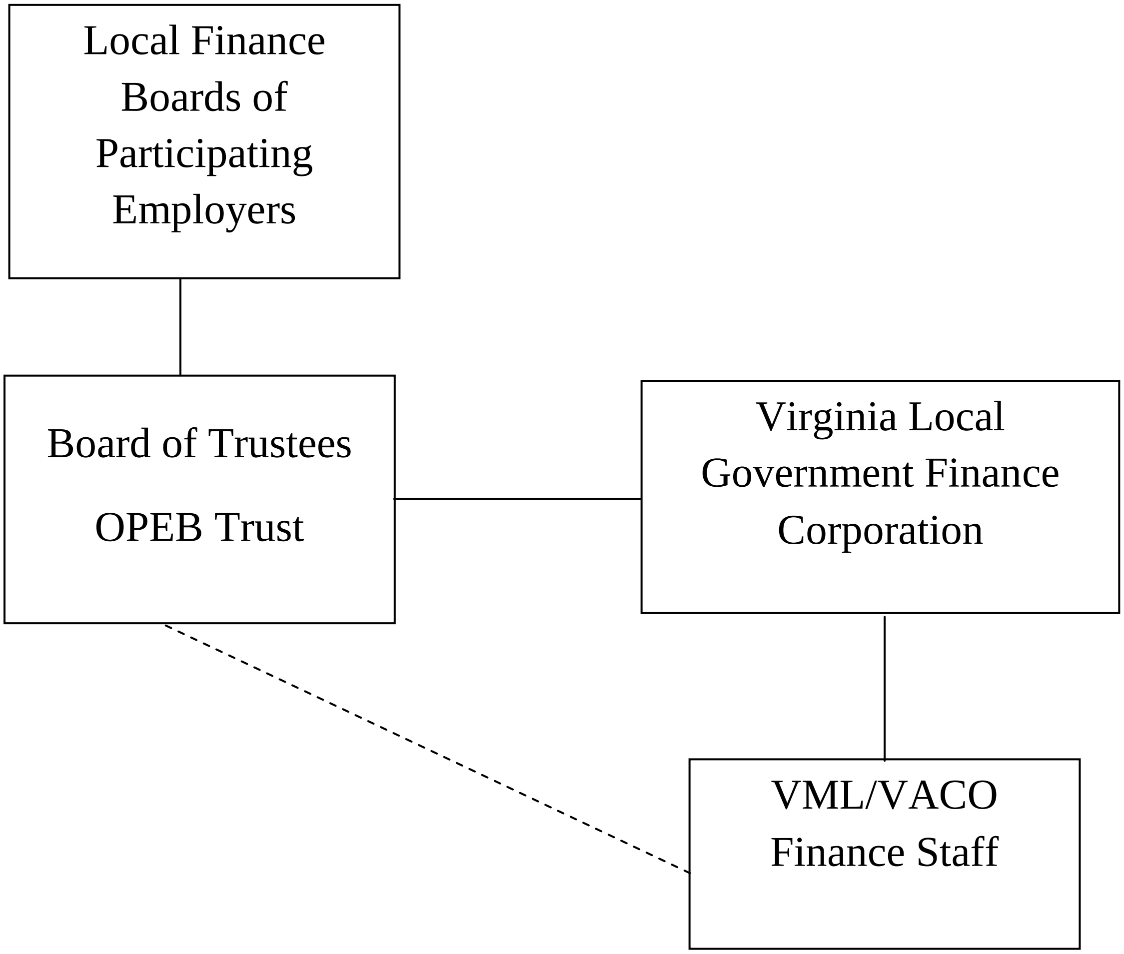


Robert W. Lauterberg
Managing Director
VML/VACO Finance

Steven C. Mulroy
Deputy Director
VML/VACO Finance

Virginia Pooled OPEB Trust Fund

Organization Chart



Virginia Pooled OPEB Trust Fund

Governing Board and Administration
June 30, 2012

Administrative Staff

Robert W. Lauterberg
Managing Director
VML/VACo Finance

Steven C. Mulroy
Deputy Director & Chief Financial Officer
VML/VACo Finance

Caitlin A. Farrell
Financial Services Manager
VML/VACo Finance

Investment Consultant

Asset Consulting Group, LLC

St. Louis, Missouri

Custodian

Comerica Bank, Inc.

Detroit, Michigan

DIXON HUGHES GOODMAN LLP
Certified Public Accountants and Advisors

Independent Auditors' Report

Board of Trustees
Virginia Pooled OPEB Trust Fund

We have audited the accompanying statement of pool net assets of the ***Virginia Pooled OPEB Trust Fund***, an investment trust fund for authorized local governmental entities of the Commonwealth of Virginia, as of June 30, 2012 and the related statement of changes in pool net assets for the year then ended. These financial statements are the responsibility of ***Virginia Pooled OPEB Trust Fund*****'s** management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the pool net assets of the ***Virginia Pooled OPEB Trust Fund*** as of June 30, 2012, and the respective changes in pool net assets for the year ended June 30, 2012, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 13 through 17 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the ***Virginia Pooled OPEB Trust Fund*****'s** financial statements as a whole. The introductory section is presented for purposes of additional analysis and is not a required part of the financial statements. The introductory sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Dixon Hughes Goodman LLP

Richmond, Virginia
December 12, 2012

4510 Cox Road, Suite 200, Glen Allen, VA 23060 | T 804-282-7636 | F 804-282-1461 | dhgllp.com

Virginia Pooled OPEB Trust Fund
Management's Discussion and Analysis
For the period ended June 30, 2012

Management offers the following discussion and analysis as a narrative introduction to the basic financial statements and an analytical overview of the Trust's financial activities for the fiscal year ended June 30, 2012. This narrative is intended as a supplement and should be read in conjunction with the financial statements.

Overview of the Financial Statements

The Trust's financial statements include the following components:

- Statement of Pool Net Assets
- Statement of Changes in Pool Net Assets
- Notes to Financial Statements

The *Statement of Pool Net Assets* presents the Trust's assets and liabilities and the resulting net assets, which are held in trust for the other post employment benefits of contributing members. This statement reflects a year-end snapshot of the Trust's investments, at fair value, along with cash and short-term investments, receivables and other assets and liabilities.

The *Statement of Changes in Pool Net Assets* presents information showing how the Trust's net assets held in trust for other post employment benefits changed during the period. This statement includes additions for contributions by employers and investment earnings and deductions for payments, refunded contributions and administrative expenses.

The *Notes to Financial Statements* are an integral part of the financial statements and provide additional information that is necessary in order to gain a comprehensive understanding of data reported in the financial statements.

Financial Highlights

- Net assets are held in trust to contribute toward future benefit payments of participating localities. Total plan net assets at June 30, 2012 totaled $401.2 million.

- Outstanding accounts payable at year end were $93,421. This amount represents one-time fees payable to the program administrator and fund manager fees.

- Employer contributions comprised $82.3 million of the net increase in assets of $83.1 million during the year.

Condensed Financial Information

In order to ensure the participating employers' ability to properly fund the payment of other post employment benefits to their employees in future years, it is necessary for employers to accumulate funds on a regular and systematic basis. The principal sources from which the Trust derives additions are employer contributions and earnings on investments.

Comparative summary financial statements of the Trust are presented as follows:

POOL NET ASSETS
June 30, 2011 and 2012

	2011	2012
ASSETS		
Cash	$ 6,951,283	$ 6,238,681
Short Term Investments	15,268,670	14,018,092
Long Term Investments	295,670,717	380,631,255
Accrued investment Income	275,820	374,165
TOTAL ASSETS	$ 318,166,490	$ 401,262,193
LIABILITIES		
Accounts payable	$ 49,426	$ 93,421
TOTAL LIABILITIES	$ 49,426	$ 93,421
Net assets held in trust for other postemployment benefits	$ 318,117,064	$ 401,168,772

CHANGES IN POOL NET ASSETS
Years Ended June 30, 2011 and 2012

	2011	2012
ADDITIONS		
Employer contributions	$ 71,997,420	$ 82,337,513
Net investment income	43,825,014	1,154,471
TOTAL ADDITIONS	$ 115,822,434	$ 83,491,984
DEDUCTIONS		
Professional Services, Investment Advisory, and Administration	$ 400,785	$ 440,276
TOTAL DEDUCTIONS	$ 400,785	$ 440,276
NET INCREASE	$ 115,421,649	$ 83,051,708
Net assets held in trust for other postemployment benefits:		
BEGINNING OF YEAR	$ 202,695,415	$ 318,117,064
END OF YEAR	$ 318,117,064	$ 401,168,772

Analysis of Financial Position and Results of Operations

The total plan net assets were $401.2 million at June 30, 2012, with contributions from thirty participating political subdivisions. Related employers, such as a primary government and a school system, may join the Trust individually or as one participant. Sixteen of the thirty Participating Employers made contributions during FY 2012. Among these, Spotsylvania County Public Schools and the City of Lexington & Public Schools joined the Trust and made their initial contributions during the year.

Current Trust participants and the fiscal year in which they joined the Trust are as follows:

Henrico County	2007-2008
City of Suffolk & City of Suffolk Public Schools	2007-2008
Fairfax County	2007-2008
City of Chesapeake Public Schools	2007-2008

Chesterfield County & Chesterfield County Public Schools	2007-2008
City of Roanoke	2007-2008
Fairfax County Public Schools	2007-2008
City of Virginia Beach & Virginia Beach Public Schools	2007-2008
Health Care Commission of Chesterfield County	2008-2009
Stafford County Public Schools	2008-2009
Fauquier County & Public Schools	2008-2009
Town of Leesburg	2008-2009
City of Staunton & Staunton City Public Schools	2008-2009
Newport News Redevelopment & Housing Authority	2008-2009
Southeastern Cooperative Educational Programs	2008-2009
Richmond Metropolitan Authority	2008-2009
Henry County, Henry County Schools, Henry County Social Services, & Henry County PSA	2008-2009
Roanoke County	2008-2009
Stafford County	2008-2009
Town of Blacksburg	2008-2009
Alexandria City Public Schools	2008-2009
City of Salem & Salem City Schools	2008-2009
Fluvanna County	2008-2009
Rappahannock Area Community Services Board	2009-2010
Loudoun County	2009-2010
Newport News Public Schools	2009-2010
Town of Ashland	2010-2011
Mecklenburg County	2010-2011
Spotsylvania County Public Schools	2011-2012
City of Lexington & Public Schools	2011-2012

Requests for Information

This financial report is designed to provide a general overview of the Trust's finances. 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
919 E. Main St., Suite 1100
Richmond, VA 23219
(804) 648-0635

Virginia Pooled OPEB Trust

Statement of Pool Net Assets

		June 30, 2012
ASSETS		
Cash	$	6,238,681
Short Term Investments		14,018,092
Long Term Investments at fair value		
Debt Securities		142,452,998
Equity Securities		194,248,295
Other Long Term Investments		43,929,962
Accrued investment Income		374,165
	$	401,262,193
LIABILITIES		
Accounts payable	$	93,421
Net assets held in trust for other postemployment benefits	$	401,168,772

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

Virginia Pooled OPEB Trust

Statement of Changes in Pool Net Assets

		Year Ended June 30, 2012
ADDITIONS		
Employer contributions	$	82,337,513
Investment income		
Net appreciation in fair value of investments		(3,999,899)
Interest and dividends		5,987,546
Less investment expenses		(833,176)
	$	1,154,471
TOTAL ADDITIONS	$	83,491,984
DEDUCTIONS		
Professional services, investment advisory & administrative	$	440,276
NET CHANGE	$	83,051,708
Net assets held in trust for other postemployment benefits:		
BEGINNING OF YEAR	$	318,117,064
END OF YEAR	$	401,168,772

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

1. Organization and Nature of Activities

The Virginia Pooled OPEB Trust Fund (Trust) was established April 11, 2008 for the purpose of accumulating and investing assets to fund post-employment benefits other than pensions for counties, cities, towns, school divisions and other authorized political subdivisions of the Commonwealth of Virginia. The Trust is not a component unit of another governmental entity.

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 composed of nine members. Trustees are members of Local Finance Boards of participating employers 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, Henrico County and Fairfax County, are each entitled to representation on the Board of Trustees through fiscal year 2014.

The Trust does not purport to present the financial status of each of the participating employer's post-employment benefit plans, nor do these statements contain information on accumulated plan benefits and other disclosures necessary for a fair presentation of the individual plan in accordance with accounting principles generally accepted in the United States of America.

2. Summary of Significant Accounting Policies

Measurement Focus and Basis of Accounting

The financial statements of the Trust are presented as a fiduciary fund type. The economic resources measurement focus and the accrual basis of accounting are used in the preparation of the financial statements. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each employer's plan.

Cash and Cash Equivalents

The Trust considers all cash and highly liquid investments with original maturities of three months or less to be cash equivalents. All cash equivalents are recorded at cost, which approximates fair value.

Investments

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. See Note 3 for discussion of fair value measurements. Net investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments, interest income earned, and investment expense. Realized gains and losses on the sale of investments are recognized on the specific identification basis to determine the cost basis of the investments sold.

In order to account for each participating employer's activity, separate accounts are maintained by the Trust. As such, investment and expenses are separately accounted for and maintained by employers.

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.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenues and expenses 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 employers have been terminated in their entirety." Partial termination would occur when a participating employer'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 are distributed or transferred in accordance with the Trust Agreement to a trust or trusts established by the participating employer(s) for the funding of other post employment benefits.

Subsequent events

In preparing these financial statements, the Trust has evaluated events and transactions for potential recognition or disclosure through December 12, 2012, the date the financial statements were available to be issued.

3. Investments and Risk

The following information regarding disclosures of credit and interest rate risk are designed to inform financial statement users about investment risks which could affect the Trust's ability to meet its obligations. 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.

Custodial Credit Risk – Deposits

The Virginia Security for Public Deposits Act (Act) requires financial institutions holding public deposits in excess of amounts covered by federal insurance to pledge collateral to a pool in the name of the State Treasury Board. The State Treasury Board is responsible for monitoring compliance with the requirements of the Act and for notifying local governments of compliance by banks and savings and loans. If the value of the pool's collateral is inadequate to cover a loss, additional amounts would be assessed on a pro rata basis to the members of the pool. Accordingly, all deposits in banks and savings and loans are considered to be insured. The Trust had no carrying amount or bank balance on deposit at June 30, 2012.

Interest Rate Risk – Investments

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's investment policy mandates that no single issue shall exceed five percent of the portfolio, nor shall any single issuer exceed ten percent of the portfolio, with the exception of U.S. Treasury and U.S. government agency securities.

Foreign Currency Risk – Investments

The Trust's exposure to foreign currency risk derives from its holdings of foreign securities and the use of derivatives to hedge the related foreign currency exposure back to the U.S. dollar. The Trust restricts the investment in foreign securities to 20% per investment manager's portfolio at fair market value, including a maximum of 5% in issues other than Canadian, U.K., Japanese, Australian, Scandinavian, or European monetary system's bloc governments and their agencies and supra-national borrowers in local currency or ECU.

Credit Risk - Investments

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.

Concentration of Credit Risk - Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Trust's investment policy mandates that no more than 25% of Trust assets at market value shall be invested by each investment manager, no more than 20% of Trust assets at market value shall be invested in one general industry, and that no more than 5% of Trust assets at market value shall be invested in the securities of one company. There are no limits on the use of U.S. government, agency, or guaranteed issues.

As of June 30, 2012, the Trust had the following investments and maturities:

	Fair Value	Maturities Less Than 1 Year	Credit Rating
Closely held equity:			
Hedge fund	$ 30,880,205	$ 30,880,205	NA
International equity	34,439,953	34,439,953	NA
Common stocks:			
Large capital	64,276,018	64,276,018	NA
Small capital	38,285,159	38,285,159	NA

	Fair Value		Maturities Less Than 1 Year	Credit Rating
Mutual funds:				
Real estate	$ 13,049,757	$	13,049,757	Not rated
Large capital	38,806,962		38,806,962	Not rated
Bonds	142,452,998		142,452,998	Not rated
International equity	18,440,203		18,440,203	Not rated
Total assets at fair value	$ 380,631,255	$	380,631,255	

The following information is presented in connection with the above closely held equity investment asset class regarding the nature of the Trust's investments and related commitments. The fair value of the investments has been estimated using the net asset value per share. Redemption of these investments is restricted as indicated below.

Closely Held Investment	Fair Value	Unfunded Commitments	Redemption Notice Period
Hedge Fund – Grosvenor (a)	$30,880,205	N/A	70 days
International Equity – Baring (b)	$34,439,953	N/A	10 business days

(a) Grosvenor Institutional Partners is a globally diversified, multi-strategy, multi-manager portfolio that allocates its assets to hedge fund managers that invest in various alternative investment strategies. These underlying managers and strategies may include long and short positions in equity and fixed income securities.

(b) The Baring Focused International Equity Fund seeks to achieve long term capital appreciation by investing in a minimum of 30 issuers, under normal market conditions, which are organized, headquartered, or domiciled in any country included in the Morgan Stanley Capital International Europe Australasia Far East Index (the "EAFE Index"). Issuers may also include those whose principal listing is on a securities exchange in any country included in the EAFE index. Under normal market conditions, the Fund invests a minimum of 90% of its total assets in equity securities.

4. Related Party Transactions

The Trust has an agreement with the Virginia Local Government Finance Corporation (VLGFC) whereby the VLGFC serves as administrator for the Trust. The Trust reimburses the VLGFC for personnel costs, rent and other expenses incurred on its behalf through a quarterly program fee charged as a percentage of invested assets. The quarterly program fee during 2012 amounted to $304,772, net of the amount paid by VLGFC on behalf of the Trust for certain custodial fees of $45,062. The $45,062 paid to VLGFC which was applied to custodial fees is reported on the financial statements as an investment expense.

New participants pay a one-time membership fee to VLGFC upon joining the Trust and have the choice of paying a one-time fee of $5,000 or a membership fee of $1,500 plus an additional recurring fee of 13 basis points for the first five years. The one-time fees were reduced during 2012 to $3,500 and $500, respectively. Membership fee revenues totaled $5,500 for the year.

5. Subsequent Events

As of September 30, 2012, the Trust had received contributions totaling $23,222,353 from six participants. The market value of net invested assets on September 30, 2012, had increased by $38.1 million, or 10%.

* * * * *