

December 1, 2000

Dear Fellow Investors:

I am pleased to provide you with this Comprehensive Annual Financial Report of the Treasurer's Short-Term Investment Fund (STIF) for the fiscal year ended June 30, 2000.

### **Year 2000 Highlights**

Fiscal year 2000 was a strong year for STIF. The Fund earned 6.01 percent, exceeding the average return of similar funds by 43 basis points. As a result, Connecticut's governments and their taxpayers benefitted from an additional \$16 million in interest income.

STIF assets under management grew during the year from approximately \$3.6 billion to \$3.7 billion. Net investment income grew \$15.8 million, from \$197.5 million in fiscal year 1999 to \$213.3 million in fiscal year 2000. Administrative expenses remained at an extremely low level, approximately three basis points of average net assets.

During fiscal year 2000, the Fund's staff also developed Debt Service Express, which provides towns with the opportunity to have their debt service payments deducted from their STIF accounts by their bond paying agents.

Additionally, we have continued to make financial information readily accessible to investors by providing monthly STIF yields and quarterly reports on the Internet. This Annual Report, and an annual meeting scheduled for December 6, 2000, are offered to provide a more comprehensive understanding of the STIF investment record. Additional access to this report will be made available through the Internet at [www.state.ct.us/ott](http://www.state.ct.us/ott).

### **Outside Reviews**

STIF's AAAM rating by Standard & Poor's (S&P), the leading rating agency of money market funds and local government investment pools, was reaffirmed in December 1999. The AAAM rating, Standard & Poor's highest money fund rating, is based on an analysis of the pool's management, investment guidelines, portfolio holdings and market price exposure. This rating, in S&P's view, "signifies that safety of invested principal is excellent and there is a superior capacity to maintain a \$1 per share net asset value at all times." In addition, S&P monitors our portfolio on a weekly basis to ensure that we maintain the safety and liquidity you deserve.

STIF's portfolio is also reviewed by the Investment Advisory Council and the Treasurer's Cash Management Advisory Board periodically throughout the year.

In addition, we once again received a Certificate of Achievement for Excellence in Financial Reporting for our Comprehensive Annual Financial Report from the Government Finance Officers Association of the United States and Canada (GFOA).

### **Report Contents**

This report was prepared in its entirety by the Connecticut State Treasurer's Office and we take full responsibility for the accuracy of the data and the completeness and fairness of the presentation of the financial statements, supporting schedules, investment performance information, and the statistical tables in it. The report contains four sections:

## MANAGEMENT'S REPORT

Connecticut State Treasury  
Hartford, Connecticut  
October 13, 2000

The Office of the Treasurer assumes the daily responsibility of managing the assets of the Short-Term Investment Fund (STIF) pool. State Street Bank and Trust Company serves as custodian for the pool. All investments must be made in instruments authorized by Connecticut General Statutes (CGS) 3-27c - 3-27f. The most recent guidelines under which the pool operates were adopted and approved by the State Treasurer on August 21, 1996. It is our belief that the contents of this Annual Report make evident the State of Connecticut Treasurer's Office support of the safe custody and conscientious stewardship of the Short-Term Investment Fund.

While STIF's financial statements and the related financial data contained in this Annual Report have been prepared in conformity with generally accepted accounting principles as a "2a7-like" pool, and such financial statements are audited annually by the State Auditors of Public Accounts, the ultimate accuracy and validity of this information is the responsibility of the management of the State Treasurer's Office. To carry out this responsibility, the Treasury maintains financial policies, procedures, accounting systems and internal controls which management believes provide reasonable, but not absolute, assurance that accurate financial records are maintained and investments and other assets are safeguarded.

In management's opinion, STIF's internal control structure is adequate to ensure that the financial information in this report presents fairly STIF's operation and financial condition.

Sincerely,



Howard G. Rifkin  
Deputy Treasurer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

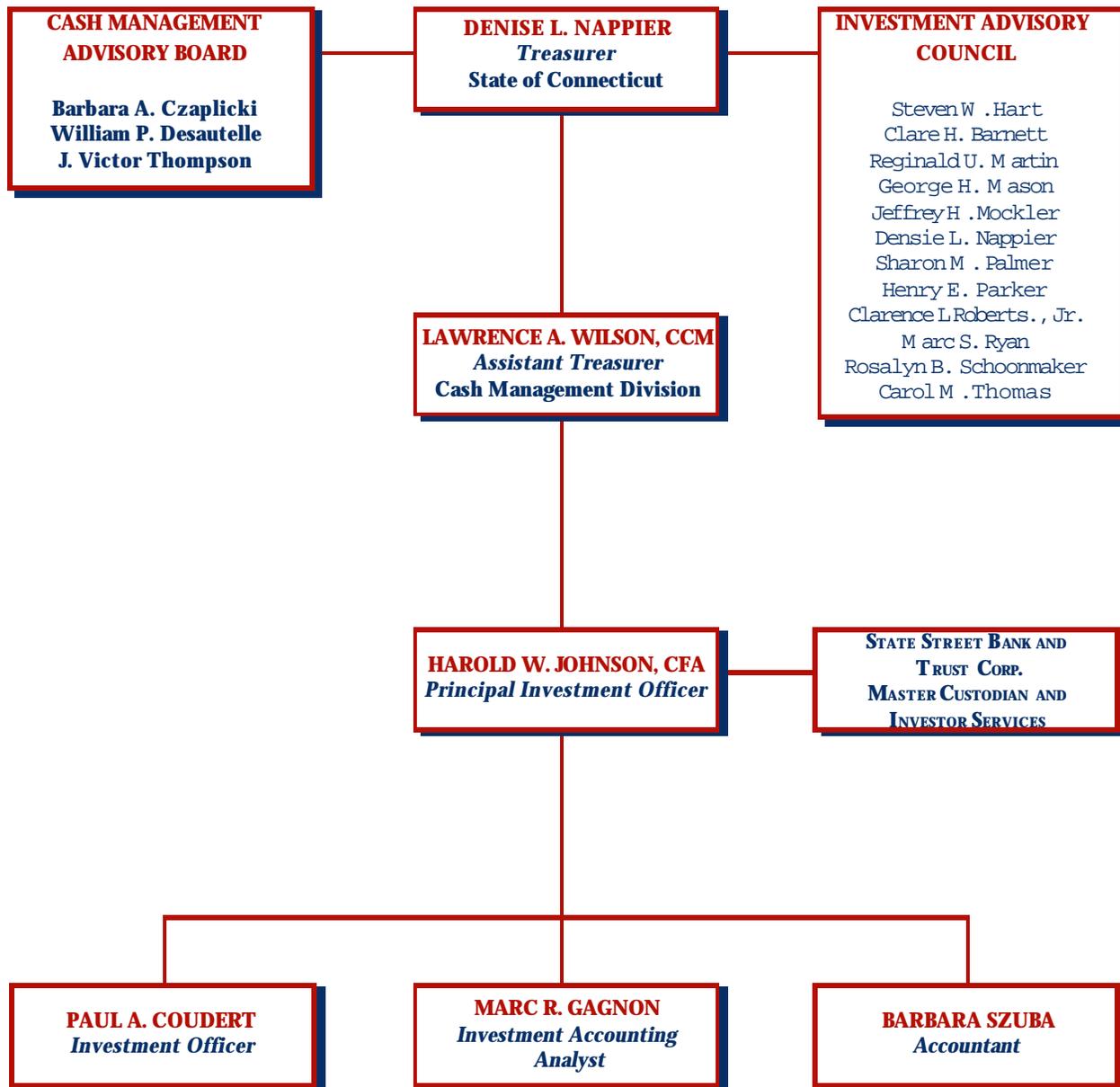
## Connecticut State Treasurer's Short-Term Investment Fund

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 1999

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



*Greg Brubaker*  
President  
*Jeffrey L. Esch*  
Executive Director



**\* As of December 1, 2000.**

**SHORT TERM INVESTMENT FUND**

**Fund Facts at June 30, 2000**

**Investment Strategy/Goals:** To provide a safe, liquid and effective investment vehicle for the operating cash of the State, municipalities and other Connecticut political subdivisions.

**Date of Inception:** 1972

**Total Net Assests:** \$3.7 billion

**Benchmarks:** IBC First Tier Institutions-Only Rated Money Fund Report Index (IBC), Federal Reserve Three-Month CD, Federal Reserve Three-Month T-Bill.

**Performance Objective:** As high a level of current income as is consistent with, first, the safety of principal and, second, the provision of liquidity.

**Internally Managed**

**External Management Fees:** None

**Expense Ratio:** Less than 3 basis points (includes internal management and personnel salaries).

**Description of the Fund**

The Treasurer's Short-Term Investment Fund ("STIF" or the "Fund") is a Standard & Poor's AAAM rated investment pool of high-quality, short-term money market instruments managed by the Cash Management Division. Created in 1972, STIF serves as an investment vehicle for the operating cash of the State Treasury, State agencies and authorities, State municipalities, and other political subdivisions of the State. STIF's investment objective is to provide the greatest income within the parameters of first, ensuring the preservation and safety of principal and, second, providing immediate liquidity to meet participants' daily cash flow requirements. During the fiscal year 2000, STIF's portfolio averaged \$3.6 billion.

STIF employs the basic investment strategy of buying on market weakness. For example, when interest rates rise, STIF is in the market taking advantage of higher yields. To ensure sufficient liquidity due to any unexpected participant withdrawals, STIF closely monitors the portfolio's "average maturity" (time to maturity or interest rate reset date of all securities in the portfolio). STIF continually analyzes future expectations of interest rate movements and changes in the shape of the yield curve to ensure the most prudent and effective short-term money management for its clients. Ongoing credit analysis en-

ables STIF to enhance yield by identifying high-quality credits in undervalued sectors of the economy.

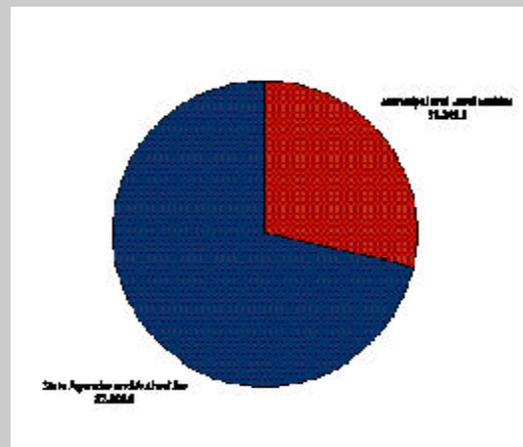
STIF pays interest monthly based on the daily earnings of the Fund less expenses and an allocation to the Fund's Designated Surplus Reserve. The reserve allocation equals one-tenth of one percent of the Fund's daily balances divided by the number of days in the year. The total Designated Surplus Reserve is limited to one percent of the Fund's daily balance. This reserve, currently \$33.7 million, contributes significantly to STIF's low risk profile.

The Fund evaluates its performance by comparing its returns to three indices. The first index, the IBC First Tier Institutions-Only Rated Money Fund Report Index ("IBC Index") represents an average of institutional money market mutual funds rated AAA or AA investing primarily in first-tier (securities rated A-1, P-1) taxable securities. While STIF's investment policy allows for somewhat greater flexibility than the SEC-registered funds, the IBC Index is considered the most appropriate benchmark against which to evaluate STIF's performance.

STIF's returns are also compared to the Federal Reserve three-month T-Bill rate and the Federal Reserve three-month CD rate. The T-Bill rate index is used to measure STIF's effectiveness in achieving returns in excess of a "risk-free" investment. The CD rate index is shown for the benefit of STIF investors, many of whom invest in bank certificates of deposit. In viewing these indices, it is important to keep in mind that yields of the CD index will exceed those of the T-Bill index due to a CD's slightly higher risk profile and comparatively lower liquidity. Furthermore, indices are "unmanaged" and are not affected by management fees or operating expenses.

**SHORT-TERM INVESTMENT FUND**

Ownership Analysis at June 30, 2000 (\$ in Millions)



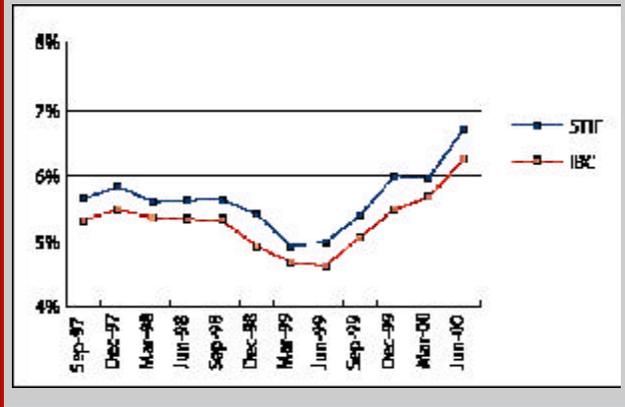
range, with 85 percent of the Fund invested in securities with maturities, or interest rate reset dates for adjustable rate securities, of less than 30 days, versus 52 percent at previous year end. The Fund's three largest security weightings included securities-backed commercial paper (27.5 percent), bank notes (19.5 percent) and over-night repurchase agreements (12.6 percent). Asset-backed commercial paper reported in the distribution by security type pie chart includes receivable-backed, loan-backed, securities-backed, and multi-backed commercial paper.

**Performance Summary**

For the one-year period ended June 30, 2000, STIF reported an annual total return of 6.01 percent, net of operating expenses and allocations to Designated Surplus Reserve. The annual total return is a computation of the total investment income a participant would earn with monthly compounding at the Fund's monthly net earned rate during the year. This figure exceeded STIF's benchmark, the IBC index, which equaled 5.58 percent, by 43 basis points, as well as three-month T-Bills, which yielded 5.37 percent and three-month CDs which yielded 5.99 percent. (Yields for T-Bills and CDs have not been compounded.)

of its benchmarks for all time periods. Viewed on a dollar-for-dollar basis, had one invested \$10 million in STIF ten years ago, that investment would have been worth \$17.2 million at June 30, 2000, versus \$16.3 million for the same hypothetical investment in the IBC Index.

SHORT-TERM INVESTMENT FUND  
Quarterly Yield versus Benchmark



In addition to management's effective security selection, STIF's unique low cost structure contributed significantly to these returns. Compared to STIF's operating expenses of 3 basis points, or 0.03 percent of average net assets, the average rated institutional money market mutual fund charges investors approximately 36 basis points. Reducing costs is the most prudent and safest way to increase yield. Thus, STIF has a risk-free advantage of 33 basis points, or a net of 23 basis points after deducting the annual 10 basis point allocation to the Fund's Designated Surplus Reserve.

SHORT-TERM INVESTMENT FUND  
Periods Ended June 30, 2000

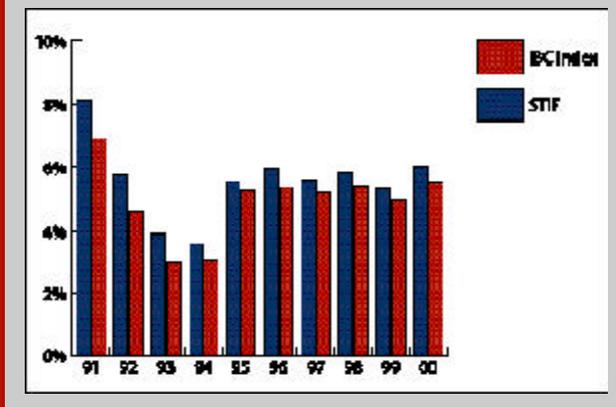
	1 Year	3 Years	5 Years	7 Years	10 Years
<b>Compounded Annual Total Return (%)</b>					
<b>STIF</b>	6.01	5.73	5.76	5.44	5.59
<b>IBC Index*</b>	5.58	5.37	5.36	5.03	4.98
<b>Fed. Three-Month T-Bill</b>	5.37	5.04	5.12	4.91	4.86
<b>Fed. Three-Month CD</b>	5.99	5.59	5.61	5.29	5.23
<b>Cumulative Total Return (%)</b>					
<b>STIF</b>	6.01	18.20	32.33	44.85	72.20
<b>IBC Index*</b>	5.58	16.98	29.85	40.97	62.55
<b>Fed. Three-Month T-Bill</b>	5.37	15.90	28.34	39.86	60.77
<b>Fed. Three-Month CD</b>	5.99	17.72	31.39	43.50	66.44

\*Represents IBC First Tier Institutions-Only Index prior to December 31, 1995 and IBC First Tier Institutions-Only Rated Index through June 30, 2000.

Principal reasons for STIF's strong performance include low expenses, effective security selection and fluctuating the Fund's average maturity in response to the changing interest rate environment.

Over the long-term, STIF has performed exceptionally well. For the trailing three, five, seven and ten-year periods, STIF's compounded annual total return was 5.73 percent, 5.76 percent, 5.44 percent, and 5.59 percent, respectively, net of operating expenses and contributions to the Designated Surplus Reserve, exceeding returns of each

SHORT-TERM INVESTMENT FUND  
Annual Total Return Fiscal Years Ended June 30



During the fiscal year, STIF assets under management of approximately \$3.6 billion increased to \$3.7 bil-

**Q. What is Net Asset Value?**

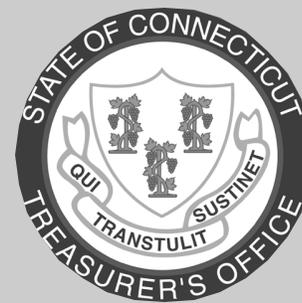
**A.** The Fund's net asset value (NAV) is calculated by taking the closing market value of all securities owned, plus cash, minus all liabilities, divided by all of the funds shares outstanding. STIF, like money market mutual funds, is managed to maintain a constant NAV of \$1 at all times.

**Q. What are floating rate securities?**

**A.** Floating rate securities are securities in which the interest rate paid to investors fluctuates at specified times by a formula specified in the indenture based on standard short-term money market interest rates benchmarks such as the Fed Funds, Prime, LIBOR, and Treasury bill rates. STIF purchases only those securities in which the interest rates move in the same direction and in the same amount as the benchmarks.

**Q. Why does STIF purchase floating rate securities?**

**A.** Floating rate securities enable STIF to earn slightly higher yields with similar credit risks. The issuer is willing to pay a slightly higher yield on the floating rate security because it has access to the funds for a longer period of time.



### **E. Liquidity**

The portfolio shall be structured through sufficient investments in overnight and highly-marketable securities to allow complete liquidity for participants. In addition, reverse repurchase agreements totaling up to five percent of Fund assets may be used to meet temporary liquidity requirements.

Participants have full and quick access to all of their funds. Participants may make same-day (up to 10:30 a.m.) deposits and withdrawals of any size. Withdrawals generally are sent via Fed wire, thus funds are available for use on the day of withdrawal.

In addition, deposits and withdrawals may be made through the ACH system on a next-day basis, deposits may be made by check through the mail, and withdrawals may be made by check. No transaction fees are charged on deposits or withdrawals by wire or ACH. Withdrawals by check are charged a fee, as specified in the participant manual.

### **F. Yield**

STIF's investment portfolio shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account investment risk constraints and the liquidity requirements of the Fund.

The portfolio shall be managed with the objective of exceeding the average of three-month U.S. Treasury Bill rates for the equivalent period. This index is considered a benchmark for near-riskless investment transactions and, therefore, comprises a minimum standard for the portfolio's rate of return. The investment program shall seek to augment returns above this threshold, consistent with stated risk limitations and prudent investment principles.

While STIF shall not make investments for the purpose of trading or speculating as the dominant criterion, STIF shall seek to enhance total portfolio return through active portfolio management. The prohibition on speculative investments precludes pursuit of gain or profit through unusual risk. Trading in response to changes in market value or market direction, however, is warranted under active portfolio management.

### **G. Prudence**

Investments shall be made with the care, skill, prudence, and diligence — under circumstances then prevailing — that prudent persons acting in like capacities and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

The standard of prudence to be used by STIF's investment officials shall be the "prudent expert" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion in writing and appropriate action is taken to control adverse developments.

### **H. Investment Guidelines**

All investments must be made in instruments authorized by CGS 3-27c - 3-27e. In addition, the Treasurer has adopted the investment guidelines that follow. Unless otherwise indicated, references to credit ratings are to those of Standard & Poor's.

1. STIF may invest in the following securities:
  - a. U.S. government and federal agency securities.
  - b. Certificates of deposit of commercial banks in the United States whose short-term debt is rated at least A-1 and TBW-1 (by Thomson Bank Watch) and whose long-term debt is rated at least A- and C (by Thomson Bank Watch).

4. All investments must be made in U.S. dollar-denominated securities.
5. The dollar-weighted average portfolio maturity (including interest rate reset periods) may not exceed 90 days. Individual maturities may not exceed five years.
6. STIF shall diversify its investments to avoid incurring unreasonable risks inherent in overinvesting in specific instruments, industry segments, individual issuers or maturities. Diversification strategies shall include:
  - a. At the time of purchase, no more than five percent of the overall portfolio may be invested in an individual security, other than overnight or two-business-day repurchase agreements and U.S. government and agency securities.
  - b. At the time of purchase, no more than 10 percent of the overall portfolio may be invested in securities of a single bank or corporation, other than overnight or two-business-day repurchase agreements and U.S. government and agency securities.
  - c. There is no limitation on the percentage of assets that may be invested in securities of the United States government, its agencies or instrumentalities, or in overnight or two-business-day repurchase agreements.
  - d. At the time of purchase, no more than 25 percent of the overall portfolio may be invested in any industry other than the financial services industry.
  - e. At the time of purchase, no more than 50 percent of the overall portfolio may be invested in the combined total of commercial paper and non-asset-backed corporate notes.
  - f. At the time of purchase, no more than 20 percent of the overall portfolio may be invested in floating rate securities with final maturities in excess of two years.
  - g. At the time of purchase, no more than five percent of the overall portfolio may be invested in an individual money market mutual fund or similar investment pool.
  - h. At the time of purchase, no more than 10 percent of the overall portfolio may be invested in money market mutual funds and similar investment pools.
  - i. At the time of purchase, investments in securities that are not readily marketable, other than securities that mature within seven days, may not exceed 10 percent of the fund's overall portfolio.
  - j. At least 75 percent of the overall portfolio shall be invested in securities rated A-1+ or in overnight repurchase agreements with dealers or banks rated A-1.
7. The Treasurer intends to operate STIF in such a manner as to maintain its AAAM credit rating from Standard & Poor's, or a similar rating from another nationally-recognized credit rating service recognized by the State Banking Commissioner.
8. Investment decisions shall be based on the relative and varying yields and risks of individual securities and the Fund's liquidity requirements.

## **P. Audit**

The Auditors of Public Accounts audit STIF's financial statements and operating procedures annually. Copies of audit opinions and reports will be provided to all participants.

## **Q. Portfolio Valuation**

STIF's values and yields are accounted for on an amortized-cost basis. Market values of all securities, except for those securities listed in Sections H.1.j and H.1.k, above, are calculated on a weekly basis. Significant deviations of market values to amortized costs shall be reported as follows:

1. **First Level Notification.** If the market value of the overall investment portfolio, based on reports from the custodian, drops below 99.75 percent of the amortized cost value of the overall investment portfolio, or if the ratio of the market value of the overall portfolio to the outstanding participant units drops below 100.50 percent, the Principal Investment Officer would notify the Assistant Treasurer for Cash Management, the Assistant Treasurer for Pension Funds Management, and the Treasurer's Investment Committee at the first weekly meeting following such determination.
2. **Second Level Notification.** If the market value of the overall investment portfolio, based on reports from the custodian, drops below 99.50 percent of the amortized cost value of the overall investment portfolio, or if the ratio of the market value of the overall portfolio to the outstanding participant units drops below 100.25 percent, the Principal Investment Officer would notify, as soon as practical, the Treasurer, Deputy Treasurer, Assistant Treasurer - Chief of Staff, Assistant Treasurer for Cash Management, Assistant Treasurer for Pension Funds Management, and the Treasurer's Investment Committee. The Treasurer's Investment Committee would then meet in special session to review the circumstances surrounding the fall in one or both ratios, and it would review every security held by the fund. If this second level notification resulted from a significant increase in fund size that resulted in a proportionate decrease in the relative size of the designated surplus reserve, then portfolio or other changes may not be required. If this second level notification resulted from the decline in market values of securities, then the Investment Committee would consider selling securities that had fallen in value and making use of the designated surplus reserve.
3. **Investor Notification.** If the ratio of the market value of the overall portfolio to the outstanding participant units drops below 99.75 percent, the Treasurer would notify all STIF investors of the situation and the actions being undertaken to protect against further reductions.

## **R. Internal Controls**

The Treasury shall establish and maintain a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed by the Auditors of Public Accounts. The controls shall be designed to prevent and control losses of public funds arising from fraud, employee error, misrepresentation by third parties, or imprudent actions by employees and officers.

## **S. Cash Management Advisory Board**

STIF's investment practices and performance, including the documentation discussed in Section N, shall be reviewed on a quarterly basis by the Treasurer's Cash Management Advisory Board.

# INDEPENDENT AUDITORS' REPORT

## STATE OF CONNECTICUT



### AUDITORS OF PUBLIC ACCOUNTS

STATE CAPITOL  
210 CAPITOL AVENUE  
HARTFORD, CONNECTICUT 06106-1559

KEVIN P. JOHNSTON

ROBERT G. JAEKLE

### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying statement of net assets of the Short-Term Investment Fund, including the list of investments, as of June 30, 2000, and the statements of changes in net assets for the fiscal years ended June 30, 2000, and 1999. These financial statements are the responsibility of the management of the State Treasury. Our responsibility is to express an opinion on these financial statements based on our audit.

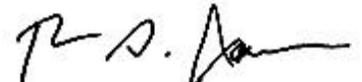
We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements.

Our procedures included confirmation of securities owned as of June 30, 2000, by correspondence with the custodians. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Short Term Investment Fund as of June 30, 2000, and the results of its operations and changes in net assets for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements of the Short-Term Investment Fund taken as a whole. The Statistical Section contained herein is presented for purposes of additional analysis and is not a required part of the financial statements of the Short-Term Investment Fund. Such information has been subjected to the auditing procedures applied in the audit of the financial statements of the Short-Term Investment Fund and, in our opinion, is fairly presented in all material respects in relation to the financial statements of the Short-Term Investment Fund taken as a whole. We did not audit the information contained in the Introductory and Investment Sections of the Short-Term Investment Fund annual report, or the Schedules of Rates of Return contained in the Financial Section.

  
Kevin P. Johnston  
Auditor of Public Accounts

  
Robert G. Jaekle  
Auditor of Public Accounts

October 13, 2000  
State Capitol  
Hartford, Connecticut

**SHORT-TERM INVESTMENT FUND****STATEMENTS OF CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2000 AND JUNE 30, 1999**

	<b>For the Year Ended June 30,</b>	
	<b>2000</b>	<b>1999</b>
<b>Operating Revenue</b>		
Interest Income	\$ 213,761,049	\$ 198,420,882
<b>Operating Expenses</b>		
Interest Expense on Reverse Repurchase Agreements	-	(141,000)
Administrative Expenses	(951,648)	(812,558)
Net Investment Income	212,809,401	197,467,324
Net Realized Gains	493,776	59,690
<b>Net Increase in Net Assets Resulting from Operations</b>	213,303,177	197,527,014
<b>Distribution to Participants (Notes 1 &amp; 6)</b>		
Distributions to Participants	(210,142,470)	(193,792,259)
Total Distributions Paid and Payable	(210,142,470)	(193,792,259)
<b>Share Transactions at Net Asset Value of \$1.00 per Share</b>		
Purchase of Units	10,664,235,963	10,090,642,966
Redemption of Units	(10,615,616,297)	(9,636,639,596)
<i>Net Increase in Net Assets and Shares</i> <b>Resulting from Share Transactions</b>	48,619,666	454,003,370
<b>Total Increase in Net Assets</b>	51,780,373	457,738,125
<b>Net Assets</b>		
Beginning of Year	3,631,809,101	3,174,070,976
End of Year	\$ 3,683,589,474	\$ 3,631,809,101

See accompanying Notes to the Financial Statements.

## SHORT-TERM INVESTMENT FUND

### NOTES TO FINANCIAL STATEMENTS (Continued)

tions are paid monthly within two business days of the end of the month, and are based upon actual number of days in a year. Shares are sold and redeemed at a constant \$1.00 net asset value per share, which is consistent with the per share net asset value of the Fund, excluding the Designated Surplus Reserve. Prior to December 1, 1996 distributions were based upon the actual number of days in the year at an interest rate established by the Treasurer on or before the first date of the month ("the guaranteed rate"). The interest distributions earned by participants were distributed within fifteen business days after the close of the periods ending on the last day of August and November.

#### **Earnings Subject to Special Distribution.**

In December 1996, a special distribution was paid to participants based upon net earnings of STIF less previously distributed quarterly payments and an allocation to the Designated Surplus Reserve. This special distribution was paid out in proportion to the total interest paid on the guaranteed rates since June 1, 1996. Following this special distribution, the method for computing distributions to participants after November 30, 1996 was changed, thereby eliminating future special distributions.

#### **Designated Surplus Reserve.**

While STIF is managed prudently to protect against losses from credit and market changes, the Fund is not insured or guaranteed by any government. Therefore, the maintenance of capital cannot be fully assured. In order to provide some protection to the shareholders of STIF from potential credit and market risks, the Treasurer has designated that a portion of each day's net earnings be transferred to the Designated Surplus Reserve (Reserve). Such amounts are restricted in nature and are not available for distribution to shareholders. In December 1996, a transfer was made to the Designated Surplus Reserve at the annualized rate of 0.1 percent of the average month-end investment balances for June through November 1996. Beginning December 1, 1996, the amount transferred daily to the Designated Surplus Reserve is equal to 0.1 percent of end of day investment balance divided by the actual number of days in the year. No transfer is to be made if the reserve account is equal to or greater than 1.0 percent of the daily investment balance. If net losses significant to the aggregate portfolio are realized, the Treasurer is authorized to transfer funds from the Reserve to Participant Units Outstanding.

As of June 30, 2000, the balance in the Designated Surplus Reserve was \$33,660,741, an increase of \$3,160,707 from the June 30, 1999 balance of \$30,500,034.

#### **Estimates.**

The preparation of the financial statements in conformity with (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities in the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### **Accounting Pronouncements.**

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. As issued, SFAS No. 133 was effective for fiscal years beginning after June 15, 1999. It requires that an entity recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. STIF does not designate a derivative as a hedging instrument and recognizes gains in the earnings period of change.

Although the effective implementation date of SFAS No. 133 was deferred by SFAS No. 137 until fiscal years beginning after June 15, 2000, and was again amended in June 2000 by the FASB issuing SFAS No. 138, STIF continues to meet the compliance requirement.

#### **NOTE 3: INVESTMENT RISK CLASSIFICATION**

STIF's investment practice is to invest all cash balances; as such, there was no uninvested cash at June 30, 2000. All certificates of deposit within the portfolio are considered negotiable instruments. The certificates of deposit and all other securities of STIF are registered under the State Street Bank nominee name, Pond, Tide & Co., for the State of Connecticut nominee name, Conn. STIF & Co., and held by a designated agent of the State.

All investments of STIF are classified in category 1 of the custodial credit risk defined by GASB Statement No. 3 "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements". Classification in category 1 means that the exposure of deposits or investments to potential custodial credit risk is low.

Category 1 includes investments which are insured or registered or for which the Treasurer or his agent in the Treasurer's name holds securities.

**SHORT-TERM INVESTMENT FUND**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 9: CREDIT RATING OF THE FUND**

Throughout the year ended June 30, 2000, STIF was rated AAAM, its highest rating, by Standard and Poor's Corporation ("S&P"). In December 1999, following a review of the portfolio and STIF's investment policies, management and procedures, S&P reaffirmed STIF's AAAM rating. In order to maintain an AAAM rating, STIF is subject to certain requirements which include:

- Weekly portfolio and market value calculations;
- Maintenance of credit quality standards for portfolio securities with at least 75% of such securities rated A-1+ or invested in overnight repurchase agreements with dealers or banks rated A-1;
- Ensuring adequate portfolio diversification standards with no more than 5% of the portfolio invested in an individual security and no more than 10% invested in an individual issuer, excluding one and two day repurchase agreements and U.S. government agency securities; and
- A limit on the overall portfolio weighted average maturity, (currently no more than 60 days).

It is the Treasurer's intention to take any and all such actions as are needed from time to time to maintain the AAAM rating.

**SHORT-TERM INVESTMENT FUND**  
**LIST OF INVESTMENTS AT JUNE 30, 2000 (Continued)**

Par Value	Security (Coupon, Maturity or Reset Date)	Yield %	Amortized Cost	Fair Value	Asset ID	Quality Rating
10,000,000	Fleet Bank, 6.64, 8/2/02	6.54	10,000,000	10,016,700	33901MEP3	A-1
6,666,667	Key Bank, 6.64, 11/2/00	6.37	6,665,560	6,670,866	49306BGY3	A-1
6,666,667	Key Bank, 6.64, 11/2/00	6.37	6,665,668	6,670,866	49306BGY3	A-1
1,666,667	Key Bank, 6.64, 11/2/00	6.37	1,666,525	1,667,716	49306BGY3	A-1
6,275,000	Key Bank, 5.03, 12/11/00	6.80	6,265,513	6,226,306	49306BHA4	A-1
25,000,000	Key Bank, 7.06, 1/25/01	6.98	24,996,932	25,009,750	49306BHK2	A-1
25,000,000	Key Bank, 7.06, 1/25/01	6.98	24,994,177	25,009,750	49306BHK2	A-1
50,000,000	Key Bank, 7.18, 7/20/01	7.01	50,000,000	50,083,500	49306BJS3	A-1
1,000,000	US Bank, 6.66, 6/20/01	6.70	998,405	999,630	90332WAC3	A-1
4,000,000	Wachovia Bank, 6.30, 3/15/01	6.90	4,000,000	3,983,720	92976QFQ7	A-1+
<b>\$ 719,775,000</b>	<b>Total</b>		<b>\$ 719,640,870</b>	<b>\$ 720,635,424</b>		
<b>CORPORATE NOTES(10.02% of total investments)</b>						
\$ 175,000,000	General Electric Capital Corp., 6.95, 7/3/00	6.95	\$ 174,932,431	\$ 174,932,431	36959H008	A-1+
175,000,000	General Electric Capital Corp. , 6.95, 7/3/00	6.95	175,000,000	175,000,000	369622006	A-1+
20,000,000	General Electric Capital Int. , 6.40, 7/11/00	6.41	19,964,444	19,964,444	3615T3005	A-1+
<b>\$ 370,000,000</b>	<b>Total</b>		<b>\$ 369,896,875</b>	<b>\$ 369,896,875</b>		
<b>LOAN - BACKED COMMERCIAL PAPER(6.69% of total investments)</b>						
\$ 5,027,000	Atlantis One Funding, 6.61, 7/13/00	6.63	\$ 5,015,924	\$ 5,015,924	04915T003	A-1+
25,000,000	Centric Capital Corp., 6.75, 7/7/00	6.76	24,971,875	24,971,875	1563X0000	A-1+
39,175,000	Fountain Square, 7.20, 7/3/00	7.20	39,159,330	39,159,330	35075R007	A-1+
30,721,000	Fountain Square, 6.65, 7/3/00	6.65	30,709,650	30,709,650	35075R007	A-1+
18,947,000	Fountain Square, 6.62, 7/3/00	6.62	18,940,032	18,940,032	35075R007	A-1+
1,822,000	Fountain Square, 6.90, 7/3/00	6.90	1,821,302	1,821,302	35075R007	A-1+
8,205,000	Fountain Square, 6.60, 7/5/00	6.61	8,198,983	8,198,983	35075R007	A-1+
6,017,000	Fountain Square, 6.63, 7/5/00	6.64	6,012,567	6,012,567	35075R007	A-1+
3,421,000	Fountain Square, 6.62, 7/5/00	6.63	3,418,484	3,418,484	35075R007	A-1+
1,078,000	Fountain Square, 6.58, 7/5/00	6.59	1,077,212	1,077,212	35075R007	A-1+
4,487,000	Fountain Square, 6.58, 7/7/00	6.59	4,482,079	4,482,079	35075R007	A-1+
1,434,000	Fountain Square, 6.58, 7/10/00	6.59	1,431,641	1,431,641	35075R007	A-1+
4,559,000	Fountain Square, 6.57, 7/11/00	6.58	4,550,680	4,550,680	35075R007	A-1+
19,199,000	Fountain Square, 6.58, 7/12/00	6.59	19,160,399	19,160,399	35075R007	A-1+
2,843,000	Fountain Square, 6.80, 7/14/00	6.82	2,836,019	2,836,019	35075R007	A-1+
1,857,000	Fountain Square, 6.06, 7/28/00	6.09	1,848,560	1,848,560	35075R007	A-1+
15,020,000	Fountain Square, 6.44, 7/31/00	6.48	14,939,393	14,939,393	35075R007	A-1+
5,186,000	Fountain Square, 6.45, 8/1/00	6.49	5,157,196	5,157,196	35075R007	A-1+
3,612,000	Fountain Square, 6.67, 8/1/00	6.71	3,591,254	3,591,254	35075R007	A-1+
3,612,000	Fountain Square, 6.63, 8/8/00	6.68	3,586,722	3,586,722	35075R007	A-1+
20,635,000	Fountain Square, 6.15, 8/14/00	6.20	20,479,894	20,479,894	35075R007	A-1+
10,192,000	Fountain Square, 6.67, 9/15/00	6.77	10,048,485	10,048,485	35075R007	A-1+
1,000,000	Govco Incorporated, 6.72, 8/2/00	6.76	994,027	994,027	38362V004	A-1+
2,000,000	Govco Incorporated, 6.72, 8/10/00	6.77	1,985,067	1,985,067	38362V004	A-1+
3,954,000	Peacock Funding, 6.60, 7/18/00	6.62	3,941,677	3,941,677	70467L003	A-1+
7,951,000	Sweetwater Capital, 6.62, 7/19/00	6.64	7,924,682	7,924,682	87047N002	A-1+
<b>\$ 246,954,000</b>	<b>Total</b>		<b>\$ 246,283,133</b>	<b>\$ 246,283,132</b>		
<b>MULTIBACKED COMMERCIAL PAPER(1.29% of total investments)</b>						
\$ 10,000,000	Compass Securitization, 6.60, 7/5/00	6.61	\$ 9,992,667	\$ 9,992,667	2044WC005	A-1+
2,300,000	Compass Securitization, 6.61, 7/13/00	6.63	2,294,932	2,294,932	2044WC005	A-1+

**SHORT-TERM INVESTMENT FUND**  
**LIST OF INVESTMENTS AT JUNE 30, 2000 (Continued)**

Par Value	Security (Coupon, Maturity or Reset Date)	Yield %	Amortized Cost	Fair Value	Asset ID	Quality Rating
46,400,000	Grand Funding, 6.59, 7/19/00	6.61	46,247,112	46,247,112	38551L007	A-1+
25,000,000	Grand Funding, 6.56, 7/19/00	6.58	24,918,000	24,918,000	38551L007	A-1+
50,000,000	Grand Funding, 6.59, 7/20/00	6.61	49,826,097	49,826,097	38551L007	A-1+
25,000,000	Grand Funding, 6.75, 7/21/00	6.78	24,906,250	24,906,250	38551L007	A-1+
3,292,000	Grand Funding, 6.70, 7/26/00	6.73	3,276,683	3,276,683	38551L007	A-1+
5,000,000	KMS Corporation, 6.62, 7/14/00	6.64	4,988,047	4,988,047	4827U3003	A-1+
30,284,000	KMS Corporation, 6.61, 7/17/00	6.63	30,195,032	30,195,032	4827U3003	A-1+
1,622,000	KMS Corporation, 6.80, 7/21/00	6.83	1,615,872	1,615,872	4827U3003	A-1+
25,000,000	Steamboat Funding Corp., 6.55, 7/7/00	6.56	24,972,708	24,972,708	85788L003	A-1+
25,000,000	Steamboat Funding Corp., 6.56, 7/7/00	6.57	24,972,667	24,972,667	85788L003	A-1+
25,000,000	Steamboat Funding Corp., 6.70, 7/28/00	6.74	24,874,375	24,874,375	85788L003	A-1+
26,172,000	Superior Funding, 6.56, 7/5/00	6.57	26,152,924	26,152,924	86816K009	A-1+
25,000,000	Superior Funding, 6.60, 7/7/00	6.61	24,972,500	24,972,500	86816K009	A-1+
2,036,000	Superior Funding, 6.60, 7/7/00	6.61	2,033,760	2,033,760	86816K009	A-1+
15,458,000	Superior Funding, 6.56, 7/10/00	6.57	15,432,649	15,432,649	86816K009	A-1+
7,590,000	Superior Funding, 6.56, 7/10/00	6.57	7,577,552	7,577,552	86816K009	A-1+
14,983,000	Superior Funding, 6.62, 7/17/00	6.64	14,938,917	14,938,917	86816K009	A-1+
20,743,000	Superior Funding, 6.60, 7/19/00	6.62	20,674,548	20,674,548	86816K009	A-1+
8,796,000	Superior Funding, 6.65, 7/24/00	6.68	8,758,629	8,758,629	86816K009	A-1+
11,144,000	Superior Funding, 6.70, 7/26/00	6.73	11,092,149	11,092,149	86816K009	A-1+
20,821,000	Superior Funding, 6.73, 8/11/00	6.78	20,661,413	20,661,413	86816K009	A-1+
25,000,000	Trainer Wortham, 6.43, 7/10/00	6.44	24,959,812	24,959,812	89288L000	A-1+
25,000,000	Trainer Wortham, 6.52, 7/13/00	6.54	24,945,667	24,945,667	89288L000	A-1+
25,000,000	Trainer Wortham, 6.63, 7/21/00	6.66	24,907,917	24,907,917	89288L000	A-1+
50,000,000	Trainer Wortham, 6.67, 9/5/00	6.75	49,388,583	49,388,583	89288L000	A-1+
50,000,000	Trident Capital Financing, 7.00, 7/7/00	7.01	49,941,667	49,941,667	8961J2001	A-1+
<b>\$1,016,013,000</b>	<b>Total</b>		<b>\$ 1,013,093,398</b>	<b>\$ 1,013,093,398</b>		
<b>FEDERAL AGENCIES SECURITIES (4.61% of total investments)</b>						
\$ 5,000,000	Federal Farm Credit Bank, 5.75, 8/20/01	6.81	\$ 5,000,000	\$ 4,942,500	31331RYQ2	AAA
15,000,000	Federal Home Loan Bank, 5.015, 8/11/00	6.66	14,999,888	14,970,000	3133M7FL5	AAA
10,000,000	Federal Home Loan Bank, 5.015, 8/11/00	6.66	9,999,925	9,980,000	3133M7FL5	AAA
1,000,000	Federal Home Loan Bank, 5.76, 8/20/01	6.81	1,000,000	988,600	3133M5AK6	AAA
10,000,000	Federal Home Loan Bank, 7.21, 11/16/01	7.22	9,999,084	9,991,000	3133MBFR3	AAA
10,000,000	Federal Home Loan Mortgage Corp, 7.40, 11/30/01	7.35	9,999,058	10,001,000	312902XU8	AAA
7,035,000	Federal Home Loan Mortgage Corp, 6.00, 1/6/03	7.21	7,035,000	6,841,538	3134A2L22	AAA
25,000,000	Fannie Mae, 6.37, 3/7/01	6.34	25,000,000	25,003,000	31364KPS3	AAA
18,000,000	Fannie Mae, 6.37, 3/7/01	6.34	17,999,179	18,002,160	31364KPS3	AAA
14,394,000	Fannie Mae, 6.50, 7/29/02	7.18	14,394,000	14,206,878	31359MCP6	AAA
25,000,000	Sallie Mae, 6.54, 8/10/00	6.29	24,999,454	25,004,500	86387R2Q4	AAA
25,000,000	Sallie Mae, 6.54, 11/13/00	6.29	24,995,451	25,020,500	86387R4M1	AAA
4,800,000	Sallie Mae, 6.10, 3/7/01	6.34	4,769,293	4,791,840	863871SD2	AAA
<b>\$ 170,229,000</b>	<b>Total</b>		<b>\$ 170,190,332</b>	<b>\$ 169,743,516</b>		
<b>COMMERCIAL PAPER (1.01% of total investments)</b>						
\$ 13,925,000	General Electric Cap Corp, 5.72, 8/3/00	6.55	\$ 13,930,327	\$ 13,913,025	369626PT5	A-1+
2,000,000	General Electric Cap Corp, 6.12, 8/15/00	6.55	2,001,637	1,998,640	369626LK8	A-1+
1,000,000	General Electric Cap Corp, 5.92, 4/3/01	6.80	1,000,000	993,520	36962GME1	A-1+
10,000,000	General Electric Cap Corp, 6.02, 5/4/01	6.85	9,938,667	9,931,900	36962GNC4	A-1+

## INDEPENDENT ACCOUNTANTS' REPORT

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& Touche

### INDEPENDENT ACCOUNTANTS' REPORT

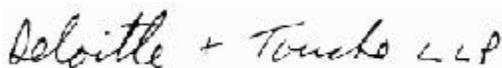
Treasurer of the State of Connecticut  
Hartford, Connecticut

We have examined the accompanying Schedules of Rates of Return for the Connecticut State Treasurer's Short-Term Investment Fund ( the "Schedules") managed by the Treasurer of the State of Connecticut for each of the quarterly and annual investment periods from July 1, 1992 through June 30, 2000. The Schedules are the responsibility of the Connecticut State Treasurer's Short-Term Investment Fund's management. Our responsibility is to express an opinion on the Schedules based on our examinations.

Our examinations were conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and , accordingly, included examining on a test basis, evidence supporting the Schedules and performing such other procedures as we considered necessary in the circumstances (for a Level II verification as defined under the AIMR-PPS). We believe that our examinations provide a reasonable basis for our opinion.

In our opinion, such Schedules present fairly the rates of return for the composite of the Connecticut State Treasurer's Short-Term Investment Fund managed by the Treasurer of the State of Connecticut for each of the quarterly and annual investment periods from July 1, 1992 to June 30, 2000, in all material respects, in accordance with the measurement and disclosure criteria set forth in Notes 2 and 3 to the Schedules.

We did not examine the rates of return for the Connecticut State Treasurer's Short-Term Investment Fund for each of the quarterly and annual investment period from July 1, 1991 to June 30, 1992, which are included in the Schedules and, accordingly, we express no opinion or any other form of assurance on them.



September 13, 2000

Deloitte  
Touche  
Tohmatsu

**SHORT-TERM INVESTMENT FUND**  
**SCHEDULE OF QUARTERLY RATES OF RETURN**

<b>FISCAL YEAR</b>	<b>Rate of Return (%)</b>	<b>IBC First Tier Institutions-Only Rated Money Fund Report Index (%)<sup>(1)</sup></b>	<b>FISCAL YEAR</b>	<b>Rate of Return (%)</b>	<b>IBC First Tier Institutions-Only Rated Money Fund Report Index (%)<sup>(1)</sup></b>
<b>2000</b>			<b>1995</b>		
Sep-99	1.33	1.23	Sep-94	1.16	1.07
Dec-99	1.46	1.33	Dec-94	1.31	1.25
Mar-00	1.48	1.40	Mar-95	1.58	1.43
Jun-00	1.60	1.51	Jun-95 <sup>(2)</sup>	1.46	1.46
<b>YEAR</b>	<b>6.01</b>	<b>5.58</b>	<b>YEAR</b>	<b>5.62</b>	<b>5.31</b>
<b>1999</b>			<b>1994</b>		
Sep-98	1.42	1.34	Sep-93	0.86	0.71
Dec-98	1.37	1.26	Dec-93	0.90	0.72
Mar-99	1.24	1.19	Mar-94	0.95	0.74
Jun-99	1.23	1.16	Jun-94 <sup>(2)</sup>	0.87	0.88
<b>YEAR</b>	<b>5.37</b>	<b>5.04</b>	<b>YEAR</b>	<b>3.63</b>	<b>3.08</b>
<b>1998</b>			<b>1993</b>		
Sep-97	1.43	1.34	Sep-92	1.09	0.81
Dec-97	1.45	1.36	Dec-92	0.97	0.75
Mar-98	1.41	1.35	Mar-93	0.96	0.73
Jun-98	1.40	1.34	Jun-93 <sup>(2)</sup>	0.87	0.70
<b>YEAR</b>	<b>5.82</b>	<b>5.49</b>	<b>YEAR</b>	<b>3.95</b>	<b>3.03</b>
<b>1997</b>			<b>1992*</b>		
Sep-96	1.40	1.28	Sep-91	1.62	1.37
Dec-96	1.36	1.28	Dec-91	1.60	1.23
Mar-97	1.37	1.28	Mar-92	1.23	1.01
Jun-97	1.40	1.33	Jun-92 <sup>(2)</sup>	1.17	0.93
<b>YEAR</b>	<b>5.66</b>	<b>5.27</b>	<b>YEAR</b>	<b>5.74</b>	<b>4.62</b>
<b>1996</b>			<b>1991*</b>		
Sep-95	1.54	1.40	Sep-90	2.09	1.89
Dec-95	1.54	1.38	Dec-90	2.25	1.84
Mar-96	1.42	1.29	Mar-91	1.89	1.63
Jun-96 <sup>(2)</sup>	1.33	1.26	Jun-91 <sup>(2)</sup>	1.70	1.44
<b>YEAR</b>	<b>5.95</b>	<b>5.44</b>	<b>YEAR</b>	<b>8.16</b>	<b>6.97</b>

\* Rates of return for fiscal years ended June 30, 1991-1992 have not been examined by Deloitte & Touche LLP.

- (1) Represents IBC First Tier Institutions-Only Money Fund Report Index prior to December 31, 1995 and IBC First Tier Institutions-Only Rated Money Fund Report Index for the period January 1, 1996 through June 30, 2000. These Index rates have been taken from published sources and have not been examined by Deloitte & Touche LLP.
- (2) Includes the annual allocation to the Designated Surplus Reserve (See Note 4).

**See the accompanying Notes to the Schedules of Rates of Return.**

## SHORT-TERM INVESTMENT FUND

### NOTES TO SCHEDULES OF RATES OF RETURN (Continued) FOR THE 10 YEAR INVESTMENT PERIOD JULY 1, 1990 THROUGH JUNE 30, 2000

#### NOTE 4: DESIGNATED SURPLUS RESERVE

In order to provide some protection to the shareholders of STIF from potential credit and market risks, the Treasurer has designated that a portion of each day's net earnings be transferred to the Designated Surplus Reserve (Reserve). Such amounts are restricted in nature and are not available for current distribution to shareholders. In December 1996, a transfer was made to the Designated Surplus Reserve at the annualized rate of 0.1 percent of the average month-end investment balances for June through November 1996. Beginning December 1, 1996, the amount transferred daily to the Designated Surplus Reserve is equal to 0.1 percent of end of day investment balance divided by the actual number of days in the year. As of June 30, 2000, the balance in the Designated Surplus Reserve was \$33,660,741, an increase of \$3,160,707 from the June 30, 1999 balance of \$30,500,034.

No transfer is to be made if the reserve account is equal to or greater than 1.0 percent of the daily investment balance. If net losses significant to the aggregate portfolio are realized, the Treasurer is authorized to transfer funds from the Reserve to Participant Units Outstanding. There have been no charges against this reserve during the 28 year history of the Fund.

#### NOTE 5: ADDITIONAL DISCLOSURES

These results solely reflect the performance of STIF. The Fund's principal investment officer has been the portfolio manager since 1983 encompassing the entire investment period presented.

Benchmark information presented in the Schedules of Rates of Return was obtained from published sources which are believed to be reliable. Such information is supplemental and is not covered by the independent accountants' report.

STIF does not make significant use of leverage. The only leverage employed by the Fund is the occasional use of reverse repurchase agreements. These agreements, which are limited by policy to no more than 5 percent of total Fund assets, are used only to meet temporary liquidity requirements of the Fund.

STIF had accounted for security purchases and sales on a settlement date basis for periods prior to February 1, 1996. Since that date, the Fund has accounted for all security purchases and sales on a trade date basis. Because the Fund purchases short term investments whose market values do not fluctuate significantly and since all investments are accounted for on an amortized cost basis, the difference between the trade and settlement date bases has no significant impact on the performance reported herein.

**SHORT-TERM INVESTMENT FUND**  
**GROWTH OF PARTICIPANT UNITS UNDER MANAGEMENT**

<u>Date</u>	<u>Municipal</u>	<u>State</u>	<u>Total</u>	<u>Annual Growth</u>
6/2000	\$1,041,887,596	\$2,608,041,137	\$3,649,928,733	1.35%
6/1999	856,142,725	2,745,166,342	3,601,309,067	14.43
6/1998	934,295,960	2,213,009,736	3,147,305,696	26.34
6/1997	683,631,474	1,807,440,011	2,491,071,485	25.56
6/1996	647,150,970	1,336,757,530	1,983,908,500	35.19
6/1995	533,141,029	934,316,358	1,467,457,387	-12.10
6/1994	453,442,000	1,215,968,463	1,669,410,463	-5.50
6/1993	389,000,000	1,377,523,963	1,766,523,963	4.60
6/1992	371,586,000	1,317,309,451	1,688,895,451	60.54
6/1991	207,000,000	845,036,474	1,052,036,474	-10.55
6/1990	129,143,000	1,046,927,442	1,176,070,442	19.44

**SHORT-TERM INVESTMENT FUND**

**ANNUAL INVESTMENT INCOME <sup>(1)</sup>**

2000	\$213,303,177
1999	197,527,014
1998	174,202,633
1997	145,052,967
1996	115,912,522
1995	100,970,869
1994	72,886,245
1993	76,542,800
1992	96,031,346
1991	81,029,948
1990	82,379,620

(1) Investment income, including net realized gains, less Fund operating expenses.

**SUMMARY OF OPERATIONS**

(\$ in 000s)	6/30/00	6/30/99	6/30/98	6/30/97	6/30/96	6/30/95	6/30/94	6/30/93	6/30/92	6/30/91
Interest Income	\$213,761.0	\$198,420.9	\$175,111.4	\$145,044.9	\$116,374.7	\$101,555.3	\$73,856.9	\$76,714.0	\$96,215.0	\$80,842.9
Expenses:										
Operating Expenses	951.6	812.6	986.6	520.0	553.1	478.2	496.5	546.3	486.9	302.9
Interest on Reverse Repurchase Agreements	0.0	141.0	0.0	0.0	0.0	432.9	922.2	1,142.5	2,354.5	464.8
Total Expenses	951.6	953.6	986.6	520.0	553.1	911.1	1,418.7	1,688.8	2,841.4	767.7
Net Investment Income	212,809.4	197,467.3	174,124.8	144,524.9	115,821.6	100,644.2	72,438.2	75,025.2	93,373.6	80,075.2
Net Realized Gains	493.8	59.7	77.8	528.1	90.9	326.7	448.0	1,517.6	2,657.7	954.7
Net Increase in Net Assets from Operations	\$213,303.2	\$197,527.0	\$174,202.6	\$145,053.0	\$115,912.5	\$100,970.9	\$72,886.2	\$76,542.8	\$96,031.3	\$81,029.9

## GLOSSARY OF TERMS

- Agency Securities** - Securities issued by U.S. Government agencies, such as the Federal Home Loan Bank. These securities have high credit ratings but are not backed by the full faith and credit of the U.S. Government.
- Asset Backed Notes** - Financial instruments collateralized by one or more types of assets including real property, mortgages, and receivables.
- Banker's Acceptance (BA)** - A high-quality, short-term negotiable discount note, drawn on and accepted by banks which are obligated to pay the face amount at maturity.
- Basis Point (bp)** - The smallest measure used in quoting yields or returns. One basis point is 0.01% of yield, 100 basis points equals 1%. A yield that changed from 8.75% to 9.50% increased by 75 basis points.
- Benchmark** - A standard unit used as the basis of comparison; a universal unit that is identified with sufficient detail so that other similar classifications can be compared as being above, below, or comparable to the benchmark.
- Capital Gain** - Also known as capital appreciation, capital gain measures the increase in value of an asset over time.
- Certificates of Deposit (CDs)** - A debt instrument issued by banks, usually paying interest, with maturities ranging from seven days to several years.
- Commercial Paper** - Short-term obligations with maturities ranging from 1 to 270 days. They are issued by banks, corporations, and other borrowers to investors with temporarily idle cash.
- Compounded Annual Total Return** - Compounded annual total return measures the implicit annual percentage change in value of an investment, assuming reinvestment of dividends, interest, and realized capital gains, including those attributable to currency fluctuations. In effect, compounded annual total return "smoothes" fluctuations in long-term investment returns to derive an implied year-to-year annual return.
- Consumer Price Index (CPI)** - A measure of change in consumer prices, as determined by a monthly survey of the U.S. Bureau of Labor Statistics. Components of the CPI include housing costs, food, transportation, electricity, etc.
- Cumulative Rate of Return** - A measure of the total return earned for a particular time period. This calculation measures the absolute percentage change in value of an investment over a specified period, assuming reinvestment of dividends, interest income, and realized capital gains. For example, if a \$100 investment grew to \$120 in a two-year period, the cumulative rate of return would be 20%.
- Derivative** - Derivatives are generally defined as contracts whose value depends on, or derives from, the value of an underlying asset, reference rate, or index. For example, an option is a derivative instrument because its value derives from an underlying stock, stock index, or future.
- Discount Rate** - The interest rate that the Federal Reserve charges banks for loans, using government securities or eligible paper as collateral.
- Expense Ratio** - The amount, expressed as a percentage of total investment, that shareholders pay for mutual fund operating expenses and management fees.
- Federal Funds Rate** - The interest rate charged by banks with excess reserves at a Federal Reserve district bank to banks needing overnight loans to meet reserve requirements. The federal funds rate is one of the most sensitive indicators of the direction of interest rates since it is set daily by the market.
- Federal Reserve Board** - The governing body of the Federal Reserve System (12 regional Federal banks monitoring the commercial and savings banks in their regions). The board establishes FRS policies on such key matters as reserve requirements and other regulations, sets the discount rate, and tightens or loosens the availability of credit in the economy.
- Gross Domestic Product** - Total final value of goods and services produced in the United States over a particular period or time, usually one year. The GDP growth rate is the primary indicator of the health of the economy.
- IBC Index (IBC/Donoghue First Tier Institutions-Only Rated Money Fund Report Index)** - An index which represents an average of the returns of institutional money market mutual funds rated AAA or AA that invest primarily in first-tier (securities rated A-1, P-1) taxable securities.
- Index** - A benchmark used in executing investment strategy which is viewed as an independent representation of market performance. An index implicitly assumes cost-free transactions; some assume reinvestment of income. Example: S&P 500 index.
- Inflation** - A measure of the rise in price of goods and services, as happens when spending increases relative to the supply of goods on the market, i.e. too much money chasing too few goods.
- Investment Income** - The equity dividends, bond interest, and/or cash interest paid on an investment.

## SHORT-TERM INVESTMENT FUND

**Standard Deviation** - A statistical measure showing the deviation of an individual value in a probability distributed from the mean (average) of the distribution. The greater the degree of dispersion from the mean rate of return, the higher the standard deviation; therefore, the higher the risk.

**Treasury Bill (T-Bill)** - Short-term, highly liquid government securities issued at a discount from the face value and returning the face amount at maturity.

**Treasury Bond or Note** - Debt obligations of the Federal government that make semiannual coupon payments and are sold at or near par value in denominations of \$1,000 or more.

**Turnover** - The minimum of security purchases or sales divided by the fiscal year's beginning and ending market values for a given portfolio.

**Unrealized Gain (Loss)** - A profit (loss) that has not been realized through the sale of a security. The gain (loss) is realized when a security or futures contract is actually sold or settled.

**Variable Rate Note** - Floating rate notes with a coupon rate adjusted at set intervals, such as daily, weekly, or monthly, based on different interest rate indices, such as LIBOR, Fed Funds, and Treasury Bills.

**Volatility** - A statistical measure of the tendency of a market price or yield to vary over time. Volatility is said to be high if the price, yield, or return typically changes dramatically in a short period of time.

**Yield** - The return on an investor's capital investment.