



Office of the State Treasurer

Local Government Investment Pool Trust



LGIP Trust Financial Statements

June 30, 2023

IN GOD WE TRUST

**Local Government Investment Pool Trust
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SECTION I
FINANCIAL

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INDEPENDENT AUDITOR'S REPORT

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Depository Board
and
Mr. Steve McCoy, State Treasurer

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Local Government Investment Pool Trust of the Office of the State Treasurer of the State of Georgia (Trust) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Trust as of June 30, 2023, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are required to be independent of the Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements present only the Office of the State Treasurer Local Government Investment Pool Trust of the State of Georgia and do not purport to, and do not, present fairly the financial position of the Office of the State Treasurer or the State of Georgia, as of June 30, 2023, or the changes in its financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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 appropriate evidence to express an opinion or provide any assurance.

Supplementary 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 accompanying supplementary information, as listed in the table of contents, is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates 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 GAAS. In our opinion, the information is 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 November 15, 2023 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.

A copy of this report has been filed as a permanent record and made available to the press of the State, as provided for by Official Code of Georgia Annotated section 50-6-24.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is written in a cursive style with a horizontal line at the end.

Greg S. Griffin
State Auditor

November 15, 2023

Local Government Investment Pool Trust

Management's Discussion and Analysis

(Unaudited)

The Office of the State Treasurer (OST) for the State of Georgia provides the Management's Discussion and Analysis of the Local Government Investment Pool (LGIP) Trust's Financial Statements. The LGIP Trust consists of three offerings: Georgia Fund 1 (GF1), Georgia Fund 1 Plus (GF1 Plus), and Georgia Extended Asset Pool Plus (GEAP Plus); and the LGIP Trust Reserve. This overview and analysis of the LGIP Trust's financial activity is for the fiscal year (FY) ended June 30, 2023.

Financial Highlights

GF1

- At fiscal year-end, GF1 reported a net position in the amount of \$30.7 billion.
- GF1's net position increased by \$2.8 billion over the previous fiscal year.
- Net yield paid to participants ranged from 156 basis points (bp) to 512 bp for FY23.

GF1 Plus

- At fiscal year-end, GF1 Plus reported a net position in the amount of \$19.6 billion.
- The net position for GF1 Plus increased by \$7.6 billion over the previous fiscal year.
- Net yield paid to participants ranged from 165 bp to 510 bp for FY23.

GEAP Plus

- At fiscal year-end, GEAP Plus consisted of eleven Target Maturity Portfolios (TMPs) with a net position totaling \$2.2 billion.
- The total net position for GEAP Plus TMPs decreased by \$193.8 million over the previous fiscal year.
- Net yield earned by participants for FY23 was 0.61% - 2.71%.

Overview of the Financial Statements

The financial statements report the aggregate activities of GF1, GF1 Plus, GEAP Plus, and the LGIP Trust Reserve. GF1 is managed by OST to maintain a stable NAV of \$1.00 and is rated AAAf/S1 by Fitch Ratings. The primary objective since the pool's inception is preservation of principal. OST continues to operate and report monthly to participants on an amortized cost basis. Per the Governmental Accounting Standards Board (GASB), to qualify for the use of amortized cost accounting for financial reporting purposes, an investment pool must meet all the criteria listed in GASB Statement No. 79 (Certain External Investment Pools and Pool Participants). GF1 is managed as a stable NAV pool but does not comply with all the requirements listed in GASB No. 79. Therefore, the investments of GF1 are reported at fair market value at fiscal year-end.

GF1 Plus is primarily managed by OST's investment staff with a portion of the pool invested by a subadvisor. GF1 Plus is managed to maintain a stable \$1.00 NAV and accrues investment income on a daily basis. GF1 Plus distributes income to participants on a monthly basis and reinvests at \$1.00 based on the amortized cost of the investments in the pool. GF1 Plus is managed as a stable NAV pool but does not comply with all the requirements listed in GASB No. 79. Therefore, the investments of GF1 Plus are reported at fair market value at fiscal year-end.

GEAP Plus is comprised of individual TMPs. GEAP Plus investments are invested by a subadvisor. As of June 30, 2023, GEAP Plus consists of 11 individual TMPs. As of June 30, 2023, originally purchased securities for four TMPs matured. Given the rising rate environment, it was prudent to keep the proceeds of these maturing TMPs in short-term investments. TMP maturities ranged from one day to 1.25 years. Participants may invest in any new TMP offerings. Each TMP is managed to provide principal and income at maturity consistent with maintaining preservation of principal if held to maturity. The participant account values and yields are determined by using the amortized cost valuation method. Securities are initially

Local Government Investment Pool Trust Management’s Discussion and Analysis (Unaudited)

valued at cost. Thereafter, discounts are accreted, and premiums are amortized to maturity, regardless of the impact of changes in interest rates on the market value of securities. All earned interest is reinvested within each respective TMP. The investments of GEAP Plus are reported at fair market value at fiscal year-end.

The LGIP Trust’s Financial Statements consist of the Statement of Net Position, Statement of Changes in Net Position, and Notes to the Financial Statements. The following is a description of the basic financial statements:

- *Statement of Net Position* – The Statement of Net Position presents the assets and liabilities of the LGIP Trust. The difference between the assets and liabilities is reported as net position. The Statement of Net Position provides a breakdown of participants.
- *Statement of Changes in Net Position* – The Statement of Changes in Net Position presents information on how the net position changed during the fiscal year. Additions consist of contributions from participants and net investment income. Deductions consist of distributions to participants and operating expenses.
- *Notes to the Financial Statements* – The Notes to the Financial Statements describe the LGIP Trust as a reporting entity and further clarify financial activity as reported in the Financial Statements.

Net Position

GF1

GF1 experienced an increase in net position of \$2.8 billion in FY23. Total assets were higher compared to the previous fiscal year. The change in net position in FY23 versus FY22 resulted primarily from changes in deposits and withdrawals of the participants in the pool. Aggregate deposits increased by 7%, and withdrawals increased by 10% in comparison to FY22. GF1’s net position is a function of several parameters some of which are independent of the pool’s performance. The State of Georgia experienced significant revenue growth in FY23 resulting in increased balances in State Funds. Also, boards of education and local government accounts grew in FY23. OST has discretion to transact deposits and withdrawals from certain state accounts including the State General Fund account to optimize earnings and liquidity. GF1 is a voluntary investment option for state and local government entities.

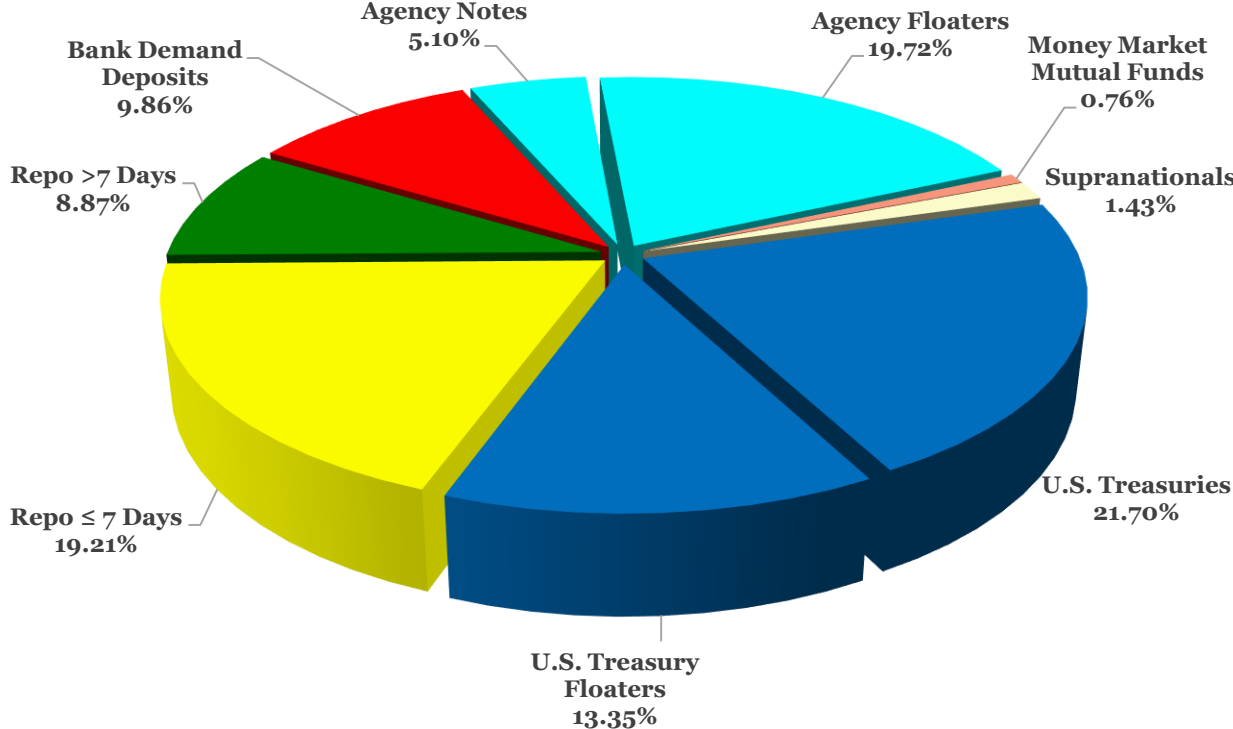
Summaries of the net position as of June 30 for GF1 are presented below (amounts in thousands):

	2023	2022	Variance
Cash and Cash Equivalents	\$ 8,513,658	\$ 13,211,494	\$ (4,697,836)
Investments in Securities	22,589,353	14,684,131	7,905,222
Accrued Interest and Other Receivables	89,664	18,537	71,127
Less: Investment Trades Pending Payable	445,718	-	445,718
Net Position	\$ 30,746,957	\$ 27,914,162	\$ 2,832,795

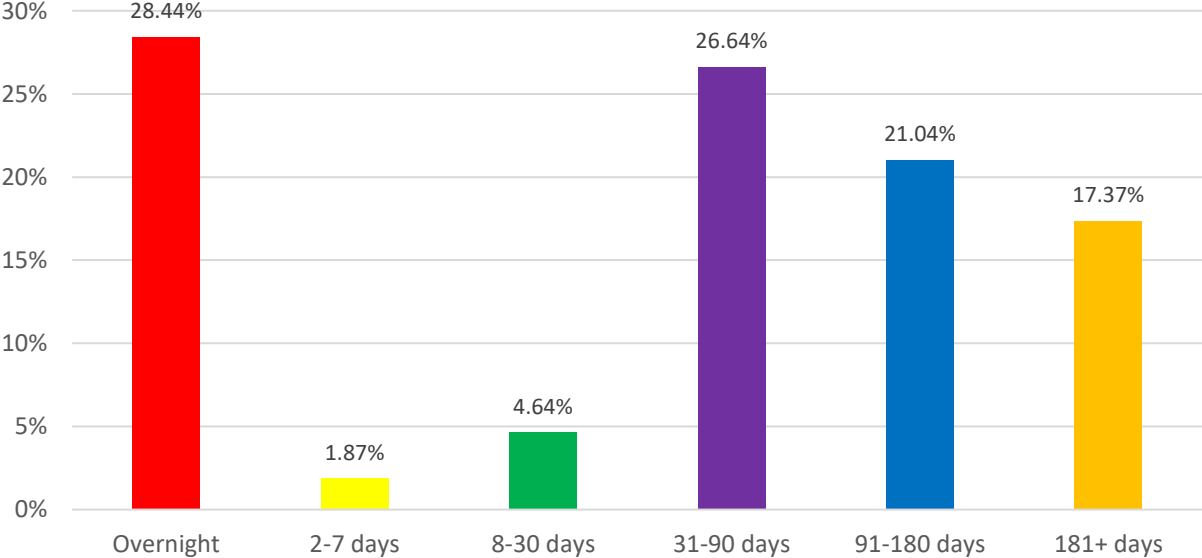
Local Government Investment Pool Trust Management’s Discussion and Analysis (Unaudited)

Below are charts reflecting the assets of GF1, the maturity distribution of holdings, and participant information at June 30, 2023. Historical information can be found on the website at www.ost.ga.gov.

GF1 Asset Detail

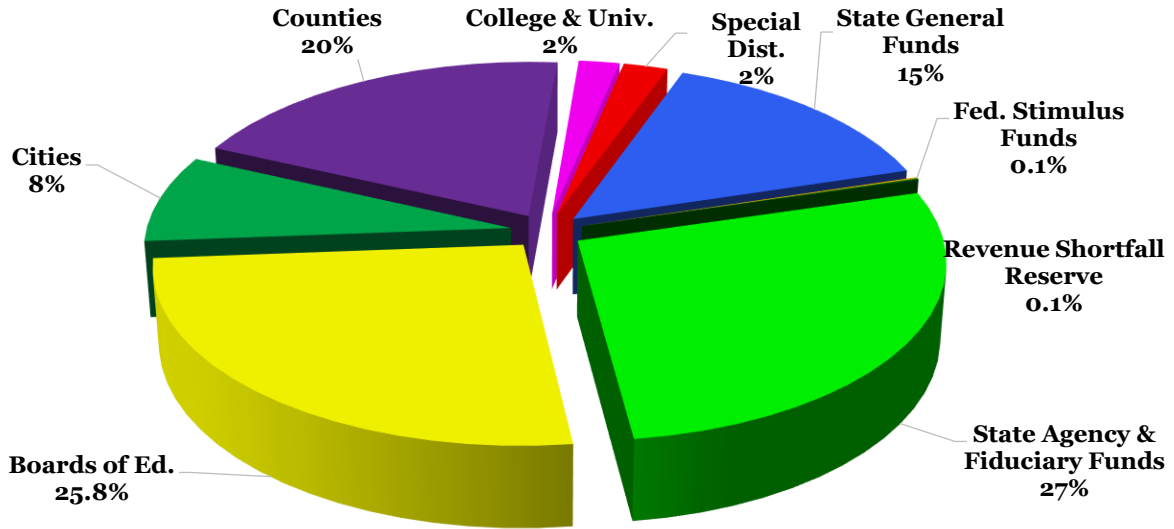


GF1 Maturity Distribution



**Local Government Investment Pool Trust
Management’s Discussion and Analysis
(Unaudited)**

GF1 Participant Distribution



GF1 Plus

GF1 Plus was established as an LGIP investment option in FY17 for the state, state agencies, and eligible municipalities looking to benefit from higher yields available by adding credit exposure. The net position of GF1 Plus is a function of several parameters some of which are independent of the pool’s performance. In FY23, GF1 Plus experienced an increase in net position of \$7.6 billion. Total assets were higher compared to last fiscal year. The FY23 net position increased as a result of higher balances for the State General Fund and Revenue Shortfall Reserve offset with decreases in OPEB (K-12), and OPEB (State) accounts. GF1 Plus invested in GEAP Plus TMPs to provide longer duration, buy and hold positions that would not interfere with the more actively managed duration positions in the GF1 Plus Rates portfolio.

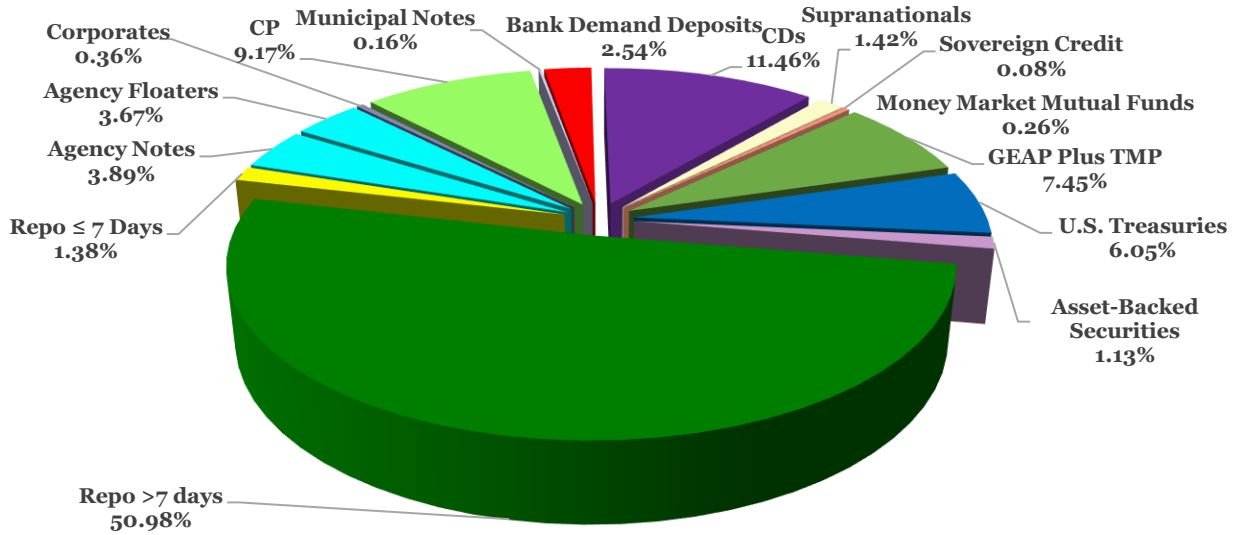
Summaries of the net position as of June 30 for GF1 Plus are presented below (amounts in thousands):

	2023	2022	Variance
Cash and Cash Equivalents	\$ 9,570,184	6,683,884	2,886,300
Investments in Securities	9,999,571	5,335,532	4,664,039
Accrued Interest and Other Receivables	40,595	6,815	33,780
Less: Accrued Expenses and Other Payables	1,156	654	502
Net Position	\$ 19,609,194	\$ 12,025,577	7,583,617

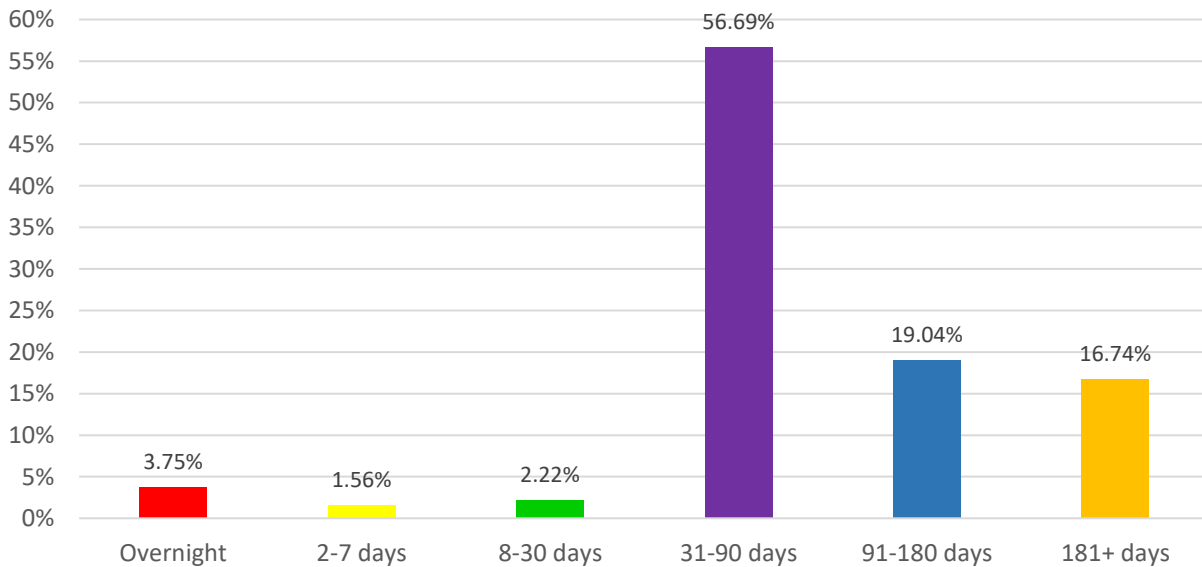
Local Government Investment Pool Trust Management's Discussion and Analysis (Unaudited)

Below are charts reflecting the assets of GF1 Plus, the maturity distribution of holdings, and participant information at June 30, 2023. Historical information can be found on the website at www.ost.ga.gov.

GF1 Plus Asset Detail

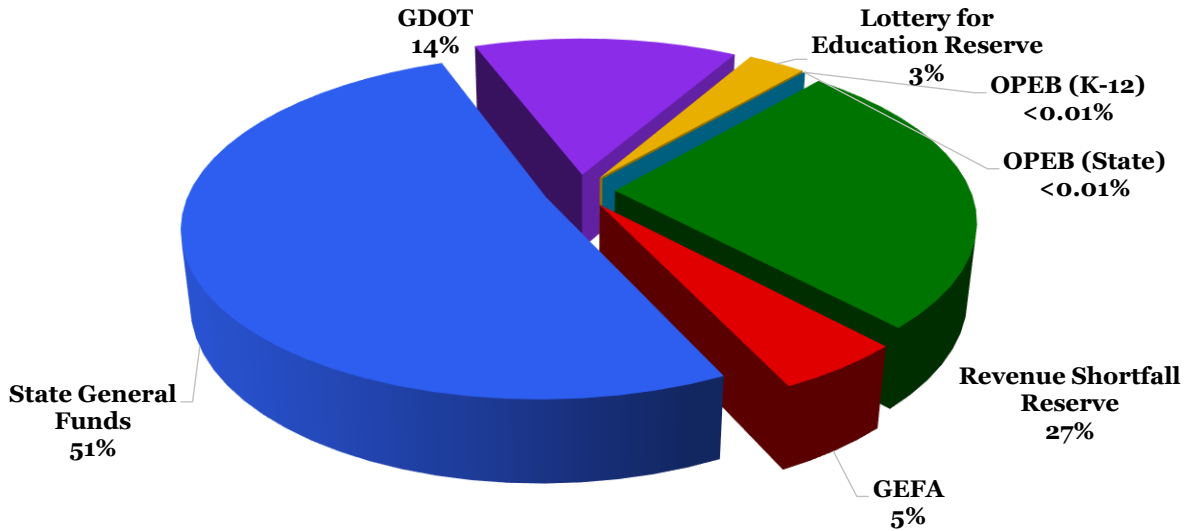


GF1 Plus Maturity Distribution



**Local Government Investment Pool Trust
Management’s Discussion and Analysis
(Unaudited)**

GF1 Plus Participant Distribution



GEAP Plus

GEAP Plus is a series of TMPs with maturities up to five years. The participant account value and yield are determined by using the amortized cost valuation method. This involves initially valuing a security at cost and thereafter accreting to maturity any discount or amortizing to maturity any premium, regardless of the impact of changes in interest rates affecting the market value of the underlying investments. The investments of GEAP Plus TMPs are reported at fair market value at fiscal year-end. The decrease in Net Position in FY23 over FY22 was due to the scheduled transfer of GEAP Plus OPEB funds to the OPEB equity position at the Division of Investment Services of the Teachers Retirement System of Georgia. GEAP Plus is managed by a subadvisor overseen by OST.

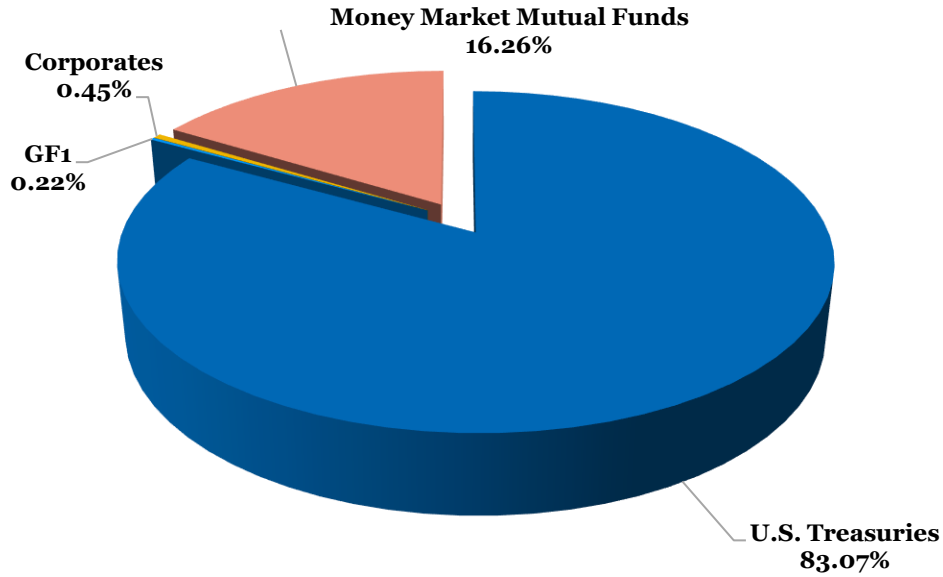
Summaries of the net position as of June 30 for GEAP Plus are presented below (amounts in thousands):

	<u>2023</u>	<u>2022</u>	<u>Variance</u>
Cash and Cash Equivalents	\$ 362,847	\$ 11,110	\$ 351,737
Investments in Securities	1,837,972	2,382,162	(544,190)
Accrued Interest and Other Receivables	2,968	4,341	(1,373)
Less: Accrued Expenses and Other Payables	309	308	1
Net Position	<u>\$ 2,203,478</u>	<u>\$ 2,397,305</u>	<u>\$ (193,827)</u>

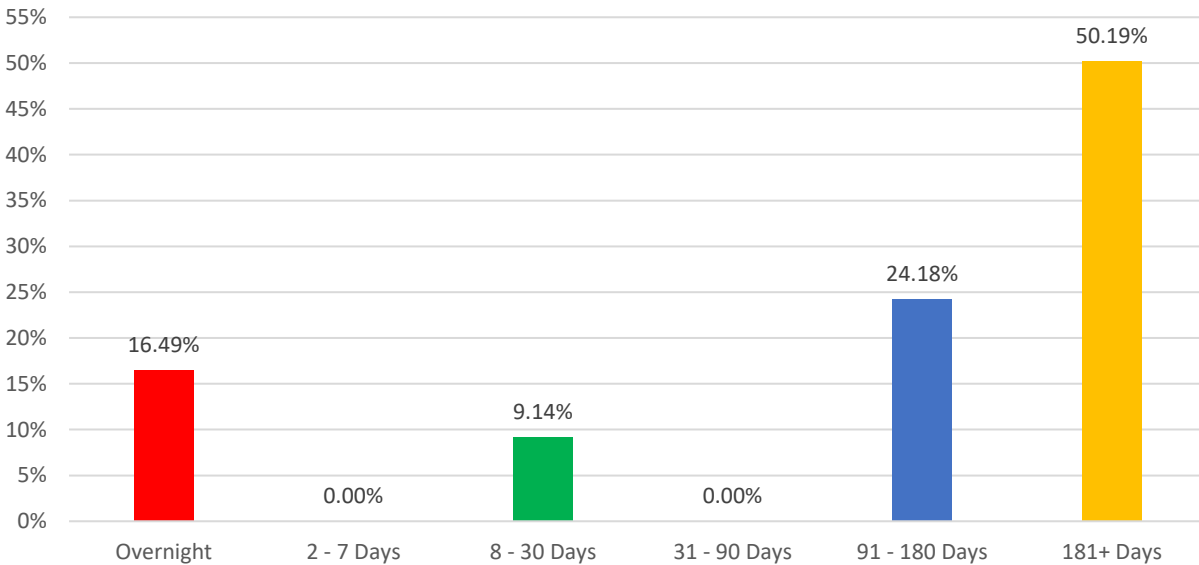
Local Government Investment Pool Trust Management's Discussion and Analysis (Unaudited)

Below are charts reflecting the assets of GEAP Plus, the maturity distribution of holdings, and participant information at June 30, 2023. Historical information can be found on the website at www.ost.ga.gov.

GEAP Plus Asset Detail

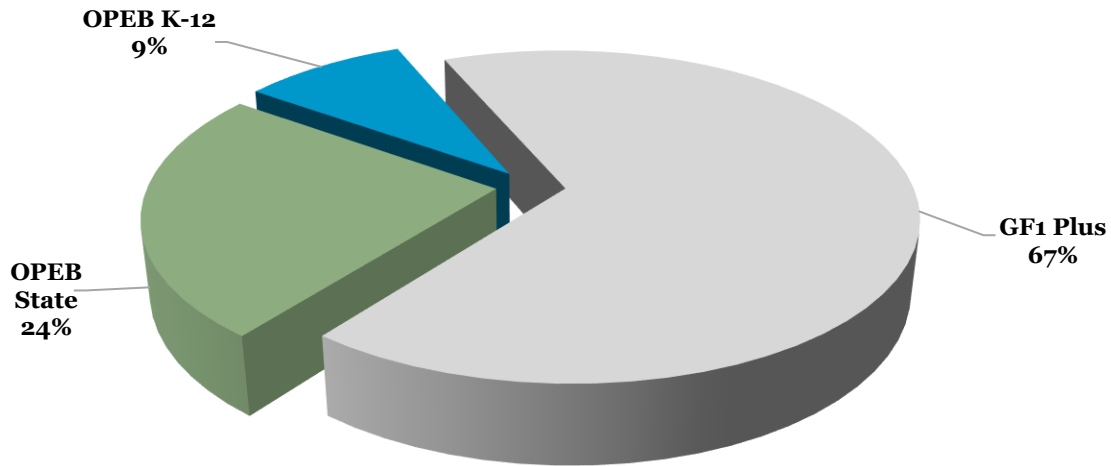


GEAP Plus Maturity Distribution



Local Government Investment Pool Trust Management’s Discussion and Analysis (Unaudited)

GEAP Plus Participant Distribution



LGIP Trust Reserve

The LGIP Trust Reserve retains all unexpended administrative fees and interest earned on the reserve balance. According to O.C.G.A § 36-83-8(1), “payments of amounts for administrative expenses shall be deemed contractually obligated funds held in trust for the benefit of the local government investment pool and shall not lapse” and will be held in trust for the benefit of the LGIP. The LGIP Trust Reserve is to be maintained for the benefit of all LGIP participants, whether pooled participants or separately managed accounts, and may be utilized at the discretion of the State Treasurer for the benefit of the LGIP.

As of June 30, 2023, the LGIP Trust Reserve’s net position was \$55.7 million reflecting an increase in net position of \$11.7 million in FY23. The LGIP Trust Reserve’s net position is primarily a function of the administrative fees collected from the offerings in the LGIP Trust less operating expenses related to management of the offerings. During FY23, OST assessed an administrative fee of 5.5 basis points on the average daily balances of GF1 participant accounts. For GF1 Plus, OST assessed an administrative fee of 5 basis points from July 2022 through September 2022. Starting October 2022, for GF1 Plus, OST assessed an administrative fee of 5.5 basis points for the remainder of the fiscal year. For GEAP Plus, during FY23, OST assessed an administrative fee of 5.0 basis points on the daily fund balance.

During FY23, short-term interest rates were increased by FOMC in a dramatic and unforeseen manner. The result was an inverted yield curve that caused longer duration, fixed income portfolios to underperform. To protect the interests of the GF1 Plus participants resulting from the unforeseen inversion of the yield curve, a professional investment decision was made to utilize a portion of the LGIP Trust Reserve to subsidize the risk-adjusted return for GF1 Plus in a manner that will enhance the FY23 average GF1 Plus portfolio net yield from 3.62% to 3.66%. During FY23, a transfer of \$7.5 million was made from the LGIP Trust Reserve to GF1 Plus.

Change in Net Position

GF1

Net investment income (i.e., total investment income plus miscellaneous income less administrative expenses) increased 2,171% compared to FY22. This increase was primarily due to an increase in GF1’s

Local Government Investment Pool Trust Management’s Discussion and Analysis (Unaudited)

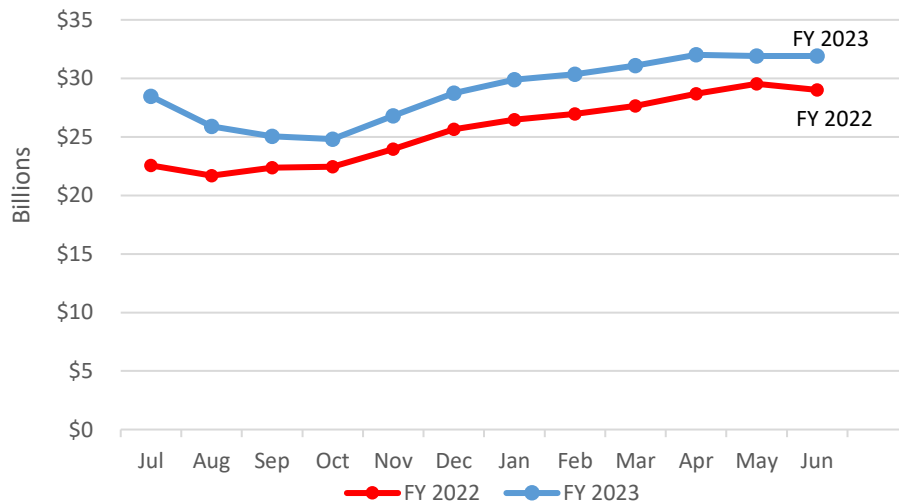
portfolio yield from FY22 and growth in balances. Aggregate deposits increased by 7%, and withdrawals increased by 10% in comparison to FY22. Approximately \$7.0 billion of State General Fund and Revenue Shortfall Reserve were withdrawn in FY23 and deposited to GF1 Plus.

The Federal Open Market Committee (FOMC) increased Federal Funds rapidly throughout the year. The FOMC increased rates from 175bp June 2022 to 525bp June 2023. The FOMC continued responding to inflationary pressures by raising rates aggressively. These rate increases continued being reflected in short-term securities. As a result, GF1 experienced increasing yields throughout FY23 providing higher investment income and distributions of earnings to participants. GF1 distributes income to participants monthly based on their average daily balance. Distributions include interest income based on stated rates (both received and accrued), amortization of discounts and premiums on a straight-line basis, realized investment gains and losses calculated on an amortized cost basis, and are net of investment expenses and administrative fees.

Summaries of the changes in the net position as of June 30 for GF1 are presented below (amounts in thousands):

	2023	2022	Variance
Net Investment Income	\$ 1,114,337	\$ 49,074	\$ 1,065,263
Pool Participant Deposits and Reinvestment of Distributions	82,253,260	76,642,655	5,610,605
Less: Distribution of Earnings	1,095,630	62,623	1,033,007
Less: Pool Participant Withdrawals	79,439,172	72,085,445	7,353,727
Change in Net Position	\$ 2,832,795	\$ 4,543,661	\$ (1,710,866)

GF1 Average Monthly Balances



GF1 Plus

Net investment income (i.e., total investment income plus miscellaneous income less administrative expenses) increased 2,241% compared to FY22. This increase was due to a reduction in unrealized loss of

Local Government Investment Pool Trust Management’s Discussion and Analysis (Unaudited)

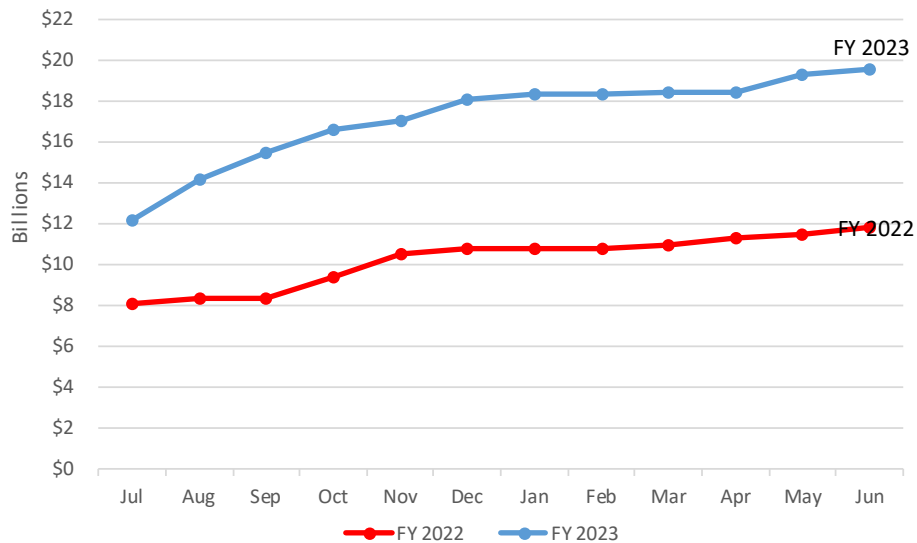
the TMP holdings, as well as to higher yields and growth in balances during FY23. The higher portfolio yield resulted from an increasing yield curve in both short-term treasury and credit markets throughout FY23.

Balances increased due to deposits from the State General Fund and the Revenue Shortfall Reserve during different points in FY23 of approximately \$7.0 billion.

Summaries of the changes in the net position as of June 30 for GF1 Plus are presented below (amounts in thousands):

	<u>2023</u>	<u>2022</u>	<u>Variance</u>
Net Investment Income	\$ 640,351	\$ (29,914)	\$ 670,265
Equity Transfer from LGIP Trust Reserve	7,500	-	7,500
Pool Participant Deposits and Reinvestment of Distributions	8,047,899	7,629,154	418,745
Less: Distribution of Earnings	646,880	44,233	602,647
Less: Operating Expense	1,102	844	258
Less: Pool Participant Withdrawals	464,151	3,384,921	(2,920,770)
Change in Net Position	<u><u>\$ 7,583,617</u></u>	<u><u>\$ 4,169,242</u></u>	<u><u>\$ 3,414,375</u></u>

GF1 Plus Average Monthly Balances



GEAP Plus

GEAP Plus was established in July of FY19 as an investment for the LGIP Trust, including OPEB Trust funds. Earned interest was retained in each TMP. The increase in Net Investment Income resulted from the reduction in unrealized losses as some securities matured and others approached their maturity in existing TMPs. The increase also resulted from higher investment yields due to the rising interest rate environment. In accordance with the OPEB Trust Investment Policy, OPEB Trust funds from maturing

Local Government Investment Pool Trust Management’s Discussion and Analysis (Unaudited)

TMPs were partly distributed for reinvestment in equity investments managed by the Division of Investment Services of the Teachers Retirement System of Georgia.

Summaries of the changes in the net position as of June 30 for GEAP Plus are presented below (amounts in thousands):

	<u>2023</u>	<u>2022</u>	<u>Variance</u>
Net Investment Income	\$ 38,625	\$ (67,981)	\$ 106,606
Participant Deposits and Reinvestment of Distributions	20,450	2,609,696	(2,589,246)
Less: Distribution of Earnings	20,450	8,906	11,544
Less: Operating Expense	516	709	(193)
Less: Participant Withdrawals	231,936	326,237	(94,301)
Change in Net Position	<u>\$ (193,827)</u>	<u>\$ 2,205,863</u>	<u>\$ (2,399,690)</u>

LGIP Trust Reserve

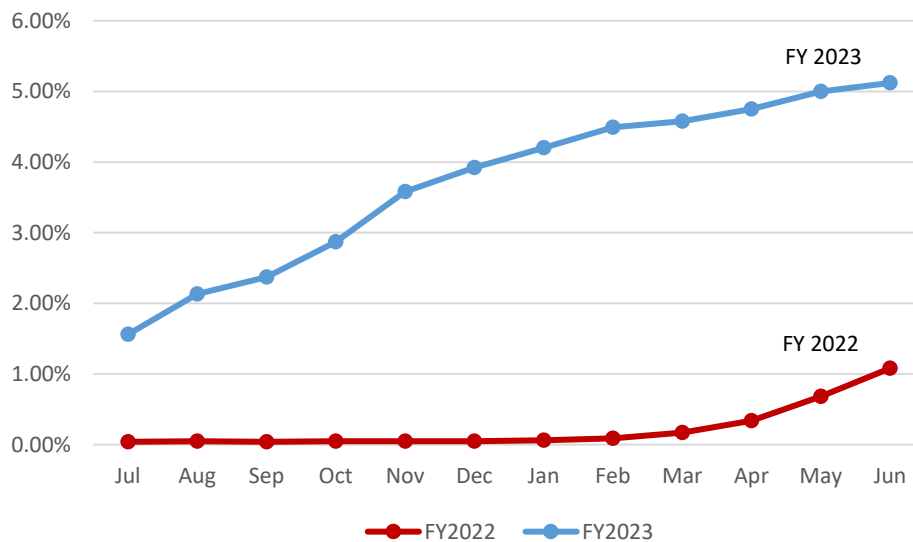
The LGIP Trust Reserve retains all unexpended administrative fees and interest earned on the reserve balance. The LGIP Trust Reserve grew \$11.7 million from \$44 million in FY22 to \$55.7 million in FY23. This resulted in a 27% increase in net position of the LGIP Trust Reserve for FY23. Interest income on the LGIP Trust Reserve increased by 1,692% due to increase in the yield on its investments. Administrative fees from the offerings in the Trust increased by 63% compared to FY22.

Monthly Yield

GF1

The annualized monthly net yield distributed to participants represents the annualized percent return of GF1 investments based on net investment income distributed to participants’ average daily balances in the pool. GF1’s yield is closely tied to the Federal Funds target which is a rate to which other money market rates are anchored. GF1 invests in high quality investments that are permitted by the OST Investment Policy, as approved by the State Depository Board. These maturities are typically 397 days or less.

GF1 Monthly Net Yields

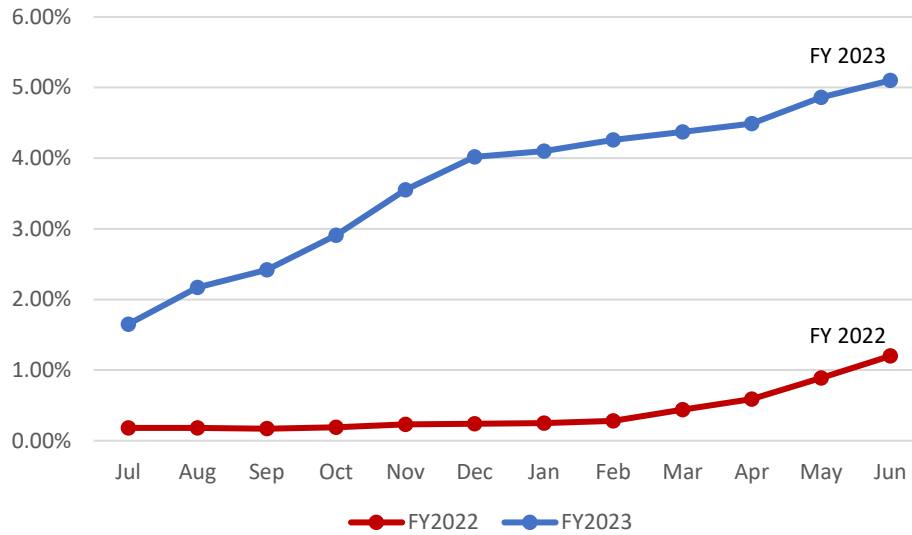


Local Government Investment Pool Trust Management’s Discussion and Analysis (Unaudited)

GF1 Plus

The monthly net yield represents the annualized percent return of GF1 Plus investments. GF1 Plus performance is measured against the net yield for GF1.

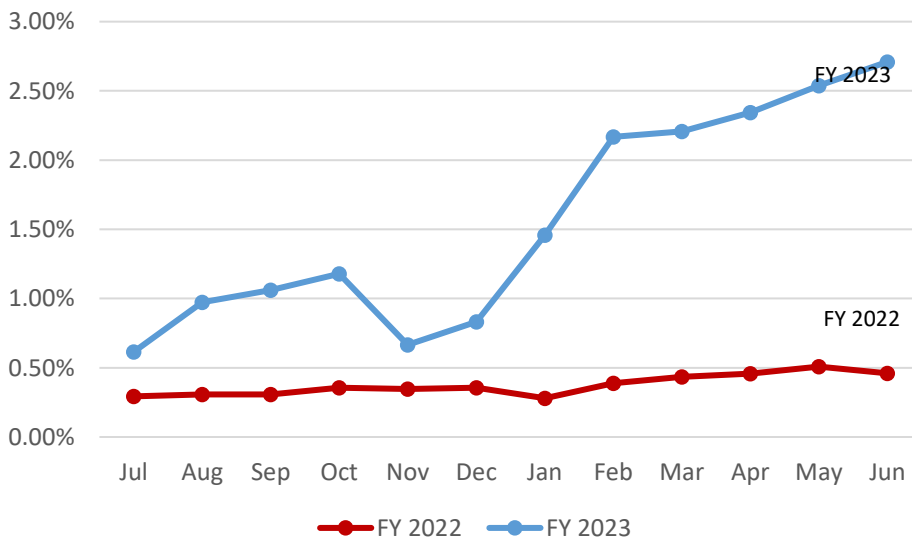
GF1 Plus Monthly Net Yields



GEAP Plus

The monthly net yield represents the annualized percent return of GEAP Plus investments. GEAP Plus TMPs are invested in obligations of the U.S. Treasury, obligations of U.S. Government Sponsored Entities, and up to 35% in high quality credit instruments. Each TMP seeks to achieve a return for a given holding period that outperforms the return of a similar maturity U.S. Treasury.

GEAP Plus Monthly Net Yields



Local Government Investment Pool Trust

Management's Discussion and Analysis

(Unaudited)

FY 2024 Outlook

The financial markets were very active in FY23. We saw a significant increase in the Federal Funds rate, worked through another debt ceiling debate and witnessed the failure of Silicon Valley Bank and Signature Bank. Inflation reached a 40-year high having the biggest influence on the financial markets. This prompted the FOMC to raise the Federal Funds rate eleven times since March 2022 for a total of +525 basis points. During the later part of FY23, inflation data began to trend lower giving the market reason to believe that Federal Funds rate is close to reaching its peak.

Given the improved inflation data, OST anticipates that the FOMC will wind down its current tightening cycle and pause once the Federal Funds rate reaches 5.25% to 5.50%. At the end of FY23, the Consumer Price Index (CPI) and Producer Price Index (PPI) both showed meaningful declines from their highs. Headline CPI (YoY) ended FY23 at 3.0%, down from 9.1% at the end of FY22. Headline PPI (YoY) ended FY23 at 0.10%, down from 11.3% at the end of FY22.

Employment and Consumer data remained strong throughout FY23 making it harder for tighter economic conditions to have their intended impact. We typically see unemployment increase in higher interest rate environments. That has not come to fruition during this economic cycle, thereby keeping inflation a persistent concern.

Forward-looking strategy for GA Fund 1

We anticipate that the FOMC will stop tightening monetary policy once the Federal Funds rate reaches 5.25% to 5.50%. At that point, we expect the FOMC will keep the Federal Funds rate in the 5.25% to 5.50% range through mid-2024 before easing. Given these factors, we will begin to increase the Weighted Average Maturity (WAM) of GA Fund 1 by increasing our exposure to fixed tenors in the 3-month to 6-month part of the curve. We are in a data dependent part of the economic cycle and may adjust our strategy by decreasing the WAM if inflation data picks up or further extending the WAM if we see an abrupt decline in the employment data.

Forward-looking strategy for GA Fund 1+

For the GA Fund 1+ rates portfolio, we will employ a similar strategy as GA Fund 1. We will begin to add fixed tenors in the 3-month to 6-month part of the curve with the expectation that the FOMC is at or near the end of this tightening cycle. We also expect to allocate funds to the GA Fund 1+ credit portfolio, increasing our credit exposure to approximately 30% of the overall portfolio.

Forward-looking strategy for GEAP Plus

As the FOMC reduces Federal Funds rate increases, we will initiate reinvestment of matured TMPs, to provide buy-and-hold certainty for longer duration securities while also considering anticipated liquidity needs of OPEB and any other TMP participants.

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BASIC FINANCIAL STATEMENTS

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Local Government Investment Pool Trust
Statement of Net Position
As of June 30, 2023

(amounts in thousands)

Assets

Cash and Cash Equivalents	\$	18,494,109
Investments in Securities		32,968,796
Accrued Interest and Other Receivables		132,571
TOTAL ASSETS		51,595,476

Liabilities

Accrued Expenses and Other Payables		484
Investment Trades Pending Payable		445,718
TOTAL LIABILITIES		446,202
TOTAL NET POSITION	\$	51,149,274

Net Position Consists of

Net Position Held in Trust for Internal Pool Participants	\$	34,179,013
Net Position Held in Trust for External Pool Participants		17,044,194
Restricted Reserve Funds		55,732
Unrealized Fair Market Value Adjustment		(129,665)
TOTAL NET POSITION	\$	51,149,274

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

Local Government Investment Pool Trust
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2023

(amounts in thousands)

Additions

Interest Income	\$	1,463,814
Net Increase (Decrease) in Fair Value of Investments		339,613
Net Investment Income		1,803,427
Pool Participant Deposits and Reinvestment of Distributions		90,036,047
TOTAL ADDITIONS	\$	91,839,474

Deductions

Distribution of Earnings	\$	1,762,960
Operating Expenses		8,430
Pool Participant Withdrawals		79,851,468
TOTAL DEDUCTIONS	\$	81,622,858

Change in Net Position		10,216,616
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Net Position

Beginning of Year		40,932,658
End of Year	\$	51,149,274

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

Local Government Investment Pool Trust

Notes to the Financial Statements

Year Ended June 30, 2023

(1) Significant Accounting Policies

Reporting Entity

Georgia Fund 1 (“GF1”), Georgia Fund 1 Plus (“GF1 Plus”), and Georgia Extended Asset Pool Plus (“GEAP Plus”) are investment offerings of the Local Government Investment Pool Trust (the “LGIP Trust” or “Trust”) and are investment offerings for the State of Georgia (the “State”) and local governments, including state agencies, colleges and universities, counties, school districts, special districts, or any department, agency, or board of a political subdivision. The State Depository Board (“Board”) prescribes cash management policies and procedures for the State and provides oversight for the offerings. The Board meets regularly and is comprised of the Governor, the State Chief Financial Officer, the State Accounting Officer, the Commissioner of Transportation, the Commissioner of Banking and Finance, the State Revenue Commissioner, and the State Treasurer. The offerings are managed by the Office of the State Treasurer (“OST”). The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as issued by the Governmental Accounting Standards Board (“GASB”), which require management to make certain estimates and assumptions at the date of the financial statements. Actual results could differ from those estimates. Subsequent events, if any, through the date the financial statements were issued have been evaluated in the preparation of the financial statements. All applicable pronouncements required by GASB are presented in the financial statements. The offerings in the Trust are not registered with the SEC.

GF1 is managed as a stable Net Asset Value (“NAV”) pool. Investments are restricted to those enumerated in O.C.G.A. §50-5A-7, §50-17-2, §50-17-27, §50-17-63, §36-83-2, and §36-83-4. The primary objectives of the pool are safety of capital, liquidity, investment income, and diversification. GF1 participant deposits are not guaranteed or insured by any bank, the Federal Deposit Insurance Corporation (“FDIC”), the State, or any other government agency. It is possible to lose money investing in GF1.

OST operates GF1 and provides monthly statements of balances and interest income to participants on an amortized cost basis. While GF1 transacts at \$1.00 based on the amortized cost of the investments in the pool, GF1 participants should report their investments in GF1 at their respective fiscal year end at fair market value. The fair market valuation factor for GF1 at June 30, 2023, was \$1.00.

GF1 Plus is managed as a stable NAV pool. It was established as an alternative to GF1 to provide higher yields by increasing credit exposure. The credit portion of the pool is managed by a subadvisor. GF1 Plus participant deposits are not guaranteed or insured by any bank, the FDIC, the State, or any other government agency. It is possible to lose money investing in GF1 Plus.

Similar to GF1, GF1 Plus transacts at \$1.00 based on the amortized cost of the investments in the pool. Participants should report their investments in GF1 Plus at fair value. The current fair market valuation factor for GF1 Plus at June 30, 2023, was \$1.00.

GEAP Plus is comprised of individual Target Maturity Portfolios (“TMPs”) with maturities up to five years. As of June 30, 2023, GEAP Plus consists of 11 individual TMPs. The TMPs are presented as combined on the Financial Statements, including Statement of Net Position and Statement of Changes in Net Position. New TMP offerings are available to participants that do not expect to need access to their investment prior to the termination date of the TMP. Each TMP is independent from all other TMPs. If one TMP loses value, no other TMP is impacted by such loss. The participant account value and yield are determined by using the amortized cost valuation method. This involves initially valuing a security at cost and thereafter accreting to maturity any discount or amortizing to maturity any premium, regardless of the impact of changes in interest rates in the market value of the underlying investments. GEAP Plus is managed by a subadvisor overseen by OST.

Local Government Investment Pool Trust
Notes to the Financial Statements
Year Ended June 30, 2023

(1) Significant Accounting Policies (Continued)

The accompanying financial statements present the financial position of only GF1, GF1 Plus, GEAP Plus, and the LGIP Trust Reserve. These do not include any other agencies or component units of the State or any other funds of OST. In the State's Annual Comprehensive Financial Report, the Trust is not reported as a separate fund. Instead, the State's portion of the Trust is reported on the balance sheet as "Pooled Investments in State Treasury." The portion of the Trust belonging to external participating institutions is reported as the Investment Trust Fund.

Changes in Financial Accounting and Reporting

In FY23, the Trust did not implement any new GASB Statements.

Basis of Accounting

The accompanying statements are prepared based on the flow of economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and realized. Expenses are recognized in the period incurred.

Cash and Cash Equivalents

Cash includes bank deposits, which are reported at carrying value. Cash equivalents are short-term, highly liquid investments that are both readily convertible to known amounts of cash and so near the maturity that they present insignificant risk of changes in value because of changes in interest rates. Generally, investments with original maturities of three months or less meet this definition.

Investments

All offerings generally value investments as follows:

- All investments except repurchase agreements, non-negotiable certificates of deposit ("CD"), direct-issued commercial paper, and other such nonparticipating investments are priced at fair value.
- Per GASB 31, repurchase agreements, non-negotiable CD's, direct-issued commercial paper, and other such nonparticipating investments are carried at cost because they are nonparticipating contracts that do not capture interest rate changes in their value.

Security transactions are accounted for on a trade date basis which means that the purchases and sales of securities are recorded on the day the trade takes place with a corresponding payable or receivable.

State of Georgia Code § 50-5A-7 stipulates "Pursuant to an investment policy adopted by the State Depository Board, the Office of the State Treasurer shall invest funds through the state treasurer." This policy, Investment Policy for the Office of the State Treasurer, pertains to the investment of state funds, public funds comprising the Local Government Investment Pool, and other funds in the possession of OST. Through the investment policy, the LGIP Trust is authorized to invest in such securities permitted in the Code references §50-5A-7, §50-17-2, §50-17-27, §50-17-63, §36-83-2, and §36-83-4. Such investments include:

- Repurchase agreements
- Certificates of deposit
- Commercial paper
- Bank deposits held for investment purposes
- Prime bankers acceptances

Local Government Investment Pool Trust
Notes to the Financial Statements
Year Ended June 30, 2023

(1) Significant Accounting Policies (Continued)

- Municipal bonds
- Corporate obligations
- Foreign sovereign credit
- The International Bank for Reconstruction and Development or the International Financial Corporation
- GF1, GF1+, and GEAP+ and any other funds comprising the LGIP Trust
- Asset-backed securities
- Commercial mortgage-backed securities
- Money market mutual funds
- U.S. Agency obligations, including government-sponsored enterprises (“GSEs”)
- U.S. Treasury obligations

Investment Income, Gains and Losses, Expenses, and Distributions

GF1 is managed to maintain a stable \$1.00 NAV. For purposes of calculating earnings to each participant, all investments are valued at amortized cost. The pool distributes income to participants monthly, based on their average daily balance. Distributions include interest income based on stated rates (both received and accrued), amortization of discounts and premiums on a straight-line basis, realized investment gains and losses calculated on an amortized cost basis, and are net of investment expenses and administrative fees.

GF1 Plus is managed to maintain a stable \$1.00 NAV and accrues investment income on a daily basis. GF1 Plus distributes income to participants on a monthly basis and reinvests at \$1.00 based on the amortized cost of the investments in the pool.

GEAP Plus is comprised of individual TMPs. Each TMP is managed to provide principal and income upon maturity consistent with maintaining preservation of principal if held to maturity. The participant account values and yields are determined by using the amortized cost valuation method. Securities are initially valued at cost. Thereafter any discounts are accreted, and any premiums are amortized to maturity, regardless of the impact of changes in interest rates on the market value of securities. All earned interest is reinvested within the respective TMP and paid at maturity.

For each offering, unrealized gains (losses) are reported in the equity section of the Statement of Net Position as “Unrealized Fair Market Value Adjustment.” Changes in the fair value of marketable securities are recognized at the end of the fiscal year.

Local Government Investment Pool Trust
Notes to the Financial Statements
Year Ended June 30, 2023

(1) Significant Accounting Policies (Continued)

Administrative Fees and LGIP Trust Reserve

According to O.C.G.A. § 36-83-8(1), “payments of amounts for administrative expenses shall be deemed contractually obligated funds held in trust for the benefit of the local government investment pool and shall not lapse” and will be held in trust (the “LGIP Trust Reserve”) for the benefit of the LGIP. The LGIP Trust Reserve shall retain all unexpended administrative fees and interest earned on the reserve balance. During FY23, OST assessed an administrative fee of 5.5 basis points on the average daily balances of GF1 participant accounts. For GF1 Plus, OST assessed an administrative fee of 5 basis points from July 2022 through September 2022. Starting October 2022, for GF1 Plus, OST assessed an administrative fee of 5.5 basis points for the remainder of the fiscal year. For GEAP Plus, OST assessed an administrative fee of 5 basis points on the daily fund balance. The total fees assessed were \$24.1 million, of which \$15.9 million were GF1 fees, \$7.4 million were GF1 Plus fees, and \$745 thousand were GEAP Plus fees.

The LGIP Trust Reserve may be utilized at the discretion of the State Treasurer in the interest of the LGIP. According to the Trust Policy, administrative fees collected from LGIP participants are to be used to fund expenses related to carrying out the investment functions and operations of the OST. The total LGIP Trust expenses paid from the administrative fees collected were \$6.8 million resulting in a net increase in the LGIP Trust Reserve of \$11.7 million from administrative fees and interest, leaving a balance of \$55.7 million in the LGIP Trust Reserve.

Investments in Georgia Fund 1 and GEAP Plus

GF1 Plus, GEAP Plus, and the LGIP Trust Reserve invested a portion of their assets in GF1. The portion of the investments in GF1 appears in the Combining Statement of Net Position for GF1 Plus, GEAP Plus, and the LGIP Trust Reserve as “Cash and Cash Equivalents.” Additionally, GF1 Plus invested a portion of its assets in GEAP Plus. The portion of the investments in GEAP Plus appears in the Combining Statement of Net Position for GF1 Plus under the asset “Investments in Securities.”

In the disclosures for GF1 Plus, the investments in GEAP Plus are listed as “Target Maturity Portfolios” and disclose the risks associated with these TMPs not the underlying securities. The risks for the underlying securities in these TMPs are disclosed in GEAP Plus.

(2) Subsequent Event

Subsequent to the end of the reporting period but before the issuance of the LGIP Trust financial statements, the State Depository Board approved a new LGIP Offering for the LGIP Trust. The new LGIP Offering, referred to as Georgia Fund 1 Prime (“GF1 Prime”), will be available for investment for local governments, authorities, school systems, and select state entities. GF1 Prime will offer a potentially higher yield than GF1 due to the inclusion of investment-grade credit securities. As a prerequisite to investing in GF 1 Prime, depositors will be required to complete investment training provided by the state.

(3) Investment Disclosures

Interest Rate Risk

Interest rate risk is the risk associated with changes in interest rates that could adversely affect the fair value of an investment. GF1 and GF1 Plus use the weighted average maturity (“WAM”) method to analyze interest rate risk. WAM expresses the average time until maturity for the investments in a portfolio weighted to reflect the dollar size of the individual investments within the portfolio. WAM is an acceptable method for reporting interest rate risk according to GASB 40. OST seeks to match investment terms to the cash requirements of the pool.

Local Government Investment Pool Trust
Notes to the Financial Statements
Year Ended June 30, 2023

(3) Investment Disclosures (Continued)

OST makes the following assumptions when calculating the WAM. The calculation uses the par value of the securities as the dollar size. For securities with interest rate resets, the WAM was calculated to the reset date and not the final maturity date. For callable securities, the securities are calculated to either the call date or the final maturity date depending on OST's expectation that these securities will be called. The WAM for securities likely to be called is calculated to the call date, whereas the WAM for securities not likely to be called is calculated to the final maturity date.

GF1

At June 30, 2023, GF1's WAM was as follows:

Investment Type	Carrying Value (amounts in thousands)	WAM (Days)
Bank Deposits Held for Investment Purposes	\$ 3,065,662	1
Money Market Mutual Fund	235,362	1
Repurchase Agreements	8,734,293	5
Supranational Obligations	445,431	77
U.S. Agency Obligations	7,720,968	27
U.S. Treasury Obligations	10,901,296	53
Total	\$ 31,103,012	
GF1 WAM (Days)		28

GF1 Plus

At June 30, 2023, the WAM for GF1 Plus was as follows:

Investment Type	Carrying Value (amounts in thousands)	WAM (Days)
Asset-Backed Securities	\$ 220,214	227
Bank Deposits Held for Investment Purposes	496,590	1
Commercial Paper	1,793,715	49
Corporates	70,408	1
GEAP Plus Target Maturity Portfolios ⁽¹⁾	1,458,100	291
Georgia Fund 1	948	1
Money Market Mutual Fund	50,903	1
Municipal Bonds	31,261	174
Negotiable Certificate of Deposit	2,242,456	53
Repurchase Agreements	10,246,270	5
Sovereign Credit	14,783	276
Supranational Obligations	278,406	118
U.S. Agency Obligations	1,480,722	174
U.S. Treasury Obligations	1,184,979	120
Total	\$ 19,569,755	
GF1 Plus WAM (Days)		61

(1) The GEAP Plus TMPs consist of the following maturities: October 2023 E, April 2024 E, and October 2024 E.

Local Government Investment Pool Trust
Notes to the Financial Statements
Year Ended June 30, 2023

(3) Investment Disclosures (Continued)

GEAP Plus

GEAP Plus uses the duration method to analyze interest rate risk. GEAP Plus is a series of TMPs with an intent to hold securities to maturity. The individual TMPs are not actively managed to respond to interest rate changes. Matured TMPs are reinvested in money markets with overnight availability unless they are withdrawn or reinvested in new TMPs. At June 30, 2023, the duration for GEAP Plus was as follows by maturities:

July 2022 D

Investment Type	Carrying Value (amounts in thousands)	Duration
Money Market Mutual Fund	\$ 1,341	0.00
Total	\$ 1,341	

July 2022 D Duration 0.00

July 2022 F

Investment Type	Carrying Value (amounts in thousands)	Duration
Money Market Mutual Fund	\$ 27,459	0.00
Total	\$ 27,459	

July 2022 F Duration 0.00

January 2023 D

Investment Type	Carrying Value (amounts in thousands)	Duration
Money Market Mutual Fund	\$ 221,452	0.00
Total	\$ 221,452	

January 2023 D Duration 0.00

January 2023 F

Investment Type	Carrying Value (amounts in thousands)	Duration
Money Market Mutual Fund	\$ 41,697	0.00
Total	\$ 41,697	

January 2023 F Duration 0.00

July 2023 D

Investment Type	Carrying Value (amounts in thousands)	Duration
Money Market Mutual Fund	\$ 51,603	0.00
U.S. Treasury Obligations	166,049	0.05
Total	\$ 217,652	

July 2023 D Duration 0.04

Local Government Investment Pool Trust
Notes to the Financial Statements
Year Ended June 30, 2023

(3) Investment Disclosures (Continued)

July 2023 F

Investment Type	Carrying Value (amounts in thousands)	Duration
Money Market Mutual Fund	5,988	0.00
U.S. Treasury Obligations	35,244	0.05
Total	\$ 41,232	

July 2023 F Duration 0.04

October 2023 E

Investment Type	Carrying Value (amounts in thousands)	Duration
Money Market Mutual Fund	\$ 633	0.00
U.S. Treasury Obligations	532,090	0.29
Total	\$ 532,723	

October 2023 E Duration 0.29

January 2024 A

Investment Type	Carrying Value (amounts in thousands)	Duration
Georgia Fund 1	\$ 4,894	0.00
U.S. Treasury Obligations	39,540	0.50
Total	\$ 44,434	

January 2024 A Duration 0.44

January 2024 F

Investment Type	Carrying Value (amounts in thousands)	Duration
Corporates	\$ 9,804	0.53
Money Market Mutual Fund	300	0.00
U.S. Treasury Obligations	30,316	0.53
Total	\$ 40,420	

January 2024 F Duration 0.53

April 2024 E

Investment Type	Carrying Value (amounts in thousands)	Duration
Money Market Mutual Fund	\$ 2,708	0.00
U.S. Treasury Obligations	518,328	0.77
Total	\$ 521,036	

April 2024 E Duration 0.77

Local Government Investment Pool Trust
Notes to the Financial Statements
Year Ended June 30, 2023

(3) Investment Disclosures (Continued)

October 2024 E

Investment Type	Carrying Value (amounts in thousands)	Duration
Money Market Mutual Fund	\$ 4,772	0.00
U.S. Treasury Obligations	506,601	1.26
Total	\$ 511,373	

October 2024 E Duration 1.24

LGIP Trust Reserve

At June 30, 2023, the LGIP Trust Reserve’s WAM was as follows:

Investment Type	Carrying Value (amounts in thousands)	WAM (Days)
Bank Deposit	\$ 53,261	1
Georgia Fund 1	\$ 1,490	1
Total	\$ 54,751	

LGIP Trust Reserve WAM (Days) 1

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. For internally managed portfolios, OST utilizes a counterparty risk assessment model to assess the credit risk of counterparties that have been approved to serve as repurchase agreement counterparties or depositories. OST has assigned credit limits to each counterparty based upon the counterparty risk assessment model, which incorporates market indicators, default probabilities, issuer research, and issuer ratings to determine maximum credit exposure per institution, term of investment for respective counterparties, and collateralization requirements in accordance with the OST Investment Policy. OST’s subadvisor utilizes its own credit research in the management of credit risk for the portfolios it invests.

The nationally recognized statistical rating organizations (“NRSROs”) rate the long-term senior debt (with original maturity longer than 1 year) of the GSEs with split ratings equivalent to AAA and AA+ ratings. In the credit risk disclosure tables, the rating for the long-term senior debt of the GSEs is listed as AA. The short-term rating of the GSEs is equivalent to an A-1+ rating. The issuing GSEs are rated but specific bonds are not always individually rated.

Local Government Investment Pool Trust
Notes to the Financial Statements
Year Ended June 30, 2023

(3) Investment Disclosures (Continued)

GF1

At June 30, 2023, the pool's securities and underlying collateral for repurchase agreements were rated as follows (amounts in thousands):

Credit Risk Investments	Long-Term Ratings						Carrying Value
	AAA	AA	A	BBB	A-1+	A-1	
Money Market Mutual Fund	\$ 235,362	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 235,362
Repurchase Agreements	257,163	151,776	1,230,682	1,177,121	274	66,033	2,883,049
Supranational Obligations	445,431	-	-	-	-	-	445,431
U.S. Agency Obligations	-	7,720,968	-	-	-	-	7,720,968
Total Credit Risk Investments	\$ 937,956	\$ 7,872,744	\$ 1,230,682	\$ 1,177,121	\$ 274	\$ 66,033	\$ 11,284,810
U.S. Treasury Obligations							10,901,296
Repurchase Agreements Backed by:							
U.S. Agency Obligations Explicitly Guaranteed							4,317,014
U.S. Treasury Obligations							1,534,230
Total Securities							\$ 28,037,350

GF1 Plus

At June 30, 2023, the pool's securities and underlying collateral for repurchase agreements were rated as follows (amounts in thousands):

Credit Risk Investments	Long-Term Ratings						Short-Term	Not Rated	Carrying Value
	AAA	AA	A	BBB	A-1+	A-1			
Asset-Backed Securities	\$ 220,214	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 220,214
Commercial Paper	-	-	-	-	218,703	1,575,012	-	-	1,793,715
Corporates	-	-	70,408	-	-	-	-	-	70,408
GEAP Plus Target Maturity Portfolios	-	-	-	-	-	-	-	1,458,100	1,458,100
Money Market Mutual Fund	50,903	-	-	-	-	-	-	-	50,903
Municipal Bonds	6,261	-	25,000	-	-	-	-	-	31,261
Negotiable Certificate of Deposit	-	-	-	-	478,774	1,663,931	99,752	-	2,242,457
Repurchase Agreements	83,266	498,639	2,898,753	4,909,437	-	-	-	-	8,390,095
Sovereign Credit	-	-	14,783	-	-	-	-	-	14,783
Supranational Obligations	278,406	-	-	-	-	-	-	-	278,406
U.S. Agency Obligations	-	1,480,722	-	-	-	-	-	-	1,480,722
Total Credit Risk Investments	\$ 639,050	\$ 1,979,361	\$ 3,008,944	\$ 4,909,437	\$ 697,477	\$ 3,238,943	\$ 99,752	\$ 1,458,100	\$ 16,031,064
Georgia Fund I									948
U.S. Treasury Obligations									1,184,979
Repurchase Agreements Backed by:									
U.S. Agency Obligations Explicitly Guaranteed									1,750,453
U.S. Treasury Obligations									105,722
Total Securities									\$ 19,073,166

GEAP Plus

At June 30, 2023, the securities in the GEAP Plus offering were rated as follows by TMP maturities (amounts in thousands):

July 2022 D

Credit Risk Investments	Long-Term Ratings	
	AAA	Carrying Value
Money Market Mutual Fund	\$ 1,341	\$ 1,341
Total Credit Risk Investments	\$ 1,341	\$ 1,341

July 2022 F

Credit Risk Investments	Long-Term Ratings	
	AAA	Carrying Value
Money Market Mutual Fund	\$ 27,459	\$ 27,459
Total Credit Risk Investments	\$ 27,459	\$ 27,459

Local Government Investment Pool Trust
Notes to the Financial Statements
Year Ended June 30, 2023

(3) Investment Disclosures (Continued)

January 2023 D

	Long-Term Ratings	Carrying Value
Credit Risk Investments	AAA	
Money Market Mutual Fund	\$ 221,452	\$ 221,452
Total Credit Risk Investments	\$ 221,452	\$ 221,452

January 2023 F

	Long-Term Ratings	Carrying Value
Credit Risk Investments	AAA	
Money Market Mutual Fund	\$ 41,697	\$ 41,697
Total Credit Risk Investments	\$ 41,697	\$ 41,697

July 2023 D

	Long-Term Ratings	Carrying Value
Credit Risk Investments	AAA	
Money Market Mutual Fund	\$ 51,603	\$ 51,603
Total Credit Risk Investments	\$ 51,603	\$ 51,603
U.S. Treasury Obligations		166,049
Total Securities		\$ 217,652

July 2023 F

	Long-Term Ratings	Carrying Value
Credit Risk Investments	AAA	
Money Market Mutual Fund	\$ 5,988	\$ 5,988
Total Credit Risk Investments	\$ 5,988	\$ 5,988
U.S. Treasury Obligations		35,244
Total Securities		\$ 41,232

October 2023 E

	Long-Term Ratings	Carrying Value
Credit Risk Investments	AAA	
Money Market Mutual Fund	\$ 633	\$ 633
Total Credit Risk Investments	\$ 633	\$ 633
U.S. Treasury Obligations		532,090
Total Securities		\$ 532,723

January 2024 A

	Carrying Value
Georgia Fund 1	\$ 4,894
U.S. Treasury Obligations	39,540
Total Securities	\$ 44,434

Local Government Investment Pool Trust
Notes to the Financial Statements
Year Ended June 30, 2023

(3) Investment Disclosures (Continued)

January 2024 F

Credit Risk Investments	Long-Term Ratings			Carrying Value
	AAA	AA	A	
Corporates	\$ -	\$ 3,560	\$ 6,244	\$ 9,804
Money Market Mutual Fund	300	-	-	300
Total Credit Risk Investments	\$ 300	\$ 3,560	\$ 6,244	\$ 10,104
U.S. Treasury Obligations				30,316
Total Securities				\$ 40,420

April 2024 E

Credit Risk Investments	Long-Term Ratings		Carrying Value
	AAA		
Money Market Mutual Fund	\$ 2,708		\$ 2,708
Total Credit Risk Investments	\$ 2,708		\$ 2,708
U.S. Treasury Obligations			518,328
Total Securities			\$ 521,036

October 2024 E

Credit Risk Investments	Long-Term Ratings		Carrying Value
	AAA		
Money Market Mutual Fund	\$ 4,772		\$ 4,772
Total Credit Risk Investments	\$ 4,772		\$ 4,772
U.S. Treasury Obligations			506,601
Total Securities			\$ 511,373

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the Trust's deposits may not be fully recovered. The OST Investment Policy specifies safety of capital, liquidity, investment return and diversification as its objectives. In carrying out these objectives, OST maintains balances in accounts in banks approved for investment by the Board.

As of June 30, 2023, bank deposits of the Trust were as follows (amounts in thousands):

	Insured or Collateralized	Uninsured and Uncollateralized	Total Bank Balance
Georgia Fund 1	\$ 3,065,662	\$ -	\$ 3,065,662
Georgia Fund 1 Plus	496,590	-	496,590
GEAP Plus	-	-	-
LGIP Trust Reserve	53,261	-	53,261
Total	\$ 3,615,513	\$ -	\$ 3,615,513

Local Government Investment Pool Trust
Notes to the Financial Statements
Year Ended June 30, 2023

(3) Investment Disclosures (Continued)

Concentration of Credit Risk

Concentration of credit risk is the risk associated with losses that may occur due to lack of diversification. Concentration of credit risk is mitigated by limiting the percentage of total investments with any one issuer. OST limits concentration of credit risk by establishing maximum issuer exposure limits based on criteria established using OST's counterparty risk assessment model.

GASB 40 requires the disclosure of the concentration of credit risk in any issuer that represents 5% or more of total investments. As of June 30, 2023, the concentration of credit risk for the offerings in the Trust is as follows:

- Approximately 24.83% of GF1 was invested in U.S. agency obligations not explicitly guaranteed by the U.S. Government or in repurchase agreements collateralized with U.S. agency obligations not explicitly guaranteed by the U.S.
- Approximately 7.6% of GF1 Plus was invested in U.S. agency obligations not explicitly guaranteed by the U.S. Government or in repurchase agreements collateralized with U.S. agency obligations not explicitly guaranteed by the U.S., and 7.45% was invested in Target Maturity Portfolios in GEAP Plus.
- At June 30, 2023, in the GEAP Plus offering, the following TMPs had concentrations of credit risk greater than 5%:
 - Approximately 15.45% of the TMP for January 2024 F was invested in corporate obligations of Caterpillar and 8.81% was invested in corporate obligations of MetLife.

Fair Value Measurements

In accordance with GASB 72, some investments in the offerings are measured using inputs divided into three fair value hierarchies:

- Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 – Inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, either directly or indirectly. Matrix pricing is used for the securities classified in Level 2 of the fair value hierarchy in the Trust.
- Level 3 – Unobservable inputs for an asset or liability.

GF1

At June 30, 2023, GF1 has the following investments reported at fair value (amount in thousands):

Investment Type	Level 1	Level 2	Level 3	Fair Value
Money Market Mutual Fund	\$ 235,362	\$ -	\$ -	\$ 235,362
Supranational Obligations	-	445,431	-	445,431
U.S. Agency Obligations	-	7,720,968	-	7,720,968
U.S. Treasury Obligations	10,901,296	-	-	10,901,296
Total	\$ 11,136,658	\$ 8,166,399	\$ -	\$ 19,303,057

Local Government Investment Pool Trust
Notes to the Financial Statements
Year Ended June 30, 2023

(3) Investment Disclosures (Continued)

GF1 Plus

At June 30, 2023, GF1 Plus has the following investments reported at fair value (amount in thousands):

Investment Type	Level 1	Level 2	Level 3	Fair Value
Asset-Backed Securities	\$ -	\$ 220,214	\$ -	\$ 220,214
Commercial Paper	-	1,793,715	-	1,793,715
Corporates	-	70,408	-	70,408
Money Market Mutual Fund	50,903	-	-	50,903
Municipal Bonds	-	31,261	-	31,261
Negotiable Certificate of Deposit	-	2,242,456	-	2,242,456
Sovereign Credit	-	-	14,783	14,783
Supranational Obligations	-	278,406	-	278,406
U.S. Agency Obligations	-	1,480,722	-	1,480,722
U.S. Treasury Obligations	1,184,979	-	-	1,184,979
	<u>\$ 1,235,882</u>	<u>\$ 6,117,182</u>	<u>\$ 14,783</u>	<u>\$ 7,367,847</u>
Reconciling Items:				
GEAP Plus Target Maturity Portfolios				\$ 1,458,100
Georgia Fund 1				948
Total				<u><u>\$ 8,826,895</u></u>

GEAP Plus

At June 30, 2023, GEAP Plus has the following investments reported at fair value (amount in thousands):

Investment Type	Level 1	Level 2	Level 3	Fair Value
Corporates	\$ -	\$ 9,804	\$ -	\$ 9,804
Money Market Mutual Fund	357,953	-	-	357,953
U.S. Treasury Obligations	1,828,168	-	-	1,828,168
	<u>\$ 2,186,121</u>	<u>\$ 9,804</u>	<u>\$ -</u>	<u>2,195,925</u>
Reconciling Item:				
Georgia Fund 1				4,894
Total				<u><u>\$ 2,200,819</u></u>

The remaining investments in the Trust are exempt from GASB 72's disclosure requirement because they are not reported at fair value and are instead valued using cost-based measures.

Local Government Investment Pool Trust
Notes to the Financial Statements
Year Ended June 30, 2023

(4) Equity of Internal and External Participants

Per GASB 31, “The external portion of an external investment pool is the portion that belongs to legally separate entities that are not part of the sponsoring government’s financial reporting entity. The internal portion of each external investment pool is the portion that belongs to the primary government and its component units.” The following table describes the equity of internal and external participants in the offering’s net position and shows that net position is composed of participants’ account balances and the unrealized fair market value adjustment (amounts in thousands):

	Georgia Fund 1	Georgia Fund 1 Plus	GEAP Plus	Trust Reserve	Eliminations	Total
Internal Participants	\$ 13,695,877	\$ 19,684,317	\$ 2,263,416	\$ -	\$ (1,464,597)	\$ 34,179,013
External Participants	17,044,194	-	-	-	-	17,044,194
Restricted Reserve Funds	1,490	-	-	55,732	(1,490)	55,732
Unrealized Fair Market Value Adjustment	5,396	(75,123)	(59,938)	-	-	(129,665)
Total Net Position	\$ 30,746,957	\$ 19,609,194	\$ 2,203,478	\$ 55,732	\$ (1,466,087)	\$ 51,149,274

(5) Involuntary Participation

GASB 31 requires the disclosure of any involuntary participation in the Trust. The Statement defines involuntary participants as “those that are required by legal provisions to invest in the external investment pool.” O.C.G.A. § 50-5A-7 requires certain internal funds to be invested by the State Treasurer but does not require the funds to be invested in the Trust. External participants are voluntary participants of the offerings.

SUPPLEMENTARY INFORMATION

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Local Government Investment Pool Trust
Supplementary Information
Combining Statement of Net Position
As of June 30, 2023

(amounts in thousands)

	Georgia					
	Georgia Fund 1	Fund 1 Plus	GEAP Plus	Trust Reserve	Eliminations	Total
Assets						
Cash and Cash Equivalents	\$ 8,513,658	\$ 9,570,184	\$ 362,847	\$ 54,751	\$ (7,331)	\$ 18,494,109
Investments in Securities	22,589,353	9,999,571	1,837,972	-	(1,458,100)	32,968,796
Accrued Interest and Other Receivables	89,664	40,595	2,968	981	(1,637)	132,571
TOTAL ASSETS	31,192,675	19,610,350	2,203,787	55,732	(1,467,068)	51,595,476
Liabilities						
Accrued Expenses and Other Payables	-	1,156	309	-	(981)	484
Investment Trades Pending Payable	445,718	-	-	-	-	445,718
TOTAL LIABILITIES	445,718	1,156	309	-	(981)	446,202
TOTAL NET POSITION	\$ 30,746,957	\$ 19,609,194	\$ 2,203,478	\$ 55,732	\$ (1,466,087)	\$ 51,149,274
Net Position Consists of						
Net Position Held in Trust for Internal Pool Participants	\$ 13,695,877	\$ 19,684,317	\$ 2,263,416	\$ -	\$ (1,464,597)	\$ 34,179,013
Net Position Held in Trust for External Pool Participants	17,044,194	-	-	-	-	17,044,194
Restricted Reserve Funds ⁽¹⁾	1,490	-	-	55,732	(1,490)	55,732
Unrealized Fair Market Value Adjustment	5,396	(75,123)	(59,938)	-	-	(129,665)
TOTAL NET POSITION	\$ 30,746,957	\$ 19,609,194	\$ 2,203,478	\$ 55,732	\$ (1,466,087)	\$ 51,149,274

(1) See Note 1 to the Financial Statements subsection *Administrative Fees and LGIP Trust Reserve* for more information on the Reserve Funds.

Local Government Investment Pool Trust
Supplementary Information
Combining Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2023

(amounts in thousands)

	Georgia Fund 1	Georgia Fund 1 Plus	GEAP Plus	Trust Reserve	Eliminations	Total
Additions						
Interest Income	\$ 880,979	\$ 568,892	\$ 20,040	\$ 1,953	\$ (8,050)	\$ 1,463,814
Net Increase (Decrease) in Fair Value of Investments	249,253	78,879	19,330	-	(7,849)	339,613
Less: Administrative Fees	(15,895)	(7,420)	(745)	24,060	-	-
Net Investment Income	1,114,337	640,351	38,625	26,013	(15,899)	1,803,427
Equity Transfer from LGIP						
Trust Reserve	-	7,500	-	(7,500)	-	-
Pool Participant Deposits and Reinvestment of Distributions	82,253,260	8,047,899	20,450	-	(285,562)	90,036,047
TOTAL ADDITIONS	\$ 83,367,597	\$ 8,695,750	\$ 59,075	\$ 18,513	\$ (301,461)	\$ 91,839,474
Deductions						
Distribution of Earnings	\$ 1,095,630	\$ 646,880	\$ 20,450	\$ -	\$ -	\$ 1,762,960
Operating Expenses	-	1,102	516	6,812	-	8,430
Pool Participant Withdrawals	79,439,172	464,151	231,936	-	(283,791)	79,851,468
TOTAL DEDUCTIONS	\$ 80,534,802	\$ 1,112,133	\$ 252,902	\$ 6,812	\$ (283,791)	\$ 81,622,858
Change in Net Position	2,832,795	7,583,617	(193,827)	11,701	(17,670)	10,216,616
Net Position						
Beginning of Year	27,914,162	12,025,577	2,397,305	44,031	(1,448,417)	40,932,658
End of Year	<u>\$ 30,746,957</u>	<u>\$ 19,609,194</u>	<u>\$ 2,203,478</u>	<u>\$ 55,732</u>	<u>\$ (1,466,087)</u>	<u>\$ 51,149,274</u>

SECTION II
INTERNAL CONTROL AND COMPLIANCE

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**INDEPENDENT AUDITOR'S REPORT 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**

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Members of the State Depository Board
and
Mr. Steve McCoy, State Treasurer

We have audited the financial statements of the Local Government Investment Pool Trust of the Office of the State Treasurer of the State of Georgia (Trust) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Trust's basic financial statements, and have issued our report thereon dated November 15, 2023. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Report on Internal Control Over Financial Reporting

In planning and performing our audit 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 basic 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 Trust'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 audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, 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 Trust'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 Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Greg S. Griffin
State Auditor

November 15, 2023