Office of the State Treasurer

200 Piedmont Avenue, Suite 1202, West Tower
Atlanta, Georgia 30334-5527

Steve McCoy
Treasurer

(404) 656-2168
Fax (404) 656-9048

June 30, 2014

To Whom It May Concern:

GASB Statement 40, Deposit and Investment Risk Disclosures, will require changes to how deposits and investments are reported in the annual financial statements. This Statement is designed to inform financial statement users about deposit and investment risks that could affect a government's ability to provide services and meet its obligations as they become due. Governments will need to report on deposit and investment risks related to credit risk (including custodial credit risk), concentration of credit risk, interest rate risk and foreign currency risk.

In respect to credit risk, the Georgia Extended Asset Pool (GEAP) has a 'AA+f' credit quality rating by Standard & Poor's. As you recall, Standard & Poor's lowered the long-term sovereign credit rating of the United States of America to 'AA+' from 'AAA' on August 5, 2011. GEAP's rating was lowered due to the fund's direct investments in U.S. Treasury and U.S. government agency securities. Therefore, you can report AA+ for credit risk. Public funds are not required to disclose custodial credit risk for external investment pools. Therefore your investment in GEAP is exempt from this requirement.

Concentration of credit risk is defined as investments of more than 5% in any one issuer. External investment pools, such as GEAP, are excluded from the requirement of disclosing concentration of credit risk.

Interest rate risk is the risk that changes in interest rates may adversely affect an investment's fair value. Since the price of a bond fluctuates with market interest rates, the risk that an investor faces is that the price of a bond held in a portfolio will decline if market interest rates rise. The portfolio's duration is a key determinant of the tolerance of a fund's investments to rising interest rates.

According to GASB Statement 40, an acceptable method for reporting interest rate risk is duration. Duration is the method used for reporting purposes for GEAP. The duration for the month of June is ***.22***. This is the number you will use to report interest rate risk.

Finally, as for the value of your investment in GEAP, you will report the number identified as the ending balance on your June 30th statement. GEAP is marked-to-market on a daily basis so the ending balance on the statement reflects the market value of your investment as of June 30th.

In conclusion, for your investment in GEAP, you will simply need to report the credit rating of the pool, the value of your investment and the duration of the pool at June 30th. GEAP does not have any foreign currency risk as all investments in the pool are in U.S. dollar-denominated assets.

The following is an example of the disclosure of your investment in GEAP:

June 30, 2014

GEAP	AA+f credit quality rating	$1,000,000.00	.22 Effective Duration

I hope this letter clarifies the information required for your financial statements. If you have any questions or need any additional information, please do not hesitate to call me at (404) 656-2995 or you can email your questions to lglenn@treasury.ga.gov

Sincerely,

Laura B. Glenn