Office of the State Treasurer

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Steve McCoy
Treasurer

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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, Georgia Fund 1 is an AAAf rated investment pool by Standard & Poor's. Therefore, you can report AAA for credit risk. Public funds are not required to disclose custodial credit risk for external investment pools. Therefore your investment in Georgia Fund 1 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 Georgia Fund 1, 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 weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investments to rising interest rates. In general, the longer the WAM, the more susceptible the fund is to rising interest rates.

According to GASB Statement 40, an acceptable method for reporting interest rate risk is WAM. WAM is the method used for reporting purposes for Georgia Fund 1. The WAM is identified for the fund each month on the disclosure statement that is included with your monthly statement. This is the number you will use to report interest rate risk.

Finally, as for the value of your investment in Georgia Fund 1, you will report the number identified as the ending balance on your June 30th statement.

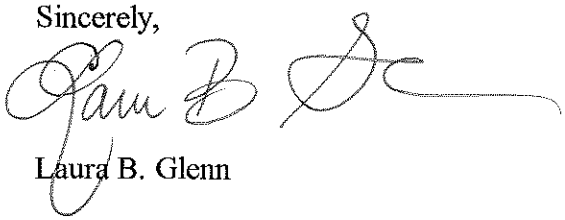
In conclusion, for your investment in Georgia Fund 1, you will simply need to report the credit rating of the pool, the value of your investment and the WAM of the pool at June 30th. Georgia Fund 1 does not have any foreign currency risk as all investments in the pool are in U.S. dollar-denominated assets.

The following is an example of the disclosure of your investment in Georgia Fund 1:

June 30, 2014			
Georgia Fund 1	AAAf rated	$1,000,000.00	62 day WAM

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