

# *Peace Officers' Annuity and Benefit Fund of Georgia*



*Financial Statements*

*Fiscal Year Ended June 30, 2023*



*Cover photograph is the Major W.L. "Bill" Cline, Fund Headquarters located in Griffin, Georgia.*

**PEACE OFFICERS' ANNUITY AND BENEFIT FUND OF GEORGIA**  
(A Component Unit of the State of Georgia)

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**SECTION I - FINANCIAL**



## 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 Board of Commissioners of the Peace Officers' Annuity and Benefit Fund of Georgia  
and  
Mr. Homer Bryson, Secretary-Treasurer

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of the Peace Officers' Annuity and Benefit Fund of Georgia (Fund), a component unit of the State of Georgia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Fund'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 fiduciary net position of the Fund as of June 30, 2023, and the changes in fiduciary net 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 Fund 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.

#### *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 Fund'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 Fund'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 Fund'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***

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of

financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents 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.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 22, 2024 on our consideration of the Fund'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 Fund'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 Fund'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,



Greg S. Griffin  
State Auditor

July 22, 2024

**BASIC FINANCIAL STATEMENTS**



**PEACE OFFICERS' ANNUITY AND BENEFIT FUND OF GEORGIA**  
(A Component Unit of the State of Georgia)

Statement of Fiduciary Net Position

June 30, 2023

Assets:			
Cash and cash equivalents		\$	30,227,169
Receivables:			
Due from brokers for securities sold		1,104,651	
Interest and dividends and Other		<u>2,214,325</u>	3,318,976
Investments - at fair value:			
Obligations:			
Municipal bonds	2,146,810		
U.S. Treasury obligations	50,529,076		
U.S. Agency obligations	69,935,187		
Corporate bonds/notes/debentures			
Domestic	61,284,690		
International	5,192,817		
Asset-backed securities	9,616,089		
Mortgage investments	<u>12,345,638</u>	211,050,307	
Equities:			
Stocks			
Domestic	357,994,991		
International	269,673,065		
Real estate investment trusts	6,253,486		
Private real estate trust	<u>41,134,040</u>	<u>675,055,582</u>	
Total investments			<u>886,105,889</u>
Intangible right-to-use-asset, net			1,823,214
Capital assets, net			<u>501,299</u>
Total assets			<u>921,976,547</u>
Liabilities:			
Due to brokers for securities purchased			1,431,927
Subscription liability			889,224
Accounts payable and other accruals			848,659
Total liabilities			<u>3,169,810</u>
Net position restricted for pensions		\$	<u>918,806,737</u>

See accompanying notes to financial statements.

**PEACE OFFICERS' ANNUITY AND BENEFIT FUND OF GEORGIA**  
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Statement of Changes in Fiduciary Net Position

Year ended June 30, 2023

Additions:		
Contributions:		
Nonemployer	.	\$ 26,763,404
Members		4,657,855
Net investment income:		
Net increase in fair value of investments	\$ 73,390,227 .	
Interest, dividends, and other	22,016,090 .	
Less investment expense	<u>(3,801,555).</u>	91,604,762
Miscellaneous	.	<u>293,931</u>
Total additions		<u>123,319,952</u>
Deductions:		
Benefit payments	.	55,300,953
Refunds of member contributions	.	446,915
Administrative expenses, net	.	<u>1,941,285</u>
Total deductions		<u>57,689,153</u>
Net increase in net position		65,630,799
Net position restricted for pensions:		
Beginning of year, restated (note 2)	.	<u>853,175,938</u>
End of year	\$	<u><u>918,806,737</u></u>

See accompanying notes to financial statements.

**PEACE OFFICERS' ANNUITY AND BENEFIT FUND OF GEORGIA**  
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Notes to Financial Statements

June 30, 2023

**Note 1: Plan Description**

The Peace Officers' Annuity and Benefit Fund of Georgia (the Fund) was created in 1950 by the Georgia General Assembly to provide retirement benefits for qualifying peace officers. The Fund administers a cost-sharing, multiple-employer defined benefit pension plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*.

The Fund is governed by its Board of Commissioners. The Board is comprised of the Governor of the State of Georgia or his designee; an appointee of the Governor other than the Attorney General; the Commissioner of Insurance or his designee; and three active or retired peace officers appointed by the Governor. The Board of Commissioners is ultimately responsible for the administration of the Fund.

***Eligibility and Membership***

Individuals eligible to apply for membership in the Fund are defined in the *Official Code of Georgia Annotated* (O.C.G.A.) 47-17-1 and generally include: any individual employed by the State of Georgia or any municipality, county, or other political subdivision thereof for the preservation of public order, the protection of life and property or the detection of crime; wardens and correction officers of correctional institutions; full-time parole officers; other individuals employed full-time for the purpose of law enforcement; and full-time employees of the Fund.

As of June 30, 2023, participation in the Fund is as follows:

Inactive members and beneficiaries currently receiving benefits	8,092
Terminated members not yet receiving benefits, vested	1,571
Active plan members	<u>14,395</u>
Total	<u>24,058</u>

***Participating Employers and Other Contributing Entities***

At June 30, 2023, the active members of the Fund were employed by 708 employers. The Fund also had 1 nonemployer contributing entity, which is the State of Georgia.

***Retirement Benefits***

The Fund provides retirement as well as disability and death benefits. Title 47 of the O.C.G.A. assigns the authority to establish and amend the provisions of the Fund to the General Assembly. A member is eligible to receive retirement benefits with 30 years of service, regardless of age. A member is also eligible to receive retirement benefits at age 55 with 10 years of service; however, members joining on or after July 1, 2010, must have 15 years of service to be eligible for benefits.

**PEACE OFFICERS' ANNUITY AND BENEFIT FUND OF GEORGIA**  
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June 30, 2023

A member must have terminated his or her active employment as a peace officer to receive benefits.

The monthly benefit is a single life annuity payable in monthly payments for the life of the member only. The monthly payment amount at June 30, 2023, was \$30 per month (plus 1/12 of this amount for each month of any partial year) for each full year of creditable service up to a maximum of 30 years of total service. The Board of Commissioners is authorized to provide for increases effective as of January 1 and July 1 of each year up to 1.5% of the maximum monthly retirement benefit then in effect. Members may elect, as an alternate to the benefit described above, to receive a 100% joint life annuity payable during the life of the member or the member's spouse, or a contingency life annuity with a 50% monthly payment to the surviving spouse. The amount of the benefit for these options is an actuarially reduced portion of the single life annuity benefit described above.

***Death and Disability Benefits***

Any dues paying member who became a member prior to July 1, 1993 and becomes totally and permanently disabled is entitled to receive disability benefits, the amount of which is dependent upon the date of application for disability benefits.

If a member dies before retirement, the beneficiary is entitled to a lump sum of \$3,500. If a member dies in the line of duty and has a designated beneficiary, that beneficiary is eligible to receive a lump sum benefit of \$5,500 to be reduced (to no less than \$2,500) by the amount of any disability benefits received for the causative injury, as described above. If a member dies after retirement, the death benefit of the designated beneficiary is dependent on the amount of retirement benefits previously received by the deceased member. If the deceased member had received \$1,000 or more, the beneficiary is entitled to receive a lump sum of \$2,500. If the deceased member had received less than \$1,000, the beneficiary is entitled to receive an amount that when added to the amount previously received by the deceased member will total \$3,500.

***Terminations***

At any time before a member begins drawing retirement benefits, the member may request a refund of 95% of all member contributions paid into the Fund during creditable service. No interest is paid on these withdrawals.

***Contributions***

Funding is provided by member and nonemployer contributing entity (Nonemployer) contributions. Contribution provisions are established by statute and may be amended only by the General Assembly.

**PEACE OFFICERS' ANNUITY AND BENEFIT FUND OF GEORGIA**  
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Notes to Financial Statements

June 30, 2023

*Member Contributions:* Member contribution requirements are set forth in O.C.G.A. §47-17-44 and are not actuarially determined. Each member must contribute \$25 per month, to be paid no later than the tenth day of each month.

*Nonemployer Contributions:* In accordance with O.C.G.A. §47-17-60, the State of Georgia provides nonemployer contributions to the Fund through the collection of fines and forfeitures. For each criminal and quasi-criminal case involving the violation of State of Georgia laws, county ordinances, or municipal ordinances, courts collect and remit the following amounts:

For fines and bond forfeitures not more than \$100	\$10
For fines and bond forfeitures in excess of \$100	10%
For pretrial diversion cases not more than \$100	\$5
For pretrial diversion cases in excess of \$100	5%

The fines and forfeitures are considered employer contributions for the purpose of determining whether the Fund has met minimum funding requirements specified in O.C.G.A. §47-20-10. This statute also prohibits any action to grant a benefit increase until such time as the minimum annual contribution requirements meet or exceed legislative requirements. The actuarial valuation as of June 30, 2022, calculated the minimum employer contribution for the fiscal year ended June 30, 2023, as \$23,354,070. The fines, forfeitures, and other revenue of \$27,057,335 for the fiscal year ended June 30, 2023, meets the minimum required fund contribution.

***Administrative Expenses***

Administrative expenses are generally funded from current member and nonmember contributions. Investment earnings may be utilized to fund any expenses in excess of contributions.

**Note 2: Summary of Significant Accounting Policies and Plan Asset Matters**

***Basis of Accounting***

The Fund's financial statements are prepared on the accrual basis of accounting, except for the collection of contributions, which are recognized upon receipt from the members and the courts. Any accrual of these contributions would be immaterial to the Fund's financial statements. Retirement and refund payments are recognized as deductions when due and payable.

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***Reporting Entity***

The Fund is a component unit of the State of Georgia; however, it is accountable for its own fiscal matters and presentation of its separate financial statements. The Fund has considered potential component units under GASB Statements No. 61, *The Financial Reporting Entity's Omnibus – an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and determined there were no component units of the Fund.

***Cash and Cash Equivalents***

Cash and cash equivalents, reported at cost, include cash on deposit at banks, cash on deposit with the investment custodian earning a credit to offset fees, and short-term highly liquid financial securities with original maturities of three months or less from the date of acquisition.

***Investments***

Investments are reported at fair value. Equity securities traded on a national or international exchange are valued at the last reported sales price. Fixed income securities are valued based primarily on quoted market prices provided by independent pricing sources. Investment income is recognized as earned by the Fund. There are no investments in, loans to, or leases with parties related to the Fund.

The Fund utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, foreign currency, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

The Fund maintains an investment policy that may be amended by its Board of Commissioners both upon its own initiative and upon consideration of the advice and recommendations of its investment consultant. The Fund's policy regarding the allocation of invested assets is established on a cost basis in compliance with State law. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

**PEACE OFFICERS' ANNUITY AND BENEFIT FUND OF GEORGIA**  
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Notes to Financial Statements

June 30, 2023

The following was the Fund's adopted asset allocation policy as of June 30, 2023:

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed income	17% - 23%
Equities	37% - 47%
International Equities	24% - 32%
Cash and Cash Equivalents	0% - 10%
Alternatives	0% - 10%

Approximately 13.6% of the investments held in trust for pension benefits are invested in debt securities of the U.S. government and its instrumentalities, of which 5.7% are U.S. government debt securities and 7.9% are debt securities of the U.S. government instrumentalities. The Fund has no investments in any one organization, other than those issued by the U.S. government and its instrumentalities, that represent 5% or more of the plan's total investments.

For the year ended June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.25%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

***Capital Assets***

Capital assets are stated at cost less accumulated depreciation or amortization. The capitalization thresholds are \$1,000,000 for software, \$100,000 for buildings and building improvements and \$5,000 for equipment and vehicles. Depreciation on capital assets is computed using the straight-line method over estimated useful lives of 5 to 40 years. Depreciation and amortization expenses are included in administrative expenses. Maintenance and repairs are charged to administrative expense when incurred.

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June 30, 2023

Capital asset activity for the fiscal year end June 30, 2023 was as follows:

	<b>(Restated)</b> <b>Balance</b>			<b>Balance</b>
	<b>July 1, 2022</b>	<b>Increase</b>	<b>Decrease</b>	<b>June 30, 2023</b>
Capital Assets Not Being Depreciated:				
Land	\$ 97,510	\$ -	\$ -	\$ 97,510
Total Capital Assets, Not Being Depreciated	<u>97,510</u>	<u>-</u>	<u>-</u>	<u>97,510</u>
Capital Assets Being Depreciated				
Home Office	657,633	-	-	657,633
Home Office - Furniture	12,288	-	-	12,288
Home Office - Equipment	6,018	-	-	6,018
Vehicle - 2022	46,763	39,340	(46,763)	39,340
Computer Software	1,475,000	-	(1,475,000)	-
Total Capital Assets Being Depreciated	<u>2,197,702</u>	<u>39,340</u>	<u>(1,521,763)</u>	<u>715,279</u>
Less Accumulated Depreciation For:				
Home Office	269,160	18,779	-	287,939
Furniture	12,288	-	-	12,288
Equipment	6,018	-	-	6,018
Vehicle 2022	46,763	5,245	(46,763)	5,245
Computer Software	336,979	-	(336,979)	-
Total Accumulated Depreciation	<u>671,208</u>	<u>24,024</u>	<u>(383,742)</u>	<u>311,490</u>
Total Capital Assets, Being Depreciated, Net	<u>1,526,494</u>	<u>15,316</u>	<u>(1,138,021)</u>	<u>403,789</u>
Capital Assets, Net	<u>\$ 1,624,004</u>	<u>\$ 15,316</u>	<u>\$ (1,138,021)</u>	<u>\$ 501,299</u>

Intangible Right-To-Use Assets (see change in accounting principle note)

	<b>Balance</b>			<b>Balance</b>
	<b>July 1, 2022</b>	<b>Increase</b>	<b>Decrease</b>	<b>June 30, 2023</b>
Capital Assets Being Amortized				
Computer Software	\$ -	\$ 2,713,667	\$ -	\$ 2,713,667
Total Capital Assets Being Amortized	<u>-</u>	<u>2,713,667</u>	<u>-</u>	<u>2,713,667</u>
Less Accumulated Amortization For:				
Computer Software	-	890,453	-	890,453
Total Accumulated Depreciation	<u>-</u>	<u>890,453</u>	<u>-</u>	<u>890,453</u>
Total Capital Assets, Being Amortized, Net	<u>\$ -</u>	<u>\$ 1,823,214</u>	<u>\$ -</u>	<u>\$ 1,823,214</u>



**PEACE OFFICERS' ANNUITY AND BENEFIT FUND OF GEORGIA**  
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Notes to Financial Statements

June 30, 2023

***Use of Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of fiduciary net position and changes therein. Actual results could differ from those estimates.

***New Accounting Pronouncements***

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This statement's objective is to improve financial reporting by addressing issues related to partnership arrangements. The statement also provides guidance for accounting and financial reporting for availability payment arrangements. There are no applicable reporting requirements for the Fund related to this statement.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The Fund does have applicable reporting requirements related to the change in accounting principle including a restatement of July 1, 2022 beginning net position.

***Change in Accounting Principle***

During fiscal year 2023, the Fund adopted the provisions of GASB 96. This statement resulted in a change in the measurement of the right-to-use subscription asset with the corresponding subscription liability. The asset, a custom-built pension administration software, was originally placed into service in fiscal year 2020 with a 10-year subscription term with fixed annual subscription payments of \$150,000.

The \$1,475,000 initial outlay for the project completion was capitalized and recorded as a depreciating asset. At June 30, 2022 the asset's value was \$1,475,000 with accumulated depreciation of \$336,979. As of June 30, 2023, the asset's value has been adjusted to reflect the addition of the subscription liability with the initial outlay, and to reflect the adjustment to accumulated amortization. The subscription liability is measured over the subscription term using the State of Georgia's incremental borrowing rate of 2.72%.

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Notes to Financial Statements

June 30, 2023

Subscription Payments of the Intangible Right-to-Use Asset as of June 30, 2023

Fiscal Year Ended June 30	Principal	Interest	Total
2024	\$ 127,102	\$ 22,898	\$ 150,000
2025	130,595	19,405	150,000
2026	134,183	15,817	150,000
2027	137,871	12,129	150,000
2028	141,659	8,341	150,000
2029 - 2030	217,814	7,186	225,000
Total Future Minimum Commitments	\$ 889,224	\$ 85,776	\$ 975,000

***Restatement of Net Position-Restricted for Pensions***

In fiscal year 2023, the beginning net position has been restated to reflect adjustments to the Right-To-Use Asset with accumulated amortization, and to record the subscription liability.

	July 1, 2022 As Previously Reported	Change in Accounting Principles	July 1, 2022 (Restated)
Capital Assets, net of Depreciation	\$ 1,526,494	\$ (1,138,021)	\$ 388,473
Subscription Liability	-	(862,928)	(862,928)
Intangible Right-to-Use Asset, net of Amortization	-	2,096,696	2,096,696
Net Position Restricted for Pensions	\$ 853,080,191	\$ 95,747	\$ 853,175,938

**Note 3: Investment Program**

The Fund maintains sufficient cash to meet its immediate liquidity needs. Cash not immediately needed is invested as directed by the investment policy of the Fund. All investments are held by agent custodial banks in the name of the Fund. State statutes and the Fund's investment policy authorize the Fund to invest in a variety of short-term and long-term securities.

***Cash and Cash Equivalents***

The Fund had cash on hand of \$606.17 at June 30, 2023.

The carrying amount of the Fund's operating account totaled \$671,968 at June 30, 2023, with an actual bank balance of \$686,718. This balance includes \$436,718 which is uncollateralized and \$250,000 which is fully insured through the Federal Deposit Insurance Corporation, an independent agency of the U.S. Government.

**PEACE OFFICERS' ANNUITY AND BENEFIT FUND OF GEORGIA**  
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June 30, 2023

The carrying amount of the Fund's cash balances maintained within an investment account is \$29,554,595 at June 30, 2023. This balance includes \$29,304,595 which is uncollateralized and \$250,000 which is fully insured through the Securities Investors Protection Corporation. The Securities Investors Protection Corporation is an independent agency of the U.S. Government.

***Investments***

Fixed income investments are maintained in mutual funds, exchange-traded funds, municipal bonds, U.S. Treasury obligations, obligations unconditionally guaranteed by agencies of the U.S. Government, obligations of foreign governments, investment-grade corporate bonds, asset-backed securities, and mortgage-related securities.

Equity investments are maintained in mutual funds, domestic equities, international equities, real estate investment trusts, and private real estate trusts. Domestic equities are those securities considered by the O.C.G.A. to be domiciled in the United States. International equities are not considered by the O.C.G.A. to be domiciled in the United States.

The equity portfolio is managed by the Fund in conjunction with independent advisors. Buy/sell decisions are based on securities meeting rating criteria established by the investment policy of the Fund. Equity trades are approved and executed by independent advisors. Common stocks eligible for investment must meet the Objectives and Policies of the Fund's investment policy. State law limits the total investment in equity securities to 75% of the total invested assets calculated on a historical cost basis.

***Credit Risk***

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Fund. State law limits investments to investment-grade securities. The Fund's investment policy requires that the bond portfolio is of high quality and chosen primarily with respect to the safety and liquidity of the investment and only secondarily by the yield available. The Fund's investment policy also requires that purchases of bonds be restricted to bonds rated as investment grade or higher quality as defined by a nationally recognized rating agency. Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality.

**PEACE OFFICERS' ANNUITY AND BENEFIT FUND OF GEORGIA**  
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Notes to Financial Statements

June 30, 2023

The quality ratings of investments in fixed income securities at June 30, 2023, as described by Standard & Poor's, which is a nationally recognized statistical rating organization, are shown in the following table:

**Quality Ratings of Fixed Income Investments Held at June 30, 2023**

Investment Type	Total Fair Value	AAA	AA	A	BBB	BB	Unrated
Debt Securities Subject to Credit Risk:							
Municipal bonds	\$ 2,146,811	694,333	-	1,452,478	-	-	-
US Agency obligations							
Implicitly guaranteed	69,935,187	-	375,469	54,808	1,068,600	-	68,436,310
Corporate debt							
Domestic	61,284,690	315,801	-	7,594,552	52,401,432	972,905	-
International	5,192,817	-	-	1,197,240	3,995,577	-	-
Asset-backed securities	9,616,088	5,649,162	1,744,638	1,509,830	712,458	-	-
Mortgage-backed securities	12,345,637	9,224,822	1,576,939	902,067	-	-	641,809
 Total Debt Securities Subject to Credit Risk	 160,521,230	<u>15,884,118</u>	<u>3,697,046</u>	<u>12,710,975</u>	<u>58,178,067</u>	<u>972,905</u>	<u>\$ 69,078,119</u>
Debt Securities Not Subject to Credit Risk:							
U.S. Treasury obligations	<u>50,529,076</u>						
 Total Debt Securities	 <u>\$ 211,050,306</u>						

**PEACE OFFICERS' ANNUITY AND BENEFIT FUND OF GEORGIA**  
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Notes to Financial Statements

June 30, 2023

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Fund does not have a formal policy for managing interest rate risk. The following table provides information about the Fund's interest rate risk:

**Fair Value of Fixed Income Instruments by Maturity Period - Specific Identification Method Held at June 30, 2023**

Investment type	Total Fair Value	Maturity Period				
		Less than 3 Months	4 - 12 Months	1 - 5 Years	6 - 10 Years	More than 10 Years
Debt Securities Subject to Interest Rate Risk:						
Municipal bonds	\$ 2,146,811	-	-	1,452,478	-	694,333
U.S. Treasury obligations	50,529,076	-	-	23,302,809	4,226,115	23,000,152
U.S. Agency obligations	69,935,187	-	404,750	-	858,011	68,672,426
Corporate debt						
Domestic	61,284,690	-	741,574	19,288,422	21,011,867	20,242,827
International	5,192,817	-	-	3,509,199	836,916	846,702
Asset-backed securities	9,616,088	-	-	7,393,800	-	2,222,288
Mortgage-backed securities	12,345,637	-	-	-	-	12,345,637
Total Debt Securities Subject to Interest Rate Risk:	\$ 211,050,306	-	1,146,324	54,946,708	26,932,909	128,024,365

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the Fund's investment in a single issue. On June 30, 2023, the Fund did not have debt investments in any one organization, other than those issued or guaranteed by the U.S. Government or its agencies, which represented greater than 5% of plan's total investments.

*Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Fund's currency risk exposures, or exchange rate risks, primarily reside within the Fund's international investment holdings. The Fund does not have a formal policy for managing foreign currency risk.

**PEACE OFFICERS' ANNUITY AND BENEFIT FUND OF GEORGIA**  
(A Component Unit of the State of Georgia)

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June 30, 2023

As of June 30, 2023, the Fund's exposure to foreign currency risk in U.S. dollars, is highlighted in the following table:

**International Investment Securities at Fair Value as of June 30, 2023**

Investment Type

Cash and Cash Equivalents

Subject to Foreign Currency Risk:

British Pound	\$ <u>3,137</u>
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*Fair Value Measurement*

The Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the inputs used in valuation and gives the highest priority to unadjusted quoted prices in active markets and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest level, Level 1, is given to unadjusted quoted prices in active markets and the lowest level, Level 3, to unobservable inputs. These guidelines recognize a three-tiered hierarchy, as follows:

Level 1 – Valuations based on unadjusted quoted prices for identical instruments in active markets.

Level 2 – Valuations based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Fund's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each investment.

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June 30, 2023

The following table shows the fair value leveling of the Fund's investments:

**Investments Measured at Fair Value as of June 30, 2023**

Investments by fair value level	Total	Fair value measures using		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
<b>Debt Securities:</b>				
Municipal bonds	\$ 2,146,811	-	2,146,811	-
U.S. Treasury obligations	50,529,076	-	50,529,076	-
U.S. Agency obligations	69,935,187	-	69,935,187	-
<b>Corporate debt</b>				
Domestic	61,284,690	-	61,284,690	-
International	5,192,817	-	5,192,817	-
Asset-backed securities	9,616,088	-	9,616,088	-
Mortgage-backed securities	12,345,637	-	12,345,637	-
<b>Equities:</b>				
<b>Stocks</b>				
Domestic	357,994,991	357,994,991	-	-
International	269,673,065	269,673,065	-	-
Real estate investment trusts	6,253,486	6,253,486	-	-
Total Investments by fair value level	\$ 844,971,848	633,921,542	211,050,306	-
<b>Investments Measured at NAV</b>				
Private Equity Real Estate Trust	41,134,040			
Total Investments	\$ 886,105,888			

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

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June 30, 2023

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features and ratings. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. These securities have nonproprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the following table.

**Investments Measured at the NAV (or its equivalent)**

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if Currently Eligible)</u>	<u>Notice Period</u>
Private Equity Real Estate	\$ <u>41,134,040</u>	\$ <u>          -</u>	Illiquid	N/A

*Private Equity Real Estate Trust* includes investments in private equity funds that invest in a portfolio of real estate holdings. These investments are considered "alternative investments" and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. These investments are valued by using the NAV provided by the trust as of the last day of each calendar quarter, adjusted by the Fund for cash flows through June 30. The quarterly values of the partnership investment are reviewed by the Fund to determine if any adjustments are necessary. These investments are considered illiquid since the nature of these investments in this category prohibits redemptions throughout the duration of the partnership, which ranges between 10 to 15 years. Distributions are received through the liquidation of underlying assets of the funds. The Fund currently has no plans to sell any of the investments prior to their liquidation.



**PEACE OFFICERS' ANNUITY AND BENEFIT FUND OF GEORGIA**  
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Notes to Financial Statements

June 30, 2023

**Note 4: Net Pension Liability of Employers and Nonemployers**

The components of the collective net pension liability of the participating employers and nonemployers at June 30, 2023, were as follows:

Total pension liability	\$	1,080,443,155
Plan fiduciary net position		<u>918,806,737</u>
Net pension liability	\$	<u><u>161,636,418</u></u>

Plan fiduciary net position as a percentage of total pension liability		85.04%
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*Actuarial assumptions*

The total pension liability was determined by an actuarial valuation as of June 30, 2022, with update procedures used to roll forward the total pension liability to June 30, 2023. The roll forward calculation adds the normal cost (also called service costs), subtracts the actual benefit payments and refunds for the plan year, and then applies the discount rate for the year. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 %	
Salary increases	N/A	
Investment rate of return	6.50%	net of pension plan investment expense, including inflation.

Mortality rates were based on the PUB-2010 Mortality table projected generationally using the MP-2021 mortality improvement scale.

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an experience study covering the period June 30, 2015 through June 30, 2020.

The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense, and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected geometric real rates of return by the target asset allocation percentage and then adding expected inflation. The long-term assumed investment rate of return of 6.50% was reviewed by the Fund's actuary for reasonableness and adopted by the Board.

**PEACE OFFICERS' ANNUITY AND BENEFIT FUND OF GEORGIA**  
(A Component Unit of the State of Georgia)

Notes to Financial Statements

June 30, 2023

The target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term expected real rate of return*
Broad US Equity	42.00 %	5.33 %
Developed ex-US Equity	28.00	5.15
Core US Fixed Income	20.00	1.18
Core Real Estate	5.00	4.57
Private Equity	5.00	6.65
Total	100.00 %	

\*Rate shown are net of the 2.25% assumed rate of inflation

*Discount Rate*

The discount rate used to measure the total pension liability was 6.50%. The projection of cash flows used to determine the discount rate assumes contributions will remain level. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the net pension liability to changes in the discount rate*

The following table presents the net pension liability of the Fund, calculated using the discount rate of 6.50%, as well as what the Fund's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current discount rate (6.50%)	1% Increase (7.50%)
Employer's and nonemployers' net pension liability (asset)	\$ 291,329,652	161,636,418	53,529,241

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

**PEACE OFFICERS' ANNUITY AND BENEFIT FUND OF GEORGIA**  
(A Component Unit of the State of Georgia)

Required Supplementary Information

Schedule of Employers' and Nonemployers' Net Pension Liability

For the year ended June 30

(Unaudited)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability	\$ 1,080,443,155	1,056,622,136	1,023,192,973	841,241,189	802,169,077	781,280,969	742,608,761	747,483,662	720,212,697	674,724,912
Plan fiduciary net position	918,806,737	853,080,191	1,026,597,451	827,419,156	825,674,240	795,272,812	754,614,593	689,020,910	703,535,505	698,888,740
Employers' and nonemployers' net pension liability (asset)	\$ 161,636,418	203,541,945	(3,404,478)	13,822,033	(23,505,163)	(13,991,843)	(12,005,832)	58,462,752	16,677,192	(24,163,828)
Plan fiduciary net position as a percentage of the total pension liability	85.04%	80.74%	100.33%	98.36%	102.93%	101.79%	101.62%	92.18%	97.68%	103.58%
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Employers' and nonemployers' net pension liability as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

See accompanying notes to required supplementary information and accompanying independent auditor's report.

**PEACE OFFICERS' ANNUITY AND BENEFIT FUND OF GEORGIA**  
(A Component Unit of the State of Georgia)

Required Supplementary Information

Schedule of Changes in Employers' and Nonemployers' Net Pension Liability

For the year ended June 30

(Unaudited)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total pension liability:</b>										
Service cost	\$ 16,774,917	17,038,181	15,254,714	15,137,419	14,015,493	13,770,913	15,049,173	12,825,926	13,084,414	17,889,962
Interest	67,959,003	65,882,742	54,286,137	51,837,619	49,361,069	48,065,558	52,254,836	50,242,311	47,138,110	43,876,585
Change of benefit terms	-	-	161,335,075	-	12,271,275	11,546,024	-	-	-	-
Differences between expected and actual experience	(5,165,032)	2,263,227	(3,652,927)	14,854,102	(17,615,808)	(350,262)	(6,614,890)	(4,688,487)	-	-
Changes of assumptions	-	1,546,039	(2,622,096)	(3,147,686)	-	-	(32,941,939)	-	14,576,503	-
Benefit payments	(55,300,953)	(52,767,810)	(42,186,886)	(39,268,275)	(36,683,905)	(33,889,830)	(32,216,207)	(30,696,141)	(28,878,531)	(27,263,352)
Refunds of member contributions	(446,916)	(533,216)	(462,233)	(341,067)	(460,016)	(470,195)	(405,874)	(412,644)	(432,711)	(436,639)
Net change in total pension liability	23,821,019	33,429,163	181,951,784	39,072,112	20,888,108	38,672,208	(4,874,901)	27,270,965	45,487,785	34,066,556
Total pension liability - beginning	1,056,622,136	1,023,192,973	841,241,189	802,169,077	781,280,969	742,608,761	747,483,662	720,212,697	674,724,912	640,658,356
Total pension liability - ending (a)	1,080,443,155	1,056,622,136	1,023,192,973	841,241,189	802,169,077	781,280,969	742,608,761	747,483,662	720,212,697	674,724,912
<b>Plan fiduciary net position:</b>										
Contributions - nonemployer	26,763,404	22,704,489	17,024,016	13,021,379	14,444,091	13,825,699	14,004,975	14,712,821	15,340,930	15,342,296
Contributions - member	4,657,855	4,584,258	4,797,962	3,641,272	3,541,866	3,459,827	3,481,782	3,526,325	3,537,427	3,531,388
Net investment income	91,700,510	(146,027,093)	221,291,696	25,731,017	50,632,822	58,715,685	81,610,211	(836,587)	15,770,563	103,599,538
Miscellaneous	293,931	284,260	272,080	260,970	118,573	92,873	65,502	65,501	64,546	90,040
Benefit payments	(55,300,953)	(52,767,810)	(42,186,886)	(39,268,275)	(36,683,905)	(33,889,830)	(32,216,207)	(30,696,141)	(28,878,531)	(27,263,352)
Refund of member contributions	(446,916)	(533,216)	(462,233)	(341,067)	(460,016)	(470,195)	(405,874)	(412,644)	(432,711)	(436,639)
Administrative expense	(1,941,285)	(1,762,148)	(1,558,340)	(1,300,380)	(1,192,003)	(1,075,840)	(946,706)	(873,870)	(755,459)	(730,002)
Net change in plan fiduciary net position	65,726,546	(173,517,260)	199,178,295	1,744,916	30,401,428	40,658,219	65,593,683	(14,514,595)	4,646,765	94,133,269
Plan fiduciary net position - beginning	853,080,191	1,026,597,451	827,419,156	825,674,240	795,272,812	754,614,593	689,020,910	703,535,505	698,888,740	604,755,471
Plan fiduciary net position - ending (b)	918,806,737	853,080,191	1,026,597,451	827,419,156	825,674,240	795,272,812	754,614,593	689,020,910	703,535,505	698,888,740
Net pension liability (asset) - ending (a) - (b)	\$ 161,636,418	203,541,945	(3,404,478)	13,822,033	(23,505,163)	(13,991,843)	(12,005,832)	58,462,752	16,677,192	(24,163,828)

See accompanying notes to required supplementary information and accompanying independent auditor's report

**PEACE OFFICERS' ANNUITY AND BENEFIT FUND OF GEORGIA**  
(A Component Unit of the State of Georgia)

Required Supplementary Information

Schedule of Employer and Nonemployer Contributions

For the year ended June 30

(Unaudited)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined employer and nonemployer contribution	\$ 23,354,070	23,593,119	24,419,091	13,088,770	10,430,116	11,350,828	12,651,232	18,082,091	17,814,948	22,340,743
Contributions in relation to the actuarially determined contribution	<u>27,057,335</u>	<u>22,988,749</u>	<u>17,296,096</u>	<u>13,021,379</u>	<u>14,444,091</u>	<u>13,825,699</u>	<u>14,004,975</u>	<u>14,712,821</u>	<u>15,340,930</u>	<u>15,342,296</u>
Contribution deficiency (excess)	<u>\$ (3,703,265)</u>	<u>604,370</u>	<u>7,122,995</u>	<u>67,391</u>	<u>(4,013,975)</u>	<u>(2,474,871)</u>	<u>(1,353,743)</u>	<u>3,369,270</u>	<u>2,474,018</u>	<u>6,998,447</u>
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

See accompanying notes to required supplementary information and accompanying independent auditor's report.

**PEACE OFFICERS' ANNUITY AND BENEFIT FUND OF GEORGIA**  
(A Component Unit of the State of Georgia)

Required Supplementary Information

Schedule of Investment Returns

For the year ended June 30

(Unaudited)

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	10.25%	(14.77%)	26.51%	3.77%	6.14%	7.89%	11.91%	0.08%	2.53%	18.49%

See accompanying notes to required supplementary information and accompanying independent auditor's report.

**PEACE OFFICERS' ANNUITY AND BENEFIT FUND OF GEORGIA**  
(A Component Unit of the State of Georgia)

Notes to Required Supplementary Information

June 30, 2023

(Unaudited)

**Note 1: Schedule of Employers' and Nonemployers' Net Pension Liability**

The components of the net pension liability as of the fiscal year end and the fiduciary net position as a percentage of the total pension liability as of that date are presented in this schedule. This trend information will be accumulated to display a ten-year presentation.

**Note 2: Schedule of Changes in Employers' and Nonemployers' Net Pension Liability**

Net pension liability which is measured as the total pension liability less the amount of the fiduciary net position is presented in this schedule. This trend information will be accumulated to display a ten-year presentation.

**Note 3: Schedule of Employer and Nonemployer Contributions**

The schedule presents the required contributions and the percentage of required contributions actually contributed.

**Note 4: Schedule of Investment Returns**

The schedule presents historical trend information about the annual money-weighted rate of return on plan investments, net of plan investment expense. This trend information will be accumulated to display a ten-year presentation.

**Note 5: Actuarial Methods and Assumptions**

*Benefit changes:* Effective July 1, 2021, monthly benefits for all members increase to \$30.00 per month for each full year of creditable service with a maximum of 30 years of service.

*Changes of assumptions:* The mortality improvement scale was changed to PUB-2010 Mortality table projected generationally using the MP-2021 mortality improvement scale, with the following adjustment by status:

Active Members: Sex Distinct Headcount Weighted Public Safety Employee Table

Non-Disabled Retirees: Sex Distinct Headcount Weighted Public Safety Below Median Income Healthy Retiree Table

Contingent Survivors: Sex Distinct Headcount Weighted Public Safety Below Median Income Contingent Survivor Table

Disabled Retirees: Sex Distinct Headcount Weighted Public Safety Disabled Retiree Table

Retirement Age: Members are assumed to retire at varying rates beginning at age 55 with 100% assumed to retire at age 70 or upon attainments of 30 years of service



**PEACE OFFICERS' ANNUITY AND BENEFIT FUND OF GEORGIA**  
(A Component Unit of the State of Georgia)

Notes to Required Supplementary Information

June 30, 2023

(Unaudited)

*Methods and assumptions used in calculations of actuarially determined contributions:* For fiscal years ending before June 30, 2015, the actuarially determined contribution in the Schedule of Employer and Nonemployer Contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Beginning with the June 30, 2015 fiscal year, the actuarially determined contribution is calculated as of June 30 of the prior fiscal year.

The following actuarial methods and assumptions were used to determine the most recently calculated actuarially determined contribution reported in the Schedule of Employer and Nonemployer Contributions:

Valuation date	June 30, 2022
Latest Experience Study	5-year period ending June 30, 2020
Actuarial cost method	Entry age
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Actuarial value
Inflation rate	2.25%
Salary increases	N/A
Investment rate of return	6.5%, net of pension plan investment expense, including inflation

**SECTION II – 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***



# DOAA

Georgia Department  
of Audits & Accounts

**Greg S. Griffin**  
State Auditor

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 Board of Commissioners of the Peace Officers' Annuity and Benefit Fund of Georgia  
and  
Mr. Homer Bryson, Secretary-Treasurer

We have audited the financial statements of the Peace Officers' Annuity and Benefit Fund of Georgia (Fund), a component unit of the State of Georgia, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated July 22, 2024. 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 Fund'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 Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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 Fund'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 Fund'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 Fund'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 Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Greg S. Griffin  
State Auditor

July 22, 2024