

**SOUTH CAROLINA STATE
TREASURER'S OFFICE**

**SOUTH CAROLINA LOCAL GOVERNMENT
INVESTMENT POOL**

COLUMBIA, SOUTH CAROLINA

FINANCIAL STATEMENTS

JUNE 30, 2023



September 27, 2023

The Honorable Curtis M. Loftis, Jr., State Treasurer
State of South Carolina
Columbia, South Carolina

This report on the audit of the financial statements of the South Carolina Local Government Investment Pool for the fiscal year ended June 30, 2023, was issued by The Hobbs Group, P.A., Certified Public Accountants, under contract with the South Carolina Office of the State Auditor.

If you have any questions regarding this report, please let us know.

Respectfully submitted,

George L. Kennedy, III, CPA
State Auditor

GLKIII/trb

**SOUTH CAROLINA STATE TREASURER'S OFFICE
SOUTH CAROLINA LOCAL GOVERNMENT INVESTMENT POOL
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INDEPENDENT AUDITORS' REPORT

Mr. George L. Kennedy, III, CPA
State Auditor
Office of the State Auditor
Columbia, South Carolina

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of the South Carolina Local Government Investment Pool (the "Pool"), an investment trust fund of the State of South Carolina as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the net position of the Pool as of June 30, 2023, and the respective 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 Pool 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

The Pool's 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 Pool'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 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, 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 Pool'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 Pool'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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the South Carolina Local Government Investment Pool, an investment trust fund of the State of South Carolina and do not purport to, and do not, present fairly the financial position of the South Carolina State Treasurer's Office, or the State of South Carolina, as of June 30, 2023, and 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 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 auditing standards generally accepted in the United States of America, 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 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 September 27, 2023 on our consideration of the Pool'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 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 Pool's internal control over financial reporting and compliance.

Columbia, South Carolina
September 27, 2023

The Heller Group, P.A.

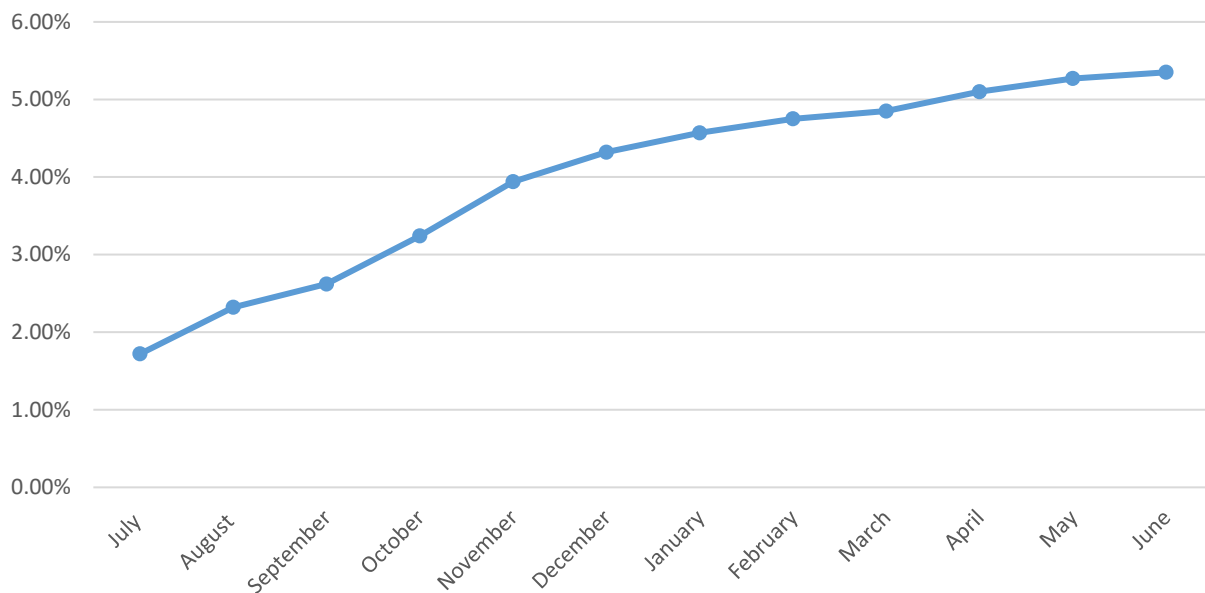
Management’s Discussion and Analysis

The South Carolina Local Government Investment Pool (the “Pool”) is an investment option for local governments of the State of South Carolina provided by the State Treasurer's Office as established by statute. The Pool invests in fixed income securities as provided by statute and is managed in a manner to preserve capital and provide needed liquidity while earning a prudent daily variable rate of return. The attached financial statements present a financial "snapshot" of the Pool. The Statement of Fiduciary Net Position presents information on the Pool’s assets and liabilities at June 30, 2023 with the difference between the two reported as net position. The Statement of Changes in Fiduciary Net Position during the period from July 1, 2022 to June 30, 2023 (fiscal year or FY) presents information showing how the Pool’s net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

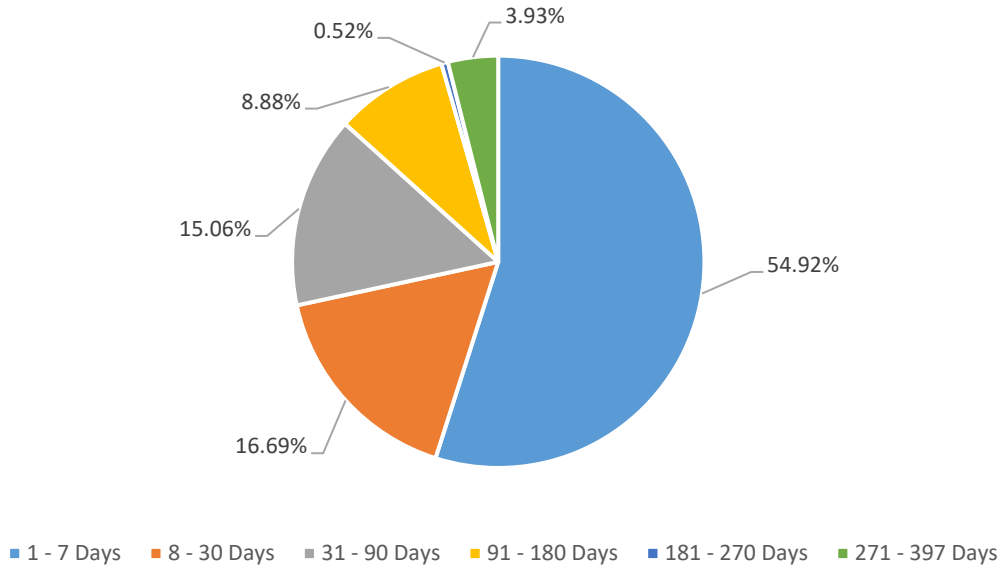
Overview of the Pool

Cash flows of participants fluctuated during the fiscal year 2023 primarily due to federal aid to states and local governments. This aid was provided through the American Rescue Plan Act in response to the economic impact of COVID-19. During fiscal year 2023, the Federal Reserve increased the target federal funds rate numerous times, resulting in an increase from 1.75% to 5.25%. Our internal policy to control risk insulated the portfolio from many of the market pitfalls by maintaining a high degree of liquidity and well diversified profile of credit risk. The Federal Reserve has projected to have two more rate hikes through 2023. Commercial paper and LIBOR rates are expected to remain steady. The following two graphs indicate the Pool’s net earnings for the year ended June 30, 2023 along with the Pool’s portfolio maturities:

Pool Net Earnings for FY 2022-2023

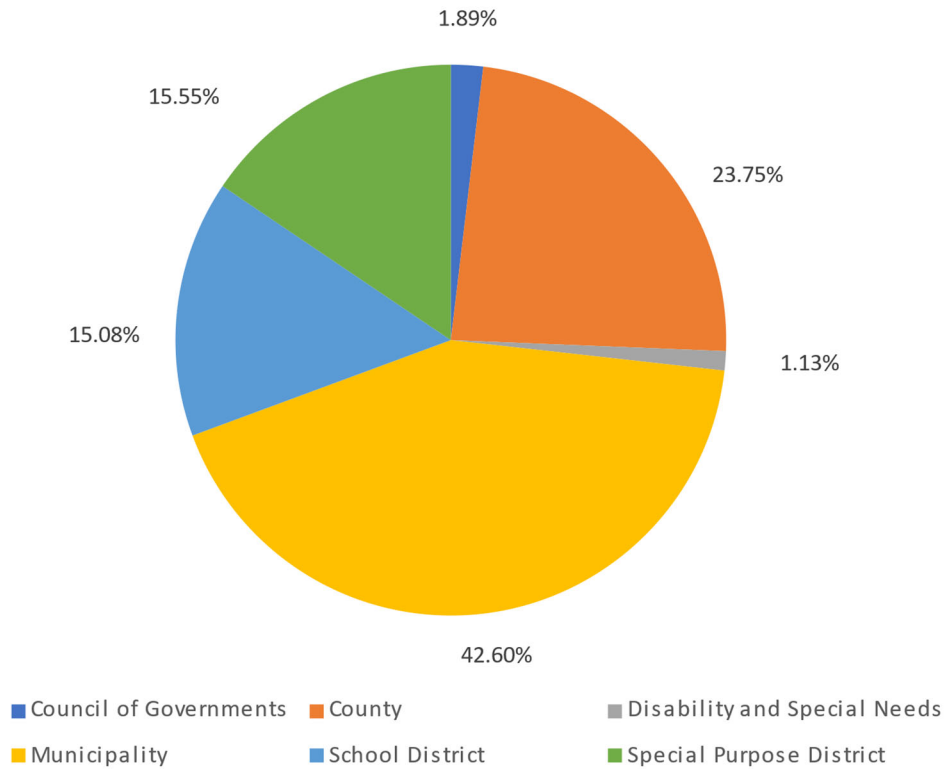


Portfolio Maturity

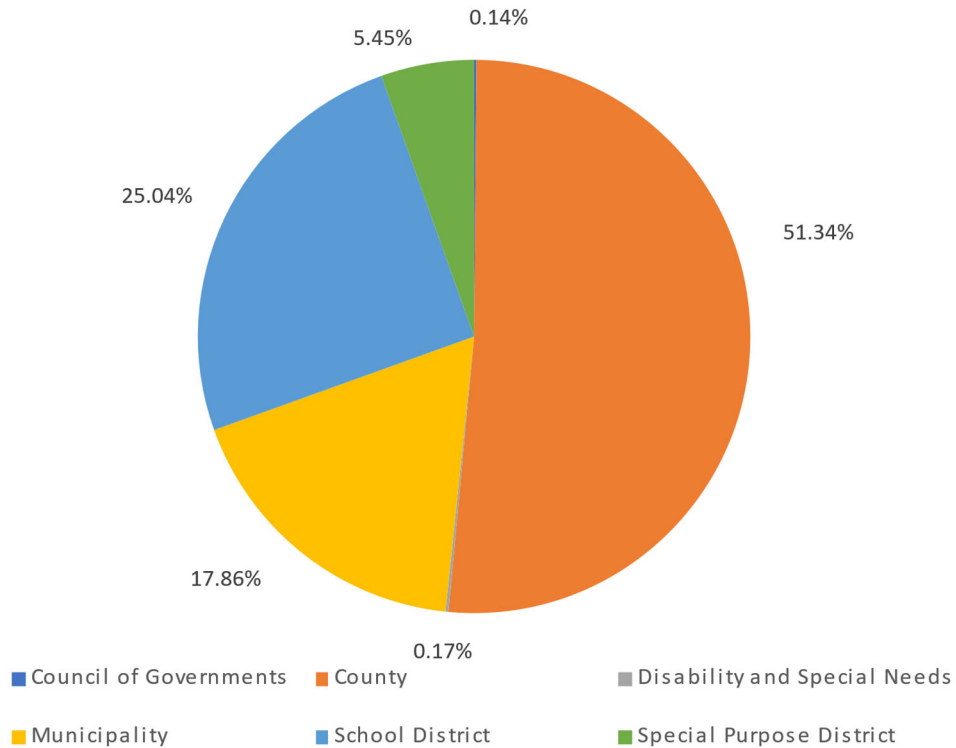


The overall composition of the Pool defined by both type of account holder and the distribution of the funds held in the Pool can be summarized as follows:

Account Holders



Account Holders Distribution of Dollars



Financial Analysis

Table 1: Summary Statement of Fiduciary Net Position

	June 30, 2023	June 30, 2022	Change
Assets			
Cash and cash equivalents	\$ 4,694,088,104	\$ 6,141,030,414	\$ (1,446,942,310)
Accrued interest receivable	30,199,051	2,238,029	27,961,022
Investments, at fair value	7,165,358,245	3,931,686,910	3,233,671,335
Total assets	11,889,645,400	10,074,955,353	1,814,690,047
Liabilities			
Investment trades pending payable	-	-	-
Total liabilities	-	-	-
Total Net Position - Held in Trust	\$ 11,889,645,400	\$ 10,074,955,353	\$ 1,814,690,047

The Statement of Fiduciary Net Position shows that the assets of the Pool are the cash and investments made by the State Treasurer as Custodian of the Pool plus accrued income receivable on those investments at June 30, 2023. The growth in total assets is due to substantial deposits from participants.

Due to the Fed rate hikes, the Pool took advantage of investing some of the cash and cash equivalents in longer term investments at higher returns. Strategically, this will help insulate returns a little when the Fed decides to start rate cuts. Accrued interest receivable has increased due to increasing interest rates as well as more significant investment balances.

The Net Position of the Pool is held for the Pool participants and is internally divided into amounts distributed to participants' accounts and undistributed amounts. Net position of \$11,864,614,917 has been distributed to participant accounts while \$25,030,483 is undistributed. The undistributed portion of net position represents the difference between cost and market value as well as a reserve for contingencies.

Table 2: Summary Statement of Changes in Fiduciary Net Position

	June 30, 2023	June 30, 2022	Change
Investment income	\$ 455,510,283	\$ 29,743,239	\$ 425,767,044
Expenses	(5,505,993)	(5,311,012)	(194,981)
Deposits, withdrawals, and other participant activity	1,364,685,757	1,249,520,629	115,165,128
Change in net position	1,814,690,047	1,273,952,856	540,737,191
Net position - beginning of year	10,074,955,353	8,801,002,497	1,273,952,856
Net position - end of year	\$ 11,889,645,400	\$ 10,074,955,353	\$ 1,814,690,047

The significant increase in investment income was a result of the post COVID pandemic economic conditions which primarily resulted in rising interest rates as discussed on page 4. In addition, net participant activity increased by \$115,165,128 as municipalities and local governments increased participation in the Pool in reaction to the market conditions. At June 30, 2023 there were 1061 participating accounts in the Pool as compared to 971 at the previous year end. Administrative expenses for the Pool increased from \$5,311,012 for the year ended June 30, 2022 to \$5,505,993 for the year ended June 30, 2023 primarily due to increased asset balances in the Pool.

The average investment rate earned by the Pool increased from 0.33% in FY 2022 to 4.00% for FY 2023. In FY 2023, the Pool performed better than its referenced benchmark which earned a rate of return of 3.90%. The Pool earned \$425,767,044 more in investment income than the prior fiscal year due to the increasing market rates and greater amount of funds invested. During FY 2023, there were more deposits to the Pool than withdrawals. The table below provides the investment rates for the current and prior fiscal years by month.

Table 3: LGIP Participant distribution rate comparison for last two fiscal years

	<u>FY 22-23</u>	<u>FY 21-22</u>
July	1.72%	0.11%
August	2.32%	0.10%
September	2.62%	0.10%
October	3.24%	0.10%
November	3.94%	0.11%
December	4.32%	0.14%
January	4.57%	0.15%
February	4.75%	0.17%
March	4.85%	0.34%
April	5.10%	0.52%
May	5.27%	0.87%
June	5.35%	1.26%
Average	4.00%	0.33%

Participant funds remain available for withdrawal with a one business day notice.

The expenses of the Pool are limited to the actual expenses incurred by the State Treasurer's Office to operate the Pool. These costs are paid by interest earnings generated by the Pool rather than State appropriations.

Contacting the Pool

Persons needing additional information concerning this report or otherwise needing to contact the Pool should address requests to:

SC Office of the Treasurer
1200 Senate Street, Suite 214
Wade Hampton Office Building
Columbia, SC 29201

**SOUTH CAROLINA STATE TREASURER'S OFFICE
SOUTH CAROLINA LOCAL GOVERNMENT INVESTMENT POOL
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023**

	<u>Investment Trust Fund</u>
ASSETS	
Cash and cash equivalents	\$ 4,694,088,104
Accrued interest receivable	30,199,051
Investments, at fair value	7,165,358,245
	<u>11,889,645,400</u>
Total assets	11,889,645,400
 NET POSITION	
Held in trust for Pool participants	11,889,645,400
	<u>\$ 11,889,645,400</u>
Total net position	\$ 11,889,645,400

The Notes to Financial Statements are an integral part of these financial statements

**SOUTH CAROLINA STATE TREASURER'S OFFICE
SOUTH CAROLINA LOCAL GOVERNMENT INVESTMENT POOL
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>Investment Trust Fund</u>
ADDITIONS:	
Investment income	\$ 455,457,477
Securities lending income	52,806
Total revenue	455,510,283
DEDUCTIONS:	
Administrative expenses	5,505,993
Net increase in net position resulting from operations	450,004,290
INCOME DISTRIBUTED TO PARTICIPANTS	(445,434,662)
PARTICIPANT TRANSACTIONS:	
Deposits and income reinvested	18,937,656,141
Less withdrawals	(17,127,535,722)
Net increase in net position resulting from participant transactions	1,810,120,419
Total increase in net position	1,814,690,047
NET POSITION:	
Beginning of year	10,074,955,353
End of year	\$ 11,889,645,400

The Notes to Financial Statements are an integral part of these financial statements

SOUTH CAROLINA STATE TREASURER'S OFFICE
SOUTH CAROLINA LOCAL GOVERNMENT INVESTMENT POOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity

The South Carolina State Treasurer's Office (the "Treasurer's Office") is an agency of the State of South Carolina (the "State") established by Article III, Section 7 of the Constitution of South Carolina. Pursuant to Section 6-6-10 of the State of South Carolina Code of Laws, the Treasurer's Office established, in May 1983, the South Carolina Local Government Investment Pool (the "Pool"), an investment trust fund, in which public monies in excess of current needs, which are under the custody of any county treasurer or the governing body of any municipality, county, school district, regional council of government or any other political subdivision of the State, may be deposited.

The accompanying financial statements present the financial position and results of operations solely of the Pool and do not include any other agencies or component units of the State or any other funds of the Treasurer's Office. The Local Government Investment Pool is not registered with the Securities Exchange Commission ("SEC"). It is similar to a money market fund in that it is offered at a stable price and is guided by risk control principles such as significant overnight Repurchase Agreements for liquidity; attention to credit quality, portfolio diversification, and maintenance of a short average maturity of fixed and floating rate investments. The Pool is included as an investment trust fund in the State's Annual Comprehensive Financial Report. There is no regulatory oversight of the Pool. For purposes of separate fund financial statements, the Pool is treated as an external investment pool.

Basis of Accounting and Measurement Focus

The Pool is reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. The Pool applies all applicable Governmental Accounting Standards Board ("GASB") pronouncements.

Pool Accounting

The Pool accounts for assets held by a governmental unit in a trustee capacity as an agent for individuals, private organizations, other governmental units, or other funds (the "participants"). An external investment pool is used when an arrangement exists that commingles the monies of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio. An external investment pool can be sponsored by an individual government, jointly by more than one government, or by a nongovernmental entity. The Pool, which is an investment trust fund of the State, records participant unit issues and related interest income for which the resources are restricted for participant unit redemptions, distributions, and related interest expense. The Pool is open to local government entities.

SOUTH CAROLINA STATE TREASURER'S OFFICE
SOUTH CAROLINA LOCAL GOVERNMENT INVESTMENT POOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Cash and Cash Equivalents

For purposes of the financial statements, the Pool considers all highly liquid investments with an original maturity of three months or less from the date of purchase to be cash equivalents.

Investments

In accordance with GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools and as amended by GASB Statement No. 72, Fair Value Measurement and Application, investments are carried at fair value. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than forced liquidation. Fair value for all investments of the Pool is determined on a recurring basis based upon quoted market prices. See Note 2 for further information on fair value measurements.

Section 11-9-660 of the State of South Carolina Code of Laws authorizes the Treasurer's Office to invest and reinvest the monies of the Pool in the following types of investments:

- (1) Obligations of the United States, its agencies and instrumentalities;
- (2) Obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development, the African Development Bank, and the Asian Development Bank;
- (3) Obligations of a corporation, state, or political subdivision denominated in United States dollars, if the obligations bear an investment grade rating of at least two nationally recognized rating services;
- (4) Certificates of deposit, if the certificates are secured collaterally by securities of the types described in items (1) and (3) of this section and held by a third party as escrow agent or custodian and are of a market value not less than the amount of the certificates of deposit so secured, including interest; except that this collateral is not required to the extent the certificates of deposit are insured by an agency of the federal government;
- (5) Repurchase agreements, if collateralized by securities of the types described in items (1) and (3) of this section and held by a third party as escrow agent or custodian and of a market value not less than the amount of the repurchase agreement so collateralized, including interest; and
- (6) Guaranteed investment contracts issued by a domestic or foreign insurance company or other financial institution, whose long-term unsecured debt rating bears the two highest ratings of at least two nationally recognized rating services.

SOUTH CAROLINA STATE TREASURER'S OFFICE
SOUTH CAROLINA LOCAL GOVERNMENT INVESTMENT POOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Accrued Interest Receivable

Accrued interest receivable includes interest earned through June 30, 2023 and payable during fiscal year 2024 or when the underlying investment matures.

Net Position Held in Trust

As of June 30, 2023, the Pool reported net position held in trust for Pool participants in the amount of \$11,889,645,400. Of this amount, \$11,864,614,917 had been distributed to Pool participant accounts. The remainder represents amounts held by the Treasurer's Office as a contingency reserve as well as other amounts and market value adjustments that have not yet been distributed to participants' accounts.

Investment Income

Investment income consists of interest revenue, amortization of premium/discount, and realized/unrealized gains and losses.

Administrative Expenses

Proviso 98.4 of the State's 2022-2023 Appropriations Act authorized the Treasurer's Office to charge a fee for the operations and management costs associated with the Pool. The Act further authorized the Treasurer's Office to retain and expend the fees to provide the services. The fees assessed may not exceed the costs of the provision of services. There is no legal requirement for the Pool to adopt a budget.

Participant Unit Issues, Redemptions, and Distributions

The Treasurer's Office may sell participation units to all political subdivisions of the State. Funds may be deposited at any time and may be withdrawn with a one business day notice. Participant shares in the Pool are dollar denominated; therefore, the number of shares sold and redeemed is equal to the dollars withdrawn. Monthly investment income is distributed to participants in the form of additional units in the Pool and is calculated on the accrual basis of accounting, including accrued interest and amortization of premium or discount. Unrealized gains and losses on investments are not distributed to participants until realized; however they are recognized in the financial statements in accordance with generally accepted accounting principle requirements for fair value accounting of investments. The Pool does not carry any legally binding guarantees to protect participants against potential loss of investment value.

**SOUTH CAROLINA STATE TREASURER’S OFFICE
SOUTH CAROLINA LOCAL GOVERNMENT INVESTMENT POOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Participant Unit Issues, Redemptions, and Distributions (Continued)

Interest earnings are accrued daily based on participation units valued at \$1.00 and distributed to the participants at the end of each month.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 2. DEPOSITS, INVESTMENTS, AND SECURITIES LENDING TRANSACTIONS

All deposits, investments, and securities lending transactions of the Pool are under the control of the Treasurer’s Office who, by law, has sole authority for the investment of such funds.

The following schedule reconciles the amounts reported in the Statement of Fiduciary Net Position to the notes to financial statements.

	Statements		Notes
Cash and cash equivalents	\$ 4,694,088,104	Cash Deposits	\$ 303,094,075
Investments	7,165,358,245	Investments	11,556,352,274
Totals	\$ 11,859,446,349		\$ 11,859,446,349

Deposits

Deposits include amounts held by banks. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Pool’s deposits may not be recovered. As prescribed by statute, the State Treasurer is the Custodian of all deposits and is responsible for securing all deposits held by banks or savings and loan associations. These deposits must be secured by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the Pool against loss in the event of insolvency or liquidation of the institution or for any other cause. All deposits are required to be and were insured by the Federal Deposit Insurance Corporation up to \$250,000 or were fully collateralized with securities held by the State or its agent in the State Treasurer’s name as Custodian.

**SOUTH CAROLINA STATE TREASURER'S OFFICE
SOUTH CAROLINA LOCAL GOVERNMENT INVESTMENT POOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2. DEPOSITS, INVESTMENTS, AND SECURITIES LENDING TRANSACTIONS (Continued)

Investments

Investments consist of the following as of June 30, 2023:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Maturity Dates</u>	<u>Interest Rates</u>
<u>Certificates of Deposit</u>			
Certificates of Deposit - U.S.	\$ 1,793,358,120	7/18/2023 - 7/3/2024	4.07% - 6.05%
Certificates of Deposit - Yankee	704,694,250	7/27/2023 - 6/28/2024	5.25% - 6.05%
Certificates of Deposit - Other	300,382,000	12/1/2023 - 4/8/2024	5.76% - 5.81%
<u>Short Term Investments</u>			
Commercial Paper - Discount	5,505,123,854	7/5/2023 - 6/12/2024	4.89% - 5.58%
Commercial Paper - Interest Bearing	1,700,096,550	7/6/2023 - 5/7/2024	5.21% - 5.83%
Federal Home Loan Bank	900,071,000	8/1/2023 - 11/17/2023	5.09% - 5.11%
Private Placements and Other Bonds	100,025,500	8/21/2023 - 10/5/2023	5.50% - 5.53%
Repurchase Agreements	<u>552,601,000</u>	7/3/2023	5.05% - 5.06%
Total	<u>\$ 11,556,352,274</u>		

Fair Value of Investments

The Pool measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1:* Quoted prices for identical investments in active markets;
- Level 2:* Observable inputs other than quoted market prices; and,
- Level 3:* Unobservable inputs.

**SOUTH CAROLINA STATE TREASURER'S OFFICE
SOUTH CAROLINA LOCAL GOVERNMENT INVESTMENT POOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2. DEPOSITS, INVESTMENTS, AND SECURITIES LENDING TRANSACTIONS (Continued):

Investments (Continued)

At June 30, 2023, the Pool had the following recurring fair value measurements:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Fair Value Measurements Using</u>		
		<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
<u>Certificates of Deposit</u>				
Certificates of Deposit - U.S.	\$ 1,793,358,120	\$ -	\$ 1,793,358,120	\$ -
Certificates of Deposit - Yankee	704,694,250	-	704,694,250	-
Certificates of Deposit - Other	300,382,000	-	300,382,000	-
<u>Short Term Investments</u>				
Commercial Paper - Discount	5,505,123,854	-	5,505,123,854	-
Commercial Paper - Interest Bearing	1,700,096,550	-	1,700,096,550	-
Federal Home Loan Bank	900,071,000	-	900,071,000	-
Private Placements and Other Bonds	100,025,500	-	100,025,500	-
Repurchase Agreements	552,601,000	-	552,601,000	-
 Total	 <u>\$ 11,556,352,274</u>	 <u>\$ -</u>	 <u>\$ 11,556,352,274</u>	 <u>\$ -</u>

Debt and equity securities classified in Level 2 are valued using observable inputs other than quoted market prices. Level 2 inputs are based primarily on prices from several third-party vendors. At the time of acquisition, each security is automatically assigned a primary pricing source, based on its characteristics. The price received from a primary source is used in portfolio valuation reports, unless a tolerance check, or price challenge results in the use of a price from a secondary vendor.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Pool will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. At June 30, 2023, all of the Pool's investments were insured and registered.

**SOUTH CAROLINA STATE TREASURER'S OFFICE
SOUTH CAROLINA LOCAL GOVERNMENT INVESTMENT POOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2. DEPOSITS, INVESTMENTS, AND SECURITIES LENDING TRANSACTIONS (Continued):

Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. This risk is managed within the portfolio using effective duration. Effective duration is a measure of the price sensitivity of a bond or a portfolio of bonds to interest rate movements given a 50-basis point change in interest rates. It takes into account that expected cash flows will fluctuate as interest rates change and provides a measure of risk that changes proportionately with market rates. The Pool's investment policy requires that the weighted average maturity and weighted average duration of the actively managed fixed income portfolio should be consistent with the liquidity requirements of the Pool. The following schedule presents the Pool's interest rate risk.

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Option Adjusted Duration</u>
<u>Certificates of Deposit</u>		
Certificates of Deposit - U.S.	\$ 1,793,358,120	0.27
Certificates of Deposit - Yankee	704,694,250	0.28
Certificates of Deposit - Other	300,382,000	0.15
<u>Short Term Investments</u>		
Commercial Paper - Discount	5,505,123,854	0.15
Commercial Paper - Interest Bearing	1,700,096,550	0.56
Federal Home Loan Bank	900,071,000	0.21
Private Placements and Other Bonds	100,025,500	0.17
Repurchase Agreements	552,601,000	0.08
Total	<u>\$ 11,556,352,274</u>	

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Pool. The investment policy for credit quality of debt securities states that securities must bear an investment grade rating from at least two of the national rating agencies. Credit quality of cash reserves must carry a rating of A1/P1/F1 or D1 from at least one nationally recognized rating service. In the event that the rating of a security falls below investment grade, that security may continue to be held contingent upon an evaluation of the longer-term investment merits of the security. Credit risk ratings are not required for obligations of the U.S. government or those obligations explicitly guaranteed by the U.S. government. As of June 30, 2023, the Pool's rated debt investments were rated by Moody's and are as follows:

**SOUTH CAROLINA STATE TREASURER'S OFFICE
SOUTH CAROLINA LOCAL GOVERNMENT INVESTMENT POOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2. DEPOSITS, INVESTMENTS, AND SECURITIES LENDING TRANSACTIONS (Continued):

Investments (Continued)

Credit Risk (Continued)

<u>Type of Investment</u>	<u>Fair Value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BAA</u>	<u>NR</u>
<u>Certificates of Deposit</u>						
Certificates of Deposit - U.S.	\$ 1,793,358,120	\$ -	\$ 1,652,356,000	\$ -	\$ -	\$ 141,002,120
Certificates of Deposit - Yankee	704,694,250	-	306,544,000	-	-	398,150,250
Certificates of Deposit - Other	300,382,000		300,382,000			
<u>Short Term Investments</u>						
Commercial Paper - Discount	5,505,123,854	-	3,978,639,000	-	1,526,484,854	-
Commercial Paper - Interest Bearing	1,700,096,550		1,605,552,000		-	94,544,550
Federal Home Loan Bank	900,071,000	900,071,000	-	-	-	-
Private Placements and Other Bonds	100,025,500	-	100,025,500		-	-
Repurchase Agreements	552,601,000	-	-	-	-	552,601,000
Total	<u>\$11,556,352,274</u>	<u>\$ 900,071,000</u>	<u>\$ 7,943,498,500</u>	<u>\$ -</u>	<u>\$ 1,526,484,854</u>	<u>\$ 1,186,297,920</u>

Concentration of credit risk is the risk of loss attributed to the magnitude of the Pool's investment in a single issuer. The Pool's policy for reducing this risk states that "Except for United States Treasury and Agency obligations, the fixed income portfolio shall contain no more than 5% exposure to any single issuer." At June 30, 2023, the Pool had not exceeded such threshold with its investments in any single issuer.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. At June 30, 2023, the Pool did not have any investments denominated in foreign currencies.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023**

NOTE 2. DEPOSITS, INVESTMENTS, AND SECURITIES LENDING TRANSACTIONS (Continued):

Investments (Continued)

Market and Environment Risk

The COVID-19 public health crisis continues to drive global economic and societal disruption and market volatility due to disruptions in market access, resource availability, facilities operations, imposition of tariffs, export controls and supply chain disruption, among others. Such disruptions may be caused, or exacerbated by, quarantines and travel restrictions, workforce displacement and loss in human and other resources. The uncertainty surrounding the magnitude, duration, reach, costs and effects of the global pandemic, as well as actions that have been or could be taken by governmental authorities or other third parties, present unknowns. The impacts, as well as the uncertainty over impacts to come, of COVID-19 – and any other infectious illness outbreaks, epidemics and pandemics that may arise in the future – could negatively affect global economies and markets in ways that cannot necessarily be foreseen. In addition, the impact of infectious illness outbreaks and epidemics in emerging market countries may be greater due to generally less established healthcare systems, governments and financial markets. Public health crises like the COVID-19 outbreak may exacerbate other pre-existing political, social and economic risks in certain countries or globally. Disruptions, like COVID-19, could prevent the Pool from executing advantageous investment decisions in a timely manner and negatively impact the Pool's ability to achieve its investment objectives. Any such event(s) could have a significant adverse impact on the value and risk profile of the Pool's investments.

The Pool's Management and Operations teams continue to operate without significant disruptions in service. These pandemic strategies take into consideration that a pandemic could be widespread and may occur in multiple waves, affecting different communities at different times with varying levels of severity. The Pool's Management cannot, however, predict the impact that natural or man-made disasters, including the COVID-19 pandemic, may have on the ability of the employees and third-party service providers to continue ordinary business operations and technology functions over near- or longer-term periods.

SOUTH CAROLINA STATE TREASURER'S OFFICE
SOUTH CAROLINA LOCAL GOVERNMENT INVESTMENT POOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2. DEPOSITS, INVESTMENTS, AND SECURITIES LENDING TRANSACTIONS (Continued):

Investments (Continued)

Securities Lending Transactions

Through a custodial agent, the Pool participates in a securities lending program whereby securities are loaned for the purpose of generating additional income. The Pool lends securities from its investment portfolios on a collateralized basis to third parties, primarily financial institutions. The market value of the required collateral must initially meet or exceed 102% of the market value of the securities loaned, providing a margin against a decline in the market value of the collateral, and requires additional collateral if the collateral value falls below 100%. At June 30, 2023 there were not any securities out on loan. There are no restrictions on the amount of securities that may be loaned. The types of securities available for loan during the year ended June 30, 2023, included U. S. Government securities, U. S. Government Agencies and corporate bonds. The contractual agreement with the Pool's Custodian provides indemnification in the event the borrower fails to return the securities lent or fails to pay the Pool income distribution by the securities' issuers while the securities are on loan. Cash was received as collateral for these loans. The Pool cannot pledge or sell collateral securities without a borrower default. The Pool invests cash collateral received; accordingly, securities purchased with cash collateral are recorded as an asset. A corresponding liability is recorded as the Pool must return the cash collateral to the borrower upon the expiration of the loan. All securities loaned can be terminated on demand by either the Pool or the borrower. Income in the amount of \$52,806 was generated through securities lending transactions in the year ended June 30, 2023.

NOTE 3. NET POSITION RESTRICTED FOR POOL PARTICIPANTS:

Monies are accumulated to meet administrative expenses related to the management of the Pool. The administrative fee is set and reviewed quarterly by the Treasurer's Office and may be increased or decreased, as needed, to maintain this account. These accounts are considered held on behalf of the participants but are not considered distributed to their accounts. Other undistributed amounts held on behalf of the participants include the differences between the fair value of the investment and the amortized cost of the investments.

NOTE 4. RELATED PARTY TRANSACTIONS:

The Pool reimbursed the Treasurer's Office \$1,475,000 for various expenses including banking and investment functions which are included with administrative expenses in the financial statements.

The Pool provided no services to other state agencies during the fiscal year.

NOTE 5. SUBSEQUENT EVENTS:

Management has evaluated all events subsequent to the statement of net position date of June 30, 2023 through the date of issuance of these financials, September 27, 2023.

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INDEPENDENT AUDITORS' 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*

Mr. George L. Kennedy III, CPA
State Auditor
Office of the State Auditor
Columbia, South Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the fiduciary net position and statement of changes in fiduciary net position of the South Carolina Local Government Investment Pool (the "Pool"), an investment trust fund of the State of South Carolina as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements, and have issued our report thereon dated September 27, 2023.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Pool's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pool'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 entity'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 Pool'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Columbia, South Carolina
September 27, 2023

The Halle Group, P.A.