

STATE OF OKLAHOMA
OFFICE OF MANAGEMENT AND ENTERPRISE SERVICES
GAAP CONVERSION MANUAL

B. DEPOSITS AND INVESTMENTS NOTE DISCLOSURE INFORMATION

June 2021

I. PURPOSE AND OBJECTIVES

The ACFR presents the amount and risk exposure of deposits and investments under the control of state entities at midnight on June 30.

II. AGENCY ACTION REQUIRED

- A. Carefully read the key terms in Part III.
- B. The Deposits and Investments Summary Note Disclosure Information form (summary) should reflect amounts at close of business on June 30.
- C. Round all dollar amounts to the nearest whole dollar.
- D. All working papers are subject to audit by the State Auditor & Inspector (SA&I). The agency is required to keep a copy of the completed summary form and all associated working papers for three years after the completion of the SA&I audit.
- E. The person who completes and signs the summary form should keep a copy. OMES will contact this person if there are any questions.
- F. If needed, call your agency's financial reporting analyst for guidance.
- G. Return the completed summary form by e-mail to your OMES financial reporting analyst **no later than the due date shown on the form**. **If you can return it earlier, please do so.**

III. KEY TERMS

- A. Bank balance of deposits - The amount of deposits as shown by the bank or other fiduciary.
- B. Carrying amount of deposits - The amount of deposits as recorded on the agency's records.
- C. Carrying amount of investments - Generally, the fair value of investments at June 30. Donated investments should be recorded at fair value at the time of donation.
- D. Collateral - The security pledged by a financial institution to a governmental entity for its deposits.
- E. Cost - The amount paid for the investment.
- F. Counterparty - The party that pledges collateral or repurchase agreement securities to the government or that sells investments to or buys them for the government.
- G. Custodial Credit Risk of deposits - The risk of a potential deposit loss resulting from adverse events affecting the custodian of a deposit. Deposits are exposed to custodial credit risk if they are not covered by **depository insurance** and the deposits are:

- (a) Uncollateralized

- (b) Collateralized with securities held by the pledging financial institution, or
- (c) Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-governments name.

H. Custodial Credit Risk of investments - The risk of a potential investment loss resulting from adverse events affecting the custodian of an investment. Investments are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the agency, and are held by either:

- (a) The counterparty or
- (b) The counterparty's trust department but not in the government's name.

I. Depository Insurance - For the purposes of this package includes:

- * Federal depository insurance funds, such as those maintained by the Federal Deposit Insurance Corporation (FDIC).
- * State depository insurance funds.
- * Multiple financial institutions collateral pools that insure public deposits.

J. Deposits with financial institutions including balances in checking, savings, and money market accounts.

K. Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price.

L. Fair Value - The amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The cost of a nonnegotiable Certificate of Deposit is the same as its fair value.

M. Interest Receivable is interest that has been earned but not yet received as of June 30.

N. Investments include all assets readily convertible to cash including term repurchase agreements, equities, U.S. Treasury bills, notes, and bonds.

O. Investment type is a broad classification of investments used in the note disclosure. Examples include but are not limited to:

- | | |
|---|-------------------------------------|
| * U.S. Treasury bills, notes, and bonds | * Negotiable CDs |
| * Federal agency and instrumentality | * Bankers acceptances |
| * Corporate debt instruments | * Shares of closed-end mutual funds |
| * Corporate equity instruments | * Shares of unit investment trust |

P. Investments not susceptible to custodial credit risk are investments that cannot be defined as securities, since their existence is not evidenced by securities that exist in physical or book entry form. Securities are a transferable financial instrument that evidences ownership or creditorship, whether in physical or book entry form. Examples of investments not evidenced by securities include but are not limited to:

- Investments made directly with another party
- Real estate
- Mortgages and other loans
- Open-end mutual funds
- Pools managed by other governments
- Annuity contracts
- Guaranteed investment contracts

Q. Registered Security - A security that has the name of the owner written on its face.

- R. Weighted-average maturity expresses investment time horizons – the time when an investment becomes due and payable – in days (for the state), weighted to reflect the dollar size of the individual investments within an investment type.

IV. SPECIFIC INSTRUCTIONS

A. Completing the Deposits and Investments Note Disclosure Information Summary Form

1. Enter the agency ACFR code, name, and funds/accounts to be included on the summary.
2. Provide the name, title, phone number and date for each person who completes and approves this summary form. The finance officer or executive director should approve the form before sending it to OMES. Keep a copy of the form. When submitting via email it should come from the address of the approving officer. This will act as an implicit electronic signature verifying the form has been reviewed and approved for validity, accuracy, and completeness.
3. Enter the amount of interest receivable at June 30 for deposits and investments. If your agency invests funds for more than one agency, include a supporting schedule of totals by agency and class/fund number.
4. If you entered into any repurchase agreements or reverse repurchase agreements, additional information will be needed (This would be unusual). Upon receipt of the summary, OMES will contact you.

If you have used fair value measurement other than level 1 as identified in GASB 72, additional information will be needed (This would be unusual). Upon receipt of the summary, OMES will contact you for additional information.

5. Enter a brief description or location of amounts on deposit. Combine all accounts within one institution under one description.
6. Enter the total fair value for each type of deposit as of June 30.
7. Enter “Yes” for each type of deposit covered by depository insurance as of June 30. If “No”, sections 8 – 10 must be completed.
8. If a deposit is not covered by depository insurance, indicate whether deposits are uncollateralized (indicate “Yes” if they are uncollateralized). Deposits are uncollateralized if a deposit does not have securities pledged to the depositor-government (your agency) in an amount at least equal to the amount of the deposit.
9. If section 8 is “No”, indicate “Yes”, if deposits are collateralized and the collateral is held by the pledging financial institution, or “No”, if they are not.
10. Indicate “Yes”, if deposits are collateralized with securities held by the financial institution’s trust department or agent but not in the depositor-governments name (agency name). **NOTE:** For each deposit, one section between sections 7–10 must have a “Yes” selection. This identifies the level of custodial credit risk exposure for each deposit.
11. Give a brief name or description on the appropriate line for each different type of investment. If an investment is not listed, use the ‘Other’ line and identify any special characteristics of the investment in section (24), “Comments”.
12. Most debt type investments are subject to differing maturity dates. For each similar debt type investment, indicate the duration of the investment (usually obtained from the custodian of the investment), or, if this is unavailable, the weighted average maturity in days of the investment. The following is an example of how to calculate weighted average maturity:

Investment 1 (Corporate bonds) \$5,000 maturing in 365 days
Investment 2 (Corporate bonds) \$1,000 maturing in 180 days

Investment 1 (\$5,000)/Total investment of \$6,000 X 365 (days) = 304 days
Investment 2 (\$1,000)/Total investment of \$6,000 X 180 (days) = 30 days
304 days + 30 days = Weighted average maturity of 334 days

13. Many investments are subject to a rating of credit risk as described by a nationally recognized statistical rating organization (NRSRO), or rating agency, such as Moody's or Standard and Poor. All debt type investments are subject to such a rating, as are other types. For each different type of investment, indicate the credit risk rating assigned by the rating agency.
14. Investments that are subject to custodial credit risk must be disclosed. If an investment the agency has is uninsured and not in the agency's name, indicate if the investment is held by either the counterparty, or
15. The counterparty's trust department or agent but not in the government's (agency's) name.
16. Indicate the total cost for each different type of investment.
17. Indicate the fair value of each different type of investment as of June 30.
18. On occasion, certain investments (typically long-term debt investments, or ones with special modifier terms) are highly sensitive to interest rate changes and are subject to interest rate risks. Indicate if any of the above investments are subject to such risks, and the terms associated with such investments.

Deposits and Investments Outside the Office of State Treasurer

Complete sections 19 through 24 for each deposit or investment. Make additional copies of forms as needed. This section does not apply to petty cash accounts.

19. Provide a brief description of each deposit or investment which is not accounted for through the Office of State Treasurer. Only one GAAP Package B should be completed for each related bond issue (if applicable), regardless of the number of accounts used to manage the bond issue. All transactions in multiple bank accounts for the same bond issue should be aggregated.
20. The dollar amount of deposits or the fair value of investments at the beginning of the fiscal year. This balance should agree to any existing prior year ending balance from section 23 of the prior year's form.
21. List revenues received into the outside account according to sections identified 21a – 21f.
 - 21a. For a new bond issue only, list the net amount of bond proceeds received.
 - 21b. List all interest and dividends earned in the outside account.
 - 21c. List all payments into the outside account from agency class/funds. This should include sinking fund payments and payments to meet current bond payment obligations.
 - 21d. List the total of transfers in. In most outside accounts, more than one bank account is utilized. When this occurs, transfers are typically made between the accounts. This should be the total of all transfers in across all accounts. This total should usually equal transfers out listed in section (22e).
 - 21e. Identify any inflows that do not fit in one of the above categories and list the aggregate amount.
 - 22f. Identify any inflows that do not fit in one of the above categories and list the aggregate amount.
22. List expenditures paid out of the outside account according to sections identified 22a – 22g.

- 22a. List all principal payments made on the bond issue during the fiscal year (this should be payments from the outside account to the bond transfer agent, not from an agency fund to the outside account). The total principal paid should agree to the principal reduction for the related bond as reported on GAAP Package O.
- 22b. List all interest payments made on the bond issue during the fiscal year.
- 22c. List the aggregate of payments made for purchases from the outside account. This should be the total amount paid from the account to purchase or build assets as defined by the bond issue.
- 22d. List all expenses related to issue of a new bond. This total plus the net bond proceeds (section 21a) should equal the total gross amount received from a new bond issue.
- 22e. List the total of transfers out. In most outside accounts, more than one bank account is utilized. When this occurs, transfers are typically made between the accounts. This should be the total of all transfers out across all accounts. This total will usually equal total transfers in on section 21d.
- 22f. Identify any outflows that do not fit in one of the above categories and list the aggregate amount.
- 22g. Identify any outflows that do not fit in one of the above categories and list the aggregate amount.
23. Balance of deposit/investment at the end of the fiscal year. This amount should equal: #20 + #21 - #22.
24. Provide comments or explanations only as needed for any unusual items or circumstances.

B. Working Papers

The agency should keep any documents that support data on the summary, such as:

- * Bank statements
- * Worksheets calculating interest
- * Contracts or agreements