I. PURPOSE AND OBJECTIVES

The ACFR presents the amount and risk categorization of deposits and investments under the control of state entities at midnight on June 30 and the necessary accounting and reporting required under GASB Statements 28 and 31.

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.

B. Borrower rebates - Payments from the lender to the borrower as compensation for the use of the cash collateral provided by the borrower.

C. Carrying amount of deposits - The amount of deposits as recorded on the agency's records.

D. 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.

E. Collateral - The security pledged by a financial institution to a governmental entity for its deposits.

F. Cost - The amount paid for the investment.

G. Credit risk - The aggregate of the lender’s exposure to the borrowers of its securities.

H. 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.

I. Deposits with financial institutions including balances in checking, savings and money market accounts, time deposits and repurchase agreements.

J. External investment pool - An arrangement that commingles (pools) the monies of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio; one or more of the participants is not part of the sponsors reporting entity. An external investment pool can be sponsored by an individual government, jointly by more than one government, or by a nongovernmental entity. An investment pool that is sponsored by an individual state or local government is an external investment pool if it includes participation by a legally separate entity that is not part of the same reporting entity as the sponsoring government. If a government-sponsored pool includes only the primary government and its component units, it is an internal investment pool and not an external investment pool.

K. 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.

L. Indemnification - A securities lending agent’s guarantee that it will protect the lender from certain losses.

M. Individual investment account - An investment service provided by a governmental entity for other, legally separate entities that are not part of the same reporting entity. With individual investment accounts, specific investments are acquired for individual entities and the income from and changes in the value of those investments affect only the entity for which they were acquired.

N. Internal investment pool - An arrangement that commingles (pools) the moneys of more than one fund or component unit of a reporting entity. Investment pools that include participation by legally separate entities that are not part of the same reporting entity as the pool sponsor are not internal investment pools, but rather are external investment pools.

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

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

Q. 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
* Federal agency and instrumentality
* Corporate debt instruments
* Corporate equity instruments
* Negotiable CDs
* Bankers acceptances
* Shares of closed-end mutual funds
* Shares of unit investment trust

R. Investments not susceptible to credit risk categorization are investments that can not be defined as securities. Securities are a transferable financial instrument that evidences ownership or creditor ship, whether in physical or book entry form. Examples include but are not limited to:

Investments made directly with another party
Real estate
Mortgages and other loans
Open-ended mutual funds
Annuity contracts
Guaranteed investment contracts

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

T. Risk categorization of deposits - GASB Statement No. 3 defines three risk categories for categorization for the bank balances of deposits:
* Category 1 Fully insured or collateralized by securities held by the State or by its agent in the State's name.
* Category 2 Collateralized with securities, in the State's name, which are held by the pledging financial institution's trust department or agent.
* Category 3 Uncollateralized or collateralized securities, not in the State's name, which are held by the pledging financial institution, or by its trust department or agent.

U. **Risk categorization of investments** - GASB Statement No. 3 defines three risk categories for categorization for the carrying value of investment:

* Category 1 Insured or registered or investments which are held by the state or its agent in the State's name.
* Category 2 Uninsured, unregistered investments with the securities held by the counterparty's trust department or agent in the State's name.
* Category 3 Uninsured, unregistered investments with the securities held by the counterparty, or by its trust department or agent but not in the state's name.

V. **Securities lending transactions** - Transactions in which a governmental entity transfers security to broker/dealers and other entities for collateral-which may be cash, securities, or letter of credit-and simultaneously agree to return the collateral for the same securities in the future.

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 the form via e-mail 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 fund number.

4. If you entered into any repurchase agreements or reverse repurchase agreements, additional information will be needed. Upon receipt of the summary, OMES will contact you.

If you 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. Classify each deposit by type and enter the bank balance amount in the appropriate risk category, as defined above, by the corresponding number.

6. Enter the total bank balance for each type of deposit as of June 30.

7. Enter the carrying amount for each type of deposit as of June 30.

8. Classify each investment by type and enter the carrying value amount in the appropriate risk category, as defined above, by the corresponding number.

9. Enter the total carrying amount for each type of investment as of June 30. Generally, the carrying value should be the fair value of investments. However, nonparticipating contracts, such as nonne-
gotiable certificates of deposits with redemption terms that do not consider market rates, should be reported at cost.

10. Enter the total fair value amount for each type of investment as of June 30.

11. Specify and list investments not susceptible to credit risk categorization.

12. Indicate whether at June 30 you had any securities lending transactions which involved the receipt of cash collateral or securities that may be sold without a default. If you do, state the amount of cash and/or securities collateral held at June 30.

13. The costs of securities lending transactions are to be reported as expenditures and should not be netted against revenues. Indicate whether costs were netted against earnings and if so, state the amount of costs and borrower rebates which were netted.

14. a. State the source of legal or contractual authorization for entering into securities lending transactions

b. Describe a description of any violations of the legal or contractual provisions, if any.

c. List the types of securities generally lent and the types of collateral generally received.

d. Indicate whether you can pledge or sell collateral without default.

e. Indicate the amount by which collateral is to exceed the amount of securities on loan.

f. List any limitations on the amount of securities that may be lent.

g. Describe any loss indemnification to be provided by agents.

h. List the carrying value and fair value of securities on loan and the fair value of the underlying collateral.

i. Indicate whether the maturities of investments made with cash collateral generally matches the maturities of the securities lent.

j. Indicate the credit risk or absence of credit risk.

k. Indicate any losses of the period resulting from default and recoveries of prior period losses.

15. a. Indicate the methods and assumptions used to estimate the fair value of investments for those investments not based on quoted market prices.

b. GASB 31 states all investments should be reported at fair value except:

* nonparticipating contracts such as nonnegotiable certificates of deposits with redemption terms that do not consider market rates, should be reported using at cost.
* money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less may be reported at amortized cost (this excludes external investment pools).
* investment positions in 2a7-like pools which should be determined by the pool’s share price.
* external investment pools may report short-term debt investments with remaining maturities of up to ninety days at the date of the financial statements at amortized cost.

Indicate the policy for determining which investments, if any, are reported at amortized cost.

c. For any investments made in an external investment pool that is not SEC-registered, provide a description of any regulatory oversight for the pool and whether the fair value of the position in the pool is the same of the value of the pool shares.
d. Indicate any involuntary participation in an external investment pool.

e. List any income from investments associated with one fund that is assigned to another fund.

16. Indicate if your agency sponsors an internal investment pool and if so, specify whether the equity position of each fund or component unit is reported as assets in those fund and component units.

17. Indicate whether your agency, on a statewide level, provides individual investment accounts to other legally separate entities (counties, school districts, cities, etc.).

18. Indicate whether your agency sponsors an external investment pool and if so, provide a brief description of each pool.

19. Indicate whether your agency has, or will, issue separate stand-alone annual financial reports for the external investment pool(s).

20. a. For each external investment pool, provide a brief description of any regulatory oversight, including whether the pool is registered with the SEC as an investment company.

b. For each external investment pool, indicate the frequency of determining the fair value of investments.

c. For each external investment pool, describe the method used to determine participants shares sold and redeemed and whether that method differs from the method used to report investments.

d. For each external investment pool, indicate whether the pool sponsor has provided or obtained any legally binding guarantees during the period to support the value of the shares.

e. For each external investment pool, indicate the extent of involuntary participation in the pool.

f. For each external investment pool, provide a summary of the fair value, the carrying amount, the number of shares or the principal amount, ranges of interest rates, and maturity dates of each major investment classification.

21. Complete the financial statement templates for each external investment pool.

22. Provide comments or explanations 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