***Investments Disclosure Footnote Template – Other Entities***

Revised 7-19-18

Footnote 1, Summary of Significant Accounting Policies:

*Cash & Cash Equivalents and Investments*

Cash and Cash Equivalents are generally considered short-term, highly liquid investments with a maturity of three months or less from the purchase date.

Investments are recorded at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

Deposits & Investment Footnote [option to have “Deposits” as a separate footnote]

# **Deposits**

# Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the ***Entity’s*** deposits may not be returned to it. [Insert ***Entity’s*** policy for custodial credit risk or…] The ***Entity*** does not have a formal deposit policy for custodial credit risk. As of June 30, 20xx, **$$$** of the ***Entity’s*** bank balances of **$$$** was uninsured and uncollateralized.

# **Investments**

The State of Utah Money Management Council has the responsibility to advise the Utah State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state, and review the rules adopted under the authority of the State of Utah Money Management Act (*Utah Code,* Title 51, Chapter 7) (the Act) that relate to the deposit and investment of public funds.

The ***Entity*** follows the requirements of the Act in handling its depository and investment transactions. The Act requires the depositing of ***Entity*** funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The Act defines the types of securities authorized as appropriate investments for the ***Entity’s*** fundsand the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the ***Entity*** to invest in negotiable or nonnegotiable deposits of qualified or permitted depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as “first tier” by two nationally recognized statistical rating organizations; bankers’ acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated “A” or higher, or the equivalent of “A” or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah Public Treasurers’ Investment Fund (PTIF).

The Utah State Treasurer’s Office operates the PTIF. The PTIF is available for investment of funds administered by any Utah public treasurer and is not registered with the Securities and Exchange Commission as an investment company. The PTIF is authorized and regulated by the Act. The Act established the Money Management Council which oversees the activities of the Utah State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

*Fair Value of Investments*

The ***Entity*** 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.

At June 30, 20xx, the ***Entity*** had the following recurring fair value measurements.

[Modify tables located in the file “Investment Footnote Template-Tables.xlsx”, then insert the tables in the appropriate places below as “PICTURES”.]



Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 are valued using the following approaches [modify as needed for your entity’s valuation methods–refer to Paragraphs 23-27 and 40]:

* U.S. Treasuries, U.S. Agencies, and Commercial Paper: quoted prices for identical securities in markets that are not active;
* Corporate and Municipal Bonds: quoted prices for similar securities in active markets;
* Repurchase Agreements, Negotiable Certificates of Deposit, and Collateralized Debt Obligations: matrix pricing based on the securities’ relationship to benchmark quoted prices;
* Money Market, Bond, and Equity Mutual Funds: published fair value per share (unit) for each fund;
* Utah Public Treasurers’ Investment Fund: application of the June 30, 20xx fair value factor, as calculated by the Utah State Treasurer, to the ***Entity’s*** June 30 balance in the Fund; and,
* Donated Real Estate: recent appraisals of the real estate’s value.

Debt securities, namely collateralized debt obligations [if any], classified in Level 3 are valued using [consensus pricing].

Investments valued using the net asset value (NAV) per share (or its equivalent) are considered “alternative investments” and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. The ***Entity*** values these investments based on the partnerships’ audited financial statements. If June 30 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is progressed from the most recently available valuation taking into account subsequent calls and distributions. The following table presents the unfunded commitments, redemption frequency (if currently eligible), and the redemption notice period for the ***Entity’s*** alternative investments measured at NAV:



[Update preceding paragraph and table for your entity’s alternative investments valuation methodologies. Consider adding investments NOT measured at NAV that have unfunded commitments below the “Total NAV” amount. May consider adding descriptions of funds’ objectives. See GASB Statement 72, pages 92-93 for example.]

[Add additional disclosures if invested in derivatives which are hedges. See GASB 72 for examples as needed.]

# Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The ***Entity’s*** policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers’ acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270 days – 15 months or less. The Act further limits the remaining term to maturity on all investments in obligations of the United States Treasury; obligations issued by U.S. Government-sponsored enterprises; and bonds, notes, and other evidence of indebtedness of political subdivisions of the State to 5 years. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 3 years.

# As of June 30, 20xx, the **Entity’s** investments had the following maturities:

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# Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ***Entity’s*** policy for reducing its exposure to credit risk is to comply with the Act, as previously discussed.

At June 30, 20xx, the ***Entity***’s investments had the following quality ratings:

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# Concentration of Credit Risk

# Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The **Entity’s** policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio at the time of purchase.

At June 30, 20xx, the ***Entity*** held more than 5 percent of total investments in securities of xxx and xxx. These investments represent xx percent and xx percent, respectively, of the College’s total investments.

# Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the ***Entity*** will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The ***Entity*** does not have a formal policy for custodial credit risk. As of June 30, 20xx, the ***Entity*** had **$$$** in **[type of investment(s)]** which was/were held by the investment’s counterparty and **$$$** in **[type of investment(s)]** which was/were held by the counterparty’s trust department or agent but not in the government’s name.

*Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The ***Entity*** does not have a formal policy for foreign currency risk.

**\*\*Note** – **The previous paragraphs describing the policies for the various investment risks are only required when those risks are present. (For example, the preceding paragraph on *Foreign Currency Risk* is only needed if the entity does hold an investment denominated in a foreign currency. Also, the second paragraph under *Concentration of Credit Risk* is only needed if the entity has this risk.)**