



State of Louisiana
DIVISION OF ADMINISTRATION

OFFICE OF STATEWIDE REPORTING AND ACCOUNTING POLICY

KATHLEEN BABINEAUX BLANCO
GOVERNOR

JERRY LUKE LEBLANC
COMMISSIONER OF ADMINISTRATION

June 28, 2007

Dear Sir or Madam:

Enclosed is the reporting packet that has been developed by the Division of Administration, Office of Statewide Reporting and Accounting Policy (OSRAP) to be used by entities reporting as **governmental funds** of the state of Louisiana. This format must be used in reporting results of operations for the fiscal period ending June 30, 2007. Entities whose reporting year end is other than June 30, 2007, should prepare the statements for their entity's fiscal period ending between July 1, 2006, and June 30, 2007. *This packet is a Word document with embedded Excel spreadsheets for the financial statements and tables.*

This financial information will be included in Louisiana's Comprehensive Annual Financial Report (CAFR). To publish the CAFR within statutory deadlines, you must submit your AFR no later than **August 31, 2007**. No extensions will be granted whether you use a CPA firm to prepare your statements or do them in-house. We appreciate your help and cooperation in this matter.

The format provided in this packet must be completed and included in the report you submit to OSRAP. You may be using an outside auditor (or the Legislative Auditor) to complete your report that may use a form different from the enclosed. In this situation, the enclosed packet will be a part of the auditor's report and labeled "Required Supplementary Information". Your auditor must ensure that the OSRAP financial report reflects the same information as the one prepared by the Legislative Auditor or the outside firm. The only differences will be the titles of some of the accounts and the format of the statements.

If your entity incurred additional bonded debt, include copies of the amortization schedules for this debt with the packet you submit.

As a blended component unit of the state, your entity must be rolled up into the government-wide Statement of Net Assets and Statement of Activities of the primary government under Governmental Accounting Standards Board (GASB) Statement No. 34 reporting requirements. To accomplish this, we have included statements, schedules and notes that provide the information needed at both the fund and government-wide levels. The statements are the Statement of Net Assets and Governmental Funds Balance Sheet; Statement of Revenues, Expenditures, and Changes in Fund Balance; and Simplified Statement of Activities. The Simplified Statement of Activities is not part of your entity's separately issued financial statements, but is necessary for OSRAP to complete the CAFR. Instructions for preparing the Simplified Statement of Activities are included in this packet.

The **Management's Discussion and Analysis (MD&A)** should be a brief and objective analysis of your entity's financial performance for the year. It should include comparisons of current year results to the previous year, including discussions of both the positive and negative aspects of the comparison. It should be easily readable by an average reader; accordingly, the use of charts, graphs, and tables is encouraged to enhance the understandability of the information. GASB 34 requires specific information to be included in the MD&A. A template of MD&A has been provided for your use.

All financial data should be rounded to the nearest dollar. If an audit has changed your prior year ending fund balance, use that as your beginning fund balance and include a note to explain the difference.

Legal compliance must be met. Consequently, supplementary schedules indicating compliance must be completed. The submitted financial packet should include at a minimum:

1. Notarized Affidavit
2. MD&A (Management's Discussion & Analysis)
3. Statement of Net Assets and Governmental Funds Balance Sheet as of June 30, 2007, or Fiscal Year End date other than June 30, 2007
4. Statement of Revenues, Expenditures, and Changes in Fund Balance for the period ending June 30, 2007, or Fiscal Year End date other than June 30, 2007
5. Simplified Statement of Activities for the period ending June 30, 2007, or Fiscal Year End date other than June 30, 2007
6. Notes to the Financial Statement
7. Supplementary Schedules:
 - a) Schedule 1 Schedule of Per Diem Paid Board Members
 - b) Schedule 2 Not included in this AFR packet (not applicable)
 - c) Schedule 3A-3B Schedules of Long-Term Debt
 - e) Schedule 4A-4C Schedules of Long-Term Debt Amortization
 - f) Schedule 5 Schedule of Adjusting Entries -- Modified Accrual to Full Accrual Basis Reporting

Tobacco Settlement Financing Corporation (ONLY)

In order to comply with existing bond covenants, updated annual continuing disclosures must be prepared and submitted in conjunction with the AFR.

The AFR must be forwarded under separate cover to **both** the Division of Administration, OSRAP (Post Office Box 94095 Baton Rouge, LA 70804-9095) and to the Legislative Auditor's Office (Post Office Box 94397, Baton Rouge, Louisiana 70804-9397) no later than **August 31, 2007**. Be certain that copies of all reports, statements, and schedules are included. Please note that the affidavit sent to the Office of Statewide Reporting must be the original, signed and notarized document, while the affidavit sent to the Legislative Auditor may be a copy of the original. The Legislative Auditor's Office will not send out separate affidavit forms.

If you have any questions concerning the above, please contact Ms. Deborah Zundel at (225) 342-0710 or a member of my staff at (225) 342-0708.

Sincerely,

Afranie Adomako, CPA
Director

AA:dz

Enclosure

(Agency Name)
STATE OF LOUISIANA
Annual Financial Statements
June 30, 20_____

C O N T E N T S

TRANSMITTAL LETTER

AFFIDAVIT

MD&A

Statement of Net Assets and Governmental Funds Balance Sheet	A
Statement of Revenues, Expenditures, and Changes in Fund Balance	B
Simplified Statement of Activities	C

Notes to the Financial Statements

A.	Summary of Significant Accounting Policies
B.	Adjustments
C.	Deposits with Financial Institutions and Investments (see more GASB 40 information in the Appendix)
D.	Capital Assets Including Assets Acquired by Capital Lease
E.	Restricted Assets
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H.	Related Party Transactions
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J.	In-Kind Contributions
K.	Defeased Issues
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Q.	Liabilities Payable from Restricted Assets
R.	Prior-Year Restatement of Fund Balance/Net Assets

Schedules

1	Schedule of Per Diem Paid Board Members
3	Schedules of Long-Term Debt
4	Schedules of Long-Term Debt Amortization
5	Schedule of Adjusting Entries – Modified Accrual to Full Accrual Basis Reporting

Appendix Information for Note C "Deposits with Financial Institutions and Investments"

STATE OF LOUISIANA
Annual Financial Statements
Fiscal Year Ending June 30, 20____

(Agency Name)

Division of Administration
Office of Statewide Reporting
and Accounting Policy
P. O. Box 94095
Baton Rouge, Louisiana 70804-9095

Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

Physical Address:
1201 N. Third Street
Claiborne Building, 6th Floor, Suite 130
Baton Rouge, Louisiana 70802

Physical Address:
1600 N. Third Street
Baton Rouge, Louisiana 70802

AFFIDAVIT

Personally came and appeared before the undersigned authority, _____ (Name)
(Title) of _____(Agency) who duly sworn, deposes and says, that the
financial statements herewith given present fairly the financial position of
(agency) at June 30, ____ and the results of operations for the year then ended in accordance with policies
and practices established by the Division of Administration or in accordance with Generally Accepted
Accounting Principles as prescribed by the Governmental Accounting Standards Board. Sworn and
subscribed before me, this _____ day of _____, 20_____.

Signature of Agency Official

NOTARY PUBLIC

Prepared by: _____

Title: _____

Telephone No.: _____

Date: _____

STATE OF LOUISIANA
Annual Financial Statements
Fiscal Year Ending June 30, 20____

(Agency Name)

Division of Administration
Office of Statewide Reporting
and Accounting Policy
P. O. Box 94095
Baton Rouge, Louisiana 70804-9095

Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

Physical Address:
1201 N. Third Street
Claiborne Building, 6th Floor, Suite 130
Baton Rouge, Louisiana 70802

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1600 N. Third Street
Baton Rouge, Louisiana 70802

AFFIDAVIT

Personally came and appeared before the undersigned authority, _____(Name)
(Title) of _____(Agency) who duly sworn, deposes and says, that the
financial statements herewith given present fairly the financial position of
(agency) at June 30, ____ and the results of operations for the year then ended in accordance with policies
and practices established by the Division of Administration or in accordance with Generally Accepted
Accounting Principles as prescribed by the Governmental Accounting Standards Board. Sworn and
subscribed before me, this _____ day of _____, 20_____.

Signature of Agency Official

NOTARY PUBLIC

Prepared by: _____

Title: _____

Telephone No.: _____

Date: _____

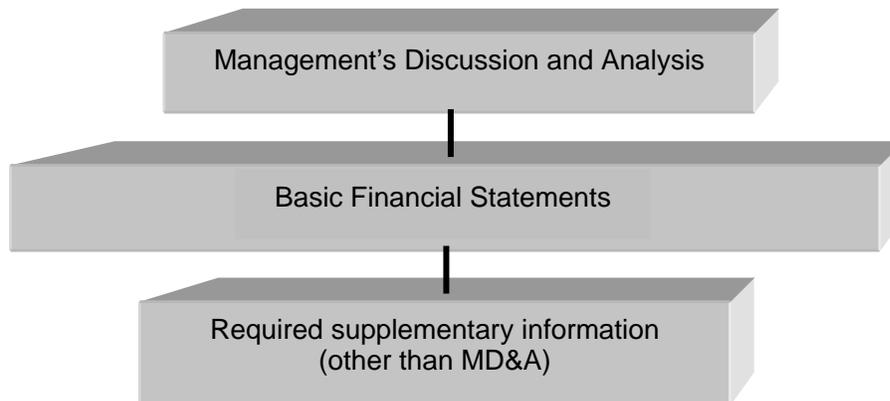
The Management's Discussion and Analysis of the _____'s financial performance presents a narrative overview and analysis of _____'s financial activities for the year ended June 30, 2006. This document focuses on the current year's activities, resulting changes, and currently known facts in comparison with the prior year's information. Please read this document in conjunction with the additional information contained in the _____'s financial statements, which begin on page ____.

FINANCIAL HIGHLIGHTS

- ★ Assets/liabilities exceeded liabilities/assets at the close of fiscal year 2007 by \$_____ which represents a __% increase/decrease from last fiscal year. Net assets increased/ decreased by \$_____ (or __ %).
- ★ Revenue increased/decreased \$_____ (or __ %) and the net results from activities increased/decreased by \$_____ (or __ %).

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments engaged in governmental activities established by Governmental Accounting Standards Board Statement 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.



These financial statements consist of three sections - Management's Discussion and Analysis (this section), the basic financial statements (including the notes to the financial statements), and required supplementary information.

Basic Financial Statements

The basic financial statements present information for the _____ as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statement of Net Assets and Governmental Funds Balance Sheet, the Statement of Revenues, Expenditures, and Changes in Fund Balance, and the Statement of Activities.

The Statement of Net Assets and Governmental Funds Balance Sheet (page __) presents the current and long term portions of assets and liabilities separately. The difference between total assets and total liabilities is net assets. Net assets may provide a useful indicator of whether the financial position is improving or deteriorating. An adjustments column is presented showing the conversion of this fund from the modified accrual basis to the full accrual basis, as required by GASB Statement 34.

The Statement of Revenues, Expenditures, and Changes in Fund Balance (modified accrual) and the Statement of Activities (full accrual), shown on pages __, present information showing how assets changed

as a result of current year operations. Regardless of when cash is affected, all changes in net assets are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

FINANCIAL ANALYSIS OF THE ENTITY

Statement of Net Assets as of June 30, _____ (in thousands)		
	Total	
	20CY	20PY
Current and other assets	\$	\$
Capital assets		
Total assets	-	-
Other liabilities		
Long-term debt outstanding		
Total liabilities	-	-
Net assets:		
Invested in capital assets, net of debt		
Restricted		
Unrestricted		
Total net assets	\$ -	\$ -

Restricted net assets represent those assets that are not available for spending as a result of legislative requirements, bond indentures, donor agreements, or grant requirements. Conversely, unrestricted net assets are those that do not have any limitations on how these amounts may be spent.

Net assets increased/decreased by \$_____, or ___%, from June 30, 20PY to June 30, 20CY. One of the major causes of this change is _____. Other causes include _____.

Statement of Revenues, Expenses, and Changes in Fund Balances
 for the years ended June 30, __
 (in thousands)

	Total	
	20CY	20PY
Operating revenues	\$ _____	\$ _____
Operating expenses	_____	_____
Operating income(loss)	_____ -	_____ -
Non-operating revenues(expenses)	_____	_____
Income(loss) before transfers	_____ -	_____ -
Transfers in	_____	_____
Transfers out	_____	_____
Net increase(decrease) in net assets	\$ _____ -	\$ _____ -

The _____'s total revenues increased/decreased by \$ _____ or (___ %). Total cost of all programs and services increased/decreased by \$ _____ or ___%.

Program revenues increased/decreased by \$ _____ or (___ %) and general revenues increased/decreased by \$ _____ or (___ %). The change in net assets increased/decreased by \$ _____ or ___%. The major reasons for this increase/decrease were _____.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 20CY, the corporation had no capital assets to report.

Debt

The _____ had \$ _____ in bonds and notes outstanding at year-end, compared to \$ _____ last year, an increase/decrease of ___ % as shown in the table below.

Outstanding Debt at Year-end (in thousands)		
	20CY	20PY
General Obligation Bonds	\$ _____	\$ _____
Revenue Bonds and Notes	_____	_____
Totals	\$ _____ -	\$ _____ -

STATE OF LOUISIANA

_____(agency)
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF _____, 20__

New debt resulted from _____.

The _____'s bonds continue to carry ratings of _____, _____, and _____ from _____, _____, and _____, respectively, for _____ bonds.

The _____ has claims and judgments of \$ _____ outstanding at year-end compared with \$ _____ last year.

ECONOMIC FACTORS

The following currently known facts, decisions, or conditions are expected to have a significant effect on financial position or results of operations:

-
-

CONTACTING THE _____'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the _____'s finances and to show the _____'s accountability for the money it receives. If you have questions about this report or need additional financial information, contact _____ at _____.

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEET
AS OF JUNE 30, 20__

	<u>Debt Service</u> <u>Fund</u> (modified accrual)	<u>Adjustments</u> (Note B)	<u>Statement of</u> <u>Net Assets</u> (full accrual)
<u>ASSETS:</u>			
Current Assets:			
Cash and cash equivalents (Note C1)	\$ _____	\$ _____	\$ _____
Investments (Note C2)	_____	_____	_____
Receivables (net) (Note M)	_____	_____	_____
Due from other funds (Note P)	_____	_____	_____
Other current assets	_____	_____	_____
Total current assets	_____	_____	_____
Non-current Assets:			
Restricted assets:			
Cash and cash equivalents (Note C1)	_____	_____	_____
Investments (Note C2)	_____	_____	_____
Receivables (net) (Note M)	_____	_____	_____
Other non-current assets	_____	_____	_____
Total non-current assets	_____	_____	_____
TOTAL ASSETS	\$ _____	\$ _____	\$ _____
<u>LIABILITIES:</u>			
Current liabilities:			
Accounts payable and accruals (Note N)	\$ _____	\$ _____	\$ _____
Contracts and retainage payable	_____	_____	_____
Due to other funds (Note P)	_____	_____	_____
Bonds payable	_____	_____	_____
Claims and litigation	_____	_____	_____
Other current liabilities	_____	_____	_____
Total current liabilities	_____	_____	_____
Non-current liabilities: (Note F)			
Contracts payable	_____	_____	_____
Bonds payable	_____	_____	_____
Claims and litigation	_____	_____	_____
Other non-current liabilities	_____	_____	_____
Total non-current liabilities	_____	_____	_____
TOTAL LIABILITIES	_____	_____	_____
<u>FUND BALANCE/NET ASSETS:</u>			
Fund Balance:			
Reserved	_____	_____	_____
Designated	_____	_____	_____
Unreserved, undesignated	_____	_____	_____
TOTAL FUND BALANCE	_____	_____	_____
TOTAL LIABILITIES AND FUND BALANCE	\$ _____	_____	_____
Net Assets:			
Restricted for:			
Debt service	_____	_____	_____
Other specific purposes	_____	_____	_____
Unrestricted	_____	_____	_____
Total net assets	_____	\$ _____	\$ _____

The accompanying notes are an integral part of this statement

STATEMENT OF REVENUES EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 20__

Debt Service
Fund
(modified accrual)

REVENUES:

Intergovernmental revenues		\$ _____
Taxes		_____
Tobacco settlement		_____
Use of money and property		_____
Licenses, permits, and fees		_____
Sales of commodities and services		_____
Other		_____
Total revenues		_____

EXPENDITURES:

Intergovernmental		_____
Capital outlay		_____
Debt service:		_____
Principal retirement		_____
Interest and fiscal charges		_____
Amortization		_____
Other		_____
Total expenditures		_____

Excess (deficiency) of revenues over expenditures _____

Other financing sources(uses):

Payments to refunded bond escrow agent		_____
Proceeds from issuance of long-term debt		_____
Other		_____
Transfers from other funds		_____
Transfers to other funds		_____
Total other financing sources(uses)		_____

Net change in fund balances _____

Fund Balance at beginning of year _____

Fund Balance at end of year \$ _____

The accompanying notes are an integral part of this statement

INSTRUCTIONS FOR THE SIMPLIFIED STATEMENT OF ACTIVITIES

These instructions are designed to report the operations/activities of your agency using the full accrual basis of accounting.

Expenses – include all expenses, both operating and non-operating.

Program Revenues – include revenues derived from the program itself. These revenues reduce the net cost of activities that must be financed from general revenues. Program revenues should be reported in the following three categories:

Charges for services - include revenues based on exchange or exchange-like transactions. (An exchange transaction is one in which each party receives and gives up essentially equal values.) These revenues arise from charges to customers or applicants who purchase, use, or directly benefit from the goods, services, or privileges provided. Revenues in this category include fees charged for specific services.

Operating grants and contributions - revenue arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program **and** that may be used **either for operating or capital expenses** at the discretion of the grantee. (A non-exchange transaction is one in which an entity gives or receives value without directly receiving or giving equal value in return.)

Capital grants and contributions – revenue arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program **and** that are **restricted for capital purposes only** - to purchase, construct, or renovate capital assets associated with a specific program.

Net (Expense) Revenue - Program revenues minus expenses.

General Revenues – all revenues are general revenues unless they are specifically required to be reported as program revenues.

Taxes – include all taxes received here, as all are considered general revenues, even those levied for a specific purpose.

State appropriations - include warrants drawn during the fiscal year and the 13th period, plus 14th period if applicable.

Grants and contributions not restricted to specific programs – revenue arising from mandatory and voluntary nonexchange transactions with other governments, organizations or individuals that are not restricted to a specific program.

Interest – any interest earned that is not required to be reported as program revenue (earnings on investments legally restricted to use by a specific program should be reported as program revenue).

Miscellaneous - any general revenues that do not specifically fall under one of the categories listed.

SIMPLIFIED STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 20__

(full accrual)

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Entity	\$ _____	\$ _____	\$ _____	\$ _____	_____
General revenues:					_____
Taxes					_____
State appropriations					_____
Grants and contributions not restricted to specific programs					_____
Interest					_____
Miscellaneous					_____
Other					_____
Special items					_____
Transfers					_____
Total general revenues, special items, and transfers					_____
Change in net assets					_____
Net assets – beginning as restated (Note R2)					_____
Net assets – ending					\$ _____

The accompanying notes are an integral part of this statement

INTRODUCTION

The _____ was created by the Louisiana State Legislature under the provisions of Louisiana Revised Statute _____. The following is a brief description of the operations of _____:

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

In April of 1984, the Financial Accounting Foundation established the Governmental Accounting Standards Board (GASB) to promulgate generally accepted accounting principles and reporting standards with respect to activities and transactions of state and local governmental entities. The GASB has issued a Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). This codification and subsequent GASB pronouncements are recognized as generally accepted accounting principles for state and local governments. The accompanying financial statements have been prepared in accordance with such principles.

The accompanying financial statements of _____ present information only as to the transactions of the programs of the _____ as authorized by Louisiana statutes and administrative regulations. The accounts of the _____ are maintained in accordance with applicable statutory provisions and the regulations of the Division of Administration – Office of Statewide Reporting and Accounting Policy.

Basis of accounting refers to when revenues and expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The accompanying government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. The accompanying governmental funds financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting.

B. ADJUSTMENTS

The adjustments column represents the changes necessary to convert a Governmental Fund’s Balance Sheet, reported on the modified accrual basis of accounting, to its Government-Wide Statement of Net Assets required by GASB Statement 34 and reported on the full accrual basis of accounting. The Statement of Revenue, Expenditures, and Changes in Fund Balances (modified accrual) does not contain an adjustments column showing the conversion of the fund level to the government-wide level because of the differences between it and the Simplified Statement of Activities (full accrual).

Schedule 5, “SCHEDULE OF ADJUSTING ENTRIES, Modified Accrual to Full Accrual Basis Reporting” provides a complete list of adjustments necessary to convert to the full accrual basis of accounting from the modified accrual basis of accounting.

C. DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (If all entity cash and investments are deposited in the State Treasury, disregard Note C.)

1. Deposits with Financial Institutions

For reporting purposes, deposits with financial institutions include savings, demand deposits, time deposits, and certificates of deposit. Further, the _____ (entity) may invest in time certificates of deposit in any bank domiciled or having a branch office in the state of Louisiana; savings accounts or shares of savings and loan associations and savings banks; and in share accounts and share certificate accounts of federally or state chartered credit unions.

As reflected on the Statement of Net Assets, the entity had deposits in bank accounts per bank totaling \$_____ at June 30, 20__. Deposits in bank accounts are stated at cost, which approximates market. Under state law these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These pledged securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank in the form of safekeeping receipts held by the state treasurer.

GASB Statement 40, which amended GASB Statement 3, to eliminate the requirement to disclose all deposits by the three categories of risk. GASB Statement 40 requires only the disclosure of deposits that are considered to be exposed to custodial credit risk. An entity's deposits are exposed to custodial credit risk if the deposit balances are either 1) uninsured and uncollateralized, 2) uninsured and collateralized with securities held by the pledging financial institution, or 3) uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the entity's name.

The deposits at _____, 20__, consisted of the following:

	<u>Cash</u>	<u>Certificates of Deposit</u>	<u>Other (Describe)</u>	<u>Total</u>
Deposits per Statement of Net Assets (SNA)	\$ _____	\$ _____	\$ _____	\$ -
Deposits in Bank Accounts Per Bank	\$ _____	\$ _____	\$ _____	\$ _____
Deposits in Bank Accounts Per Bank Exposed to Custodial Credit Risk:				
a. Uninsured and uncollateralized	_____	_____	_____	-
b. Uninsured and collateralized with securities held by the pledging institution	_____	_____	_____	-
c. Uninsured and collateralized with securities held by the pledging institution's trust department	_____	_____	_____	-

Note: The "Deposits in Bank Accounts Per Bank" will not necessarily equal the "Cash and Cash Equivalents per Statement of Net Assets (SNA)."

Cash in State Treasury and petty cash must not be reported in the note disclosure. However, to aid in reconciling amounts reported on the Statement of Net Assets to amounts reported in this note, list below any cash in treasury and petty cash that are included in the Statement of Net Assets.

Cash in State Treasury	\$ _____
Petty cash	\$ _____

The following is a breakdown by banking institution, program, *account number, and amount of the "Deposits in Bank Accounts per Bank" balances shown above:

<u>Banking institution</u>	<u>Program</u>	<u>Amount</u>
1. _____	_____	\$ _____
2. _____	_____	_____
3. _____	_____	_____
4. _____	_____	_____
Total		\$ _____ -

*(Account numbers are not required. However, if you have more than one account at a single institution, you should identify each account separately, such as "Account A", "Account B", or some similar designation that does not involve the actual account number.)

2. Investments

The _____ does (does not) maintain investment accounts as authorized by _____ (note legal provisions authorizing investment by the agency).

Custodial Credit Risk

Investments can be exposed to custodial credit risk if the securities underlying the investment are uninsured, not registered in the name of the entity, and are held by either the counterparty or the counterparty's trust department or agent but not in the entity's name. Repurchase agreements are not subject to credit risk if the securities underlying the repurchase agreement are exempt from credit risk disclosure. Using the table below, list each type of investment disclosing the carrying amount, market value, and applicable category of risk.

GASB Statement 40, which amended GASB Statement 3, eliminated the requirement to disclose all investments by the three categories of risk. GASB Statement 40 requires only the separate disclosure of investments that are considered to be exposed to custodial credit risk. Those investments exposed to custodial credit risk are reported by type in one of two separate columns depending upon whether they are held by a counterparty, or held by a counterparty's trust department or agent not in the entity's name. In addition, the total reported amount and fair value columns must be reported for total investments regardless of exposure to custodial credit risk. Using the table below, list each type of investment disclosing the carrying amount, market value, and applicable category of risk.

Type of Investment	Investments Exposed to Custodial Credit Risk		All Investments Regardless of Custodial Credit Risk Exposure	
	Uninsured, *Unregistered, and Held by Counterparty	Uninsured, *Unregistered, and Held by Counterparty's Trust Dept. or Agent not in Entity's Name	Reported Amount Per Balance Sheet	Fair Value
Repurchase agreements	\$ _____	\$ _____	\$ _____	\$ _____
U.S. Government Securities	_____	_____	_____	_____
U.S. Agency Obligations	_____	_____	_____	_____
Common & preferred stock	_____	_____	_____	_____
Commercial paper	_____	_____	_____	_____
Corporate bonds	_____	_____	_____	_____
Other: (identify)	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
	_____	_____	_____	_____
Total investments	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -

*unregistered – not registered in the name of the government or entity

3. Derivatives

The institution does/does not (circle one) invests in **derivatives** as part of its investment policy. Accordingly, the exposure to risks from these investments is as follows:

credit risk _____
 market risk _____
 legal risk _____

Technical Bulletin 2003-1 requires certain note disclosures for derivatives that are not reported at fair value on the Statement of Net Assets. See Appendix for more details and disclose any of these required note disclosures below, if applicable.

4. Credit Risk, Concentration of Credit Risk, Interest Rate Risk, and Foreign Currency Risk Disclosures

A. Credit Risk of Debt Investments

Disclose the credit risk of debt investments by credit quality ratings as described by rating agencies as of the fiscal year end, including the rating agency used (Moody's, S&P, etc.). All debt investments regardless of type can be aggregated by credit quality rating (if any are un-rated, disclose that amount).

<u>Rating Agency</u>	<u>Rating</u>	<u>Fair Value</u>
_____	_____	\$ _____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
	Total	\$ _____ -

B. Interest rate Risk

1. Disclose the interest rate risk of debt investments by listing the investment type, total fair value, and breakdown of maturity in years for each debt investment type. (Note – This is the prescribed method, segmented time distribution, for the CAFR. Also, total debt investments reported in this table should equal total debt investments reported in Section A – Credit Risk of Debt Investments.)

<u>Type of Debt Investment</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>Greater Than 10</u>
U.S. Government obligations	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
U.S. Agency obligations	_____	_____	_____	_____	_____
U.S. Treasury obligations	_____	_____	_____	_____	_____
Mortgage backed securities	_____	_____	_____	_____	_____
Collateralized mortgage obligations	_____	_____	_____	_____	_____
Corporate bonds	_____	_____	_____	_____	_____
Other bonds	_____	_____	_____	_____	_____
Mutual bond funds	_____	_____	_____	_____	_____
Other	_____	_____	_____	_____	_____
Total debt investments	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -	\$ _____ -

2. List the fair value and terms of any debt investments that are highly sensitive to changes in interest rates due to the terms of the investment (eg. coupon multipliers, reset dates, etc.). See Appendix for examples of debt investments that are highly sensitive to changes in interest rates.

<u>Debt Investment</u>	<u>Fair Value</u>	<u>Terms</u>
_____	\$ _____	_____
_____	_____	_____
_____	_____	_____
Total	\$ _____ -	

C. Concentration of Credit Risk

List, by issuer and amount, investments in any one issuer that represents 5% or more of total investments (not including U.S. government securities, mutual funds, and external investment pools).

<u>Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
_____	\$ _____	_____
_____	_____	_____
_____	_____	_____
Total	\$ _____ -	

D. Foreign Currency Risk

Disclose the U.S. dollar balances of any deposits or investments that are exposed to foreign currency risk (deposits or investments denominated in foreign currencies). List by currency denomination and investment type, if applicable.

<u>Foreign Currency</u>	<u>Fair Value in U.S. Dollars</u>	
	<u>Bonds</u>	<u>Stocks</u>
_____	\$ _____	\$ _____
_____	_____	_____
_____	_____	_____
_____	_____	_____
Total	\$ _____ -	\$ _____ -

5. Policies

Briefly describe the deposit and/or investment policies related to the custodial credit risk, credit risk of debt investments, concentration of credit risk, interest rate risk, and foreign currency risk disclosed in this note. If no policy exists concerning the risks disclosed, please state that fact.

6. Other Disclosures Required for Investments

- a. Investments in pools managed by other governments or mutual funds _____
- b. Securities underlying reverse repurchase agreements _____

- c. Unrealized investment losses _____
- d. Commitments as of June 30, 20__, to resell securities under yield maintenance repurchase agreements:
 - 1. Carrying amount and market value at June 30 of securities to be resold _____
 - 2. Description of the terms of the agreement _____
- e. Losses during the year due to default by counterparties to deposit or investment transactions _____
- f. Amounts recovered from prior-period losses that are not shown separately on the SNA _____

Legal or Contractual Provisions for Reverse Repurchase Agreements

- g. Source of legal or contractual authorization for use of reverse repurchase agreements _____
- h. Significant violations of legal or contractual provisions for reverse repurchase agreements that occurred during the year _____

Reverse Repurchase Agreements as of the SNA Date

- i. Credit risk related to the reverse repurchase agreements (other than yield maintenance agreements) outstanding at the SNA date, that is, the aggregate amount of reverse repurchase agreement obligations including accrued interest compared to aggregate market value of the securities underlying those agreements including interest _____
- j. Commitments on June 30, 20__, to repurchase securities under yield maintenance agreements _____
- k. Market value on June 30, 20__, of the securities to be repurchased _____
- l. Description of the terms of the agreements to repurchase _____
- m. Losses recognized during the year due to default by counter parties to reverse repurchase agreements _____
- n. Amounts recovered from prior-period losses that are not separately shown on the operating statement _____

Fair Value Disclosures

- o. Methods and significant assumptions used to estimate fair value of investments, if fair value is not based on quoted market prices _____
- p. Basis for determining which investments, if any, are reported at amortized cost _____
- q. For investments in external investment pools that are not SEC-registered, a brief description of any regulatory oversight for the pool _____
- r. Whether the fair value of your investment in the external investment pool is the same as the value of the pool shares _____

- s. Any involuntary participation in an external investment pool _____

- t. If you are unable to obtain information from a pool sponsor to determine the fair value of your investment in the pool, methods used and significant assumptions made in determining that fair value and the reasons for having had to make such an estimate _____

- u. Any income from investments associated with one fund that is assigned to another fund _____

D. CAPITAL ASSETS – INCLUDING ASSETS ACQUIRED BY CAPITAL LEASE

The fixed assets used in the Special Purpose Government are included on the balance sheet and are capitalized at cost. Depreciation of all exhaustible fixed assets used by the entity is charged as an expense against operations. Accumulated depreciation is reported on the balance sheet. Depreciation for financial reporting purposes is computed by the straight-line method over the useful lives of the assets.

	For the year ended June 30, 2007						
	Balance 6/30//2006	Prior Period Adjustment	Adjusted Balance 6/30/2006	Additions	Transfers*	Retirements	Balance 6/30/2007
Capital assets not being depreciated:							
Land	\$	\$	\$	\$	\$	\$	\$
Non-depreciable land improvements							
Capitalized collections							
Construction in progress							
Total capital assets not being depreciated	\$	\$	\$	\$	\$	\$	\$
Other capital assets							
Furniture, fixtures, and equipment	\$	\$	\$	\$	\$	\$	\$
Less accumulated depreciation							
Total furniture, fixtures, and equipment							
Buildings and improvements							
Less accumulated depreciation							
Total buildings and improvements							
Depreciable land improvements							
Less accumulated depreciation							
Total depreciable land improvements							
Infrastructure							
Less accumulated depreciation							
Total infrastructure							
Total other capital assets	\$	\$	\$	\$	\$	\$	\$
Capital asset summary:							
Capital assets not being depreciated	\$	\$	\$	\$	\$	\$	\$
Other capital assets, at cost							
Total cost of capital assets							
Less accumulated depreciation							
Capital assets, net	\$	\$	\$	\$	\$	\$	\$

*Should be used only for those completed projects coming out of construction-in-progress into fixed assets; not associated with transfers reported elsewhere in the packet.

E. RESTRICTED ASSETS

Restricted assets at _____ (fiscal year end), reflected \$_____ in the non-current assets section on Statement A, and consist of \$_____ in cash with fiscal agent, \$_____ in receivables, and \$_____ in investment(s) in _____ (identify the type investments held.) State the purpose of the restrictions: _____

F. LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions for the year ended June 30, 20__:

	Balance June 30, 2006	Year ended June 30, 2007		Balance at June 30, 2007	Amounts due within one year
		Additions	Reductions		
Bonds:					
Bonds payable	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Total bonds	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Other liabilities:					
Contracts payable	_____	_____	_____	_____	_____
Claims and litigation	_____	_____	_____	_____	_____
Other long-term liabilities	_____	_____	_____	_____	_____
Total other liabilities	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Total long-term liabilities	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>

A detailed summary, by issue, of all debt outstanding at June 30, 20__, including outstanding interest of \$_____ is shown on Schedule __. Schedule 4-D is an amortization schedule of the out-standing debt. (Send OSRAP a copy of the amortization schedule for any new debt issued.)

G. LITIGATION

1. The _____ is a defendant in litigation seeking damages as follows:

Date of Action	Description of Litigation and Probable outcome Reasonably possible or Probable	Primary Attorney	Estimated Settlement Amt. for Claims & Litigation (opinion of legal counsel)	Insurance Coverage
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Totals			\$ _____	\$ _____

Our legal advisor estimates that potential claims not covered by insurance would affect the financial statement as follows (would not materially affect the financial statements or is unable to estimate the effect on the financial statement): _____

2. Claims and litigation costs of \$ _____ were incurred in the current year and are reflected in the accompanying financial statement.

H. RELATED PARTY TRANSACTIONS

FASB 57 requires disclosure of the description of the relationship, the transaction(s), the dollar amount of the transaction(s) and any amounts due to or from which result from related party transactions. List all related party transactions.

I. ACCOUNTING CHANGES

Accounting changes made during the year involved a change in accounting _____ (principle, estimate, error or entity). The effect of the change is being shown in _____.

J. IN-KIND CONTRIBUTIONS

(List all in-kind contributions that are not included in the accompanying financial statements.)

<u>In-Kind Contributions</u>	<u>Cost/Estimated Cost/Fair Market Value/As Determined by the Grantor</u>
_____	\$ _____
_____	_____
_____	_____
_____	_____
Total	\$ _____ -

K. DEFEASED ISSUES

In _____, 20____, the _____, issued \$_____ of taxable/nontaxable bonds. The purpose of the issue was to provide monies to advance refund portions of _____ bonds. In order to refund the bonds, portions of the proceeds of the new issue \$_____, plus an additional \$_____ of sinking fund monies together with certain other funds and/or securities, were deposited and held in an escrow fund created pursuant to an escrow deposit agreement dated _____ between the _____ and the escrow trustee. The amount in the escrow, together with interest earnings, will be used to pay the principal, redemption premium, and interest when due. The refunding resulted in reducing the total debt service payments by almost \$_____ and an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$_____.

L. VIOLATIONS OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS

At _____ (fiscal year end) _____ was not in compliance with the provisions of _____ Bond Reserve Covenant that requires _____. The _____ did _____ to correct this deficiency.

M. DISAGGREGATION OF RECEIVABLE BALANCES

Receivables at June 30, 20__, were as follows:

Activity	Customer Receivables	Taxes	Receivables from other Governments	Other Receivables	Total Receivables
	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
					-
					-
Gross receivables	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Less allowance for uncollectible accounts	_____	_____	_____	_____	_____
Receivables, net	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
Amounts not scheduled for collection during the subsequent year	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

N. DISAGGREGATION OF PAYABLE BALANCES

Payables at June 30, 20__, were as follows:

Activity	Vendors	Salaries and Benefits	Accrued Interest	Other Payables	Total Payables
	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
					-
					-
Total	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

O. SUBSEQUENT EVENTS

[Disclose any material event(s) affecting financial operations occurring between the close of the fiscal period and issuance of the financial statement.]

P. DUE TO/DUE FROM AND TRANSFERS

1. List by fund type the amounts **due from other funds** detailed by individual fund at your fiscal year end:

Type of Fund	Name of Fund	Amount
_____	_____	\$ _____
_____	_____	_____
Total due from other funds		\$ _____

2. List by fund type the amounts **due to other funds** detailed by individual fund at fiscal year end:

<u>Type of Fund</u>	<u>Name of Fund</u>	<u>Amount</u>
_____	_____	\$ _____
_____	_____	_____
_____	_____	_____
Total due to other funds		\$ _____

3. List by fund type **all transfers from other funds for the fiscal year:**

<u>Type of Fund</u>	<u>Name of Fund</u>	<u>Amount</u>
_____	_____	\$ _____
_____	_____	_____
_____	_____	_____
Total transfers from other funds		\$ _____

4. List by fund type **all transfers to other funds for the fiscal year:**

<u>Type of Fund</u>	<u>Name of Fund</u>	<u>Amount</u>
_____	_____	\$ _____
_____	_____	_____
_____	_____	_____
Total transfers to other funds		\$ _____

Q. LIABILITIES PAYABLE FROM RESTRICTED ASSETS

Liabilities payable from restricted assets at _____ (fiscal year end) are \$ _____ in the current liabilities section on Statement A, and consist of \$ _____ in accounts payable, \$ _____ in notes payable, and \$ _____ in _____.

Liabilities payable from restricted assets at _____ (fiscal year end) are \$ _____ in the non-current liabilities section on Statement A, and consist of \$ _____ in accounts payable, \$ _____ in notes payable, and \$ _____ in _____.

R. PRIOR-YEAR RESTATEMENT OF FUND BALANCE/NET ASSETS

The following adjustments were made to restate beginning fund balance/net assets for June 30, 20__.

1. Modified Accrual:

<u>Ending fund balance 6/30/06 as reported to OSRAP on PY AFR</u>	<u>Adjustments to ending fund balance 6/30/06 (after AFR was submitted to OSRAP) + or (-)</u>	<u>Restatements (Adjustments to beg. balance 7/1/06) + or (-)</u>	<u>Beg fund balance @ 7/1/06 as restated</u>
\$ _____	\$ _____	\$ _____	\$ _____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

Each adjustment must be explained below in detail.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 20__

2. Full Accrual:

Ending Net Assets 6/30/06 as reported to OSRAP on PY AFR	Adjustments to ending net assets 6/30/06 (after AFR was submitted to OSRAP) + or (-)	Restatements (Adjustments to beg. balance 7/1/06) + or (-)	Beg net assets @ 7/1/06 as restated
\$ _____	\$ _____	\$ _____	\$ -
_____	_____	_____	-
_____	_____	_____	-
_____	_____	_____	-
_____	_____	_____	-

Each adjustment must be explained below in detail.

STATE OF LOUISIANA

SCHEDULE OF BONDS PAYABLE

_____, 20__
(Fiscal close)

Issue	Date of Issue	Original Issue	Principal Outstanding 6/30/PY	Redeemed (Issued)	Principal Outstanding 6/30/CY	Interest Rates	Interest Outstanding 6/30/CY
_____	_____	\$ _____	\$ _____	\$ _____	\$ _____	_____	\$ _____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
Total		\$ _____	\$ _____	\$ _____	\$ _____		\$ _____

*Send copies of new amortization schedules

STATE OF LOUISIANA
SCHEDULE OF CAPITAL LEASE AMORTIZATION
For The Year Ended June 30, 20__

Fiscal Year Ending:	<u>Payment</u>	<u>Interest</u>	<u>Principal</u>	Balance
2008	\$ _____	\$ _____	\$ _____	\$ _____ --
2009	_____	_____	_____	_____ --
2010	_____	_____	_____	_____ --
2011	_____	_____	_____	_____ --
2012	_____	_____	_____	_____ --
2013-2017	_____	_____	_____	_____ --
2018-2022	_____	_____	_____	_____ --
2023-2027	_____	_____	_____	_____ --
2028-2032	_____	_____	_____	_____ --
 Total	 \$ _____ --	 \$ _____ --	 \$ _____ --	 \$ _____ --

SCHEDULE 4-A

STATE OF LOUISIANA
SCHEDULE OF NOTES PAYABLE AMORTIZATION

Fiscal Year Ending:	<u>Principal</u>	<u>Interest</u>
2008	\$ _____	\$ _____
2009	_____	_____
2010	_____	_____
2011	_____	_____
2012	_____	_____
2013-2017	_____	_____
2018-2022	_____	_____
2023-2027	_____	_____
2028-2032	_____	_____
Total	\$ <u> --</u>	\$ <u> --</u>

SCHEDULE 4-B

STATE OF LOUISIANA

SCHEDULE OF BONDS PAYABLE AMORTIZATION
For The Year Ended June 30, 20__

Fiscal Year Ending:	<u>Principal</u>	<u>Interest</u>
2008	\$ _____	\$ _____
2009	_____	_____
2010	_____	_____
2011	_____	_____
2012	_____	_____
2013	_____	_____
2014	_____	_____
2015	_____	_____
2016	_____	_____
2017	_____	_____
2018	_____	_____
2019	_____	_____
2020	_____	_____
2021	_____	_____
2022	_____	_____
2023	_____	_____
2024	_____	_____
2025	_____	_____
2026	_____	_____
2027	_____	_____
2028	_____	_____
2029	_____	_____
2030	_____	_____
2031	_____	_____
2032	_____	_____
2033	_____	_____
2034	_____	_____
2035	_____	_____
2036	_____	_____
2037	_____	_____
2038	_____	_____
2039	_____	_____
2040	_____	_____
2041	_____	_____
Total	\$ _____ --	\$ _____ --

SCHEDULE 4-C

Information for Note C “Deposits with Financial Institutions and Investments”**(GASB Statement 3 Amended by GASB Statement 40 and Technical Bulletin 2003-1)**

I. Purpose:

Note C provides the required disclosures about the governmental entities' deposits with financial institutions and investments. The disclosures required for deposits and investments as of the fiscal year ended date provides information about the credit risk and market risk of the deposits and investments and are designed to provide users of the financial statements information about the potential for losses associated with the deposits and investments. GASB Statement 40 has modified or eliminated portions of GASB Statement 3 including:

- modified the custodial credit risk disclosures of Statement 3 for deposits and investments to limit the required disclosure to only those exposed to custodial credit risk (similar to GASB 3's category 3).
- established or modified disclosure requirements related to concentrations of credit risk of investments, credit risk of debt investments, and interest rate risks of debt investments (including sensitivity to changes in interest rates), and
- established disclosure requirements for foreign currency risks for both deposits and investments.

Although GASB Statement 40 eliminated some of the disclosures required for custodial credit risk (the 3 categories for example), the total reported amounts of all deposits and investments must still be reported.

II. Comparison of amounts disclosed per requirements in Note C to amounts shown on the Balance Sheet (if Balance Sheet is required as part of AFR packet):

- Generally, the amounts of cash and investments on the balance sheet will not be classified exactly the way they would be classified in Note C.
- “Deposits with Financial Institutions” and “Investments” in Note C may be reported on the balance sheet using titles or line items that are different than those in Note C, or they may be combinations of titles or line items. For instance, “Deposits” in Note C may come from several line items on the balance sheet such as “Cash in Bank” and “CD’s”, or even “Investments” (See section III below that gives further guidance on what should be considered “Deposits” in note C).
- Line items on the balance sheet may include amounts that would be deposits in Note C, and may also include amounts that would be investments in Note C. Also, cash and cash equivalents line items on the balance sheet may include amounts that are not deposited in bank accounts of the entity and therefore would not be reported in Note C as deposits but as separate line items such as petty cash, cash on hand, and treasury cash. These amounts must be reported separately from the deposits in Note C.
- Each line item on the balance sheet that involves cash or investments, including any restricted cash and/or investments, needs to be analyzed to determine what is included in the item and how it should be disclosed in Note C.

III. “Deposits with Financial Institutions” section of Note C:

- Generally, this section of the Note C disclosure refers to the various examples of “Deposits with Financial Institutions” (See “A” below for examples). The term “cash and cash equivalents” is used in reference to GASB Statement 9 that affects presentation for the balance sheet and statement of cash flows, not the note disclosures required by GASB Statement 3 & 40. “Deposits with Financial Institutions” include deposit accounts in banks, savings and loan associations, and credit unions. They can be demand, savings, or time accounts, including negotiable order of withdrawal (NOW) accounts and non-negotiable CD’s. As stated previously, deposits for Note C may be a combination of balance sheet line items or titles.
- Do not include treasury cash, petty cash not in a bank account, or cash on hand in Note C as part of the deposits in bank accounts. As mentioned previously, these amounts would be reported separately.

A. Examples and/or definitions:

Nonnegotiable Certificates of Deposit – Nonnegotiable CDs are time deposits that are placed by depositors directly with financial institutions and generally are subject to a penalty if redeemed before maturity. These are treated as deposits for GASB 3 Note C disclosures. (Negotiable CDs are securities that are normally sold in \$1 million units that are traded in a secondary market. These are treated as investments for Note C disclosures.)

Money Market Accounts – financial institution “money market” accounts are simply deposits that pay interest at a rate set to make the accounts competitive with money market mutual funds. They should be treated like any other deposit account for Note C disclosures.

Bank Investment Contracts (BICs) – A BIC is a general obligation instrument issued by a bank, typically to a pension plan, that provides for a guaranteed return on principal over a specified period. Since these are issued by a bank, they are treated as deposits for Note C disclosures.

B. Other definitions as applied to deposits:

Insured (Insurance) – deposits are insured by federal deposit insurance (FDIC), state deposit insurance, multiple financial institution collateral pools that insure public deposits, and even commercial insurance (if scope of coverage would be substantially the same as FDIC).

Collateral – Security pledged by a financial institution to a government entity for its deposits.

IV. “Investments” section of Note C:

- Types of investments for listing investments by type definitions/examples:
 1. Repurchase Agreements – An agreement in which a governmental entity (buyer-lender) transfers cash to a broker-dealer or financial institution (seller-borrower); the broker-dealer or financial institution transfers securities to the entity and promises to repay the cash plus interest in exchange for a) the same securities, or for b) different securities.
 2. U.S. Government Obligations – examples include treasury bills, treasury notes and treasury strips; obligations of certain U.S. Government Agencies such as FNMA, FHLB, or SLMA.
 3. Common & Preferred Stock – a security that represents an ownership interest in an entity.
 4. Commercial Paper (mortgages, notes, etc.) – An unsecured promissory note issued primarily by corporations for a specific amount and maturing on a specific day. Almost all commercial paper is rated as to credit risk by rating services.
 5. Corporate Bonds
 6. Other (identify) – It is not appropriate to present material amounts of investments as “Other”, unless the note disclosure describes the composition of the “Other” category. The following are examples of other investments:
 - a. Closed-end Mutual Fund – The investment company sells shares of its stock to investors and it invests on the shareholders’ behalf in a diversified portfolio of securities. A closed-end mutual fund has a constant number of shares, the value depends on the market supply and demand for the shares rather than directly on the value of the portfolio, the fund does issue certificates, and the securities are traded on a stock exchange.
 - b. Open-end Mutual Funds – The investment company sells shares of its stock to investors and it invests on the shareholders’ behalf in a diversified portfolio of securities. In contrast to a closed-end mutual fund, the open-end mutual fund creates new shares to meet investor demand, the value depends directly on the value of the portfolio, and the fund does not issue certificates but sends out periodic statements showing account activity. These investments are not evidenced by securities that exist in physical or book entry form.
 - c. Reverse Repurchase Agreements - An agreement in which a broker-dealer or financial institution (buyer-lender) transfers cash to a governmental entity (seller-borrower); the entity transfers securities to the broker-dealer or financial institution and promises to repay the cash plus interest in exchange for a) the same securities, or for b) different securities.
 - d. Investments in pools managed by another government - Generally, these investments would not be exposed to custodial credit risk because the investments themselves are not evidenced by securities that exist in physical or book entry form.
 - e. Private placements, such as venture capital and limited partnerships
 - f. Investments in real estate, annuity contracts, and direct investments in mortgages

V. Risk Disclosures for Deposits and Investments:

Deposits and investments are subject to several types of risks, mainly credit risk, market risk, interest rate risk, and foreign currency risk.

Credit risk - defined as the risk that a counterparty to an investment transaction will not fulfill its obligations and can be associated with the issuer of securities, with a financial institution holding deposits, or with a party holding investment or collateral securities.

Concentration of credit risk – defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer.

Market risk – defined as the risk that the market value of investment securities, collateral securities protecting a deposit, or securities of a repurchase agreement will decline.

Interest rate risk – defined as the risk that changes in interest rates will adversely affect the fair value of an investment.

Foreign currency risk – defined as the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

A. Custodial Credit Risk Disclosures for Deposits:

Following GASB Statement 3, deposits were classified into three categories of custodial credit risk depending on whether they were insured or collateralized, and who holds the collateral and how the collateral is held.

Collateral – Securities pledged by the financial institution for the purpose of securing the governmental entity's deposits.

Collateralized – When the entity's deposits are secured with securities pledged by the financial institution holding the deposits.

GASB Statement 40 amended GASB Statement 3 to eliminate the requirement to disclose all deposits by the 3 categories of risk. GASB Statement 40 requires only the disclosure of deposits that are considered to be exposed to custodial credit risk. An entity's deposits are exposed to custodial credit risk if the deposit balances are 1) uninsured and uncollateralized, 2) uninsured and collateralized with securities held by the pledging financial institution, or 3) uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the entity's name.

B. Custodial Credit Risk Disclosures for Investments:

Following GASB Statement 3, investments (listed by type) were either classified into three categories (depending on whether they are insured or registered and who holds the securities and how they are held), or listed as non-classified investments.

GASB Statement 40 amended GASB Statement 3 to eliminate the requirement to disclose all investments by the 3 categories of risk. GASB Statement 40 requires only the separate disclosure of investments that are considered to be exposed to custodial credit risk. However, the total reported amount and fair value columns still must be reported for total investments regardless of exposure to custodial credit risk. Those investments exposed to custodial credit risk are reported by type in one of two separate columns depending upon whether they are held by a counterparty, or held by a counterparty's trust department or agent not in the entity's name.

C. Additional Risk Disclosures Required by GASB Statement 40:

Credit Risk - Disclose the credit risk of debt investments by credit quality ratings as described by rating agencies as of the fiscal year end, including the rating agency used. All debt investments regardless of type can be aggregated by credit quality rating (if any are un-rated, disclose that amount). Examples of un-rated debt investments include U.S. Treasury Notes, external investment pools, or investments held by foundations. The preparer may need to contact their investment advisor for complete information relating to debt investments and their credit quality ratings.

Debt securities issued by a federal government-sponsored enterprise (GSE) and held by a state or local government as an investment are subject to credit risk. GSEs are independent organizations sponsored by the federal government. Examples include the Federal Farm Credit Banks, the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA) and Student Loan Marketing Association (SLMA). The liabilities of the GSE are not backed by the full faith and credit of the federal government.

Interest Rate Risk - Disclose the interest rate risk of debt investments by listing the investment type, total fair value, and breakdown of maturity in years of those investments. The preparer may need to contact their investment advisor for complete information relating to the related maturities of these investments.

Highly Sensitive Investments – Disclose the fair value and terms of any debt investments that are highly sensitive to changes in interest rates due to the terms (e.g. coupon multipliers, reset dates, embedded options, etc.) of the investment. Examples of debt investments that are highly sensitive to changes in interest rates include asset-backed securities such as mortgage pass-through securities issued by FNMA, Government National Mortgage Association (GNMA), and FHLMC.

Concentration of Credit Risk - List, by amount and issuer (not including U.S. government securities, mutual funds, and investment pools), investments in any one issuer that represents 5% or more of total investments.

Foreign Currency Risk - Disclose the U.S. dollar balances of any deposits or investments that are exposed to foreign currency risk (deposits or investments denominated in foreign currencies). List these by currency denomination and investment type, if applicable.

Deposits and Investments Policies Relating to Risk - Briefly describe the deposit and/or investment policies related to the custodial credit risk, credit risk of debt investments, concentration of credit risk, interest rate risk, and foreign currency risk disclosed in this note. If no policy exists concerning the risks disclosed, that fact should be stated.

VI. Securities as Applied to Credit Risk of Deposits and Investments:

Securities defined – a transferable financial instrument that evidences ownership or creditorship. Securities can be in either paper or book-entry form.

1. Examples of securities that are often held by or pledged to (as collateral) governmental entities include:

- a. treasury bills, treasury notes, treasury bonds
- b. federal agency obligations
- c. corporate debt instruments (including commercial paper)
- d. corporate equity instruments
- e. negotiable CD's (keyword here is negotiable)
- f. bankers' acceptances
- g. shares of closed-end mutual funds (keyword here is closed-end)
- h. shares of unit investment trusts

2. Instruments or investments that are not securities include:

- a. investments made directly with another party (such as limited partnerships)
- b. real estate
- c. direct investments in mortgages and other loans
- d. investments in open-ended mutual funds (keyword here is open-ended)
- e. pools managed by other governments
- f. annuity contracts

Technical Bulletin 2003-1 -- Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets (Below is an excerpt from this technical bulletin)

2. What is a derivative?

3. A derivative instrument is a financial instrument or other contract with all three of the following characteristics:

- a. It has (1) one or more underlyings and (2) one or more notional amounts or payment provisions or both. Those terms determine the amount of the settlement or settlements, and, in some cases, whether or not a settlement is required.
- b. It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- c. Its terms require or permit net settlement, it can readily be settled net by a means outside the contract, or it provides for delivery of an asset that puts the recipient in a position not substantially different from net settlement.

Notwithstanding the above characteristics, loan commitments that relate to the origination of mortgage loans that will be held for sale, as discussed in paragraph 21 of FASB Statement No. 65, Accounting for Mortgage Banking Activities (as amended), shall be accounted for as derivative instruments by the issuer of the loan commitment (that is, the potential lender). Paragraph 10(i) provides a scope exception for the accounting for loan commitments by issuers of certain commitments to originate loans and all holders of commitments to originate loans (that is, the potential borrowers).

4. What financial statement note disclosures should be presented for derivatives that are not reported at fair value on the statement of net assets? 1

5. Governments that, as of the date of the financial statements, are party to a derivative that was not reported at fair value on the statement of net assets should disclose the information described in paragraphs 6 through 10. Disclosure information for similar derivative types may be aggregated.

6. Objective of the derivative—The government should disclose its objective for entering into the derivative, the context needed to understand that objective, and its strategies for achieving the objective, indicating the types of derivatives used including options purchased or sold.

7. Significant terms—The government should disclose the significant terms of the transaction, including:

- a. Notional, face, or contract amount
- b. Underlying indexes or interest rates, including terms such as caps, floors, or collars
- c. Options embedded in the derivatives
- d. The date when the derivative became effective and when it is scheduled to terminate or mature
- e. The amount of cash paid or received when the derivative was initiated.

8. Fair value—The government should disclose the fair value of the derivative at the reporting date and, if that fair value is based on other than quoted market prices, the method and significant assumptions 2 used to estimate the fair value of the derivative. Acceptable methods are discussed in Question 3.

9. Associated debt—Some derivatives may be entered into with the intention of effectively making a government's debt obligation carry a synthetic interest rate. For example, a government may issue variable-rate debt and issue a pay-fixed, receive-variable interest rate swap with the objective of achieving a synthetic fixed rate for the combined instruments. If this is the case, the derivative's net cash flow should be disclosed in addition to the debt service requirements of the associated debt. Debt service requirements to maturity are required disclosures established by Statement 38, paragraphs 10 and 11.

10. Risks—The government should disclose, when applicable, its exposure to the following risks that could give rise to financial loss. Risk disclosures are limited to derivatives that are extant as of the date of the statement of net assets. Disclosures required by this paragraph may contain information that is also required by other paragraphs. However, these disclosures should be presented in the context of a derivative's risk.

a. Credit risk is the risk that a counterparty will not fulfill its obligations. If a derivative exposes a government to credit risk, the government should disclose that exposure as credit risk and also disclose the following information:

- (1) The credit quality ratings of counterparties as described by nationally recognized statistical rating organizations—rating agencies—as of the date of the statement of net assets. If a credit risk disclosure is required and the counterparty is not rated, the disclosure should indicate that fact.
- (2) The maximum amount of loss due to credit risk, based on the fair value of the derivative as of the date of the statement of net assets, that the government would incur if the parties to the derivative failed to perform according to the terms of the contract, without respect to any collateral or other security.
- (3) A brief description of the collateral or other security that supports derivatives subject to credit risk and information about the government's access to that collateral or other security.
- (4) Information about any master netting arrangements to mitigate credit risk. The disclosure should include a brief description of the terms of those arrangements.
- (5) The extent of diversification among counterparties.

b. Interest rate risk is the risk that changes in interest rates will adversely affect the fair values of a government's financial instruments or a government's cash flows. If a derivative increases a government's exposure to interest rate risk, the government should disclose that increased exposure as interest rate risk and also the derivative's terms that increase such a risk. The determination of whether a derivative increases interest rate risk should be made after considering, for example, the effects of the derivative and any associated debt.

c. Basis risk is the risk that arises when variable interest rates on a derivative and an associated bond or other interest-paying financial instrument are based on different indexes. When relationships between different indexes vary and that variance adversely affects the government's calculated payments, cost savings or synthetic interest rates may not be realized. If a derivative exposes a government to basis risk, the government should disclose that exposure as basis risk and should also disclose the derivative's payment terms and any payment terms of the government's associated debt.

d. Termination risk is the risk that a derivative's unscheduled end will affect a government's asset/liability strategy or will present the government with potentially significant unscheduled termination payments to the counterparty. For example, a government may be relying on an interest rate swap to insulate it from the possibility of increasing interest rate payments. If the swap has an unscheduled termination, that benefit would not be available. If a derivative exposes a government to termination risk, the government should disclose that exposure as termination risk and also the following information, as applicable:

- (1) Any termination events that have occurred.
- (2) Dates that a derivative may be terminated.
- (3) Out-of-the-ordinary termination events contained in contractual documents, such as "additional termination events" contained in the Schedule to the International Swap Dealers Association Master Agreement.

e. Rollover risk is the risk that a derivative associated with a government's debt does not extend to the maturity of that debt. When the derivative terminates, the associated debt will no longer have the benefit of the derivative. An example is an interest rate swap that pays the government a variable-rate payment that is designed to match the term of the variable-rate interest payments on the government's bonds. If the derivative's term is ten years and the associated debt's term is thirty years, after ten years the government will lose the benefit of the swap payments. If a derivative exposes a government to rollover risk, the government should disclose that exposure as rollover risk and should also disclose the maturity of the derivative and the maturity of the associated debt.

f. Market-access risk is the risk that a government will not be able to enter credit markets or that credit will become more costly. For example, to complete a derivative's objective, an issuance of refunding bonds may be planned in the future. If at that time the government is unable to enter credit markets, expected cost savings may not be realized. If the derivative creates market-access risk, the government should disclose that exposure as market-access risk.

11. What methods are acceptable for determining a derivative's fair value?

12. GASB Statement 25, paragraph 24, provides:

Fair value should be measured by the market price if there is an active market for the investment. If a market price is not available, a forecast of expected cash flows may aid in estimating fair value, provided that the expected cash flows are discounted at a rate commensurate with the risk involved.

Within the context of discounted cash flows, formula-based methods such as zero-coupon and par-value methods are acceptable. The zero-coupon method calculates the future net settlement payments required—for example, by an interest rate swap—assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap. The par-value method compares, for example, the fixed rate on an interest rate swap with the current fixed rates that could be achieved in the marketplace should the swap be unwound. An option contained in a derivative may also be priced using an option pricing model, such as the Black–Scholes model, that considers probabilities, volatilities, time, underlying prices, and other variables.