* Complete the accompanying ACFR Package Narratives, as applicable. **Delete all narrative pages that are not applicable (NA).**

*Note: For all narrative pages that are not applicable, “NA” should have been entered in the “NA Narrative” column on the* ***Index*** *page to the ACFR Excel workbook.*

* **Delete all unused proforma examples**. **Before saving for final submission to OSC,** **delete all instructions** **within the narratives (including this page). All that should remain are completed narratives that apply for your agency/university.**
* The ACFR Package Narratives are part of the year-end close package, which is due to the Office of the State Controller by: Aug 15 for Tier 1 Entities; Aug 21 for Tier 2 Entities; Aug 25 for Tier 3 Entities; Aug 28 for all others

|  |  |
| --- | --- |
| **Sheet** | **Narrative Title** |
| [110](#W110) | Public-Private & Public-Public Partnership Arrangements |
| [120](#W115) | Government Combinations and Disposals of Government Operations |
| [201](#W201)/[202](2019CAFR_Pkg_Narratives.docx#W201) | CIP for Capital Assets |
| [215](#W215) | Capital Asset Impairments |
| [301](#W301) | Leases |
| [302](2023ACFR_Pkg_Narratives.docx#W302) | SBITAs |
| [306](#W306) | Long-Term and Short-Term Debt (Governmental) |
| [310](#W310) | Changes in Long-Term Liabilities and Short-Term Debt (Business-Type) |
| [311](#W311) | Long-Term and Short-Term Debt (Business-Type) |
| [322](#W322) | Pollution Remediation Obligations |
| [323](#W323) | Certain Asset Retirement Obligations |
| [326](#W326) | Disclosure of Pledged Revenues  |
| [330](#W330) | Debt Defeasances |
| [335](#W335) | Demand Bonds |
| [338](#W338) | Nonexchange Financial Guarantees |
| [340](#W340) | Derivative Instruments |
| [341](#W341) | Hedging Derivative Instruments  |
| [342](#W342) | Investment Derivative Instruments |
| [345](#W345) | Contingencies |
| [350](#W350) | Construction and Other Significant Commitments |
| [355](#W355) | Subsequent Events/Other Items |
| [360](#W360) | Related Party Transactions |
| [365](#W365) | Restricted Assets |
| [401](#W401) | Fund Balance Classifications General Fund |
| [405](#W405) | Fund Balance Classifications Special Revenue Fund |
| [410](#W410) | Fund Balance Classifications Capital Projects |
| [415](#W415) | Fund Balance Classifications Permanent Funds |
| [420](#W420) | Restricted and Unrestricted Net Position - Business Type Activities |
| [425](#W425) | Stewardship, Compliance, and Accountability |
| [625](#W625) | Analytical Review |
| [640](#W640) | Tax Abatements |
| [745](#W745) | Investments Held Outside the State Treasurer – Deposit and Investment Policies |
| [750](#W750) | Investments Held Outside the State Treasurer - Highly Sensitive Investments |
| [755](#W755) | Investments Held Outside the State Treasurer And Derivatives – Fair Value Measurements |
| [760](#W760) | Investments Held Outside the State Treasurer – Investments Measured at NAV |
| [765](#W765) | Investments Held Outside the State Treasurer – External Investment Pools and Pool Participants |

**Worksheet 110 – Public-Private & Public-Public Partnership Arrangements**

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| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

**Transferor Disclosures**

For public-private/public-public partnership arrangements (PPPs), including PPPs that qualify as service concession arrangements, provide the following:

1. A general description of the arrangement in effect during the reporting period, including the status of any projects during the construction period, if applicable, and the basis, terms, and conditions on which any variable payments not included in the measurement of a receivable for installment payments are determined (if applicable).

*NOTE: Under GASB 60, management was required to disclose their objective for entering the arrangement. This is no longer a disclosure requirement under GASB 94.*

1. The nature and amounts of assets and deferred inflows of resources related to the PPP arrangement that are recognized in the financial statements.

*NOTE: Under GASB 60, if a transferor had an obligation to provide future resources under an SCA (e.g., provide for insurance or utility costs over the term of the arrangement), that liability was required to be disclosed and would also reduce the deferred inflows related to the arrangement. Under GASB 94 guidance, a transferor’s obligation to provide future resources is considered a separate non-PPP component of the arrangement. The transferor’s obligation to provide future resources, therefore, no longer requires disclosure and should not reduce an arrangement’s deferred inflows.*

1. The discount rate or rates applied to the measurement of a receivable for installment payments, if applicable.
2. The amount of inflows of resources recognized in the reporting period for variable and other payments not previously included in the measurement of a receivable for installment payments, including inflows of resources related to residual value guarantees and termination penalties.
3. The nature and extent of rights retained by the transferor or granted to the operator under the PPP arrangement.
4. If a guarantee or commitment exists for a particular period or periods; disclosures should be made about the guarantees and commitments including identification, duration, and significant contract terms of the guarantee or commitment.

Disclosure information for multiple PPPs may be provided individually or in the aggregate for those that involve similar facilities and risk. Refer to Appendix C of GASB 94 for illustrations of required disclosures.

In some situations, the amount reported for a component of net position (net investment in capital assets, restricted, and unrestricted) may be significantly affected by a transaction that has resulted in recognition

**Worksheet 110 – Public-Private & Public-Public Partnership Arrangements**

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| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

of a deferred outflow of resources or deferred inflow of resources. If the difference between a deferred outflow of resources or deferred inflow of resources and the balance of the related asset or liability is significant, governments should provide an explanation of that effect on its net position in the notes to the financial statements*. (For example, the balance of a deferred inflow of resources from an up-front payment*

*in a public-private or public-public arrangement may significantly exceed any unspent cash from that payment—especially after the first years of the arrangement. In that circumstance, disclosure of the effects of the deferral amount would be required.)*

Illustrative Disclosure (Service Concession Arrangement):

During the current year, construction was completed on a new residence hall pursuant to a public-private partnership agreement that qualifies as a service concession arrangement with the Cardinal Development Authority (CDA), under which the CDA designed, built, and for 40 years will operate Dogwood Hall. While XYZ University maintains the right to establish residence fees and residence eligibility over the 40-year-term, the CDA will be entitled to all fee revenue generated during this period. At the end of the arrangement, operation of Dogwood Hall will be transferred to XYZ University (University). The University reports the residence hall as a capital asset with a carrying amount of $\_\_\_\_\_ at year-end and a related deferred inflow of resources of $\_\_\_\_\_ pursuant to the service concession arrangement.

Note: If part of the arrangement included a receivable for future installment payments to be received by the transferor from the operator, the transferor would also disclose the value of the receivable reported at fiscal year-end, along with the discount rate applied to measure the present value of the installment payments.

Illustrative Disclosure (Public-Private Partnership not qualifying as an SCA):

During the current year, construction was completed on a new residence hall pursuant to a public-private partnership agreement with the Cardinal Development Authority (CDA), under which the CDA designed, built, and for 40 years will operate Dogwood Hall. CDA will establish residence fees and residence eligibility over the 40-year-term and will be entitled to all fee revenue generated during this period. At the end of the arrangement, operation of Dogwood Hall will be transferred to XYZ University (University). The University has reported a **receivable for the right to receive** Dogwood Hall at the end of the 40-year term at fiscal yearend of $ \_\_\_\_\_ (CDA’s estimated carrying value on the date of transfer) **and a related deferred inflow** of $\_\_\_\_\_\_ pursuant to the public-private partnership arrangement.

**Worksheet 110 – Public-Private & Public-Public Partnership Arrangements**

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| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

**Operator Disclosures**

An operator should disclose the following about its PPP activities, including PPPs that qualify as service concession arrangements:

1. A general description of the arrangement in effect during the reporting period, including the status of any projects during the construction period, if applicable, and the basis, terms, and conditions on which any variable payments not included in the measurement of a liability for installment payments are determined (if applicable).
2. The nature and amounts of assets, liabilities, and deferred outflows of resources related to the PPP arrangement that are recognized in the financial statements.
3. The discount rate or rates applied to the measurement of a liability for installment payments, if applicable.
4. Principal and interest requirements to maturity, presented separately, for the liability for installment payments for each of the five subsequent fiscal years and in five-year increments thereafter.
5. The amount of outflows of resources recognized in the reporting period for variable payments not previously included in the measurement of a liability for installment payments.
6. The nature and extent of rights granted to the operator or retained by the transferor under the PPP arrangement.
7. The components of any loss associated with an impairment (the impairment loss and any related change in the liability).
8. If a guarantee or commitment exists for a particular period or periods; disclosures should be made about the guarantees and commitments including identification, duration, and significant contract terms of the guarantee or commitment.

Disclosure information for multiple PPPs may be provided individually or in the aggregate for those that involve similar facilities and risk. Refer to Appendix C of GASB 94 for illustrations of required disclosures.

**Worksheet 110 – Public-Private & Public-Public Partnership Arrangements**

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| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

In some situations, the amount reported for a component of net position (net investment in capital assets, restricted, and unrestricted) may be significantly affected by a transaction that has resulted in recognition of a deferred outflow of resources or deferred inflow of resources. If the difference between a deferred outflow of resources or deferred inflow of resources and the balance of the related asset or liability is significant, governments should provide an explanation of that effect on its net position in the notes to the financial statements*. (For example, the balance of a deferred inflow of resources from an up-front payment in a public-private or public-public arrangement may significantly exceed any unspent cash from that payment—especially after the first years of the arrangement. In that circumstance, disclosure of the effects of the deferral amount would be required.)*

Illustrative Disclosure:

At the end of the 6-30-20XX fiscal year, ABC County Construction (ABC CC) completed construction on a new residence hall pursuant to a public-public partnership arrangement with XYZ University (the University), under which ABC CC designed, built, and for 40 years will operate Dogwood Hall. While the University has retained the right to establish residence fees and residence eligibility over the 40-year-term, ABC CC will be entitled to all revenues associated with the operation of Dogwood Hall during the 40-year term. At the end of the arrangement, operation of Dogwood Hall will be transferred to the University. ABC CC has recognized an intangible asset for the right to operate and use Dogwood Hall (the underlying PPP asset) with a carrying value of $\_\_\_\_\_ at fiscal year-end pursuant to the public-private partnership arrangement.

Note: If part of the arrangement included a liability for future installment payments to be paid by the operator to the transferor, the operator would also disclose the value of the liability reported at fiscal year-end, along with the discount rate applied to measure the present value of the installment payments. The operator would also be required to provide the principal and interest requirements to maturity for each of the five subsequent fiscal years and in five-year increments thereafter.

**Worksheet 120 – Government Combinations and Disposals of Government Operations**

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| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

GASB Statement 69 requires the following disclosures for government combinations and disposals of government operations:

All Government Combinations (GASB Codification Co10.152)

For each government combination, the government should disclose the following information for the period in which the combination occurs:

1. A brief description of the government combination, including identification of the entities involved in the combination and whether the participating entities were included within the same financial reporting entity
2. The date of the combination
3. A brief description of the primary reasons for the combination.

Government Mergers and Transfers of Operations (GASB Codification Co10.153)

The new government or continuing government also should disclose the following information:

1. The amounts recognized as of the merger date or the effective transfer date as follows:
2. Total assets—distinguishing between current assets, capital assets, and other assets
3. Total deferred outflows of resources
4. Total liabilities—distinguishing between current and long-term amounts
5. Total deferred inflows of resources
6. Total net position by component
7. A brief description of the nature and amount of significant adjustments made to bring into conformity the individual accounting policies or to adjust for impairment of capital assets resulting from the merger or transfer
8. The initial amounts recognized by the new or continuing government, if different from the values in (a) and the differences that arise from modifying the carrying values in (a) by the adjustments in (b).

Government Acquisitions (GASB Codification Co10.154)

In the period in which an acquisition occurs, the acquiring government also should disclose the following information:

1. A brief description of the consideration provided
2. The total amount of net position acquired (based on the provisions set forth in paragraphs 29–36 of this Statement) as of the date of acquisition
3. A brief description of contingent consideration arrangements, including the basis for determining the amount of payments that are contingent.

Disposals of Government Operations (GASB Codification Co10.155)

In the period in which operations are transferred or sold, the disposing government should identify the operations and provide a brief description of the facts and circumstances leading to the disposal of those operations. In addition, the disposing government should identify and disclose the following information about the disposed government operations if not separately presented in its financial statements:

1. Total expenses, distinguishing between operating and nonoperating, if applicable
2. Total revenues, distinguishing between operating and nonoperating, if applicable
3. Total governmental fund revenues and expenditures, if applicable.

**Please provide the required GASB 69 disclosures in the space below:**

 **Worksheet 201/202 – CIP/CSID for Capital Assets**

|  |  |
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| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **NA for Component Units** |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
|  |  | CIP/CSID |  | Current Year |  | Estimated |
|  |  | Balance |  | Addition |  | Completion  |
| Project Name |  | 6/30/2023 |  | to CIP |  | Date |
|  |  |  |  |  |  |  |
| **For each individual project with a Construction in Progress (CIP) balance of $25 million or more at 6/30/2023, provide the following details:** |  |  |  |  |  |  |
|   |  |  |  |   |  |   |
|   |  |   |  |   |  |   |
|   |  |   |  |   |  |   |
|   |  |   |  |   |  |   |
|  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| Total of all remaining CIP projects below$25 million threshold |  |  |  |  |  |  |
| Total CIP balance 6/30/2022 (should tie to 201/202) |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **For each individual project with a Computer Software in Development (CSID) balance of $25 million or more at 6/30/2023, provide the following details:** |  |   |  |   |  |   |
|   |  |   |  |   |  |   |
|   |  |   |  |   |  |   |
|   |  |   |  |   |  |   |
|  |  |  |  |  |  |  |
| Total of all remaining CSID projects below $25 million threshold |  |   |  |  |  |  |
| Total CSID balance 6/30/2023 (should tie to 201/ 202) |  |  |  |  |  |  |
|  |  |  |  |  |  |  |
| **Note:** Please also attach copies of any press releases or other available information for projects that  |
| meet the above threshold. |  |  |  |  |  |  |
|  |  |  |  |  |  |  |

**Worksheet 215 – Capital Asset Impairments**

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| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

The following note disclosures for impaired capital assets:

1. A general description of the impairment, the amount of the loss, and the financial statement classification of the impairment loss if not apparent from the face of the financial statements.
2. The carrying amount of impaired capital assets that are idle at year-end, regardless of whether the impairment is considered permanent or temporary.
3. The amount and financial statement classification of insurance recoveries if not apparent from the face of the financial statements.
4. For right to use leased assets- disclose the components of any loss associated with an impairment (the impairment loss and any related change in the lease liability).
5. For SBITA assets- disclose the components of any loss associated with an impairment (the impairment loss and any related change in the subscription liability.

**Please provide the required disclosures for impaired capital assets in the space below:**

**Worksheet 301 – Leases**

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| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

GASB Statement 87 requires the following note disclosures for leases (which may be grouped), other than short-term leases:

**Lessee**

1. A general description of leasing arrangements, including (1) the basis, terms, and conditions on which variable payments not included in the measurement of the lease liability are determined and (2) the existence, terms, and conditions of residual value guarantees provided by the lessee not included in the measurement of the lease liability.
2. The amount of outflows of resources recognized in the reporting period for variable payments not previously included in the measurement of the lease liability.
3. The amount of outflows of resources recognized in the reporting period for other payments, such as residual value guarantees or termination penalties, not previously included in the measurement of the lease liability.
4. Commitments under leases before the commencement of the lease term.

If applicable, please provide the following additional disclosures:

1. Sublease transactions- The original lessee (now the lessor in the sublease) includes a general description of the sub leasing arrangement disclosed separately from the lessee transaction related to the original leasing arrangement.
2. Sale-leaseback transactions- disclose the terms and conditions of the sale-leaseback transaction along with the required disclosures in a. through d. above.
3. Lease-leaseback transactions- disclose the amounts of the lease and the leaseback separately.

**Lessor**

1. A general description of leasing arrangements, including the basis, terms, and conditions on which any variable payments not included in the measurement of the lease receivable are determined.
2. The total amount of inflows of resources (for example, lease revenue, interest revenue, and any other lease-related inflows) recognized in the reporting period from leases.
3. The amount of inflows of resources recognized in the reporting period for variable and other payments not previously included in the measurement of the lease receivable, including inflows of resources related to residual value guarantees and termination penalties.
4. The existence, terms, and conditions of options by the lessee to terminate the lease or abate payments if the lessor government has issued debt for which the principal and interest payments are secured by the lease payments.

If applicable, please provide the following additional disclosures:

**Worksheet 301 – Leases**

|  |  |
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| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

e. Sublease transactions- Lessor in the sublease includes a general description of the sub leasing arrangement disclosed separately from the lessee transaction related to the original leasing arrangement.

f. Sale-leaseback transactions- Provide the required disclosures for lessors in a. through d. above.

g. Lease-leaseback transactions- disclose the amounts of the lease and the leaseback separately.

Leases of assets that are investments should only disclose the information in d above.

Certain regulated leases, as described in GASB 87 paragraphs 42-43, should make the disclosures in GASB 87 paragraph 60 instead of the disclosures above.

**Examples of Lessee and Lessor Disclosures:**

**Lessee Disclosure**

During the current fiscal year, the \_\_\_\_\_\_\_\_\_\_\_\_\_ (Agency/University) entered into a \_\_\_\_\_-year lease agreement as lessee for the acquisition and the use of equipment. An initial lease liability was recorded in the amount of $ during the current fiscal year. As of June 30, 2022, the value of the lease liability was $ . The \_\_\_\_\_\_\_\_\_\_\_\_\_ (Agency/University) is required to make monthly principal and interest payments of $ . The lease has an interest rate of %. In addition, the \_\_\_\_\_\_\_\_\_\_\_\_\_ (Agency/University) will purchase the equipment for $ \_\_\_\_\_\_\_\_\_at the end of the lease term. The equipment has a \_\_\_\_\_\_ year estimated useful life. The value of the right to use asset as of the end of the current fiscal year was $\_\_\_\_\_\_ and had accumulated amortization of $ \_\_\_\_\_\_.

**Lessor Disclosure**

During the current fiscal year, the \_\_\_\_\_\_\_\_\_\_\_\_\_ (Agency/University) began leasing two floors of one of its buildings to a third party. The lease is for \_\_\_\_\_ years and the\_\_\_\_\_\_ (Agency/University) will receive monthly payments of $ \_\_\_\_\_\_. The (Agency/University) recognized $ \_\_\_\_\_\_ in lease revenue and $ \_\_\_\_\_\_ in interest revenue during the current fiscal year related to this lease. As of June 30, 2022, the\_\_\_\_\_\_ (Agency’s/University’s) receivable for lease payments was $ \_\_\_\_\_\_. Also, the\_\_\_\_\_\_ (Agency/University) has a deferred inflow of resources associated with the lease that will be recognized as revenue over the lease term. As of June 30, 2022, the balance of deferred inflow of resources was $ \_\_\_\_\_\_.

**Please provide the required disclosures for leases in the space below:**

**Worksheet 302 –– SBITAs**

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| --- | --- |
| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

1. The amount of outflows of resources recognized in the reporting period for variable payments not previously included in the measurement of the subscription liability.
2. The amount of outflows of resources recognized in the reporting period for other payments, such as termination penalties, not previously included in the measurement of the subscription liability.
3. Commitments under SBITAs before the commencement of the subscription term.

**Please provide the required disclosures for Subscription Arrangements in the space below:**

**Worksheet 305 - Changes in Long-Term Liabilities and Short-Term Debt (Governmental)**

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| --- | --- |
| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

Governments should provide details in the notes to the financial statements about short-term debt activity during the year, even if no short-term debt is outstanding at year-end. A government should separate disclosures regarding direct borrowings and direct placements of debt from other debt. Short-term debt results from borrowings characterized by anticipation notes, use of lines of credit, and similar loans. [GASB Codification Section 2300.124]

**In the space below, please describe the short-term debt activity, including the purpose for which the short-term debt was issued:**

**Worksheet 306 - Long-Term Debt and Short-Term Debt (Governmental)**

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| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

Governments should provide summarized information in the notes to the financial statements about the items below for short-term and long-term debt. For note disclosure purposes, GASB defines debt as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Exceptions include leases and accounts payable. Disclosures for direct borrowings and direct placements of debt should be disclosed separately from other debt. [GASB Codification Section 1500.129-130]

* **Amount of unused lines of credit.**

The \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (Agency) has an unused line of credit in the amount of $\_\_\_\_\_\_\_\_\_\_\_.

* **Assets pledged as collateral for debt.** Provide disclosures in the space below for all debt using the example as a guide.

Example - The Agency’s outstanding [notes from direct borrowings/limited obligation bonds/GARVEE bonds] of $\_\_\_\_\_ are secured with collateral of an undeveloped lot zoned for commercial use.

[Disclose here]

* **Terms specified in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences, and (3) subjective acceleration clauses.** Provide disclosures in the space below for all debt using the examples as a guide. (Make disclosures on next page).

EXAMPLES:

The Master Trust Indenture of the State's outstanding limited obligation bonds of $\_\_\_\_\_\_ contain a provision that in an event of default, all outstanding limited obligation bond maturities may become accelerated or immediately due if the State fails to pay any outstanding limited obligation bond debt service by its due date, or if the State fails to budget and appropriate moneys sufficient to make payment on such bonds coming due in any fiscal year.

[Example disclosures continued on next page]

**Worksheet 306 - Long-Term Debt and Short-Term Debt (Governmental)**

|  |  |
| --- | --- |
| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

The outstanding notes from direct borrowings of $\_\_\_\_\_\_ contain provisions that in the event of default, (1) outstanding amounts become immediately due and payable, (2) the project can be sold and the proceeds applied to outstanding amounts due, (3) the custodian could be directed to apply all acquisition fund amounts to the outstanding amounts due, or (4) proceed by appropriate court action to enforce performance of the applicable covenants in the agreement.

The Agency’s outstanding [notes from direct borrowings/limited obligation bonds] of $\_\_\_ contain a provision that in an event of default, outstanding amounts become immediately due if the Agency is unable to make payment.

The outstanding [notes from direct borrowings/limited obligation bonds] of $\_\_\_ contain (1) a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due if pledged revenues during the year are less than 120 percent of debt service coverage due in the following year and (2) a provision that if the Agency is unable to make payment, outstanding amounts are due immediately. The Agency’s outstanding notes from direct borrowings of $\_\_\_ contain a subjective acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due if the lender determines that a material adverse change occurs.

[Disclose here]

**Worksheet 310 - Changes in Long-Term Liabilities and Short-Term Debt (Business-Type)**

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| --- | --- |
| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

Governments should provide details in the notes to the financial statements about short-term debt activity during the year, even if no short-term debt is outstanding at year-end. A government should separate disclosures regarding direct borrowings and direct placements of debt from other debt. Short-term debt results from borrowings characterized by anticipation notes, use of lines of credit, and similar loans.

[GASB Codification Section 2300.124]

**In the space below, please describe the short-term debt activity, including the purpose for which the short-term debt was issued:**

**Worksheet 311 - Long-Term Debt and Short-Term Debt (Business-Type)**

|  |  |
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| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

Governments should provide summarized information in the notes to the financial statements about the items below for short-term and long-term debt. For note disclosure purposes, GASB defines debt as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. Exceptions include leases and accounts payable. Disclosures for direct borrowings and direct placements of debt should be disclosed separately from other debt. [GASB Codification Section 1500.129-130]

* **Amount of unused lines of credit.**

The \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (Agency/University) has an unused line of credit in the amount of $\_\_\_\_\_\_\_\_\_\_\_.

* **Assets pledged as collateral for debt.** Provide disclosures in the space below for all debt using the examples as a guide.

EXAMPLES:

See example disclosures for Energy Savings contracts in the Terms disclosure section below.

The Agency/University has pledged buildings, land, and parking facilities as collateral for outstanding [revenue bonds/limited obligation bonds/notes from direct borrowings] of $\_\_\_\_\_\_\_.

The outstanding [limited obligation bonds (LOBs)/revenue bonds] of $\_\_\_\_\_ secured by revenues which include rentals payable by the University under leases and use agreements on the facilities financed and refinanced with the [LOBs/revenue bonds]. The [LOBs/revenue bonds] are further secured by a deed of trust on the property financed and refinanced with the [LOBs/revenue bonds].

[Disclose here]

* **Terms specified in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences, and (3) subjective acceleration clauses.** Provide disclosures in the space below for all debt using the examples as a guide. (Make disclosures on next page).

EXAMPLES:

[Example disclosures begin on next page]

**Worksheet 311 - Long-Term Debt and Short-Term Debt (Business-Type)**

|  |  |
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| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

The outstanding notes from direct borrowings of $\_\_\_\_\_\_ contain provisions that in the event of default, the lender may suspend or terminate its obligations to disburse any remaining undisbursed loan proceeds and accelerate the outstanding amount due.

The outstanding [revenue bonds/direct placement bonds/limited obligation bonds/notes from direct borrowings] of $\_\_\_\_\_\_ contain a provision that in an event of default, the bonds may become immediately due and payable if the University fails to pay any outstanding bond debt service.

The outstanding [revenue bonds/direct placement bonds/limited obligation bonds] of $\_\_\_\_\_ contain provisions that in an event of default, the bonds may become immediately due and payable if the University fails to make any payment when due or fails to perform any covenant, condition, agreement, or provision for a period of 30 days after written notice.

The outstanding [limited obligation bonds (LOBs)/revenue bonds] of $\_\_\_\_\_ contain provisions that in the event of default, the bonds become immediately due and payable if the University fails to make any payment when due or fails to perform any covenant, condition, agreement, or provision for a period of 30 days after written notice. Additionally, the bonds become immediately due and payable if an event of default occurs under the leases or use agreements or under the deed of trust. The Trustee may also take property secured under the deed of trust held as security, including foreclosure on the property held as security.

The Agency/University has pledged the energy savings improvements installed in its buildings and other structures as collateral for Guaranteed Energy Savings Installment Financing Agreements in relation to the outstanding notes from direct borrowings of $\_\_\_\_\_\_\_. These agreements contain provisions related to events of default and remedies. Significant to these provisions, an event of default occurs when: (1) the University fails to pay an installment payment when due, (2) an event of nonappropriation from the State occurs, (3) insurance coverage on the asset is not maintained, or (4) the University fails to perform any warranty, covenant, condition, or agreement within 30 days of receiving written notice by the lender or fails to diligently pursue corrective action for matters that cannot be reasonably corrected within 30 days. Upon the occurrence of any event of default, the lender may declare the outstanding amount due and payable immediately. The lender may also exercise all remedies available by law or in the equity provided under the agreement, including sale of the secured assets, and apply the proceeds of any such sale to the amounts due after deducting all costs and expenses related to the recovery, repair, storage, and sale of the secured assets, including court costs and reasonable attorneys’ fees incurred.

[Example disclosures continued on next page]

**Worksheet 311 - Long-Term Debt and Short-Term Debt (Business-Type)**

|  |  |
| --- | --- |
| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

The outstanding [notes from direct borrowings/revenue bonds/limited obligation bonds] of $\_\_\_ contain (1) a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due if pledged revenues during the year are less than 120 percent of debt service coverage due in the following year and (2) a provision that if the Agency/University is unable to make payment, outstanding amounts are due immediately. The Agency/University’s outstanding notes from direct borrowings of $\_\_\_ contain a subjective acceleration clause that

allows the lender to accelerate payment of the entire principal amount to become immediately due if the lender determines that a material adverse change occurs.

[Disclose here]

**Worksheet 322 – Pollution Remediation Obligations**

|  |  |
| --- | --- |
| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

1. **Disclose the following about recognized pollution remediation liabilities: (a) the nature and source of pollution remediation obligations (e.g., federal, state, or local laws or regulations) and (b) the methods and assumptions used to estimate the liability, and the potential for changes because of for example, price increases or reductions, technology or applicable laws or regulations.**
* Example - Under the federal Superfund law, the federal EPA named the State and other parties as potentially responsible for remediation. Accordingly, the State recorded a pollution remediation liability, measured at its expected amount, using the expected cash flow technique. The liability could change over time due to changes in cost of goods and services, changes in remediation technology, or changes in laws and regulations governing the remediation effort.
* Example – During the current fiscal year, the university began a project to renovate XYZ dormitory. The renovation plan called for work, including the removal of asbestos ceiling and floor tiles, to be completed in two phases over two summers. Because the voluntary commencement of asbestos removal is an obligating event, the university recorded a liability for the expected outlay of completing removal work that it had initiated. The amount of the liability was derived from the construction contract and assumes no unexpected change orders.

[Disclose here]

1. **For pollution remediation liabilities, or portions thereof, that are not yet recognized because they are not reasonably estimable, provide a general description of the nature of pollution remediation activities.**
* Example - The pollution remediation liability does not include outlays for site cleanup because those outlays were not reasonably estimable.

[Disclose here]

**Worksheet 323 – Certain Asset Retirement Obligations**

|  |  |
| --- | --- |
| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

GASB Statement 83 requires the following note disclosures for certain asset retirement obligations (AROs):

1. A general description of the AROs and associated tangible assets, as well as the source of the obligations.
2. The methods and assumptions used to measure the liabilities.
3. The estimated remaining useful life of the associated tangible capital assets.
4. How any legally required funding and assurance provisions associated with AROs are being met.
5. The amount of assets restricted for payment of the liabilities, if not separately displayed in the financial statements.

If an ARO or portions thereof has been incurred but is not yet recognized because it is not reasonably estimable, the government should disclose that fact and the reasons therefor.

**Please provide the required disclosures for AROs in the space provided below.**

**Worksheet 326 – Disclosure of Pledged Revenues Coverages**

|  |  |
| --- | --- |
| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

For each period in which secured debt1, 2 remains outstanding, GASB Codification Section S20.120 - .121, requires governments to disclose, in the notes to the financial statements, information about specific revenues pledged.

Notes

1. Examples of secured debt include revenue bonds, special indebtedness, direct placements, notes from direct borrowings, certificates of participation, GARVEE bonds (DOT only), and borrowings by the Division of Employment Security.
2. If a specific revenue stream is pledged as security for multiple debt issuances, the required disclosures may be combined in a single note.

**Proforma Disclosures**

**Agencies:**

**Example for DOT to use and modify as necessary:**

The State has pledged future federal transportation revenues to repay $\_\_\_\_\_\_ of Grant Anticipation Revenue Vehicle (GARVEE) bonds payable at June 30, 20XX. These bonds were issued in May 2015, August 2017 and June 2019. Such federal transportation revenues consist of amounts derived from the National Highway System and other federal surface transportation programs pursuant to Title 23 of the United States Code. Annual principal and interest requirements on the GARVEE bonds of governmental activities are expected to require less than \_\_\_\_\_ % of such federal transportation revenues. The North Carolina General Statute 136-18 limits the amount that can be issued by providing that the maximum debt service on all GARVEE bonds may not exceed \_\_\_\_ % of the expected annual federal revenue and that the outstanding principal amount may not exceed the total amount of federal transportation funds authorized to the State in the prior federal fiscal year.

Proceeds from the bonds will be used to accelerate the funding of various transportation projects identified in the current State Transportation Improvement Plan. As required by State law, the projects have been selected on factors including a broad geographical distribution across the State. The total principal and interest remaining to be paid on the bonds is $\_\_\_\_\_\_\_ (Z), payable through fiscal year \_\_\_­­\_\_(year).  For the current fiscal year, principal and interest paid and total federal transportation revenues were $\_\_\_\_ (X) and $\_\_\_\_\_ (Y), respectively.

**Instructions:**

**Current year Principal and Interest (X) should equal worksheet 325 Principal (E) plus Interest (F).**

**Current year Net available revenue(Y) should equal worksheet 325 Net available revenue (D).**

**Total Principal and Interest remaining on the bond (Z) should equal worksheet 315/320 (Total requirements Principal and Interest) only if the entire debt is secured by pledged revenue.**

**Example for NC Turnpike Authority to use and modify as necessary:**

The State has pledged, as security for revenue bonds issued by the North Carolina Turnpike Authority (NCTA), net revenues from the operation of the Triangle Expressway System and the Monroe Connector System. As of June 30, 20XX, the Triangle Expressway had $\_\_\_\_\_\_\_ of Appropriation and Revenue bonds payable and the Monroe Expressway had $\_\_\_\_\_\_\_ of Appropriation and Revenue bonds payable and a $\_\_\_\_\_ TIFIA line of credit. For the Senior Lien and Toll Revenue bonds and TIFIA, specific revenues pledged consist of toll revenues and all other income derived from the operation of the Triangle Expressway and the Monroe Expressway. For the State Annual Appropriation Revenue Bonds, specific revenues pledged consist of federal interest subsidy payments and investment income.

The State has elected to treat the State Annual Appropriation Revenue Bonds as “Build America Bonds” for purposes of the American Recovery and Reinvestment Act of 2009 and to receive a cash subsidy from the United States Treasury equal to \_\_% of the interest payable on these bonds.

Proceeds from the bonds are being used to pay the costs of land acquisition, design, construction, and equipping of the Triangle Expressway System, a 19-mile toll road facility built in Durham and Wake counties that opened in January 2013 and the Complete 540 project extending the Expressway an additional 28 miles. Additionally, proceeds from the bonds are being used to pay the costs of design, construction, and equipping of the Monroe Connector System, a 19.7-mile toll road facility in Mecklenburg and Union counties that opened in November 2018. The total principal and interest remaining to be paid on the bonds is $\_\_\_\_\_\_\_\_\_\_\_ (Z), payable through fiscal year \_\_\_\_\_\_ (final maturity date). For the current fiscal year, principal and interest paid, and available revenues (toll revenues, fees, federal interest subsidy, federal transportation funds and investment revenues) were $\_\_\_\_\_\_\_\_\_ (X) and $\_\_\_\_\_\_\_\_ (Y), respectively.

**Instructions:**

**Current year Principal and Interest (X) should equal worksheet 325 Principal (E) plus Interest (F).**

**Current year Net available revenue(Y) should equal worksheet 325 Net available revenue (D).**

**Total Principal and Interest remaining on the bond (Z) should equal worksheet 315/320 (Total requirements Principal and Interest) only if the entire debt is secured by pledged revenue.**

**Universities and UNC Hospital System:** Complete the table below for revenue bonds payable, direct placements special indebtedness (i.e., certificates of participation and limited obligation bonds), and notes from direct borrowings **for ONLY those that are pledged by a specific revenue stream.**

The University has pledged future revenues, net of specific operating expenses, to repay revenue bonds, direct placements, special indebtedness and notes from direct borrowings as shown in the table below:

****

**Instructions:**

**Current year Principal plus Interest (X) should equal worksheet 325 Principal (E) plus Interest (F).**

**Current year Revenues Net of Expenses (Y) should equal worksheet 325 Net Available Revenue (D).**

**Total Future Revenues Pledged (Z) should equal worksheet 315/320 (Total requirements Principal and Interest) only if the entire debt is secured by pledged revenue.**

**Worksheet 330 – Debt Defeasances**

|  |  |
| --- | --- |
| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

**Disclosures regarding (a) direct borrowings and direct placements of debt should be separated from (b) other debt.**

**Current Refunding**

On [Date], the Agency/University issued $\_\_\_\_\_ in [Name of New Bond Issue, indicate if direct placement or notes from direct borrowings] refunding bonds with an average interest rate of \_\_\_\_\_%. The bonds were issued for a current refunding of $\_\_\_\_\_\_ of outstanding [Name of Old Bond Issue, indicate if direct placement or notes from direct borrowings] bonds with an average interest rate of \_\_\_\_\_%. The refunding was undertaken to reduce total debt service payments by $\_\_\_\_\_ over the next \_\_\_\_\_ years and resulted in an economic gain of $\_\_\_\_\_.

**Advance Refunding**

On [Date], the Agency/University issued $\_\_\_\_\_ in [Name of New Bond Issue, indicate if direct placement or notes from direct borrowings] refunding bonds with an average interest rate of \_\_\_\_\_%. The bonds were issued to advance refund $\_\_\_\_\_ of outstanding [Name of Old Bond Issue, indicate if direct placement or notes from direct borrowings] bonds with an average interest rate of \_\_\_\_\_%. The net proceeds of the refunding bonds [along with other resources] were used to purchase U.S. government securities. The substitution of these securities with monetary assets that are not essentially risk-free is not prohibited. [Omit if not applicable, for example if the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is prohibited by bond indenture.] The U.S. government securities were deposited in an irrevocable trust to provide for all future debt service on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net position. This advance refunding was undertaken to reduce total debt service payments by $\_\_\_\_\_ over the next \_\_\_\_\_ years and resulted in an economic gain of $\_\_\_\_\_. At June 30, 20XX, the outstanding balance was $\_\_\_\_\_ for the defeased [Name of Old Bond Issue, indicate if direct placement or notes from direct borrowings] bonds.

**Debt Defeased Using Only Existing Resources**

On [Date], the Agency/University defeased $\_\_\_\_\_ of outstanding [Name of Old Bond Issue, indicate if direct placement or notes from direct borrowings] bonds using only existing resources [disclose specific resources used]. The debt was defeased to [disclose reason for the defeasance]. Cash and other monetary assets [disclose specific assets acquired] of $\_\_\_\_\_ were acquired with existing resources [disclose specific resources] that were placed with the escrow agent. The substitution of these monetary assets [disclose specific assets acquired] with monetary assets that are not essentially risk-free is not prohibited. [Omit if not applicable, for example if the substitution of essentially risk-free monetary assets with monetary assets that are not essentially risk-free is prohibited by bond indenture.] The amount of cash flows required to service the defeased debt is $\_\_\_\_\_ . The monetary assets [disclose specific assets acquired] were deposited in an irrevocable trust to provide for all future debt service on the defeased bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net position.

**Worksheet 335 – Demand Bonds**

|  |  |
| --- | --- |
| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

For each demand bond that had an outstanding balance of $20 million or more at year-end, prepare a note disclosure that includes the following:

1. General description of each demand bond.
2. Terms of letter of credit or other standby liquidity agreements outstanding.
3. Associated commitment fees of the letters of credit.
4. Amounts drawn on the letters of credit or other standby liquidity agreements at year end.
5. A description of any take out agreement including expiration dates and commitment fees.
6. Terms of obligations under the take out agreement.
7. The debt service requirements that would result from the take out agreement, if exercised.

**Disclosures regarding (a) direct borrowings and direct placements of debt should be separated from (b) other debt.**

Note:

Please use the prior year demand bond disclosure that was included in last year's final State ACFR, which includes all ACFR audit adjustments and formatting changes, as the starting point for your current year's disclosure. If changes were made during the prior year ACFR compilation, your OSC analyst will provide the updated disclosures.

**Please provide the required disclosures for demand bonds in the space below:**

**Worksheet 338 – Nonexchange Financial Guarantees**

|  |  |
| --- | --- |
| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

**Only applies to 07 Treasurer, 13 Administration, 15 Transportation, 16 Environmental Quality, 19 Public Safety, 46 Natural and Cultural Resources, UNC System Entities (Including UNC Healthcare System), State Education Assistance Authority, NC Housing Finance Agency, NC Biotechnology Center, Economic Development Partnership of NC, and State Ports Authority.**

For governments that extend nonexchange financial guarantees, disclose the following information, by type of guarantee, for all nonexchange guarantees regardless of the likelihood of a payment being required:

1. A description of the nonexchange financial guarantee, identifying:
2. Legal authority and limits for extending the guarantees and types of obligations guaranteed;
3. Relationship of the government to the issuer(s) of the obligations that are guaranteed;
4. Length of time of the guarantees;
5. Arrangements for recovering payments from the issuer(s) of the obligations that are guaranteed.
6. Total amount of all guarantees extended that are outstanding at the reporting date.

A government that recognizes a nonexchange financial guarantee liability or has made payments during the reporting period on nonexchange financial guarantees extended should disclose the following:

1. Brief description of the timing of recognition and measurement of the liabilities and information about the changes in recognized guarantee liabilities, including the following:
2. Beginning-of-period balances;
3. Increases, including initial recognition and adjustments increasing estimates;
4. Guarantee payments made and adjustments decreasing estimates;
5. End-of-period balances.
6. Cumulative amounts of indemnification payments that have been made on guarantees extended that are outstanding at the reporting date.
7. Amounts expected to be recovered from indemnification payments that have been made through the reporting date.

For governments that issue obligations, if a government has one or more outstanding obligations at the reporting date that have been guaranteed by another entity as part of a nonexchange transaction, disclose the following information about the guarantee(s) by type of guarantee:

1. Name of entity providing the guarantee;
2. Amount of the guarantee;
3. Length of time of the guarantee;
4. Amount paid, if any, by the entity extending the guarantee on obligations of the government during the current reporting period;
5. Cumulative amount paid by the entity extending the guarantee on outstanding obligations of the government;
6. Description of requirements to repay the entity extending the guarantee;
7. Outstanding amounts, if any, required to be repaid to the entity providing the guarantee.

If a government has issued a guaranteed obligation for which payments have been made during the reporting period by the entity that extended the guarantee and that guaranteed obligation is no longer

**Worksheet 338 – Nonexchange Financial Guarantees**

|  |  |
| --- | --- |
| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

outstanding at the end of the reporting period, regardless of whether the government has any other outstanding guaranteed obligations at the end of the reporting period, it should disclose:

1. Amount paid by the entity that extended the guarantee on obligations of the government during the current reporting period;
2. Cumulative amount paid by the entity that extended the guarantee on outstanding obligations of the government;
3. Description of requirements to repay the entity that extended the guarantee;
4. Outstanding amounts, if any, required to be repaid to the entity that provided the guarantee.

GASB Statement 70 may be applied prospectively for the cumulative amounts disclosed above. If applied prospectively, the disclosure should state the date through which the cumulative amounts are determined.

Refer to GASB Codification Section N30 Nonauthoritative Discussion for illustrations of required disclosures.

**Worksheet 340 – Derivative Instruments**

**Disclosure Instructions**

We require the following GASB 53 information for disclosure in the State’s ACFR:

* Derivative Instrument Reclassifications. Fair values of derivative instruments reclassified from a hedging derivative instrument to an investment derivative instrument. There also should be disclosure of the deferral amount that was reported within investment revenue upon the reclassification.
* Contingent Features. Governments should disclose contingent features that are included in derivative instruments held at the end of the reporting period, such as a government’s obligation to post collateral if the credit quality of the government’s hedgeable item declines. For derivative instruments with contingent features reported as of the end of the reporting period, disclosure should include:
1. The existence and nature of contingent features and the circumstances in which the features could be triggered.
2. The aggregate fair value of derivative instruments that contain those features.
3. The aggregate fair value of assets that would be required to be posted as collateral or transferred in accordance with the provisions related to the triggering of the contingent liabilities.
4. The amount, if any, that has been posted as collateral by the government as of the end of the reporting period.
* Hybrid Instruments. A hybrid instrument is composed of an embedded derivative instrument and a companion instrument. If a government reports a hybrid instrument, disclosures of the companion instrument should be consistent with disclosures required of similar transactions (e.g., disclosures for debt instruments).

*Note: To meet this disclosure requirement, the historical price of the companion instrument (i.e., borrowing) should be provided in the accompanying narrative. If the companion instrument is determined by OSC to be material to the State’s ACFR, OSC will contact you for additional information.*

* Synthetic Guaranteed Investment Contracts (SGIC). Governments that report an SGIC that is fully benefit-responsive, as described in GASB 53 (paragraph 67) should disclose the following information in the notes to the financial statements as of the end of the reporting period:
1. A description of the nature of the SGIC.
2. The SGIC’s fair value (including separate disclosure of the fair value of the wrap contract and the fair value of the corresponding underlying investments).

**Worksheet 340 – Derivative Instruments**

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| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

**Please provide the required disclosures in the space below:**

Derivative Instrument Reclassifications

As of June 30, 20XX, the [Agency/University] determined that the [type of derivative instrument, e.g., pay-fixed interest rate swap] no longer met the criteria for effectiveness; therefore, it is reported as an investment derivative instrument. Accordingly, the accumulated changes in fair value of the [type of derivative instrument, e.g., swap] of $\_\_\_\_\_\_ as of June 30, 20XX and the change in the fair value of the [swap, etc.] of $\_\_\_\_\_\_ during fiscal year 20XX are netted. The net amount of $\_\_\_\_\_\_\_ is included in investment income for the year ended June 30, 20XX.

Contingent Features

Hybrid Instruments

**Provide a brief description of the companion instrument, including its historical price.**

Synthetic Guaranteed Investment Contracts (e.g. State 401(k) and Deferred Compensation Plans)

In the Supplemental Retirement Income Plan of North Carolina, 401(k) Plan, there are synthetic guaranteed investment contracts (SGICs) within the North Carolina Stable Value Fund. SGICs are unallocated insurance contracts. There is a SGIC with The Prudential Insurance Company of America (Prudential), one SGIG with Nationwide Life Insurance Company (Nationwide Life), and one SGIC with American General Life Insurance Company (American General) which are all fully benefit responsive. The SGICs provided an average credit rating yield of \_\_\_%, \_\_\_%, and \_\_\_%, respectively. The fair value of the securities covered by the contracts as of December 31, 20XX, is $\_\_\_ (billion/million) and the contract value is $\_\_\_ (billion/million). The contracts are unrated and have a maturity of less than one year.

The Supplemental Retirement Income Plan of North Carolina has entered into wrap contracts with Prudential, Nationwide Life, and American General to assure that the crediting rate on participant investments will not be less than zero. The wrap contracts with Prudential, Nationwide Life, and American General were determined to have no value.

|  |  |  |
| --- | --- | --- |
| **SGIC Components** |  | **Fair Value** |
| Underlying investments |  | $ |
| Wrap contract |  |  |
| Total |  | $ |

**Worksheet 341 – Hedging Derivative Instruments**

**Disclosure Instructions**

We require the following disclosures for hedging derivative instrument in the State’s ACFR:

* Other significant terms (not included on Worksheet 341)
1. Embedded options, such as caps, floors, or collars.
2. The amount of cash paid or received, if any, when a forward contract or swap (including swaptions) was entered into.
* Credit risk. If a hedging derivative instrument reported by the government as an asset exposes a government to credit risk, the government should disclose that exposure as credit risk and disclose the following information:
1. The government’s policy of requiring collateral or other security to support hedging derivative instruments subject to credit risk, a summary description and the aggregate amount of the collateral or other security that reduces credit risk exposure, and information about the government’s access to that collateral or other security.
2. The government’s policy of entering into master netting arrangements, including a summary description and the aggregate amount of liabilities included in those arrangements. Master netting arrangements are established when (a) each party owes the other determinable amounts, (b) the government has the right to set off the amount owed with the amount owed by the counterparty, and (c) the right of setoff is legally enforceable.

*Note: The credit risk disclosures above* ***do not extend to derivative instruments that are exchange-traded****, such as futures contracts. For those derivative instruments, disclosures for amounts held by broker/dealers is evaluated by applying the custodial credit risk disclosures found in Statements No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements, and No. 40, Deposit and Investment Risk Disclosures.*

* Interest rate risk. If a hedging derivative instrument increases a government’s exposure to interest rate risk, the government should disclose that increased exposure as interest rate risk and should disclose the hedging derivative instrument’s terms that increase such a risk. The determination of whether a hedging derivative instrument increases interest rate risk should be made after considering, for example, the effects of the hedging derivative instrument and any hedged debt.
* Basis risk. If a hedging derivative instrument exposes a government to basis risk, the government should disclose that exposure as basis risk and should disclose the hedging derivative instrument’s terms and payment terms of the hedged item that creates the basis risk.
* Termination risk. If a hedging derivative instrument exposes a government to termination risk, the government should disclose that exposure as termination risk and the following information, as applicable:
1. Any termination events that have occurred.
2. Dates that the hedging derivative instrument 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.
* Rollover risk. If a hedging derivative instrument exposes a government to rollover risk, the government should disclose that exposure as rollover risk and should disclose the maturity of the hedging derivative instrument and the maturity of the hedged item.
* Market-access risk. If a hedging derivative instrument creates market-access risk, the government should disclose that exposure as market-access risk.
* Foreign currency risk. If a hedging derivative instrument exposes a government to foreign currency risk, the government should disclose the U.S. dollar balance of the hedging derivative instrument, organized by currency denomination and by type of derivative instrument.
* Other quantitative method of evaluating effectiveness. If effectiveness is evaluated by application of a quantitative method not specifically identified in GASB Statement 51 (paragraphs 48 and 62), governments should disclose the following information:
1. The identity and characteristics of the method used.
2. The range of critical terms the method tolerates.
3. The actual critical terms of the hedge.

*Note: There is no requirement to disclose information that a pricing service considers to be proprietary and after making every reasonable effort the pricing service declines to make available. This fact, however, should be disclosed.*

**Worksheet 341 – Hedging Derivative Instruments**

|  |  |
| --- | --- |
| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

**Please provide the required disclosures for hedging derivative instruments in the space below:**

**Worksheet 342 – Investment Derivative Instruments**

**Disclosure Instructions**

We require the following disclosures for investment derivative instruments in the State’s ACFR:

* Credit risk. If an investment derivative instrument reported by the government as an asset exposes a government to credit risk, the government should disclose that exposure as credit risk and disclose the following information:
1. The government’s policy of requiring collateral or other security to support investment derivative instruments subject to credit risk, a summary description, and the aggregate amount of the collateral or other security that reduces credit risk exposure, and information about the government’s access to that collateral or other security.
2. The government’s policy of entering into master netting arrangements, including a summary description and the aggregate amount of liabilities included in those arrangements. Master netting arrangements are established when (a) each party owes the other determinable amounts, (b) the government has the right to set off the amount ow 0ed with the amount owed by the counterparty, and (c) the right of setoff is legally enforceable.

*Note: The credit risk disclosures above* ***do not extend to derivative instruments that are exchange-traded****, such as futures contracts. For those derivative instruments, disclosures for amounts held by broker/dealers is evaluated by applying the custodial credit risk disclosures found in Statements No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements, and No. 40, Deposit and Investment Risk Disclosures.*

* Interest rate risk. If an investment derivative instrument exposes a government to interest rate risk, the government should disclose that exposure consistent with the disclosures required by Statement 40, paragraphs 14 and 15 (see below). Further, an investment derivative instrument that is an interest rate swap is an additional example of an investment that has a fair value that is highly sensitive to interest rate changes as discussed in Statement 40, paragraph 16 (see below). The fair value, notional amount, reference rate, and embedded options should be disclosed.

*GASB 40, Paragraph 14 – Governments should disclose information about the interest rate risk of their debt investments by using a disclosure method described in paragraph 15. Governments also should disclose the terms of investments with fair values that are highly sensitive to changes in interest rates.*

*GASB 40, Paragraph 15 – Interest rate risk information should be organized by investment type and amount using one of the following methods:*

1. *Segmented time distribution*
2. *Specific identification*
3. *Weighted average maturity*
4. *Duration*
5. *Simulation model*

*GASB 40, Paragraph 16 – The terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes. To the extent investment terms are not considered in the interest rate risk disclosure requirements of paragraph 15, the terms and fair value of that investment should be disclosed. Terms include such information as coupon multipliers, benchmark indexes, reset dates, and embedded options.*

* Foreign currency risk. If an investment derivative instrument exposes a government to foreign currency risk, the government should disclose that exposure consistent with the disclosures required by Statement 40, paragraph 17 (see below).

*GASB 40, Paragraph 17 – If a government's deposits or investments are exposed to foreign currency risk, the government should disclose the U.S. dollar balances of such deposits or investments, organized by currency denomination and, if applicable, investment type.*

Note: Please provide these disclosures on the next page.

**Worksheet 342 – Investment Derivative Instruments**

|  |  |
| --- | --- |
| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

**Please provide the required disclosures for investment derivative instruments in the space below:**

**Worksheet 345 – Contingencies**

|  |  |
| --- | --- |
| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

**Describe material contingent liabilities that require possible disclosure in accordance with the guidelines below:**

1. The chance that the State entity will actually incur the liability is better than a REMOTE (either POSSIBLE or

 PROBABLE) likelihood (terms are defined in the instructions); and,

2. The amount of the possible liability is known or can be reasonably estimated, or the amount of the probable/possible

 liability cannot be reasonably estimated.

3. Material contingent liability is defined as $20 million or greater.

**Please provide description below:**

**Worksheet 350 – Construction and Other Significant Commitments**

|  |  |
| --- | --- |
| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

**Examples of Previous Note Disclosures**

The State Treasurer has entered contracts with external fund managers of several investment portfolios within the North Carolina Department of State Treasurer External Investment Pool (External Investment Pool), where the State Treasurer agrees to commit capital to these investments. More detailed information about the External Investment Pool is available in a separate report (See Note 3A).

The UNC Investment Fund, LLC (UNC Investment Fund) at the University of North Carolina at Chapel Hill has entered into agreements with limited partnerships to invest capital. These agreements represent the funding of capital over a designated period of time and are subject to adjustments. As of June 30, 2022, the UNC Investment Fund had approximately $2.15 billion unfunded committed capital.

**Current Year Note Disclosures (Please update as necessary)**

**Worksheet 355 – Subsequent Events/Other Items**

|  |  |
| --- | --- |
| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

**Issuance of Debt**

We require the following information for disclosure in the State’s ACFR. Please write a narrative as per the example below and ensure that it includes information required in items 1) to 7).

1) Description of issue:

2) Amount of issue:

3) Interest rate (s):

4) Date of issue or contract:

5) Term:

6) Maturity date:

7) Principal and Interest dates:

**Note: Please exclude debt issued primarily for refunding of bonds.**

**Examples:**

**Bonds**

On \_\_\_\_\_\_\_\_\_ (date) the **[Agency Name/the Board of Governors of the University of North Carolina on behalf of the [University Name]]** issued $\_\_\_\_\_\_\_\_ million in \_\_\_\_\_\_\_\_ (tax-exempt/taxable) \_\_\_\_\_\_\_\_\_\_ (type of bonds) Bonds, Series \_\_\_\_\_\_\_. The bonds are dated \_\_\_\_\_\_\_\_\_\_ (date) and will bear interest from that date. Interest on the bonds will be payable semiannually on each \_\_\_\_\_ (date) and \_\_\_\_\_ (date), commencing \_\_\_\_\_ (date). The bonds consist of \_\_\_\_\_\_ (serial/term) bonds that will mature from \_\_\_\_\_\_\_ to \_\_\_\_\_ and, with interest rates ranging from \_\_\_% to \_\_%. ***[Duplicate previous statement if more than one bond type.]***. The bonds were issued to provide funds for \_\_\_\_\_\_\_\_\_\_ (purpose).

**Commercial Paper**

On \_\_\_\_\_\_\_\_ (date), the **[Agency Name/the Board of Governors of the University of North Carolina on behalf of the [University Name]]** issued $\_\_\_\_ million through the commercial paper financial program at an interest rate of \_\_\_\_\_%. The proceeds will provide funds for \_\_\_\_\_\_\_\_(purpose).

**Other examples of subsequent events**

* Loss due to a natural disaster- fire, tornado, hurricane, flood etc.
* Creation of a new component unit

**Worksheet 360 – Related Party Transactions - Instructions**

|  |
| --- |
| Source: Please refer to the GASB Codification section 2250 for additional guidance.Financial statements should include disclosures of related party transactions, other than compensation arrangements, expense/expenditure allowances, and other similar items in the ordinary course of operations. Complete this worksheet if your agency engaged in any **material transactions** with related parties, other than |
| transactions reported on worksheet 610 or as described above.For the ACFR, material transactions with related parties are defined as $**10 million** or greater, with the exception of certain university fundraising foundations. |  |
| For **university fundraising foundations** **that are not part of the financial reporting entity** (e.g. GASB 39 foundations |
| that are not required to prepare the foundation conversion template because they do not meet the 5% test), **all financial support should be reported without threshold** – see next page.**\*\*** |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| If applicable, prepare a note disclosure in the **ACFR Package Narrative** on the next page that includes the |  |
| following information: |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| 1. | The nature of the relationship(s) involved. |  |  |  |  |  |  |  |
| 2. | A description of the transactions, including transactions to which no amount or nominal amounts were |  |
|  | ascribed, and such other information deemed necessary to understand the effects of the transactions |  |
|  | on the financial statements. |  |  |  |  |  |  |  |  |  |  |
| 3. | The dollar amounts of transactions for each of the periods for which results of operations are presented |  |
|  | and the effects of any change in the method of establishing the terms from that used in the preceding  |  |
|  | period. |  |  |  |  |  |  |  |  |  |  |  |  |
| 4. | Amounts due from or to related parties as of the date of each financial position statement presented |  |
|  | and, if not otherwise apparent, the terms and manner of settlement. |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Definition of a Related Party Transaction** - A transaction that an informed observer might reasonably |
| believe reflects considerations other than economic self-interest based upon the relationship that exists |  |
| between the parties to the transaction. The term is used in contrast to an arm's-length transaction. |  |
| (Source: GFOA's Governmental Accounting, Auditing, and Financial Reporting, 2012).  |  |
|  |  |
| **Examples of Related Parties** - Members of the governing board, administrative boards or commissions,  |  |
| administrative officials and their immediate families, component units and joint ventures, and affiliated |  |
| or related organizations that are not included as part of the financial reporting entity (Source: GASB |  |
| Codification 2250.504). |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| \*\* For Universities: This worksheet does not apply to blended foundations. Also, this worksheet |
| does not apply to a foundation that meets the GASB 39 criteria and will be discretely presented in the  |  |
| university's financial statements and reported to OSC in the Foundation conversion template due **Sept 11**. |  |
| **This worksheet would apply for a foundation that is reported as a related party in the university's formal notes** |
| **to the financial statements.** |  |  |  |  |  |  |  |  |  |  |

**Worksheet 360 – Related Party Transactions**

|  |  |
| --- | --- |
| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

**Universities: Please fill in the required disclosure for support from foundations as defined above for ACFR Narrative 360 Related Party Transactions:**

**Foundations** - There are \_\_\_\_\_\_ separately incorporated nonprofit foundations associated with the University. These foundations are the (official name of Foundations).

These organizations serve as the primary fundraising arm of the University through which individuals, corporations, and other organizations support University programs by providing scholarships, fellowships, faculty salary supplements, and unrestricted funds to specific colleges and the University’s overall academic environment. The University’s financial statements do not include the assets, liabilities, net assets, or operational transactions of the foundations, except for support from each organization to the University. This support approximated $\_\_\_\_\_\_\_ for the year ended June 30, 2023. The University had receivables from and payables to the related party(ies) of $\_\_\_\_\_\_\_ and $\_\_\_\_\_\_\_\_, respectively, as of June 30, 2023.

**Describe any other related party transactions that meet the $10 million threshold:**

**Worksheet 365 – Restricted Assets**

|  |  |
| --- | --- |
| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

**Detail the Company/Fund or Budget Code/Fund location and the relevant amounts for the restricted assets.**

**Worksheet 401 – Fund Balance Classifications**

**General Fund**

|  |  |
| --- | --- |
| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

**For each restricted, committed, and assigned fund balance identified on w/s 401, provide a description of the following:**

**(1) Purpose of the restriction, commitment, or assignment (2) Funding source (3) Statutory authority, (if applicable).**

**Worksheet 405 – Fund Balance Classifications**

**Special Revenue Fund**

|  |  |
| --- | --- |
| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

**For each restricted, committed, and assigned fund balance identified on w/s 405, provide a description of the following:**

**(1) Purpose of the restriction, commitment, or assignment (2) Funding source (3) Statutory authority, (if applicable).**

**Worksheet 410 – Fund Balance Classifications**

**Capital Projects Funds**

|  |  |
| --- | --- |
| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

**For each restricted, committed, and assigned fund balance identified on w/s 410, provide a description of the following:**

**(1) Purpose of the restriction, commitment, or assignment (2) Funding source (3) Statutory authority, (if applicable).**

**Worksheet 415 – Fund Balance Classifications**

**Permanent Funds**

|  |  |
| --- | --- |
| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

**For each restricted, committed, and assigned fund balance identified on w/s 415, provide a description of the following:**

**(1) Purpose of the restriction, commitment, or assignment (2) Funding source (3) Statutory authority, (if applicable).**

**Worksheet 420 – Restricted and Unrestricted Net Position**

**Business Type Activities**

|  |  |
| --- | --- |
| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

**For each restricted net position identified on w/s 420, provide a description of the following:**

**(1) Purpose of the restriction (2) Funding source (3) Statutory authority, (if applicable).**

For restricted amounts related to GASB 75/DIPNC (OPEB Asset less the DIPNC Deferred Inflows). Please insert the restricted amount below.

$\_\_\_\_\_\_\_\_\_\_\_\_ of net position is restricted for the Disability Income Plan of North Carolina (DIPNC) per G.S. 135-110(a)(2), which states that employer and non-employer contributions, and earnings on those contributions are irrevocable. The assets of the fund are dedicated to providing benefits to participants and beneficiaries in accordance with the Plan’s benefit terms.

**Worksheet 425 – Stewardship, Compliance, and Accountability**

|  |  |
| --- | --- |
| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

1. **Description of the material violation of finance-related legal and contractual provisions**

1. **Actions taken by agency to correct the material violation**

**Worksheet 625 – Analytical Review**

|  |  |
| --- | --- |
| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

**Worksheet 640 – Tax Abatements**

|  |  |
| --- | --- |
| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

Note: The a, b, and c references below refer to the respective program names listed on Worksheet 640 in the Primary Government/Component Units EXCEL Workbook. The paragraph references below refer to the paragraph numbers in GASB 77.

**Program Purpose [GASB Codification T10 .105a. (1)]:**

**Eligibility Criteria [GASB Codification T10 .105a. (4)]:**

1.

**Abatement Mechanism [GASB Codification T10 .105a. (5)]:**

**Recapture Provisions [GASB Codification T10 .105a. (6)]:**

**Recipient Commitments [T10 .105a. (7)]:**

**Commitments made by the State of North Carolina, other than to abate taxes, as part of the agreement [GASB Codification T10 .105d.]:**

**Description of the general nature of the tax information omitted (if legally from disclosing) [GASB Codification T10 .105f.]:**

**Amounts that are received or are receivable from other governments in association with forgone tax revenue including the names of the governments and the authority under which the amounts were or will be paid [GASB Codification T10 .105c.]:**

**Worksheet 745 – Investments Held Outside the State Treasurer – Deposit and Investment Policies**

|  |  |
| --- | --- |
| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

**Worksheet 750 – Investments Held Outside the State Treasurer – Highly Sensitive Investments**

**Disclosure Instructions**

**This disclosure is only applicable to the University System, the State 401(k) plan, the State Deferred Compensation Plan and the Department of Transportation**.

Disclose the terms and fair values of highly sensitive debt investments1. These include any debt instruments with contractual terms or other special factors that expose those investments to the risk of significant changes in fair value resulting from interest rate fluctuations (assuming those terms were not already addressed on Worksheet 720). Terms include such options as coupon multipliers, benchmark indexes, reset dates, and embedded options.

1. Disclosure information for similar investments may be aggregated. (GASB Codification Section I50.741-25)
2. Examples of highly sensitive investments and required disclosures are as follows (GASB Codification Section I50.157):

* A variable-rate investment’s coupon amount enhances or amplifies the effects of interest rate changes by greater than a one-to-one basis, such as 1.25 times the three-month London Interbank Offered Rate (LIBOR). The multiplier makes this investment’s fair value highly sensitive to interest rate changes. This investment’s fair value, its coupon’s multiplier and benchmark index (1.25 times three-month LIBOR), and the frequency of the coupon’s reset date should be disclosed.

* A variable-rate investment’s coupon amount varies inversely with a benchmark index, such as 4 percent minus the three-month LIBOR with a floor of 1 percent. This investment’s fair value, its coupon’s multiplier and benchmark index (4 percent minus the three-month LIBOR with a floor of 1 percent), and the frequency of the coupon’s reset dates should be disclosed.

* An asset-backed investment has repayments that are expected to significantly vary with interest rate changes. The variance may present itself in terms of variable repayment amounts, uncertain early or extended repayments, or in some cases, the possibility of no repayments. Interest-only and residual tranches of collateralized mortgage obligations are specific examples of such investments. This investment’s fair value, the nature of its underlying assets, and the existence of the repayment option should be disclosed.

1. See GASB Codification Section I50.741-15 through .741-28.

**Worksheet 750 – Investments Held Outside the State Treasurer – Highly Sensitive Investments**

**(Continued)**

**Only applies to the University System, the State 401(k) plan, the State Deferred Compensation Plan, and the Department of Transportation.**

|  |  |
| --- | --- |
| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

**Please provide the required disclosures for highly sensitive investments in the space below (see previous page for disclosure requirements):**

**Worksheet 755 – Investments Held Outside the State Treasurer and Derivatives – Fair Value Measurements**

|  |  |
| --- | --- |
| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

**We require the following information for disclosure in the ACFR for the investments, investment derivative instruments, and hedging derivative instruments disclosed at fair value in worksheet 755.**

1. For recurring and nonrecurring fair value measurements, provide the investment type and description of the valuation techniques in the space below if **“Other”** was listed on WS 755 in the Valuation Technique column.
2. For recurring and nonrecurring fair value measurements, if there has been a change in valuation technique that has a **significant** impact on the result, disclose that change and the reason(s) for making it in the space below:

For example, changing from an expected cash flow technique to a relief from royalty technique or the use of an additional valuation technique.

1. For nonrecurring fair value measurements, disclose the reason(s) for the measurement in the space below:

Example:

\_\_\_\_\_\_\_ has a nonrecurring fair value measurement as of June 30, 20XX, for a closed performing arts hall that will no longer be used by the government and therefore is considered to be impaired. The hall has been written down from $\_\_\_\_\_\_ to $\_\_\_\_\_\_ based on an appraisal of the property (Level 3 inputs).

**Worksheet 760 – Investments Held Outside the State Treasurer – Investments Measured at NAV**

**Only Applies to UNC Chapel Hill, the State 401(k) plan, and the State Deferred Compensation Plan.**

|  |  |
| --- | --- |
| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

We require the following information for disclosure in the ACFR for the investments disclosed in worksheet 760.

1. For each investment type, a description of the significant investment strategies of the investee(s) in that type.
2. For each investment type that includes investments that can never be redeemed with the investees, but a government receives distributions through the liquidation of the underlying assets of the investees: the government’s estimate of the period over which the underlying assets are expected to be liquidated by the investees.
3. The circumstances in which an otherwise redeemable investment in the type (or portion thereof) might not be redeemable (for example, investments subject to a redemption restriction, such as a lockup or gate).
4. For those otherwise redeemable investments in (3) that are restricted from redemption as of the government’s measurement date: the estimate of when the restriction from redemption might lapse; if an estimate cannot be made, disclose that fact and how long the restriction has been in effect.
5. Any other significant restriction on the ability to sell investments in the type at the measurement date.
6. If a government determines that it is probable that it will sell an investment(s) for an amount different from the NAV per share (or its equivalent), the total fair value of all investments that meet the criteria in GASB Codification Section I50.130 and any remaining actions required to complete the sale.
7. If a group of investments would otherwise meet the criteria in GASB Codification Section I50.130 but the individual investments to be sold have not been identified (for example, if a government decides to sell 20 percent of its investments in private equity funds but the individual investments to be sold have not been identified), such that the investments continue to qualify for the method of determining fair value in GASB Codification Section I50.127: the government’s plans to sell and any remaining actions required to complete the sale(s).

Refer to GASB Codification Section I50.903 Illustrations, Fair Value Disclosures, Example 2, for illustrations of required disclosures.

**Provide the required disclosures for investments measured at NAV in the space below. Use additional page below if needed.**

**Worksheet 760 – Investments Held Outside the State Treasurer – Investments Measured at NAV**

**(Continued)**

**Only Applies to UNC Chapel Hill, the State 401(k) plan, and the State Deferred Compensation Plan.**

|  |  |
| --- | --- |
| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

**Worksheet 765 – Investments Held Outside the State Treasurer – External Investment Pools and Pool Participants**

**Only Applies to Department of State Treasurer, Department of Transportation, the UNC System, the State 401(k) plan, and the State Deferred Compensation Plan.**

|  |  |
| --- | --- |
| Agency No: |  |
| Agency Name: |  |
| Preparer/Phone: |  |

The disclosures below are in addition to disclosures required by existing GASB statements 3, 31, 40, and 72, as amended.

1. **Entities that Operate Qualifying External Investment Pools**

A qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost should disclose the following:

1. The disclosures required for fair value measurements in GASB Codification Section I50.140 -.143 as they relate to the disclosures of the fair value of investments required by GASB Codification Section In5.103f. Note: the Codification is available at GARS online, which is obtained from GASB’s website [www.gasb.org](http://www.gasb.org)
2. The presence of any limitations or restrictions on participant withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool’s authority to impose liquidity fees or redemption gates).
3. **Entities that Participate in Qualifying External Investment Pools**

Participants in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool’s authority to impose liquidity fees or redemption gates).