

Comptroller's Directive No. 2-09
Attachment HE-12
Schedule of Cash, Cash Equivalents, and Investments at June 30

Purpose This attachment is used to gather uniform financial reporting information for CAFR footnote disclosures required by GASBS No. 3, Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements, as amended by GASBS No. 40, Deposits and Investment Risk Disclosures. This attachment is a supplement to the Attachment HE-10. This is similar to the prior year's Attachment HE-12.

Applicable institutions All institutions that are completing Attachment HE-10 that have cash, cash equivalents, and investments not held with the Treasurer of Virginia and / or SNAP individual portfolios must complete this attachment.

Due Date **Various***

Note*: There are staggered due dates for this submission as follows:

Staggered due dates	HEI acronyms
September 29	GMU, IALR, ITA, JMU, NCI, RU, RHEA, SVHEC, SWVHEC
October 1	CNU, LU, UMW, NSU, ODU, VMI, VPI&SU, VSU
October 5	CWM, UVA, VCU, VCCS

Certification The **Certification** tab requires all preparers and reviewers to type their name on this form. Please note that there should be a segregation of duties; therefore, the preparer and the reviewer should not be the same individual for any tab. By typing a name, the individual is certifying that all tabs of this attachment have been reviewed; the information is both complete and accurate; the preparer and reviewer were not the same individual for any tab; and the instructions for this attachment have been read and are understood.

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Submission requirements

Contact DOA if the institution has any problems with the files.

After downloading the Excel file, rename the file using the institution's acronym followed by Attachment HE-12. For example, VCCS should rename the Attachment HE-12.xls file as VCCS Attachment HE-12.xls.

Submit the Excel file electronically to Finrept-HE@doa.virginia.gov.

Copy APA via e-mail to APAFinRept@apa.virginia.gov.

Do **not** submit paper copies of this spreadsheet.

No revision control log

Some attachments include a revision control log to document changes between the first attachment submission and the final attachment submission. HEIs are required to submit only one complete and accurate Attachment HE-12, Schedule of Cash, Cash Equivalents, and Investments at June 30, by the applicable staggered due date. Therefore, a revision control log is not included in this attachment.

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**Errors
discovered after
submission**

HEIs must ensure that all efforts have been made to submit a complete and accurate Attachment HE-12. However, if the HEI discovers an unexpected error in the attachment after the submission, the Fiscal Officer must send an e-mail with the subject line “**Error discovered after HE-12 submission**” to: Sharon Lawrence, Director of Financial Reporting, at Sharon.Lawrence@doa.virginia.gov and copy: Doug Page, Assistant Director of Financial Reporting, at Doug.Page@doa.virginia.gov, and Christy Tuck, Senior Lead Financial Reporting Analyst, at Christy.Tuck@doa.virginia.gov, and with the following information:

- Description of the error
- Dollar amount of the error
- Number of rows of information that must be corrected
- Correcting information
- Cause of the error
- Reason why the error was not discovered prior to the submission

In addition to sending this e-mail, call Sharon Lawrence (804) 225-2414, Doug Page at (804) 225-3136, or Christy Tuck at (804) 225-3180 to verify they received the e-mail and discuss the reporting error. DOA will determine what additional information may be needed.

Recommended

It is recommended that each institution obtain copies of GASBS No. 3, GASBS No. 40, and the GASBS No. 40 Implementation Guide for better understanding of this attachment.

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As defined

Cash – the standard medium of exchange (paper currency) that must be readily available for the payment of current obligations, and it must be free from any contractual restriction that limits its use in satisfying debts.

Cash Equivalents – instruments or investments of such high liquidity (original maturity of 90 days or less) and low risk that they are virtually as good as cash. Examples are a nonnegotiable certificate of deposit, money market fund, Treasury bill, and monies in the State Non-Arbitrage Program (SNAP) fund*, and the Local Government Investment Pool. Whether an asset is a cash equivalent is determined only once based on the length of the original maturity when the asset is first acquired.

Investments – securities and other assets acquired primarily for the purpose of obtaining income or profit with an original maturity greater than 90 days. This includes securities, which are transferable financial instruments that evidence ownership or creditorship.

Security – generally, an instrument evidencing debt of or equity in a common enterprise in which a person invests on the expectation of financial gain. The term includes notes, stocks, bonds, debentures or other forms of negotiable and nonnegotiable evidences of indebtedness or ownership.

Note*: SNAP Individual Portfolios may include cash equivalents and/or investments depending on what makes up the portfolio. This is why there is a Restricted SNAP Individual Portfolio – cash equivalent and a Restricted SNAP Individual Portfolio – investment line item.

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Directions for the “Detail” tab Below are instructions as to the proper completion of the “Detail” tab in the Excel Attachment HE-12. Please follow these instructions carefully.

Part	Instruction
1a	<p>Report the institution’s total cash not held with the Treasurer of VA. <i>This amount must include restricted cash not with the Treasurer of VA and it must agree to the Total of Attachment HE-10, Tab 1A, Part 2.</i></p> <p>Note: Certificates of deposit (CDs) should NOT be reported as cash. CDs should be reported as cash equivalents and/or investments.</p> <p>Note: Funds held in money-market accounts offered by financial institutions (i.e. banks, savings and loan associations, and credit unions) which are similar to demand deposits versus a broker/dealer (any individual or firm in the business of buying and selling securities for itself and others; broker/dealers must register with the SEC) qualify as deposits, and therefore are classified as cash instead of investments.</p>
1b	For the total cash not held with the Treasurer of VA reported above, provide the total balances of all accounts as reported by the financial institutions where the funds are on deposit as of June 30.
1c	Provide an explanation if the reported amount is negative.

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Directions for the “Detail” tab, continued

Part	Instruction
2a	Of the amount reported in 1b above, provide the amount that is insured by the federal depository insurance. (For public units - only a total of \$250,000 per financial institution for interest bearing and an additional \$250,000 for non-interest bearing accounts (i.e. demand deposits) may be insured by the FDIC).
2b	Of the amount reported in 1b above, provide the amount that is covered by the Security for Public Deposits Act (Section 2.2-4400 of the <i>Code of Virginia</i>). The amount covered is usually the amount deposited in a qualified public depository less the amount covered by federal deposit insurance. The most current listing of qualified depositories is available on the Department of Treasury’s website at http://www.trsvirginia.gov/ . An agency can also contact the SPDA accountant at (804) 225-3249 to determine if their chosen financial institution has become a qualified public depository since the last update. Note: If all cash not held with the Treasurer of Virginia is included in 2a and 2b above, do not complete step 2c below. If not, the remaining amount should be classified in 2c below.
2c	Is any cash NOT held with the Treasurer of Virginia NOT covered by the FDIC or the Security for Public Deposits Act? If so, report the amount and bank balance for all applicable options below: <ul style="list-style-type: none"> i) Uncollateralized ii) Collateralized with securities held by the pledging financial institution iii) Collateralized with securities held by the pledging financial institution’s trust department or agent but not in the depositor-government’s name. The total of the amounts provided must agree to the total amount in step 1b above.
2d	Provide an explanation if the amount reported in Part 2a) is greater than \$250,000:
3	Report the amount of cash equivalents and investments NOT held with the Treasurer of Virginia and restricted SNAP Individual Portfolio amounts. This amount must include restricted cash equivalents and investments not held with the Treasurer of Virginia and it must agree to the Total of Attachment HE-10, Tab 1A, Part 3. Note: <u>This amount should also agree to the sum of all amounts in the “Reported Amount” column on the “Cash Equiv. & Inv. NOT w Tr” tab of the spreadsheet.</u>

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Directions for the “Detail” tab, continued

Part	Instruction
4	List the total fair value of cash equivalents/investments not held with the Treasurer of Virginia (including restricted amounts) and restricted SNAP Individual Portfolio amounts subject to foreign exchange risk. Foreign exchange risk is the risk of an investment’s value changing due to changes in currency exchange rates and/or the risk that an investor will have to close out a long or short position in a foreign currency at a loss due to adverse movements in exchange rates. This amount must equal the total of the fair value amount in the “Foreign Currency Inv” tab of the spreadsheet.
5a	If the sum of cash equivalents not held with the Treasurer of Virginia (including restricted amount) and Restricted SNAP Individual Portfolio - Cash Equivalent amounts on Attachment HE-10 Tab 1A Part 3 is greater than the sum of Less Than 1 year on Cash Equiv. & Inv. Not w Tr. Tab, DOA may contact the institution to obtain an explanation.
5b	Provide an explanation if a Nonnegotiable CD on Cash Equiv. & Inv. Not w Tr. tab is Not reported as cash equivalents not held with the Treasurer of Virginia on Attachment HE-10 Tab 1A Part 3.
5c	The information on Cash Equiv. & Inv. Not w Tr. tab should agree to the agency's individually published financial statements. Any differences must be explained.

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Directions for the “Detail” tab, continued

Part	Instruction
6	<p>Are any of the institution's cash equivalents or investments not held with the Treasurer of VA (including restricted amounts) and restricted SNAP Individual Portfolio amounts in debt securities highly sensitive to interest rate changes? Some examples of these include a variable-rate investment with a multiplier, or a variable-rate investment with a coupon that varies inversely with a benchmark index. For further explanations of highly sensitive investments, refer to the <u>GASBS No. 40</u> Implementation Guide, questions 45 – 58.</p> <p>If the institution marked a “Yes”, please provide an explanation as to why these investments are highly sensitive.</p>
7	<p><u>GASBS No. 40</u> states it is the institution’s responsibility “to update the custodial credit risk disclosure requirements addressing other common risks of the deposits and investments of state and local governments.” With this in mind, please provide a description of any other type of risk to cash, cash equivalents, and investments not covered elsewhere on this attachment.</p>
8	<p>Submit the institution’s investment policy along with this attachment in the e-mail to finrept-HE@doa.virginia.gov. This is the investment policy that will officially be on record with the Department of Accounts. If the institution does have cash, cash equivalents, and investments NOT with the Treasurer of Virginia and DOES NOT have an investment policy, please provide an explanation.</p>

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**Directions for
the “Cash
Equiv. & Inv.
NOT w Tr” tab**

According to GASBS No. 40, institutions that have cash equivalents/ investments not held with the Treasurer of Virginia (including restricted amounts) and restricted SNAP Individual Portfolio amounts will need to report more detailed information about the risk of their cash equivalents and investments. This spreadsheet requests the necessary information DOA needs to properly report in the CAFR.

New for FY 2009: In response to agency requests, the Cash Equiv & Inv. Not w Tr tab is no longer password-protected so that agencies may add additional rows when needed without having to contact DOA or may copy and paste information into the sheet from their own records. In adding rows or copying information, care must be taken to preserve the existing spreadsheet layout and column and row labels. If rows are added, please also copy the “TYPE” and “INVESTMENT” descriptions at columns A and B and the formulas at columns N and P.

List cash equivalent or investment by type (Debt or Equity) and investment category:

Sections are provided for common investment types and categories. If a category for a specific investment is not provided, place it in the Other Debt Securities or Other Equities Securities section, as appropriate. Specify the issuer of the investment in the Description field. The individual investment issue must also be identified. For equity investments, the issue is usually identified by a ticker symbol. For debt investments, the issue is identified by a CUSIP number. Agencies must provide ticker symbol or CUSIP number information for all investments. This information is needed in order to satisfy the concentration of credit risk disclosure requirement of GASBS No. 40.

Note: **Ginnie Mae, EXIMBANK, and SBA** are the only asset-backed securities that should be included with U.S. Treasury and Agency Securities. This is because they are explicitly backed by the U.S. Government. Securities such as those issued by the **Federal National Mortgage Association (FNMA or Fannie Mae), Student Loan Marketing Corporation (Sallie Mae), and the Federal Farm Credit Banks** are **NOT** explicitly backed by the U.S. Government and should not be included in U.S. Treasury and Agency Securities.

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Directions for the “Cash Equiv. & Inv. NOT w Tr” tab, continued

Note: Care should be taken when identifying securities as asset backed. Only securities that are collateralized by other assets, such as mortgage or other consumer loans, should be categorized as asset backed. Although entities such as Fannie Mae and Freddie Mac (Federal Home Loan Mortgage Corporation or FHLMC) issue many asset backed securities, they also issue unsecured debt in the form of bonds and notes. These unsecured debt issues should be listed in the “Agency Unsecured Bonds and Notes” section of the **Cash Equiv. & Inv. Not w Tr** tab and **NOT** in the “Asset Backed Securities” section. If there is doubt as to whether a security is asset backed, this information can be obtained from a variety of sources, including the investment prospectus, the issuer, credit rating agencies or the financial institution that processed the purchase transaction. For example, a search of the investment by CUSIP number at the website of the credit rating agency, Moody’s, www.moodys.com, will indicate whether the debt instrument is unsecured or collateralized by some type of asset.

Example: For the cash equivalent or investment type “Common and Preferred Stocks,” the institution would list each issuer such as General Electric Corp. The institution would also list their ticker symbol “GE”. Because it is an equity security, no credit quality rating would need to be given. The institution would then classify the custodial rate risk for this security.

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Directions for the “Cash Equiv. & Inv. NOT w Tr” tab, continued

Credit Quality Rating (AAA, BB, Unrated, etc.):

List the applicable credit quality rating. The credit quality ratings of cash equivalents and investments in debt securities (corporate bonds, corporate notes, etc) as described by nationally recognized statistical rating organizations (rating institutions) must be disclosed.

Obligations of the U.S. government or obligations **explicitly** guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. Non-negotiable certificates of deposit are also exempt from credit quality ratings. Repurchase agreements are exempt from credit quality ratings **only** if the underlying security is explicitly guaranteed by the U.S. government. The credit quality ratings of external investment pools, money market funds, bond mutual funds, and other pooled investments of fixed-income securities should be disclosed. **If a credit quality disclosure is required and the investment is unrated or not rated by any rating agency, the disclosure should indicate that fact that the investment is Unrated. Under no circumstance, should the rating information for any investment be left blank.**

DOA’s rating drop down list in the **Cash Equiv. & Inv. NOT w Tr** tab provides standardized symbols for commonly used ratings of Standard & Poor’s, Moody’s and Fitch’s. Agencies may also refer to these three rating agencies’ websites for explanations of the ratings and the standardized rating symbols. Once a rating agency is selected for the investment, the list of rating symbols that may be selected in the next column is restricted to only valid ratings symbols for that rating agency. If there is no rating agency for the investment, “N/A” may be selected for both the rating agency and the rating.

Interest rate risk (i.e. maturity) of each cash equivalent and investment:

The interest rate risk of debt investments must be disclosed by investment type and amount. DOA has selected the segmented time distribution method as outlined in GASBS No. 40. This requirement will require the institutions provide, by amount and issuer, the maturity of their debt investments.

GASBS No. 40 does not require separate disclosure for cash equivalents and investments. Therefore, cash equivalent and investment amounts would be listed in one of the investment column maturities (less than 1 year, 1-5 years, 6-10 years, greater than 10 years) depending on the investment securities that have maturities. Most equity type investments do not have a maturity and their total would only be reported in the “category 3” and/or “uncategorized” columns in the custodial credit risk section.

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Directions for the “Cash Equiv. & Inv. NOT w Tr” tab, continued

Negotiable certificates of deposit should be classified as cash equivalents or investments depending on the original maturity. Negotiable instruments are securities that are normally sold in \$1 million units and that can be traded in a secondary market. **Non-negotiable certificates** of deposit should always be reported as cash equivalents in the “Less Than 1 Year” column. Non-negotiable instruments are time deposits that are placed by depositors directly with financial institutions and that are generally subject to a penalty if redeemed before maturity.

Custodial credit risk:

Per GASBS No. 40, the requirement to disclose cash equivalents and investments as categories 1 and 2 is no longer necessary. These amounts should be reported in the uncategorized column. If the security, however, meets the following criteria, the security must still be reported as Category 3.

- Uninsured,
- Not registered in the name of the government, and
- Are held by either the counterparty or the counterparty’s trust department or agent

Note: Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. Securities underlying reverse repurchase agreements are not exposed because they are held by the buyer-lender.

List the total custodial credit risk that is considered category 3 and the amount that is uncategorized (remaining amount) for each issuer. For debt securities, the total of these two columns should equal the sum of the interest rate risk columns mentioned above or an error message will appear. Equity securities (common, preferred stock, index funds, equity index and pooled funds, and real estate) will not have a maturity, and their total would only be reported in the custodial credit risk section.

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Directions for the “Cash Equiv. & Inv. NOT w Tr” tab, continued

Total Reported Amount:

The reported amount column will automatically total from the amounts listed as category 3 and uncategorized in the custodial credit risk columns of the spreadsheet. **An “Error” message will appear for debt securities if this amount does not agree to the sum of the interest rate risk amounts entered.** The overall total of category 3 and uncategorized cash equivalents and investments must agree to the amount reported at Part 3 in the “Detail” tab of the spreadsheet. If it does not, an “Error” message will appear in the “Detail” tab.

Directions for
the “Foreign
Currency Inv”
tab

List the **fair value** of **each** cash equivalent/investment type subject to foreign exchange risk. Foreign exchange risk is the risk of an investment’s value changing due to changes in currency exchange rates and/or the risk that an investor will have to close out a long or short position in a foreign currency at a loss due to adverse movements in exchange rates. The total amount must agree to Part 4 in the “Detail” tab.

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