



IMPORTANT INFORMATION FOR POOL PARTICIPANTS WITH A FISCAL YEAR ENDING AUGUST 2020

To: Accounting Managers

Below is information that may be useful when completing your investment footnote disclosures for August 31, 2020. Please contact Eben Sutton at (206) 477-4540 or Eben.Sutton@KingCounty.Gov if you have any questions.

Suggested GASB No. 40 Disclosure Statement. GASB No. 72 disclosure is not required for external investment pool participants based on GASB Implementation Guide 2017-1, Question 4.36.

In accordance with State law, the district's governing body has entered into a formal interlocal agreement with the district's *ex officio* treasurer, King County, to have all its funds not required for immediate expenditure to be invested in the King County Investment Pool (Pool).

As of August 31, 2020, the district had the following investments:

<u>Investment Type</u>	<u>Fair Value (1)</u>	<u>Effective Duration (2)</u>
King County Investment Pool	\$\$\$\$,\$\$\$	1.12 years

Impaired Investments. *As of August 31, 2020, all impaired commercial paper investments have completed enforcement events.* The King County impaired investment pool (Impaired Pool) held one commercial paper asset where the Impaired Pool accepted an exchange offer and is receiving the cash flows from the investment's underlying securities. The Impaired Pool also held the residual investments in one commercial paper assets that were part of completed enforcement events, where the Impaired Pool accepted the cash-out option. *The District's share of the impaired investment pool principal is [Maximum Risk of Loss] and the district's fair value of these investments is [Maximum risk of Loss: less Unrealized Loss]. (3)*

Interest Rate Risk. As of August 31, 2020, the Pool's average duration was 1.12 years. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted average life, no longer than five years. While the Pool's market value is calculated on a monthly basis, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

Credit Risk. As of August 31, 2020, the district's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, Pool policies authorize investments in U.S. Treasury securities, U.S. agency securities and mortgage-backed securities, corporate notes (rated at least "A"), municipal securities (rated at least "A" by two NRSROs), commercial paper (rated at least the equivalent of "A-1"), certificates of deposits issued by qualified public depositories, repurchase agreements, and the Local Government Investment Pool managed by the Washington State Treasurer's office.

Where to obtain the information necessary to complete the template:

- (1) A Pool participant can calculate the fair value of its investment in the Pool by taking the value from the monthly Pool newsletter from the line titled "Net asset value at fair value price per share" for the pool and multiplying this number times the amount of cash that the participant has in the Pool. For example, if a participant had \$1,000,000 in cash invested in the Pool, the fair value of its investment in the Pool at August 31, 2020 would be calculated by taking \$1,000,000 times 1.0098, or \$1,009,800.00

- (2) The effective duration of the Pool was 1.12 years as of August 31, 2020.
- (3) Use King County supplied Excel file or GL Report for maximum risk of loss and the King County supplied Excel file for unrealized loss amount, or the composite fair value ratio, 0.6099, on the impaired pool section in the August 2020 monthly newsletter.

Note to Pool Participants: While we believe that the template above meets the disclosure requirements of GASB Statement No. 40, each local government should consult with their own accounting advisors for guidance.